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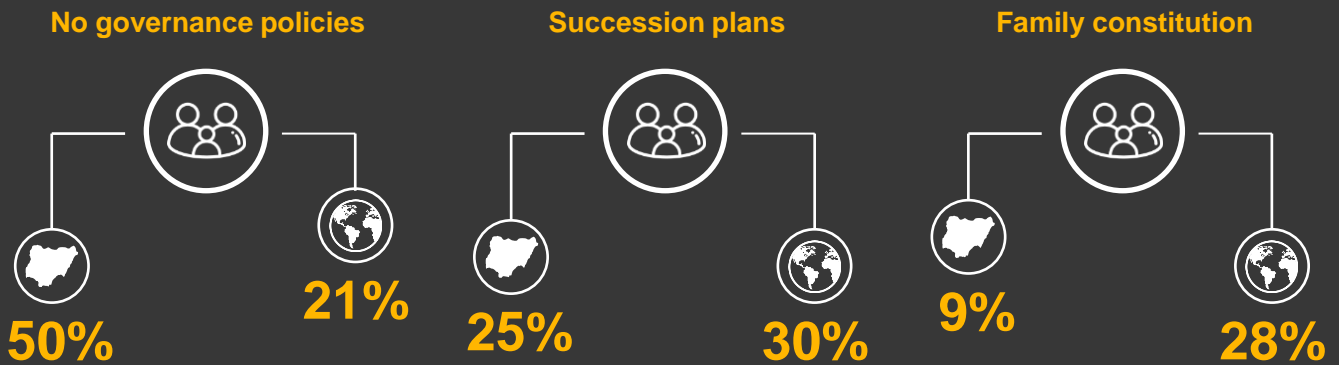
Purpose: The bedrock of family governance





In our observation, Family Businesses are strong on Vision and Purpose of the founder. This is true for Nigeria as well. It is the purpose and drive of the Founder that shapes the fortunes of the family business and his/ her values and passion that lay the strong foundations. The key issue then becomes how the founder articulates his/her vision so that

the rest of the family (especially the nextgen) are able to build on it for the business to thrive into the following generations. Our experience shows that this is a critical phase in the development of the family's business and one that requires careful thought and planning.



Our most recent Family Business Survey 2021 had some worrying statistics on this – 50% of family businesses in Nigeria have no governance policies compared to 21% globally. Only 25% have succession plans (30% globally) and 9% (28% globally) have a family constitution. Over three quarters say they have a clear sense of values but only 31% have this documented. Clearly this is a big issue that needs to be addressed urgently in Nigeria.

So, what are the ABCs of success for creating a legacy in a Family Business? Why do some businesses fail to make the transition to the nextgen? How should the family define success? Let us start by considering life lessons that can be drawn from some examples.

In our experience, if family feuds are not pre-empted, they need to lead to break-up of the business

Koch vs. Koch: The Brutal Battle That Tore Apart America's Most Powerful Family
Source: Mother Jones
 Author: Daniel Rehsman
 Date: May 20, 2014
 Before the brothers went to war against Obama, they almost destroyed each other.

Adidas and Puma end 60-year feud
The German sportswear companies Puma and Adidas are to end a feud started 60 years ago by their founding brothers.
Adi and Rudolf Dassler started making sports shoes together in their mother's wash-room in the 1920s.
 Source: BBC News Online
 Date: September 17, 2009

Love and War in the House of McCain: inside the divorce that exposed the famous family's deepest secrets
Source: Toronto Life
 Author: Kelly Falco
 Date: July 3, 2013

Gucci Family, Split by Feud, Sells Large Stake in Retailer
By ISADORE BARMAN
 Published: June 8, 1988
 Source: New York Times online

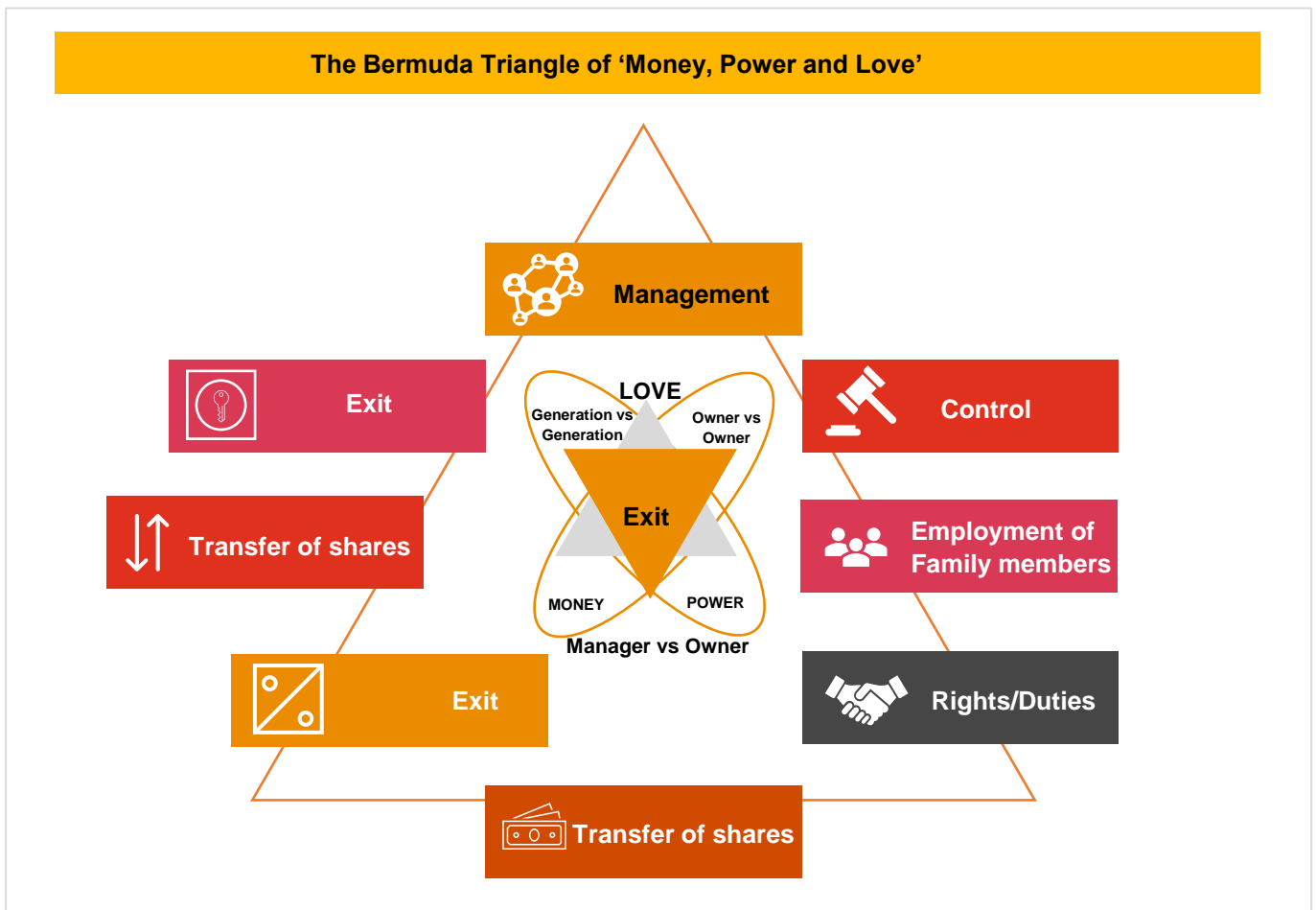
An example from Ng: The CEO, who was one of 5 brothers and a major UBO, dies intestate. There was no succession plan in place. The brothers are faced with the fear of fragmentation of the company as there was no structure around shareholders agreement and exit planning. There was also no agreement on how family finances would be managed.



Another Nigerian example is the story of 2 prominent lawyers who both set up very successful law firms in their lifetime. One of the lawyer's children cannot agree on a way forward and the law firm has split and effectively destroyed the legacy. The other family has consolidated, found their purpose, and are now growing strongly. Each one of these examples not only causes deep family rifts that are often irreparable, but there is also huge loss of wealth from the family and the obvious impact on the jobs and economy.

What steps can a family take in order to prevent such ruptures and cultivate an environment of unity and purpose that can enable ALL the family members to contribute to the overall success of the family business?

It starts by understanding what we call the Bermuda Triangle of Money, Power and Love. This is a complicated relationship, often mysterious and unexplained especially as the baton is getting ready to be passed on to the NextGen.



In extreme cases, we observe the Patriarch or Matriarch may use money to wield power over the children; the management resort to corruption to maximise their returns and NextGen who are disinterested in the family business as its not 'cool'.

However, where we "properly" compensate either the shareholders which may include nextgen or management, it helps in ensuring that stakeholder efforts are not ignored and their buy in secured. Moreso, compensating efforts of the owner manager is a good way to start separating personal from business assets - a big issue common with family businesses which eventually undermines the valuation of sweat equity resulting in family disputes.

The danger the family business faces then is that the interests of the different stakeholders are not aligned and this pulls the business different directions giving rise to dysfunctional behaviors that soon snowball into poor governance and disastrous decisions for the future of the business. The family too implodes with personalities taking over.

The sense of Purpose and what binds the family together then is the most critical aspect of family governance – it is the bedrock upon which to build the family and the business.



Developing a collective identity is a central part of any FB. This provides shape to the family’s entrepreneurial goals and values with regard to family ownership, to the company belonging to the family and to the family operating the company.



Why do we exist ?

What do we Want to achieve together?

What core beliefs Will guide us?

**The WHY:
Purpose**

**The WHAT:
Vision**

**The HOW:
Values**

The first step then is to work through to identify the family’s purpose and define, codify, communicate and embed their values into how they do business. This is what we define as the first step towards developing the family’s governance. In most families, this exists but is not formally articulated.

In our view there are clear areas that the family should work on together. These include Identity and creating a shared mission and vision.



The shared mission and vision should reflect the owner’s strategy. Here are some tips:

- Document your business family goals and values
- Communicate your values internally and externally to activate your family business advantage.
- Be specific about your values: identify them, write them down and act on them with the full involvement of family members.





Codified values are important for every family business, as it connects the family with the business and other external stakeholders. Here are five principles for getting value out of your values.

01

Be specific about your values: codify them, write them down and act on them. Do this with the full involvement of family members. This will not only strengthen your family cohesion but help you to make better decisions for your family business.

02

Communicate your values internally and externally, to activate your family business advantage. Many family businesses have values, but they do not always bring them to other's attention. You cannot get value out of values if you do not communicate them.

03

Develop business principles and the code of conduct that brings your values to life. This helps build trust and credibility, internally and externally and open doors for new business partners.

04

Put values at the forefront of your recruitment efforts and embed them into your workplace as you seek to bring the best talent to your business. Displaying your values is a good way to attract and retain the best talents for your business.

05

Finally, focus on value creation along the entire value chain, such as ensuring that you work according to shared ethical standards. Your value has a mutually reinforcing impact beyond your business.

We would like to wrap up this piece with an example of when there is real clarity of purpose and how it permeates into every part of the organization.

About us

One brand, many companies, and many, many people – that's us in a nutshell. Spread all over the world we have a passion for home furnishing and an inspiring shared vision: to create a better life for the many people. This, together with our straightforward business idea, shared values, and a culture based on the spirit of togetherness, guides us in everything we do.

To offer a wide range of well-designed functional home furnishing products at prices so low, that as many people as possible will be able to afford them.

IKEA business idea



IKEA is named after the initials of founder Ingvar Kamprad, Elmtaryd, the farm which he grew up on, and Agunnaryd, the nearby village

• **IKEA culture and values**

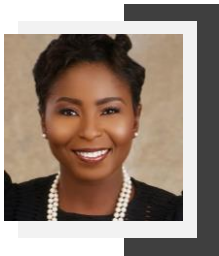
We have a strong set of values. They are the compass that guides us in everything we do. Our culture is formed when we put these values into action.

• **The 8 IKEA Key Values**

- Togetherness
- Caring for people and planet
- Cost consciousness
- Simplicity
- Renew and Improve
- Different with a meaning
- Give and take responsibility
- Lead by example



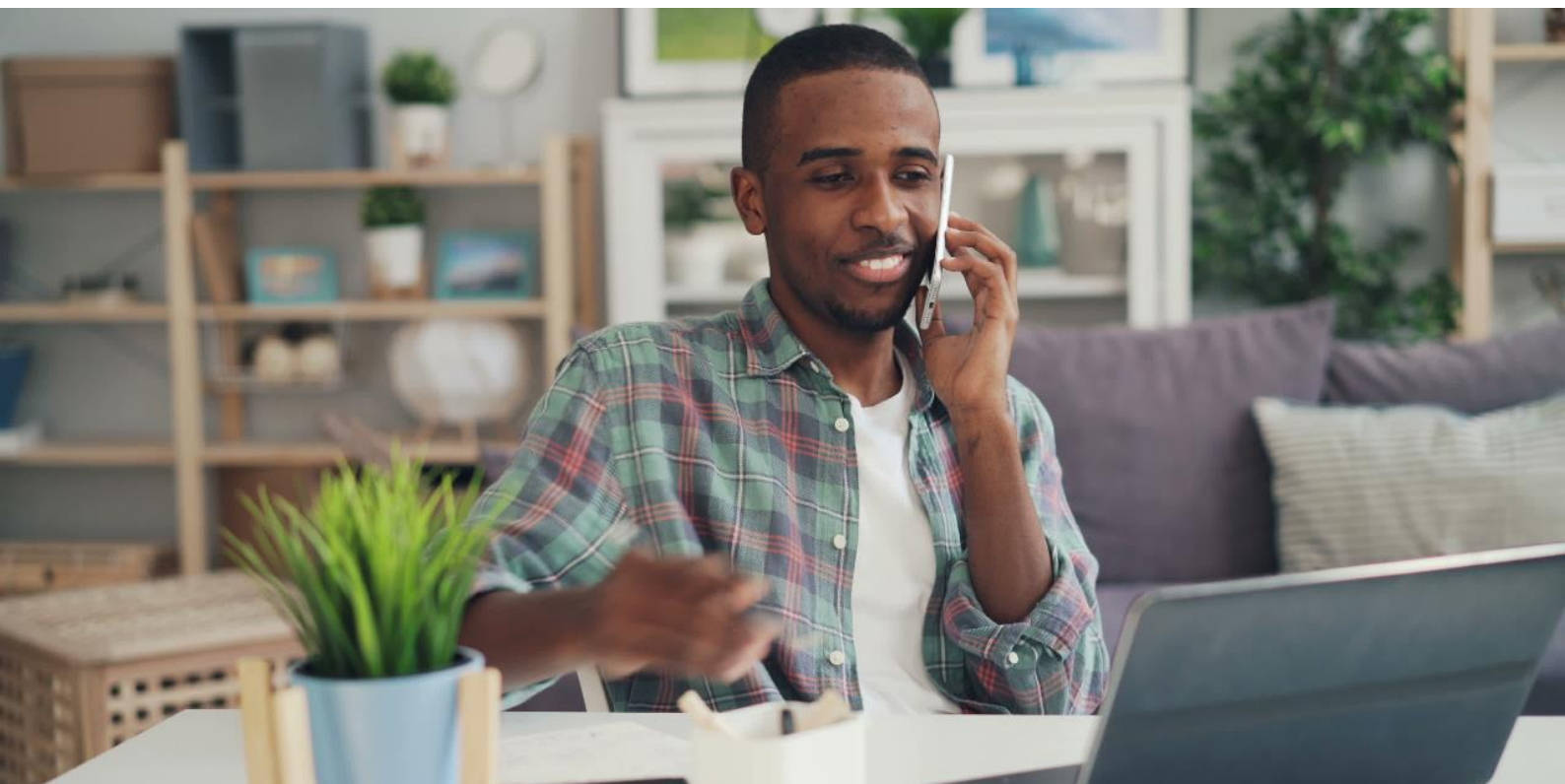
Contact Information



Esiri Agbeyi
Partner
Private Clients, Family Businesses
and Foundations
emuesiri.agbeyi@pwc.com



Uma Kymal
Associate Director
Private Clients, Family Businesses
and Foundations
uma.k.kymal@pwc.com





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