

2nd Disruption – Working Towards the Switch

Transition, Conflict & Governance

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- Thank you Anne Klein and Lucia de Klein
- Thank you, Alan Barr
- The 2nd disruption
 - normally happens after the 1st disruptor has been at it for a while.
 - serves as an eye-opener for the founder of the business.
 - The family often find out when they read the newspapers.

Why are we talking about the 2nd disruption today?

- Africa is projected to have a 33% increase in UHNWIs in 2026 (Knight Frank's Wealth Report)
- Wealth transition is imminent: in 2024 already, about 34% of UHWIs were 60 and older
- Vulnerability of transferred wealth: 70% lost by 2nd generation, 90% by the 3rd

Examples of Wealth Decay

- Vanderbilt Family (U.S.): \$100M in 1877; vanished within 100 years. Only the Vanderbilt University remains
- Stroh Brewing Company (U.S.): Poor governance & internal conflict eroded empire in 130 years : about 5 generations.

Even Legacy Brands Are Not Immune

- Versace: Founder murdered, minor inherited 50%, brand sold due to lack of control
- Ferragamo: Sibling rivalries, lawsuits, external influence through share sale

Recent Disruptions

- City Developments Limited – Singapore:
Conflict between father and son over failed China investment
- Impact: Board tension, court case, media scrutiny, investor anxiety

Mitigated: Sound company governance, board oversight, shared vision and risk appetite : founder and successor

Local Case Study – South Africa

- Mvela Group / Tokyo Sexwale: Internal power struggle, no institutional safeguards

In the last 2 cases the family did not loose control of the business, however suffered reputational damage and the family structure has been harmed

Unpacking the Conflicts – Strategic Disagreements

- Personality-driven structures
- Founder reluctant to let go
- Outdated thinking: "my father did it this way"
- Being in denial :
 - That transition is needed
 - That support is needed for transition

Unpacking the Conflicts – Transparency and Merit

- Founder withholds financial vision
- Unilateral succession planning by the Founder: putting the rest of the family in turmoil : "Pick me! Pick me!"
- Overreliance on Founder's views by long time advisors

Unpacking the Conflicts – Dispute Resolution

Court is not the only option in a dispute
Mutually acceptable solution reached with

1. Negotiation [**no 3rd party**]
2. Conciliation [3rd party can make recommendations]
3. Mediation [3rd party]
4. Adjudication [3rd party : industry specific]
5. Arbitration [3rd party : binding ruling]

From Conflict to Clarity

- Unstructured, unresolved conflict destroys generational wealth
- But handled well, disruption can clarify values & professionalize management

The Oppenheimer Example: Governance Done Right

- Unified, strategic sale of De Beers
- Early succession planning
- Independent boards with voting power
- Professionalized family office (E. Oppenheimer & Son)
- Clear legacy vs economic control
- Values-aligned, diversified portfolio

A page from the Oppenheimer book

BUILDING THE FAMILY CONSTITUTION

1) Availability of Information

- Financial literacy
- Unlock full balance sheet
- Business overview

2) Succession for Individuals

- Estate planning & Structures
- Investment strategy
- Tax planning

A page from the Oppenheimer book

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3) Succession for Business

- Establish required leadership criteria
- Allow external experience
- Mentorship for the successor

4) Voting & Exit Strategy

- Independent governance: directors/trustees/advisors
- Voting rights
- Create liquidity for exit without harm to the business

A page from the Oppenheimer book

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5) Conflict Protocols

- Internal discussion
- ADR
- Avoid courts

Final Reflections

- Preservation of generational wealth is a governance challenge
- Requires early action, tough conversations, long-term commitment

Thank you