

LEADERSHIP & FAMILY BUSINESS NEWSLETTER

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SECTION A

Leadership, Entrepreneurship and Family Business – Dr. Toyin F. Sanni (*Executive Vice Chair, Emerging Africa Group*)



Innovation and Adaptation in Family Businesses: Sustaining Growth in a Changing World

In today's fast-evolving marketplace, family-owned businesses face the challenge of preserving their heritage while embracing the innovations needed to remain competitive. By leveraging technology, adapting to changing market demands, and maintaining a balance between tradition and innovation, these businesses can position themselves for long-term success.

Automation, data analytics, and digital marketing can streamline operations and reduce costs while allowing businesses to stay true to their personal, customer-focused approach.

For example, family-owned retail or service businesses can benefit from technology like cloud-based inventory management systems or customer relationship management (CRM) software to track sales patterns and customer preferences. These tools enable businesses to offer personalized services at scale while maintaining efficiency. Similarly, e-commerce platforms can open new revenue streams by expanding the company's reach beyond its local market.

According to PwC's Family Business Survey 2023, 64% of family-owned businesses are prioritizing digital transformation, with 38% of them ranking it as their top priority. Businesses that fail to adopt these technologies risk losing their competitive edge as customers increasingly expect seamless, tech-enabled experiences.

Balancing Tradition with Innovation to Ensure Longevity

Family businesses are built on traditions and values passed down through generations. These legacies often form the foundation of their success and reputation. However, the fast-paced business landscape requires a willingness to adapt and innovate to ensure continued growth.

Balancing tradition with innovation is essential for longevity. For instance, a family-run agricultural business may hold tightly to age-old farming techniques but introduce new methods of irrigation, crop monitoring, and sustainable practices through technology to remain viable. By doing so, they honor their legacy while evolving to meet modern demands.

Younger generations often play a vital role in driving innovation within family businesses. Bringing fresh perspectives on market trends and digital tools, they can infuse the company with modern approaches while preserving its core values. This intergenerational collaboration is a hallmark of successful family businesses that evolve over time. The dedication to innovation without losing sight of tradition fosters sustainable growth.



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Case Study: Dangote Group – Africa’s Industrial Giant

The Dangote Group, founded in 1981 by Aliko Dangote, has grown from a small trading business into one of Africa’s largest industrial conglomerates, with interests in cement manufacturing, agriculture, and oil refining. The group’s diversification, particularly into cement production, positioned it as a leader in Africa’s construction industry, with Dangote Cement being the continent’s largest producer.

Dangote Group’s commitment to innovation is evident in projects like the Dangote Refinery, which uses cutting-edge technology and is set to make Nigeria self-sufficient in fuel production. The company has also integrated energy-efficient systems into its cement plants, reducing environmental impact while increasing productivity.

Recognizing Africa’s need for food security, the group expanded into agriculture, investing in rice farming and fertilizer production, addressing key challenges like food shortages. With a market capitalization exceeding N8 trillion in 2024, Dangote Group’s ability to adapt and innovate, while maintaining its family-owned identity, ensures its continued leadership across industries.

Conclusion

Innovation and adaptation are critical for family businesses seeking long-term success in today’s ever-evolving marketplace. As statistics show, family businesses that embrace these strategies are better equipped to navigate changing market dynamics while preserving their legacy for future generations. The challenge lies not in choosing between tradition and innovation but in harmonizing the two for enduring success.

SECTION B

Macro-economic overview

– **Promise Obasohan** (*Research Analyst*)

Navigating Exchange Rate Volatility: Strategic Insights for Nigerian Businesses

The Nigerian naira has experienced significant volatility in recent times, driven by persistent shortages in dollar inflows, the segmented FX market, and heightened demand for foreign currency. The CBN’s efforts at reforming the market into a floating exchange rate market where the value of the Naira is determined primarily by the forces of demand and supply, has resulted in the significant depreciation of the Naira. Since then, the currency has lost approximately 52% of its value in both the official and parallel markets, creating substantial challenges for businesses operating in the country.

As businesses struggle with these currency fluctuations, the effects on costs, pricing, and overall financial stability have been profound. Many companies, including both small enterprises and multinational corporations, have faced significant hardships, leading to divestments and a reduction in operations.

Nevertheless, exchange rate volatility can be managed to help a business stay afloat in the short term and also remain operational in the long term. To achieve this, companies can seek professional guidance and adopt strategies such as implementing currency hedging with tools like forward contracts and currency swaps, diversifying revenue streams, utilizing local supply chains to minimize FX exposure, regularly adjusting pricing and cost structures to maintain profitability, and ensuring adequate liquidity to cover operational needs and uncertainties.



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SECTION C

Private Equity & Venture Capital

- **Toni Sanni** (*Head, Corporate Finance and Venture Capital*)



Trends to look out for in the African Venture Capital Space in 2024 and beyond:

Involvement of Indigenous venture investors in Africa's startup ecosystem

In the wake of the Silicon Valley Bank collapse, foreign investors have become more cautious with their investments. Historically, many African startups have relied on funding from outside the continent. Recent data shows that foreign venture capitalists contribute around 77% of venture funding in Africa, underscoring the need for increased domestic investment in the Africa's tech sector. However, African startups with robust business strategies and a focus on solving critical issues can still successfully secure the necessary funding.

Growing Interest in Venture Debt.

As investment slows, experts remain divided on the future of venture debt, with founders increasingly exploring alternatives to equity financing, which has long been favored in the ecosystem. In 2023, venture debt accounted for 37% of total funding, and this share is expected to grow in the coming years.

While equity financing continues to be the preferred option for African startups, venture debt is gaining popularity due to its unique advantages. It provides startups with the working capital needed to scale operations without diluting ownership. This is particularly valuable for early-stage firms, given the limited access to traditional debt in many African countries. With a growing number of African tech startups reaching later stages and requiring larger funding rounds, we anticipate a rise in structured asset-backed and revenue-based venture debt models in the coming year.

Increased focus on female-led startups.

In 2022, Africa's venture capital industry saw a small but significant shift towards greater gender inclusivity at the senior leadership level. At that time, 40% of VC firms actively investing on the continent had at least one female partner or founder. We expect this positive trend to be carried into the coming years, with more women stepping into influential roles. In July 2023, South African fund manager Edge Growth Ventures appointed Janice Johnston as their new CEO. In November, Christine Namara joined Flat6Labs as a Partner, overseeing the firm's US\$95 million Africa Seed Fund. That same month, Aduna Capital, led by General Partner Surayyah Ahmad, announced its US\$20 million maiden fund, which will primarily invest in Northern Nigeria with a goal of achieving 50% female participation in the firms it supports. Emerging Africa has also launched a female-led VC fund aimed at supporting female entrepreneurs in the African Startup space. This new generation of female capital allocators is not only shattering glass ceilings but also driving gender parity in capital distribution through their leadership and investments.

Conclusion

With the fastest growing consumer market having a projected 1.7 billion consumers by 2030, projected urbanization rates of 50% by 2030, as well as a youthful population with 70% of the population under the age of 30, Africa is set up for rapid growth in its demand for goods and services. With this vast and growing consumer base, investing in African venture capital offers substantial financial returns as well as positive economic impact.

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SECTION D

Estate Planning, Family Offices & Offshore Trusts – Olutoye Sanni (*Head, Trust services / Director UK Rep office*)



The Role of Offshore Trusts in Safeguarding Family Wealth for Future Generations

As family businesses grow and evolve, safeguarding wealth for future generations becomes a priority. Offshore trusts have emerged as one of the most effective tools for ensuring long-term wealth protection, offering a strategic advantage for estate planning and asset management.

What is an Offshore Trust?

An offshore trust is a legal arrangement where assets are placed under the control of a trustee for the benefit of beneficiaries. These trusts are established in jurisdictions outside the Settlor's home country, often in locations with favorable tax laws, strong asset protection regulations, and privacy standards. Offshore trusts are typically used by high-net-worth individuals and families seeking to protect their wealth from legal claims, taxation, or economic uncertainties.

Key Benefits of Offshore Trusts

- 1. Asset Protection:** Offshore trusts provide a shield against creditors, lawsuits, or business liabilities. Assets placed in these trusts are legally separated from the Settlor's personal wealth, making them less vulnerable to claims.
- 2. Tax Efficiency:** Many offshore jurisdictions offer tax benefits, such as reduced income, inheritance, and capital gains taxes, enabling families to preserve more wealth across generations.
- 3. Privacy and Confidentiality:** Offshore trusts are established in jurisdictions with strict confidentiality laws, ensuring that details of the trust's assets and beneficiaries remain private.
- 4. Estate Planning Flexibility:** Offshore trusts allow Settlers to control how and when assets are distributed to beneficiaries, ensuring that wealth is passed down in a manner that aligns with family values and objectives.

Consider the example of a family business owner who wants to ensure that future generations benefit from the wealth they've built without the risk of legal disputes or financial mismanagement. By establishing an offshore trust, they can set terms that ensure wealth is distributed based on specific milestones, such as completing education or reaching a certain age. In addition, the trust can protect assets from being divided in the event of divorce or other legal challenges faced by beneficiaries.

Offshore trusts offer families a powerful tool for protecting and managing wealth across generations. By leveraging the benefits of asset protection, tax efficiency, and privacy, these trusts ensure that family legacies are preserved while providing flexibility in estate planning. For families looking to secure their future, offshore trusts, managed by expert trustees, can be a critical component of long-term wealth management.

Conclusion.

In today's dynamic landscape, family businesses must embrace innovation and adaptability while preserving their legacies. By leveraging strategic insights, exploring tools like offshore trusts, and fostering intergenerational collaboration, these enterprises can thrive amidst change. Their resilience and foresight will be key in shaping the economic future, underscoring the vital role they play in both local and global markets.



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