

**UNIVERSITY OF KWAZULU-NATAL**

**A study of Business Succession in Indian Family Businesses in South Africa**

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**A dissertation submitted in partial fulfilment of the requirements for the degree  
of  
Master of Business Administration**

**Graduate School of Business & Leadership  
College of Law and Management Studies**

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## **ABSTRACT**

The aim of this study was to identify and understand the experiences of Indian family businesses in South Africa with regard to business succession. A descriptive research design was selected as it was deemed to be most appropriate method to answer the research question for this study. A positivist research philosophy was utilised to address the research objectives, and inferential statistics were used to answer the research questions. A quantitative approach was selected as it was the most appropriate research methodology that aligned to the research strategy. The data collected through an online survey of 51 businesses owned by persons of Indian origin. The study focussed on six areas that influence business succession: the Stage of the Family Business and Family Control, External Factors, Family Culture and Relationships, Family Conflicts, Readiness of Successor(s), and Identification of Successor(s). The key findings of the study highlighted that relationships exist between Stages of the Business and Family Control, Family Culture and Relationships, Family Conflicts, and Identification of Successor (Relationship) with the level of preparedness for business succession. Additional factors influencing the implementation of succession planning in South African Indian family businesses included: the relationship of readiness for business succession and the stage of the business (1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup> generation), the size of the business, the level of conflict in a business, value-driven businesses, key desired attributes in potential successors, areas of conflict and the readiness of a business for the exit of key member(s). The implications of this study for theory and practice highlights the significance of the process of business succession and encourages those who have not started this process, to realise this and begin paving the way for a successful and sustainable multi-generational business.

## DECLARATION

**I, Yaaser Mahomed (217077634) declare that:**

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
- (ii) This dissertation has not been submitted for any degree or examination at any other university.
- (iii) This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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## **DEDICATION**

This Dissertation is dedicated to my parents, Aslam and Tazmin, and my grandfather Ebrahim, without whom none of my success would be possible.

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I would like to acknowledge everyone who played a role in my academic development. A special thank you to my wife, Mishka, for your unwavering support throughout my MBA and to all relatives, friends and others who in one way or another shared their support, either morally, financially and physically, thank you.

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# CHAPTER ONE: OVERVIEW OF THE STUDY

## 1.1 Introduction

The aim of this study is to determine the effectiveness of business succession in Indian family businesses in South Africa. This chapter begins by providing a brief introduction on what are family businesses and the role that they play in global as well as local economies. Thereafter, the motivation and contribution of the study are presented followed by a discussion on the problem statement from which the research objectives and questions are derived. The chapter concludes by highlighting the overall structure of the study.

Family businesses play a crucial role in the majority of countries worldwide. According to US-Based Family Firm Institute, family-owned organisations make up two thirds of all businesses around the world and they are estimated to contribute 70% – 90% of global growth every year. But there is a high failure rate of these businesses (Scott, 2017). Furthermore the majority of new jobs, globally, are created through family businesses (Neubauer and Lank, 1998). Andrew Steen (2018) conducted research to show that the first generational transfer is difficult. Only 30 percent of family-owned businesses successfully pass from the first generation to the second generation. The second generational transfer is even more difficult. Only 12 percent of family-owned businesses successfully pass from the second generation to the third generation. Overwhelmingly, family-owned businesses are not setting themselves up for success in transitioning to the next generation. Forty-seven percent of current family business owners expect to retire in the next five years but do not have a succession plan in place.

A family business has been defined in numerous ways, it may also be defined as any business in which minimum of one or more family members are involved and the majority of ownership or control lies within a family. Lansberg (1988) defined a family business as a business in which the members of a family have legal control over ownership; and Donckels and Frohlich (1991) viewed it as a business in which family members own at least 60 percent of the equity (Donckels and Frohlich, 1991). Likewise, Churchill and Hatten (1987) described it as the occurrence or the anticipation that a younger family member has or will assume control of the business from an elder. However, these definitions do not contemplate or allow for a situation where a family owns, but does not control, or controls but does not own, the majority of the business. Furthermore, the matter of succession is encompassed within a single definition.

## **1.2 Motivation of the Study and Contribution of Research**

The influence of the Indian population began in South Africa with the arrival of indentured workers from the west and south coasts of India. These Indians were brought to South Africa to meet the labour demands of plantation owners, at a time when the white economy was based largely on the production of sugar. As examined by Naidoo (2008), between 1860 and 1911, when the system of indentured labour was finally stopped, Indians were given the option to renew their contract, return to India or become independent workers. Some Indians returned to India but many chose to remain in South Africa. Importation of indentured labour continued until 1911, encouraging eager traders from India and Mauritius to immigrate to South Africa. These independent immigrants were referred to as "passenger" Indians.

According to History SA (2016a), despite their considerable influence in the South African scene and their contribution to boosting the economy, Indians still faced discrimination. Notwithstanding this, Indians were still able to assert themselves to a significant degree in areas of the economy. Those Indians who remained rented land to grow crops for the local market. In 1885, the Wragg-Commission noted that Indians dominated the food produce market. Many passenger Indians acquired land and set up businesses and trading posts. These historical events may have made Indians in South Africa very suspicious of the indigenous community and have accordingly shaped their approach to business and their social lives.

Early research into succession planning by Churchill and Hatten (1987) established a life cycle methodology to define the succession process between father and son in a family business. The authors highlighted four phases: (1) a phase of owner-management in which the owner is the only family member who is involved in the business, (2) a training and improvement phase in which the offspring learns business operations, (3) a partnership phase between the father and his son, and (4) an authority handover phase in which responsibilities move to the successor. Passenger Indians emphasised the level of preparedness for business succession with their sons in the first two phases; highlighted the factors affecting the succession process in the through the third phase; and assisted their sons with the implementation of the succession process to ensure business continuity via the fourth phase.

In light of the above, it can be inferred that through an ongoing succession process Indian

family businesses from one generation to the next have had, and continue having, a social and economic impact in South Africa. It is therefore essential to understand how they have planned for sustained success of their business enterprises, particularly in respect of business succession.

### **1.3 Focus of the Study**

Accordingly, the following comprehensive definition of family business, suggested by authors Chua, Chrisman and Sharma (1999) was used for the focus of this study - "the family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families." (De Massis, 2012 p.11). Likewise, the framework proposed by Castillo (2009) encompassing variables like: (1) management of relationships, (2) creating a team to lead, (3) looking for leadership, and (4) preparing successor were used to outline effective succession planning for Indian family businesses.

More specifically and as suggested by Castillo (2009), the first component of management of relationships entailed investigating the stages of the family business, family control, family culture, and family relationships. The aspects relating to the second component of creating a team to lead had to take into account external factors and family conflicts. The third aspect of looking for leadership included determining the readiness of successors; and the final aspect of preparing successors included identification of successors in light of concerns for the future of the business.

Therefore, the aim of this study is to identify and understand the different stages of business succession that South African Indian family businesses are presently at. As well as what they consider to be the most important aspects within that process, and to contrast these experiences with existing research on succession in family businesses globally.

### **1.4 Problem Statement**

Indian family owned businesses in South Africa have are potentially facing a succession

planning problem; because these business fail to effectively plan their succession to ensure business sustainability. This failure of survival of family businesses can be accredited to a number of factors, with unsuccessful or absence of succession planning among the most key (Lansberg, 1988). Therefore, the critical issue that requires investigation is linked to the level of preparedness of Indian family owned business in South Africa to deal with the different business succession factors that threaten the very survival of these enterprises. If in fact there are no effective succession planning processes in place to prepare potential successors; then it heightens the importance of this research to close this gap and ensure continued success of Indian family owned businesses for generations to come in South Africa.

In their research on the importance of planning for business succession for the stability and wealth accumulation for South-Asian families in Kenya, Janjuha-Jivraj and Woods (2002) illustrate the negative impact that ineffective transition in succession has on families, often for generations, and on the community and market for larger businesses as a whole. Most of the available scholarly research of experiences of business succession in family businesses, relate to businesses located in developed countries. For example as Andrew Steen (2018) concluded in his research that in the United States, a developed country, family-owned businesses are the single biggest job creator in their economy. Family-owned businesses employ 60 percent of the U.S. workforce and are responsible for 78 percent of all new jobs created in the United States (Scott, 2017).

Hence, the purpose of this study is to understand the experiences of businesses owned by families of Indian-origin in a developing country, South Africa, and how different or similar their experiences are with existing global research into family business succession. This study also endeavours to assess the impact of geo-ethnic experiences, such as religious, historical and political experiences in the current South African climate and in the recent past, on family business succession in South Africa.

## **1.5 Objectives**

The objectives of this study were:

- To determine the level of preparedness for business succession in Indian family businesses in South Africa

- To investigate how Indian family businesses in South Africa view the different factors that affect the business succession process
- To closely examine the processes of succession amongst Indian family businesses in South Africa

## 1.6 Research Questions

The research questions were derived from the objectives of the study. The first research question and its set of sub research questions were developed to understand the level of preparedness for business succession in Indian family businesses in South Africa. The answers to these sub research questions will assist in understanding whether there is a gap in the effectiveness of current business succession processes that are in place within these businesses.

1. Is there a relationship with the level of preparedness for business succession in Indian family businesses in South Africa and:
  - a. The stage of the business (1st/2nd/3rd/4th generation) and family control
  - b. External factors
  - c. Family culture and relationships
  - d. Family businesses that indicate high levels of conflict
  - e. Readiness of successors
  - f. Identification of successors

The second research question and its set of sub research questions were developed to identify what are the factors most likely to impact current business succession planning processes for Indian owned family businesses. These factors could range from geo-ethnic experiences, such as religious, historical and political experiences in the current South African climate and in the recent past.

2. How do Indian family businesses in South Africa view the different factors that affect the business succession process, including:
  - a. Which business industries are highly values-driven?
  - b. Does business size matter when it comes to family ownership and control?

- c. How much of an effect has the Social-Market Economic policies of South Africa in the post-1990s affected your family's decision-making in taking business risks in South Africa?
- d. Would these businesses allow for female successors?
- e. How often do conflicts surface in the business and what are the main areas of conflict? And are there procedures in place to deal with conflicts?
- f. How often do family relationships affect the business?
- g. How does the business see the retirement and role of the outgoing leader?
- h. What key attributes do the businesses feel need to be present in a potential successor?

The third and final research question and its set of sub research questions were developed to examine the effectiveness of current success planning processes that are being carried out by Indian family owned businesses. The answers to these questions can be aligned with contemporary success planning theory and practice to evaluate how ready these businesses are to deal with succession in a way that guarantees survival.

- 3. When businesses that have started implementing the process of succession:
  - a. How ready do they feel they are to cope with the exit of a key member?
  - b. Is there a relationship between the level of communication in a business and the stage of business succession?
  - c. Is there any relation with time to retirement of key members with level of preparedness for succession?
  - d. What is the most concerning thing relating to the future of the family business?

## **1.7 Structure of the Study**

The structure of this study is as follows:

### **➤ Chapter One: Overview of the Study**

The purpose of this chapter is to introduce the research problem and outline the motivation, focus, objective, research questions and structure of the study.

➤ **Chapter Two: Literature Review**

The purpose of this chapter is to focus on establishing a theoretical background relating to the topic Business Succession in Indian Family Businesses in South Africa

➤ **Chapter Three: Research Methodology**

The purpose of this chapter is to describe the fieldwork, data preparation and limitations of the data used in the study

➤ **Chapter Four: Presentation and Analysis of Results**

The purpose of this chapter is to presents the data findings, which starts with the review of the demographic information, followed by the descriptive and inferential statistics of key variables

➤ **Chapter Five: Discussion**

The purpose of this chapter provided a discussion of the research findings in light of the extant literature.

➤ **Chapter Six: Conclusions and Recommendations**

The purpose of this chapter is to conclude the study by offering conclusions and recommendations as well as study limitations and suggestions for future research.

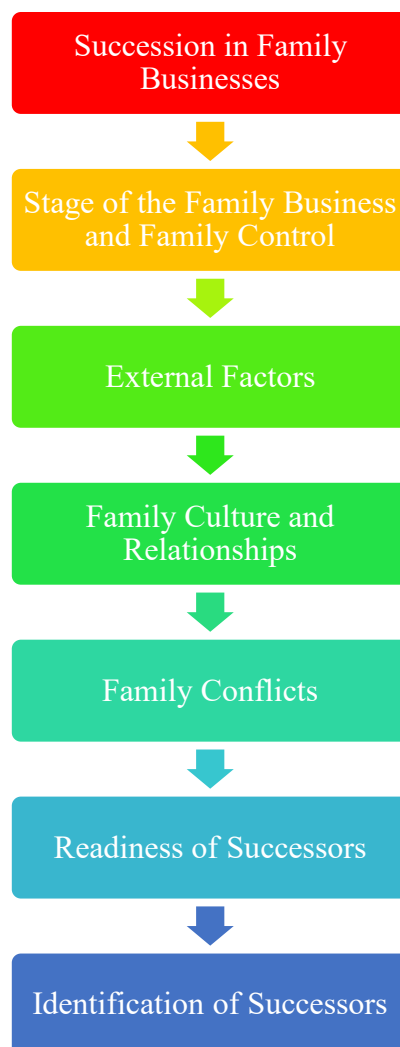
## **1.8 Conclusion**

This chapter presented an introduction to the study within the context of Business Succession in Indian Family Businesses in South Africa. The research problem along with the motivation, contribution and focus of the study were presented. Further to this the objectives of the research are identified as well as its importance and relevance of this study. The next chapter will present all the relevant extant literature that formed the basis of the theoretical framework for this study.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter focuses on establishing a theoretical background relating to the topic Business Succession in Indian Family Businesses in South Africa. After providing context on factors affecting succession in family businesses, this literature review will attempt to understand these factors in detail by grouping them into five areas, namely: Stage of the Family Business and Family Control, External Factors, Family Culture and Relationships, Family Conflicts, and Readiness of Successor(s).



*Figure 2.1: Chapter Overview*

(Source: Researcher's own construction)

## 2.2 Succession in Family Businesses

The issue of business succession has been described as the most important decision faced by family businesses (Handler, 1994). Business succession can be seen as a process of grooming family leaders with a view to developing and transferring firm and family knowledge (Chirico and Nordqvist, 2010). It is not a single event, rather a process over time (Handler 1990). Succession planning is defined by Lansberg (1988) as making the preparations necessary to ensure the harmony of the family and the continuity of the enterprise through the next generation. The author further argues that these preparations must be thought of in terms of the future needs of both the business and the family (Lansberg, 1988). According to Fahed-Sreih (2018), succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Hence, effective succession management concerns itself with building a series of potential successors up and down the entire leadership pipeline.

Notwithstanding the significance of succession, data indicates that family businesses struggle to deal with this issue, with succession of the family CEO being one of the most contentious issues in a family business (Bennedsen et al., 2007). Research shows that many family business leaders fail to effectively plan for succession (Sharma and Rao, 2000), despite overwhelming evidence of successful business succession increasing the chances of survival of family businesses. For example, a study found that 62% of family business leaders had not chosen a successor nor had a plan to choose one (Feltham et al., 2005). One of the main reasons for the reluctance in planning for succession is the emotions generated by the process, together with the reality that it forces one to accept one's own mortality and confront the need for change (Breton-Miller et al., 2004). Choosing a successor is only one aspect of the process, and it is imperative that a process of succession be developed within the family business (Brun de Pontet et al., 2007).

Keyt (2015) argues that family businesses outperform public companies, including higher financial performance, lower risk profiles, longer survival rates, and higher human and capital investments. The reason for this is because they are close to their customers so there are high switching costs (the costs of switching to a competing company); they tend to compete on quality, total cost of ownership of the product, high performance, and consultation with the customer; and they earn their leadership in the market through performance rather than pricing

(Keyt, 2015). As a result, the main reason family businesses are successful is they have continuity as a goal and are willing to sacrifice for it.

In addition, Clifford (2008) asserts that succession planning involves the following steps:

1. Determine the goals of the owner – Owners need to determine their goals regarding future annual income, level of engagement in the business, investments inside and outside the business, legacy for the future, and values.
2. Determine the needs and aims of other stakeholders – It is critical to identify the needs, aims, and anticipations of family members, owners, and main employees. Consideration of their anticipations assures that the plan will satisfy their aims.
3. Management succession planning – If the continuity of the business is important, the owner must decide who is able and willing to assume his or her responsibilities. This may involve providing new compensation packages in order to give managers incentives to accept new tasks.
4. Design a best case scenario – Based on the business values, the owner must balance the needs and aims of everyone engaged. The resulting plan is a best-case scenario. This is the optimal condition that the owner desires to achieve in the succession plan.
5. Investigate all alternatives – Investigate the alternatives available to achieve the aims. This is where the aims of the succession plan meet legal and financial requirements. The owner has to totally investigate the available alternatives. Unfortunately, some owners avoid these steps and do not investigate all of the alternatives. Usually, this means that after developing the plan, new and more solutions that are effective arise, leading to expensive changes.
6. Develop and carry out the succession plan – The first step of implementation is preparing legal and financial documents. The advisors who developed the plan can also help develop a procedure to implement it. A timetable for implementation is necessary to make intents clear while managing anticipations. The timetable can involve aims or "trigger events". These aims indicate that it is time to move to the next step in the plan. Obviously, in order for the timetable to be effective, the owner should update the other stakeholders in an appropriate way. Communicating shared information is the best technique to guarantee implementation, prevent rumours, and avoid conflicts.

Furthermore, a transparent succession plan needs to be implemented to avoid the risk of ambiguity resulting in conflict and the possible dissolution of the business (Brun de Pontet et

al., 2007). Lack of an adequate succession plan is seen as a key reason why many family businesses fail to grow (Cabrera-Suárez, 2005). Research has also determined that family business leaders who recognise their need to retire and "pass on the baton" are more inclined to invest and grow a business worthy of being passed on, even before the transfer takes place (Diwisch et al., 2009). Chua et al. (1999) created an overview illustrating the most common issues faced by stakeholders when it comes to business succession in family businesses. In addition to the above factors, culture, religion and experiences for family firms of Indian-origin in Kenya, have been seen to influence attitudes towards business succession (Janjuha-Jivraj and Woods, 2002).

### **2.3 Stage of the Family Business and Family Control**

Clifford (2008) suggests the following as the most frequently used strategies of succession planning linked to the stage of the family business and family control. Many of these alternatives can be joined to meet the different needs of business owners. It is critical to analyse all of the alternatives so that when the plan is developed, the owner does not conclude that there was a better strategy to meet the same goals (Clifford, 2008).

1. Keeping the family business – This alternative is usually the main objective of succession planning. There are several methods to retain the business in the family. Some alternatives include gifting the stock to members of the family, creating trusts to deliver continuous income to the owner, or leaving shares to the subsequent generation. Extra alternatives involve selling shares to managers or employees. Any of these alternatives allow the family to keep control while providing liquidity to the selling shareholder.
2. Buy-sell arrangements – They are commonly used in ownership succession. Buy-sell arrangements can be arranged between or among shareholders and the business. They assure that each shareholder can sell his or her shares and secure stable ownership among a small group of shareholders.
3. Gifting stock – Gifting shares is extensively since it helps decrease taxes. Usually, gifting is part of a total strategy for ownership transition. The stock can be gifted to family members or trusts for beneficiaries such as family members or charitable organisations.
4. Trusts – They are usually used to generate continued income to the owner and his or her spouse. After the life of the trust, the assets can be moved to beneficiaries like family members, charitable organisations, and so on.

5. Management buyouts – They are excellent options for owners of family businesses wanting the family business to remain under existing management, but also want liquidity and want to decrease responsibility for the business.
6. Sale to employees – Sale to employees is becoming increasingly popular. Sale to employees lets the business remains carefully held and can permit for tax-free rollover of proceeds into other differentiated investments intended to provide continued income to the shareholder. Sale to employees also gives the employees the opportunity to share in the success of the business. This in turn can encourage employees to make the business more successful.
7. Sale to strangers – This is usually the alternative of owners who do not have successors within the business. It is usually not regarded as succession planning since the new owner is responsible for the business.
8. Liquidation – It is not usually considered succession planning since the family business is not transferred as an operating concern. Thus, in some situations, liquidation is the best option for owners to fulfil their financial needs.

Each of the above alternatives should be analysed to work out how they could be used as part of a full strategy to achieve the goals of the owner. Several alternatives can be joined into an overall plan that will achieve the goals of the owner and other stakeholders. After all of the alternatives have been analysed, the owner can develop and implement the selected succession plan. For example, family businesses with independent directors in advisory or board level positions have been found to have a positive impact on returns on investment, as external members are able to provide objective guidance in areas where the owner is either conflicted due to complex family relationships, or does not have the necessary expertise (Swamy, 2011).

These structures assist in putting a succession process in place by overcoming the factors that hinder this process, as well as ensure that the process receives the required attention from all stakeholders (Motwani, 2006). In addition to control of management, family businesses that establish governance structures and enhanced shared visions within the family reduce the risk of conflict (Mustakallio et al., 2002). The need for these structures and for formal shareholder agreements, which outline the rules of ownership, is viewed as very important for larger firms, but not as important for smaller family firms (Motwani, 2006).

At Lloyds Banking Group the purpose of talent management is to ensure the long-term

sustainability of the Group by creating diverse and credible pipelines of successors. In its application, talent is defined as a factor of (current) performance and (future) potential (Mullins, 2016). Moreover, current performance is assessed through the individual balanced scorecard, which is linked directly to the organisation's scorecard via team and business unit scorecards; whereas future potential is assessed against the Group's Indicators of Potential. These factors are jointly assessed by line managers and individuals through the annual talent review process and result in colleagues being assigned a talent rating which creates their relative standing within the successor pipeline.

Despite the importance of these formal governance structures, research has shown reluctance on the part of most family business, to have structures such as boards, decision and reporting hierarchies, rules of entry into management and ownership and procedures that govern property rights (Daily and Dollinger, 1992). In their study of South-Asian firms in Kenya, Janjuha-Jivraj and Woods (2002) point out that the very nature in the way these firms operate is that hardly any internal business matter is put on paper. This is because the firm's internal matters are based on the mutual trust resulting from familial relationships. Succession in these businesses is found to follow the same pattern.

As to the question of ownership of the business, it was found to be very important for Indian business leaders to have a successor from their bloodline (Sharma and Rao, 2000). The authors concluded, in their comparison of a typical Indian family and a typical Canadian family, that Canadian family business owners are more willing to pass on their business to a non-family successor than Indian family business owners.

The importance of a shared vision is examined. Mustakallio et al. (2002) determine that these shared visions are created through "reciprocal involvement" of family members and are what contribute to long-term value creation. The shared visions generally include the family members' combined goals and aspirations for the business, including financial performance. A common vision and common views about equity and sharing is suggested to reduce conflict and increase communication, which enables and smoothens succession planning in family businesses (Dyer and Singh, 1998).

In a study conducted by Cucculelli, Le Breton-Miller and Miller (2016) it was found that organisations where shareholders value control over the firm, new product introductions may

be avoided if unrelated to the legacy product portfolio and therefore risky. As a consequence, company control goals may favour products within the existing competency domain, and that in turn may impede firm technological competency renewal (Cucculelli et al., 2016). Hence, family management limits the products that renew technological capabilities, which could put the family business at further risk of obsolescence in future stages if family control is constantly prioritised over technological advancements.

## **2.4 External Factors**

History SA (2016a) explains that Indians in South Africa suffered a tumultuous past. Initially, they were brought to South Africa as indentured labourers and then suffered under the discriminatory apartheid policies. By the 1870's, those Indians who had acquired land and set up businesses and trading posts were limited in their expansion and acquisition of land, once their enterprises began to encroach on white settlements. As indicated by History SA (2016b), a number of laws and regulations were passed to give effect to this limitation including, in 1885, The Transvaal Act, which debarred Indians from owning land and confined them to certain locations; in 1896, the Franchise Act, which disenfranchised all Indians; and in 1895, Act 17, which imposed a £3 tax on ex-indentured Indians, who failed to re-indenture or return to India after completion of their contracts. Despite these challenges, the Indian population, backed by MK Gandhi, was actively involved in litigation against the government. These persistent endeavours led to the Indian Relief Act in 1914.

Post 1914, Indians still suffered under restrictions on land ownership, trading rights, immigration and movement. In 1919, measures including the Transvaal Asiatic Land Act and Trading Amendment Act were put in place in an attempt to divide Indians and limit their economic viability. Despite the many laws instituted to limit and repress Indian endeavour, Indians still expanded their trade and ownership of land into undesignated areas, by taking advantage of the loopholes provided in the law.

In 1948, the Nationalist Government came into power and brought along with it, the apartheid laws. In the beginning, the Indian population had been isolated because they were immigrants but mostly because of anti-Indian legislation. The apartheid regime provided Indian's with the opportunity to break out of narrow culture confines and brought all the oppressed people together in the struggle for freedom and equality. It had taken ninety years to reach this point,

but it was these historical events which ended up shaping the Indian populations approach to business and social life.

As discussed in an article from History SA (2014) cultural and religious beliefs and practices, especially those of Muslims and Hindus - the faiths of a majority of Indians in South Africa - are listed as other external factors that can be seen impacting business and business succession. By way of example, it is forbidden in Islamic business law for an entity to be party in a transaction that has an element of interest (riba). In the modern financial system, this would limit the ability of a Muslim-owned family business to grow as quickly as its counterparts.

Fahed-Sreih (2018) concurs that unfair inheritance, sometimes caused by weak succession plans and by nepotism, leads to relationship conflicts within the family that reflect on the overall performance of the family business. A further example would be that as part of Muslim inheritance laws, male children inherit twice that which a female child receives. This, again, would impact business inheritance and succession in cases where a female child is seen as the ideal successor, but whose shareholding in the business would be half that of her male sibling.

Also significant, is the Hindu culture where in-laws are generally seen as an external part of the family, and not as extended family. For example, once married, a daughter of the family is said to have been "given away" to an outside family (Srinivasan, 2005). If present in a Hindu-owned family business, this practice could affect the passing of the baton to a female successor with the fear of interference of indirect take-over of the business by the in-laws.

Ward (2000) also describes how traditionally, in Indian businesses, the obligation to assume leadership and maintain family respect would fall on the eldest son, with daughters only taking the wheel in the absence of male offspring. This however, is changing as Ward (2000) maintains that "the privilege of sons is being threatened" and society is finding it increasingly acceptable for educated daughters of business owners to be actively involved in the business.

In addition, Mullins (2016) suggests that change also originates within the organisation itself; because much of this change is part of a natural process of ageing. For example, material resources such as buildings, equipment or machinery deteriorate or lose efficiency; or as human resources get older; or as skills and abilities become outdated (Mullins, 2016). On the other hand, some of this change can be managed through careful planning; however, Mullins (2016)

asserts that the main pressure of change is usually from external forces.

In a study conducted by Virick and Greer (2012), it was found that the nomination of female successors was positively associated with the performance of incumbent managers who nominated them as their successors. This implies that lower-performing incumbents were less likely than higher-performing incumbents to nominate women as successors when the diversity climate was unfavourable. When the diversity climate was favourable, lower performers were more likely and higher performers were equally likely to nominate women as successors (Virick and Greer, 2012).

Furthermore, Westhead (2003) investigated variables that influence family business succession in relation to the retirement age of the CEO and who will succeed. The study also addressed the need to determine the propensity of family firms to report whether the board has established clear-cut objective criteria, specifying when the current Chief Executive Officer [CEO] should retire; whether the CEO has a successor in mind; and whether a succession plan has been approved by family members. Besides highlighting the critical need to have a CEO succession plan; the study concluded that external environmental factors play a significant role in the success of succession plans in family businesses.

## **2.5 Family Culture and Relationships**

Family businesses are seen as unique in that they have largely value based management systems (Craig and Moores, 2005), with culture and ethos of the family business being a key business dynamic. Denison et al. (2004) contend that the personal values and motivations of the owner play a pivotal role in determining the overall culture of the family business. "This cultural uniqueness, if understood and nurtured, can be one of a corporation's greatest advantages". The authors also state that the most probable explanation for positive results in family businesses includes continuity of the founder's values in the business. The founder's values provide unique strengths that are difficult to copy and may be a source of competitive advantage for the successor(s).

Drexler's is an example of a family business with strong underlying values (Ivancevich, Konopaske, and Matteso, 2014); and the current head of the family is mainly responsible for influencing the culture of the organisation, and the values underpinning it. More specifically,

their values of honesty, hard work, and treating people fairly and with respect permeate the atmosphere and operations of Drexler's. Another strong feature of values also get played out in the way in which Drexler's restaurant "gives back to" the surrounding African-American community (Ivancevich et al., 2014). There are many shared values with this type of family business and Indian family business in South Africa who also hold very strong religious and cultural values; and have a strong focus on giving back to the communities that they serve.

Sharma and Rao (2000) indicate that Indian family managers give more importance to family relationships than Western cultures. As a result, Indian business leaders place lower importance on a potential successor's (if he is a blood relative) past experience or performance in comparison to their Western counterparts. However, research conducted by Morris, Williams, Allen, and Avila (1997) indicated that successful family businesses have successors who are well prepared in terms of education and experience. Therefore, Morris et al. (1997) stated that trust, effective communications, and shared values among family members are essential to successful succession.

Moreover, Keyt (2015) argues that if a successor fails to differentiate, the family business most often fails to move its legacy forward; and suggest that a differentiated leader is able to cast a vision that others can rally around simply because it is a vision that they can take charge of. Values make people stay; a vision gets them going; and the meaning generated motivates people to pursue a larger purpose (Keyt, 2015); because it ignites a community and changes its culture.

Janjuha-Jivraj and Woods (2002) look at the considerable influence that inactive family members, in particular the mother who acts as a "silent buffer" between her children and her husband, may have in Indian family businesses. In addition, Morris et al. (1997) concluded that the relationship within family members has the greatest influence on effective succession between generations of family businesses. Moreover, they categorized the controllable variables that affect family business successions into three groups: (1) preparation of successors, (2) relationship among family and business members, and (3) planning and control activities.

In conclusion, good family relationships are key to successful family businesses (Dunn, 1995). Morris et al. (1997) provides empirical evidence which suggests that a harmonious family

relationship is a better predictor of successful business transition, than aspects of succession planning itself, such as grooming of the successor(s).

## **2.6 Family Conflicts**

The relationship and communication between the outgoing business leader and the successor(s) is pivotal to the success of the succession process (Chrisman et al., 1998). Central to this relationship, is mutual trust and support, open and honest communication and acknowledgment of each other's contributions. On a study of family businesses, Cabrera-Suarez (2005) found that in businesses with successful successions, trust and responsibility was given to incoming successors, allowing them to make decisions and learn from their mistakes. Successors described the process as "natural" and the communication between generations was "fluid".

Conflict in many family businesses arises as a result of the existence of two roles, that of an independent business and the other of an emotion-filled family (Lansberg, 1983). Scott (2017) argues that Family-owned businesses face a great deal of challenges, but the single biggest problem in our view is an inability to choose the right trusted adviser early in the business' life, to help the business to become more sustainable and to provide an independent perspective. One of the most important elements in ensuring longevity for family-owned businesses is having a documented succession plan that all the board members are aware of. An adviser can also be invaluable as a sounding board to evaluate the suitability of a new leader (Scott, 2017). There is significant time gap between Lansberg and Ian Scott, however, Grant Thornton CEO Ian Scotts' views can be seen to support the views of Lansberg.

According to Fahed-Sreih (2018), like other kinds of businesses, family businesses face many sorts of conflicts which are even more complex than normal firms. The leading most distinguishing conflicts occur between the family members handling the business. There are three known types of conflicts: task, process, and relationship conflicts. The first two are said to be a positive influence while the last is said to cause negative impacts on the business. It is established that the dysfunctional conflict encompasses the factor of fairness norms and role ambiguity which play a critical role in its occurrence. Many meters are included in the measurement of family businesses performance (Fahed-Sreih, 2018); where some are related to financial and material aspects of the company and others revolve around the norms and

intangible assets of the organisation.

Fahed-Sreih (2018) further argues that family conflict is exacerbated when multiple family members are stakeholders in the business as family firms must manage conflicts that are in a way unique to it, for example sibling rivalry and marital discord. Sibling rivalry is described as one of the primary conflicts occurring in family businesses. As one moves from founder-stage to sibling partnership, it becomes clear that while each sibling realises the importance of cooperation for the business, their actions are mainly directed by the needs of their immediate family (Lubatkin et al., 2005). For example, the fear of losing status and inheritance perks and rights and other perks that may come with the family business result in the lockdown of unwanted members in the business, thus increasing conflict (Fahed-Sreih, 2018). Consequently, strategies and goals that are potentially not in the best interests of the firm, but rather in the individual sibling's family, may be developed which can put the business at the risk of financial stress.

Another potentially contentious issue is the question of family remuneration. Employees in non-family business are remunerated in light of market conditions and performance. Alternatively, family employees are sometimes paid either more or less than market rate, as they may be expected to work for a token salary or inflated salaries paid due to preferential treatment. Furthermore, parents often treat all children equally rather than fairly depending on their input in the business. This can create tension between siblings and negatively impact the succession process (Cromie et al., 1995).

## **2.7 Readiness of Successors**

As for the first point, Morris et al. (1997) classified the factors that determine the preparation level of the possible successor into the following: (1) level of formal education, (2) training obtained from the incumbent, (3) work experience, (4) entry-level position, and (5) number of years working with the family business before the succession occurs. Likewise, Miller et al. (2003) found that there is a direct relationship between the preparation level of possible successor and the effectiveness of succession process. The higher the preparation level of possible successor, the higher the likelihood that he or she will take over the family business after the predecessor leaves it.

Indian family businesses place importance on the following attributes in a successor: being related by blood, ability to work with and be trusted by family members, business acumen and entrepreneurial risk-taking (Sharma and Rao, 2000). Numerous historical researches, including Kets De Vries (1977) and Levinson (1971), have found that one of the biggest obstacles to planning for succession are the problems experienced when a founder has to relinquish control. Outgoing leaders, especially founders, are able to ease the transition and handover of power with a family firm (Lansberg and Astrachan, 1994).

Levinson (1971) likens the founder's relationship with the company to a relationship with his "baby" or "mistress". The founder's leadership represents his/her status in the community. The fear of seeing these benefits of status handed over when the position is transferred to successor is seen as a potential deterrent in succession planning. It is imperative that a process be designed which allows the successor space to take on further responsibilities, and reduces the founders fear that he would be ignored and disconnected from an entity that is likely his life's work. This process will differ depending on the structure and circumstances of each family business. In certain cases, the outgoing leader would prefer to be active alongside the successor, or in the background. In other cases, the outgoing leader would prefer an advisory role only in retirement, while few would prefer total retirement away from the business.

Lansberg and Astrachan (1994) illustrates the importance of the relationship and goal alignment of the successor with the outgoing leader, as it allows the transition to happen effectively due to the close working relations between the two. Also significant, is the potential successor's relationship with other family member - both active and inactive, having their trust and having the ability to work with everybody across the scope of the family (Chrisman et al., 1998).

Competence is another key attribute for successors. This could encompass a number of things including level of education, expertise within and outside the family firm and past performance. Marketing skills, strategic planning, technical and financial skills are also seen as desirable attributes in a successor (Chrisman et al., 1998). Interpersonal and personality are added to the list of desirable attributes for successors. This would include characteristics such as integrity, self-confidence, the willingness to take risks, independence and creativity.

Commitment to the business is another attribute that Chrisman et al. (1998) describes as key, as succession is a process which demands the involvement of both outgoing and incoming

leaders in the business. In order to tackle a broad range of issues that may be faced by the family firm, Lansberg and Astrachan (1994) suggest that a successor should be exposed to work-related experiences outside the company.

## **2.8 Identification of Successors**

Sharma et al. (2013) revealed that succession planning is the first and one of the most significant parts of the succession process and has two key objectives: (1) selecting the successor which includes setting criteria or creating a pool of candidates (Breton-Miller et al., 2004) and (2) preparing for the succession of management and ownership from one generation to the other. Likewise, training of the successor has been emphasised, with Lansberg and Astrachan (1994) illustrating that in light of the difficulty for a successor to have to get trained by a family member, as opposed to a non-family member, understanding and respect between the outgoing leader and the successor is paramount for successful training.

According to Walsh (2011), creating communication activities such as family business meetings, family council meetings, and family business rules will guide the whole succession process. These communication activities will pave the way for the effective management of the all-important family component. Succession management activities also involve training of successors and incorporating active family members into a number of main management activities.

Despite many firms having moved to inheritance rules, primogeniture is still cited as one of the attributes associated with the selection of the successor (Bertrand and Schoar, 2006). In many ways this may simplify the succession process, however, it can have costly implications on the business should the first born son be incapable or disinterested in running the business.

Intently focused on building community, Keyt (2015) argues that family businesses have a tribal mentality, where loyalty, duty, and obligation (both to the family and to the mission of the family business) connects the enterprise to a purpose greater than profit. Family businesses are highly respected in their communities; because the family ties, albeit diffused, still carry influence. Families who work together toward a legacy tend to stay together—and their businesses tend to thrive (Keyt, 2015).

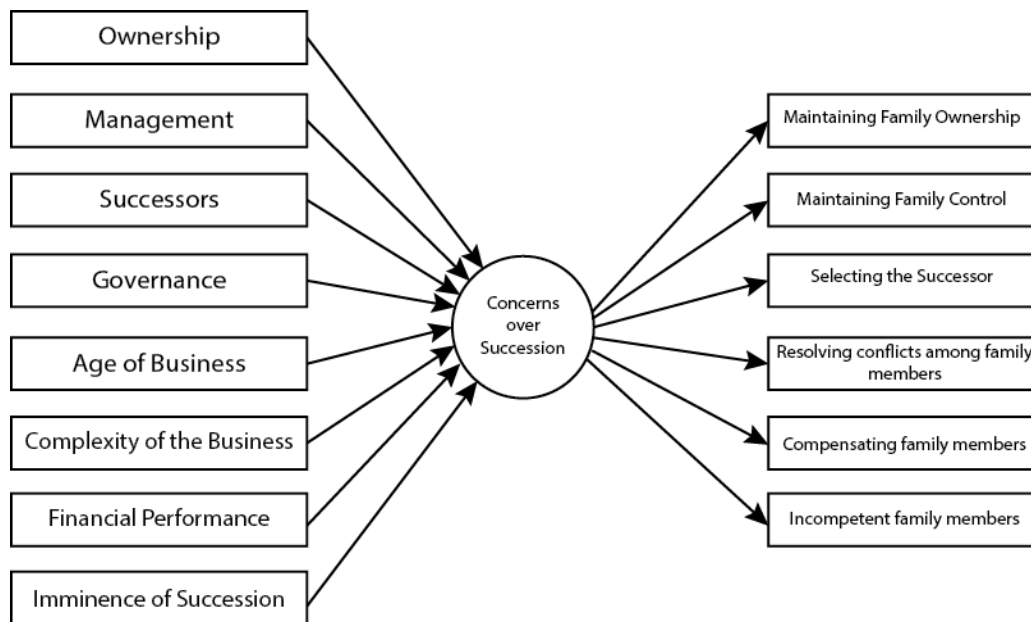
Ward (1997) highlights knowing that problems faced by family businesses are a threat to existence and survival of the business, as one of the reasons why many family firms fail to grow. Business leaders and successors see numerous problems including dilution of wealth as shareholders increase, conflicts including over having the wrong successor, remuneration, running out of capital and failure of the business, lack of motivation and entrepreneurial spirit, different objectives of the next generation, and the fear among founders that the successor would disregard the founder in his retirement.

In the study conducted by Chua, Chrisman and Sharma (1999) to determine behaviour as the essence of a family business, it was found that the components of family involvement typically used in operational definitions are weak predictors of intentions and, therefore, are not always reliable for distinguishing family businesses from non-family ones. Moreover, In the **family** business context, the logic of the business, which is focused on operational **concerns** such as profits and productivity, competes with the logic of the **family**, which is related to nurturing and perpetuation for future generations (Mitchell, Agle, Chrisman, and Spence, 2011).

On the other hand, Daft (2010) argues that the success of the business can relate to charisma, which has been referred to as “a fire that ignites followers” energy and commitment. The **charismatic leader** has the ability to inspire and motivate people to do more than they would normally do, despite obstacles and personal sacrifice by implementing the following: (1) stating a lofty vision of an imagined future that employees identify with; (2) displaying an ability to understand and empathize with followers; and (3) empowering and trusting subordinates to accomplish results. Finally, Daft (2010) asserts that charismatic leaders tend to be less predictable because they create an atmosphere of change, and they may be obsessed by visionary ideas that excite, stimulate, and drive other people to work hard.

## 2.9 Theoretical Framework

Figure 2.2 illustrates the theoretical framework, which identifies the key factors contributing to succession readiness in Indian family businesses. Chua, Chrisman and Sharma (1999) creates an overview illustrating the most common issues faced by stakeholders when it comes to business succession in family businesses.



**Figure 2.2: Theoretical Framework for Concerns over Succession in Family Businesses**

(Source: Chua, 1999)

## 2.10 Conclusion

It is clear from the review of extant literature in this chapter that global research provided insights into the environments and issues faced by Indian family business within South Africa. Further literature identified that the Stage of the Family Business and Family Control, External Factors, Family Culture and Relationships, Family Conflicts, Readiness of Successor(s), and Identification of Successor(s) can influence the level of preparedness for business succession within this context.

However, not enough theory exists surrounding how geo-ethnic experiences, such as religious, historical and political experiences in the current South African climate influences family business succession in South Africa; hence highlighting the need for primary research. The next Chapter outlines the methodology behind the primary research conducted in this study.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction and Aim of the Study**

This Chapter describes describes the research design and methodology used in this study with regards to the following; research method used, sampling, data collection, data analysis and research design. The target population was persons of Indian origin in South Africa, who were involved in their family's business with senior management positions. The criteria for the family businesses were to have their primary income derived from within South Africa, and to be at least one (1) year old. The statements/questions used in the anonymous survey were a combination of multiple-choice (yes/no) questions, Likert-style questions, and open-ended questions derived from the literature review. The survey was constructed and circulated both by direct and referral methods to respondents via email and by texting a link for respondents to complete the survey online (Appendix B). The research was intended to be correlational, as "research that involved collecting data in order to determine the degree to which relationships exist between two or more variables" (Fraenkel et al., 1993 p.220).

### **3.2 Research Design**

The research design was based on descriptive research whereby the study sought to identify and describe the relationship between certain pre-determined factors and the overall performance review effectiveness within the South African financial services sector. The positivist research philosophy was utilised to formulate hypotheses, establish phenomena and inferential statistics were used to test hypotheses. The descriptive research design is appropriate for this study as it allows for the identification of current issues or problems through the process of data collection, which enables a more complete description of the situation than would be possible without employing this method (Fox and Bayat, 2008).

The positivist research philosophy provides for the random selection of large numbers for the sampling and utilises data collection and interpretation thereof in an objective way where the other research philosophies did not provide for this. Furthermore, the positivist approach allows for complete independence from the research and minimal interaction with the research participants, which is beneficial to the study as it means the research can be purely objective (Wilson, 2014).

### **3.3 Research Methodology**

Thurloway (2014) proposed that one's approach to research methods – qualitative, quantitative or mixed – should be informed by the research question, access to data, and contextual appropriateness. With this in mind, the most appropriate research methodology that aligned to the research strategy was the quantitative approach, as it would allow for the quick and efficient collection of quantitative data. The researcher intends to distribute an online survey link to Indian family business owners to achieve at least 60 responses, which is the recommended number of responses to generate statistical results (Thurloway, 2014). The above mentioned strategic approach towards the research is selected as it provides the greatest opportunity to achieve a large number of respondents as well as the level of detail required to make the research not only acceptable but also achieve statistically significant research findings.

### **3.4 Research Strategies**

The key data and feedback was sourced through an online survey, from this survey the respondents were able provide feedback relating to the method of performance review that is used within their organisations, as well as their view on that method. Quantitative methodology was implemented by the utilisation of an online survey, this allowed for the quick and efficient collection of data and subsequent analysis to address the research question (Collis and Hussey, 2014). This data formed the basis for the investigation into understanding specifics around what other methods are being utilised in the wider business environment and the perception of these. Further to this, the researcher focused solely on the use of quantitative methodology as this allowed the researcher to objectively evaluate the data.

### **3.5 Target Population and Sampling Strategy**

Sixty individuals of Indian origin, who were family members involved in a family business in South Africa, were selected as the sample to collect data for the study. This sample was drawn from the community, as well as business links of the author, using Indian associations in South Africa and referrals of earlier and subsequent respondents. The random sampling technique was used initially, as subjects were selected in a specific demographic because the target population was not homogenous (Westhead and Howorth 2007). Thereafter, the snowball sampling technique was employed to reach additional participants and create an adequate

sample size suitable for statistical analysis.

### **3.6 Research Instruments**

Data collection approaches include surveys, interviews, focus groups and observations. Even though surveys and interviews are most popular options, their applications depend on the relevant research strategy. In this regard, Collis and Hussey (2014) suggest that a survey is a method for collecting primary data in which a sample of respondents are asked a list of structured questions informed by existing theory with a view to capturing reliable data. Hence, the aim of the survey research instrument is to gain feedback on the perceptions of what the respondent would do as a measure to help address the research questions (Collis and Hussey, 2014). Therefore, the research instrument chosen was an online survey because it allowed for a reliable and consistent collection of cross-sectional data (Rindfleisch et al., 2008) from family businesses that were invited to participate in this study.

#### **3.6.1 Data Collection Method**

One of the biggest challenges facing the data collection procedures for this research was the creation and distribution of the survey. The structure of the survey needed to be clearly formulated, to ensure it aligned to supporting the research and adding value to the sector. To achieve this, the researcher had to analyse and clarify the findings by plotting out the data and finding correlations. The initial analysis of trends, correlations, variations and outliers helped focus the data analysis on better answering the research question and any objections others might have (Dillard, 2017). Once the analysis is complete the results can be interpreted and the findings presented. Detailed descriptions, tables, charts and graphs, to assist in the presentation of the findings are included within the report.

#### **3.6.2 Questionnaire Construction**

This survey was divided into seven sections. Section 1 addressed general, non-identifying questions about the respondent and the family business. This included questions relating to age, gender, group, educational level, age of the family business, stage of the family business, countries of business, industries, number of employees and annual turnover.

The remaining sections were based on the literature review, and were divided as follows:

- **Stage of the Family Business and Family Control:**

This section questioned the manner in which formal/informal business decisions are made. This included looking at whether there are formal reporting structures, formal advisory boards, a formal shareholders' agreement/family constitution and formal rules of entry into management and ownership of the business. This section also considered how the family has fared in retaining control and whether it is able to cope with the exit of key members.

- **External Factors:**

This section examines the impact of the apartheid policies of the past in South Africa, the current climate and the respondent's confidence regarding the future of the family business in South Africa. This section also covers the effect of cultural/religious values and teachings of the business, and in particular succession, including having a female successor.

- **Family Culture and Relationships:**

This section analysed the effect that family values have had on the family and whether the respondent sees these values present in succeeding generations. In addition, levels of remuneration of family members and the impact of familial relationships on the business was also addressed.

- **Family Conflicts:**

This section examined the frequency of conflicts in the family business and the level of communication in the business. It also enquired whether there are mechanisms in place to resolve conflicts and highlighted the most common sources of conflict.

- **Readiness of Successor(s):**

This section looked at the time before the successor was needed and the outgoing leader's role once the successor is in place. It examined the attributes most desired in a successor, the time succession should take place and the recourse, in the event that a successor is not found. This section also examined whether, should a successor be recognised, the business has training programs in place and if the successor is well-accepted by the family and non-family employees.

- **Conclusion:**

The conclusion of the survey offered each respondent the opportunity to list three areas they are most concerned about in relation to the future of their business. Each

respondent was also encouraged to list any other issue, regarding family business succession, not covered in the survey.

### **3.7 Pilot Study**

The pilot study was completed by a few respondents who were either friends or family members with a professional background. The pilot study was distributed to identify the average amount of time it took respondents to complete the questionnaire as well as to identify any issues relating to the reliability and validity of the questions. The pilot study also served to test compatibility of the questionnaire across a variety of internet browsers and mobile devices and to understand the general impressions of the respondents on the experience of completing the questionnaire.

The feedback received from respondents during the pilot study identified a number of suggested corrections that should be made. These included the editing of several statements, and the realignment of some statements to different sections. This feedback really improved the overall feel of the questionnaire and has improved the reliability and validity of the questionnaire.

### **3.8 Administration of the Questionnaires**

Each respondent was sent an email with the invitation and a link to the web-based survey. 51 completed responses were received, resulting in a final response rate of 85%.

Dennis (2003), in a study of response rates of small businesses, showed a range of between 16.9% to 35.2%. The high response rate achieved in this survey can be attributed to a number of factors. Firstly, the anonymous nature of the survey allowed otherwise private family business participants to respond honestly to fairly revealing questions. Secondly, respondents were given the option to receive an anonymous summary of the results of the survey. Thirdly, the survey was designed to be "responsive" on smartphones, and allowed respondents easy accessibility and to respond at their leisure. Finally, and most significantly, the author was well-known in business and social circles of Indian businesses in South Africa. As a result of this relationship, respondents were willing to take time to complete the survey and assist with the research.

### **3.9 Data Analysis**

The data was collected in Microsoft Excel and imported to statistical software program for analysis. Descriptive statistics are used to describe the basic features of the data from the study such as mean, median and frequency. The inferential analysis is done by the use of tabulations with chi-square statistics; Mann-Whitney U and Kruskal Wallis non parametric testing; and correlation analysis followed by regression analysis. This assisted in establishing relationships between the dependent and independent variables depending on the total number of responses. Findings from this analysis were also discussed in light of the extant theory presented as part of the framework to determine whether the findings have been supported or not.

### **3.10 Validity And Reliability**

Proving the reliability and validity of the data that is collected, in order to draw meaningful conclusions from the data analysis, is a critical step to the overall success of the study. Research validity can be divided into two groups: internal and external. It can be specified that internal validity refers to how the research findings match reality, while external validity refers to the extent to which the research findings can be replicated in other environments (Pelissier, 2008). Data reliability is a state that exists when data is sufficiently consistent, complete and error free, it is then deemed to be convincing for its purpose and context (Auditor, 2004).

The following steps were taken to ensure the reliability and validity of the data (Muller, 2011):

- Protocol for questionnaire design
- Protocol while administering a questionnaire
- Measures to ensure data integrity
- Measures to ensure validity and reliability (appropriate analysis strategy)

Table 3.1 indicates how Cronbach's alpha measures can be interpreted.

**Table 3.1: Reliability**

<b>Cronbach's alpha</b>	<b>Internal consistency</b>
$a \geq 0.9$	Excellent
$0.9 > a \geq 0.8$	Good
$0.8 > a \geq 0.7$	Acceptable
$0.7 > a \geq 0.6$	Questionable
$0.6 > a \geq 0.5$	Poor
$0.5 > a$	Unacceptable

(Adapted from Sekaran and Bougie, 2016)

### **3.11 Limitations of the Study**

There were a number of limitations to the data collected. This was primarily due to the nature of the sample and the type of survey questions.

- Selection bias was a key limitation. For any survey to be a true representation of the population each subject has to be given an equal chance for selection and subjects have to be chosen at random. In South Africa, there is limited information on family businesses and more so on Indian family businesses. This can be attributed to the fact that most family businesses in South Africa are very private about their businesses. Heckathorn (1997) describes this population as a 'hidden population'. In other words, a population in which sampling is limited to chain referral sampling such as key informant sampling, snowball sampling and targeted sampling.
- Snowball sampling was employed in this study. The author used initial contacts as a random sample, with these contacts then providing the next number of individuals fitting the criteria, and so-forth, creating a "snowball" sample. There a number of limitations to Snowball sampling, such as the reliance on the first sample, which is generally obtained by ease of access and is therefore not entirely randomly drawn. This limitation continues with every stage of the referral process, and is exacerbated by the bias of including only co-operative subjects who agree to participate (Heckathorn, 1997).

- The lack of available information on Indian family businesses in South Africa also limited the size of the sample contacted to just over 50 subjects.
  
- A further limitation was use of Likert-type questions in the survey. In this survey, the Likert-type questions were framed as statements asking respondents to rate their responses from a scale of numbers, for example from 1-5 (Likert, 1932). Likert-type questions are susceptible to response bias, such as central-tendency bias, extremity bias, social desirability bias and acquiescence bias. Central-tendency bias is the avoidance of extreme responses; extremity bias is the use of extreme responses; social desirability bias is trying to present oneself and one's business in a manner that is socially acceptable; and acquiescence bias is agreeing to the statement as is (Herkenhoff and Fogli, 2013). While this study phrased the survey questions in a non-leading way to eliminate acquiescence bias, the other biases are a possible limitation of the data.

### **3.12 Ethical Considerations**

Throughout the research process the researcher ensured the following ethical considerations were taken: University Code of Good Practice in Research (University of Reading, 2017):

- To understand and recognise the responsibility to conduct research of high ethical standards.
- To be aware of the University's policies and procedures on good practice in research.
- To ensure the research complies with the University's policies and procedures at all times.

In addition to the above, the researcher also ensured that the data received from the survey respondents remained confidential at all times. This was done by ensuring the data is stored within a secure environment and by ensuring the survey format allows anonymity.

### 3.13 Summary of Research Methodology

Table 3.2 summarises the research methodology approach and the justification to why that approach was taken.

**Table 3.2: Research Methodology Summary**

Aspect of Methodology	Proposed Approach	Justification
Philosophy	Positivism	Provides an objective investigation of the research that focuses on facts and a large sample
Approach	Deductive	Provides a less risky approach to test the hypothesis developed from existing theory against the designed research
Design	Quantitative, Descriptive	Provides the ability to determine, describe or identify data and objectively evaluate
Research Strategy	Distribution of online surveys	Provides the ability to comprehensively, quickly and anonymously generate data findings in a large sample
Sampling Strategy	Non-probability sampling	Provides the ability to analyse descriptive comments and is more effective to cost and time in comparison with probability sampling
Data Analysis	Descriptive and Inferential Statistics	Provides the description of the perceptions of respondents and the evaluation of hypothesised relationships
Data Quality	Cronbach Alpha for Reliability and Factor Analysis for Validity	Provides consistent data as well as ensuring a true reflection of theoretical foundations

(Source: Researcher's own construction)

Table 3.2 summarises that the study adopted positivism as the research philosophy; the approach followed was deductive; the research strategy adopted the use of surveys as the research instrument; a non-probability sampling strategy was used to collect data; and descriptive and inferential statistics analysis were used to analyse the data. Furthermore, the study used the Cronbach's alpha reliability coefficient value of 0.70 or higher to test the reliability of the quantitative data and Factor Analysis was the technique used to ensure the validity of the data collected. Furthermore, steps were also taken to ensure the ethical collection of the data. Likewise, the steps taken to ensure the reliability and validity as well as the limitations of the research findings were discussed.

### **3.14 Conclusion**

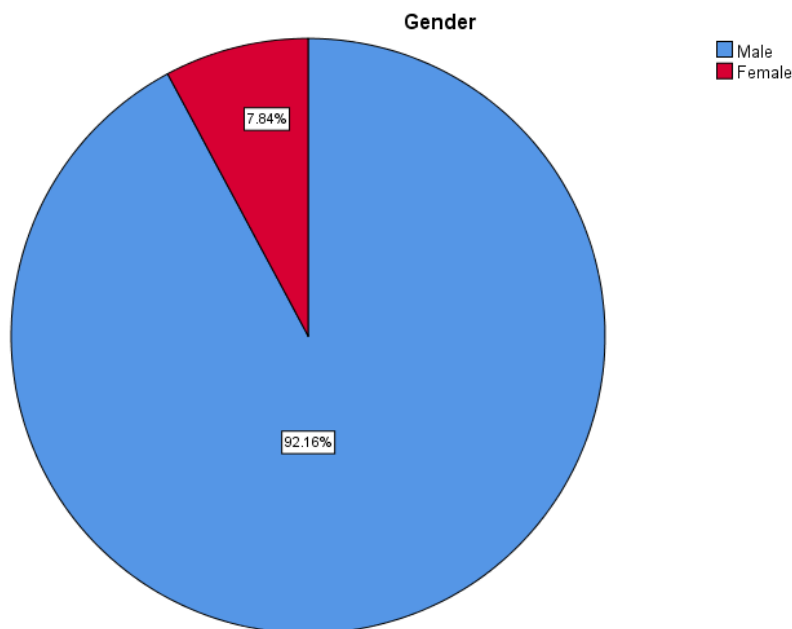
This chapter presented the methodological approach, research strategies, design and sampling, as well as the development, administration and analysis of the research questionnaire. A discussion on the steps taken to ensure reliability and validity as well as the considerations behind the limitations and ethical issues impacting this study were highlighted. The next chapter presents the results of the descriptive and inferential statistics.

## CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS

### 4.1. Introduction

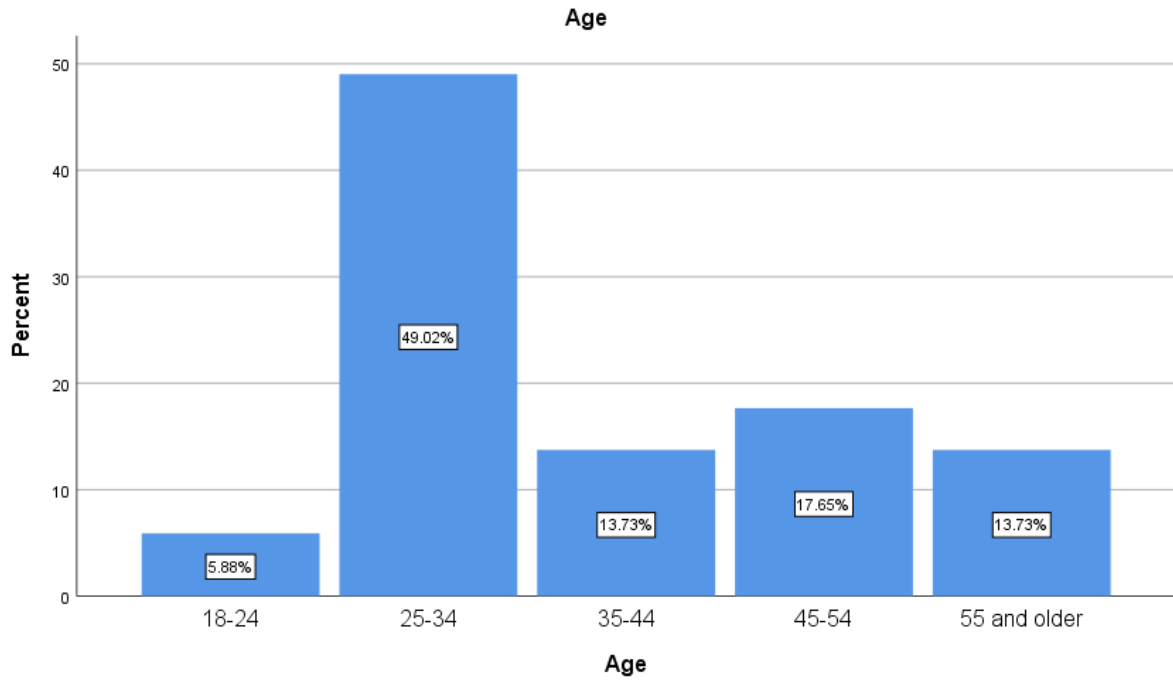
This chapter presents the data findings, which starts with the review of the demographic information, followed by the descriptive statistics of key variables. Thereafter, analysis of inferential statistics and hypothesis testing were undertaken.

#### 4.1.1 Business and Personal Information



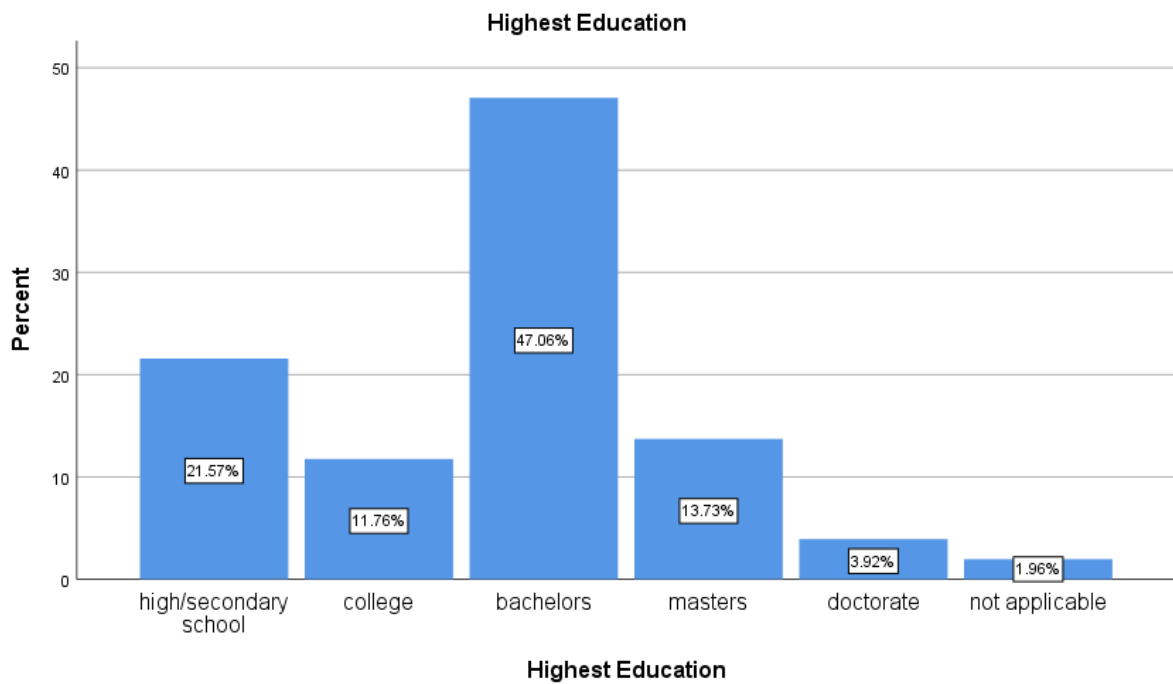
*Figure 4.1: Gender*

As illustrated in Figure 4.1, out of the 51 respondents: in terms of gender, 47 were male and 4 were female. Percentages may be seen in the pie graph above.



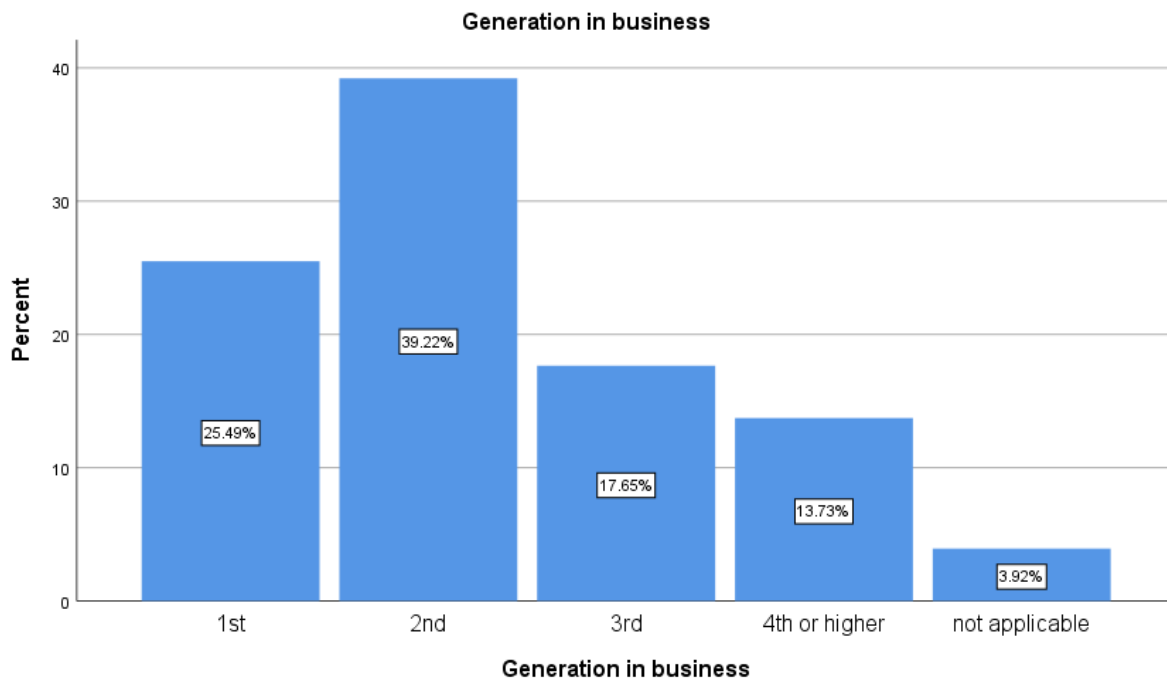
**Figure 4.2: Age**

As illustrated in Figure 4.2: In terms of age, a total 86.27% of the respondents were between the ages of 18 to 55, while only 13.73% were over the age of 55.



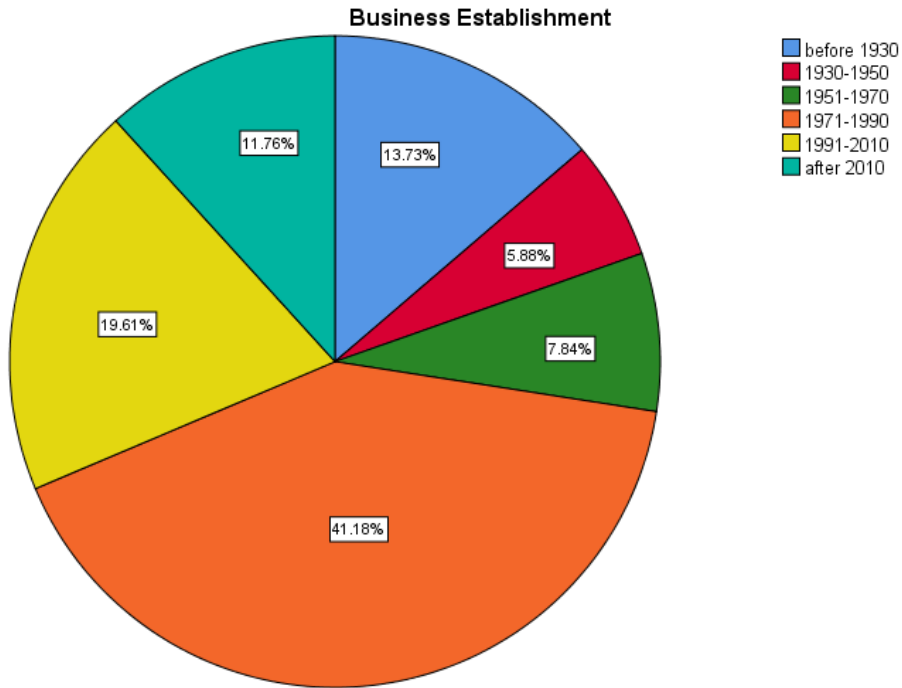
**Figure 4.3: Highest Education**

As illustrated in Figure 4.3: In terms of education, a total of 64.6% of the respondents have an education level of university or higher.



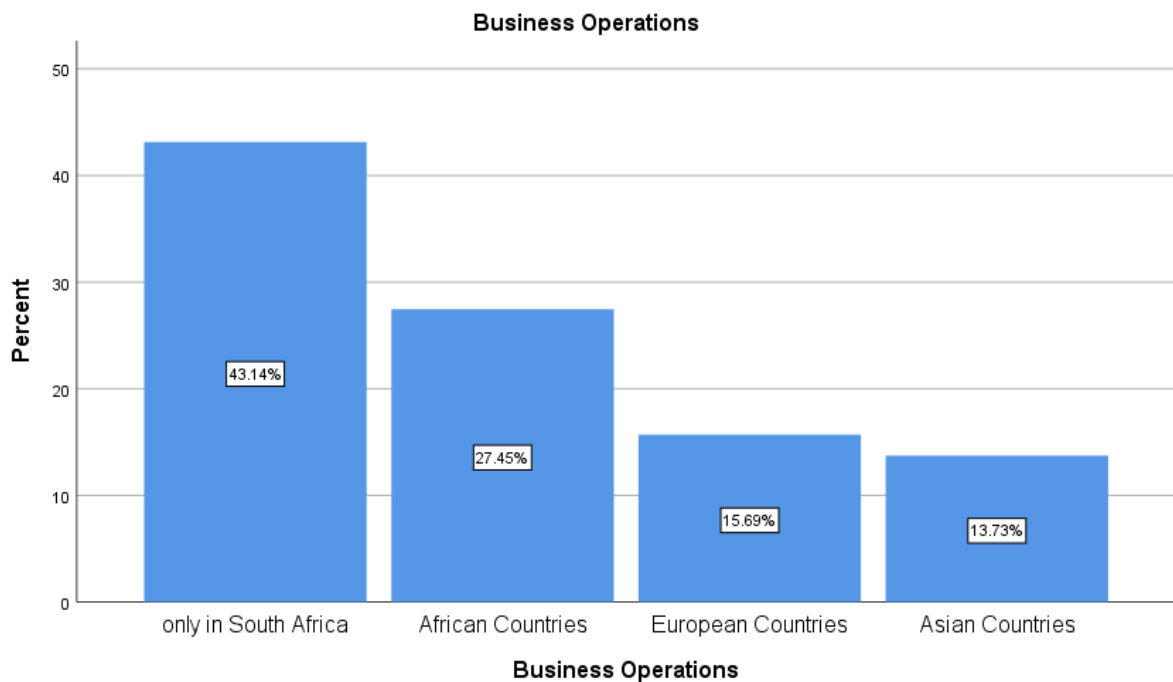
**Figure 4.4: Generation in business**

As illustrated in Figure 4.4: In terms of generation, a total of 64.7% of the respondents were first or second generation members of their family business, while a total of 31.3% were in the third and fourth generations or higher.



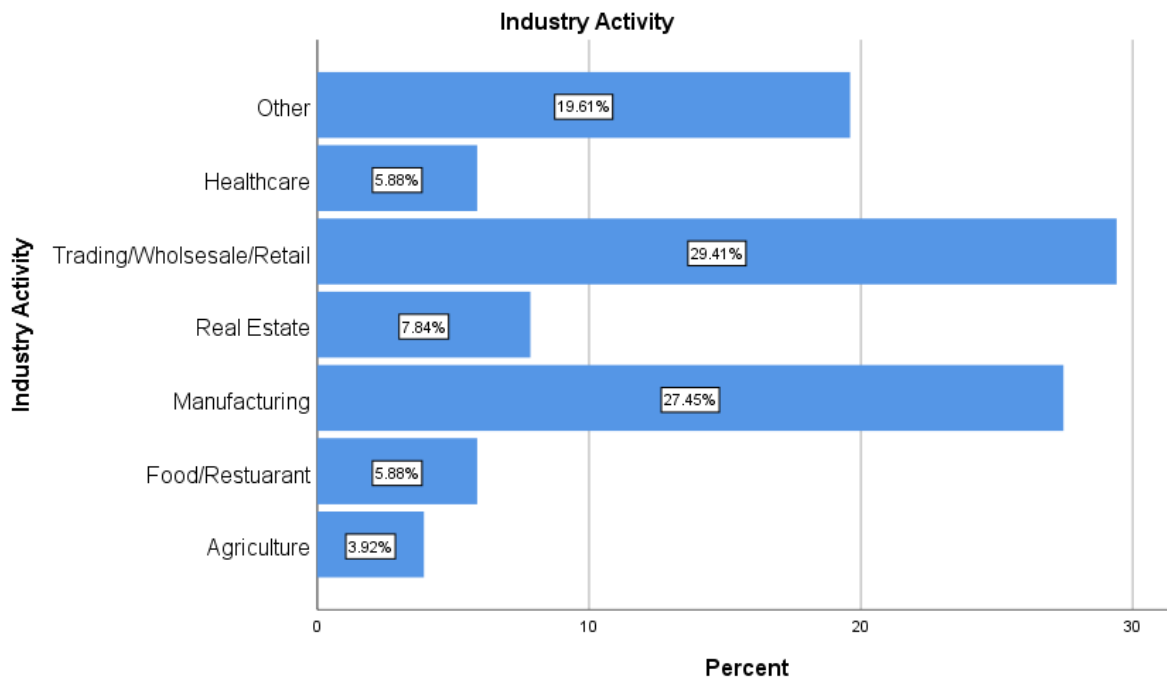
**Figure 4.5: Business Establishment**

As illustrated in Figure 4.5: It has been identified that majority of the businesses surveyed were established post 1970 at a total percentage of 72.53%, while 27.47% of the businesses were established pre 1970. The oldest business surveyed being at a current age of 128 years old.



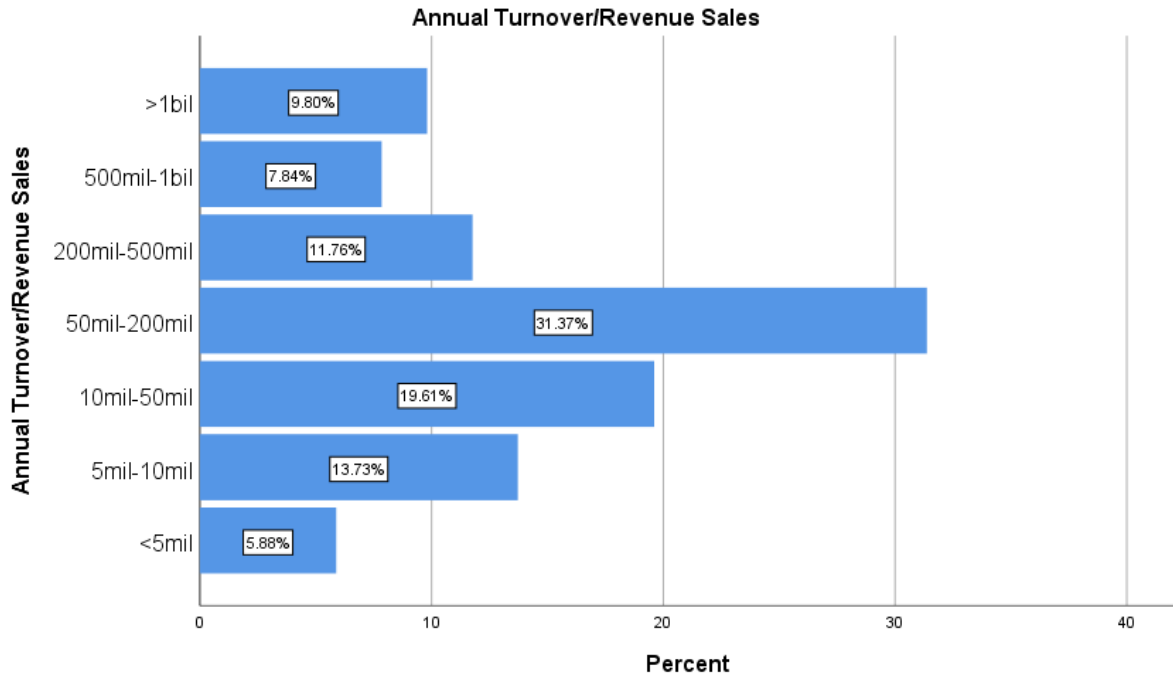
**Figure 4.6: Business Operations**

As illustrated in Figure 4.6: 22 of the firms that were surveyed only operate in South Africa, while 29 businesses operated in international markets



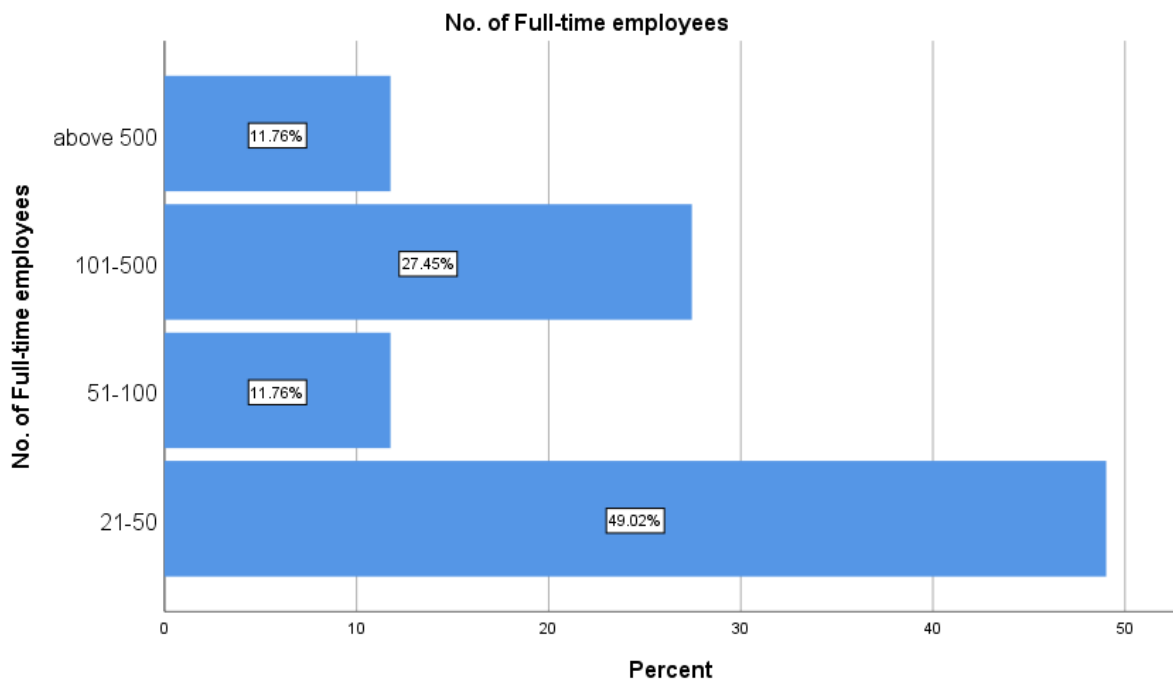
**Figure 4.7: Industry Activity**

As illustrated in Figure 4.7: In terms of industry, manufacturing and trade/ whole-sale/ retail were the industries selected 56.9% of the time, indicating that the majority of the firms were involved in these industries as a primary, secondary or tertiary industry. The Real Estate industry was selected by 7.8% of the respondents and the remaining respondents were involved in other industries.



**Figure 4.8: Annual Turnover/Revenue Sales**

As illustrated in Figure 4.8: In terms of revenue, 5.9% had an annual revenue of less than R5, 000,000, 84.3% of businesses surveyed with revenues between R5, 000,000 to R1, 000,000,000, and only 9.8% of businesses had a revenue exceeding R1, 000,000,000.



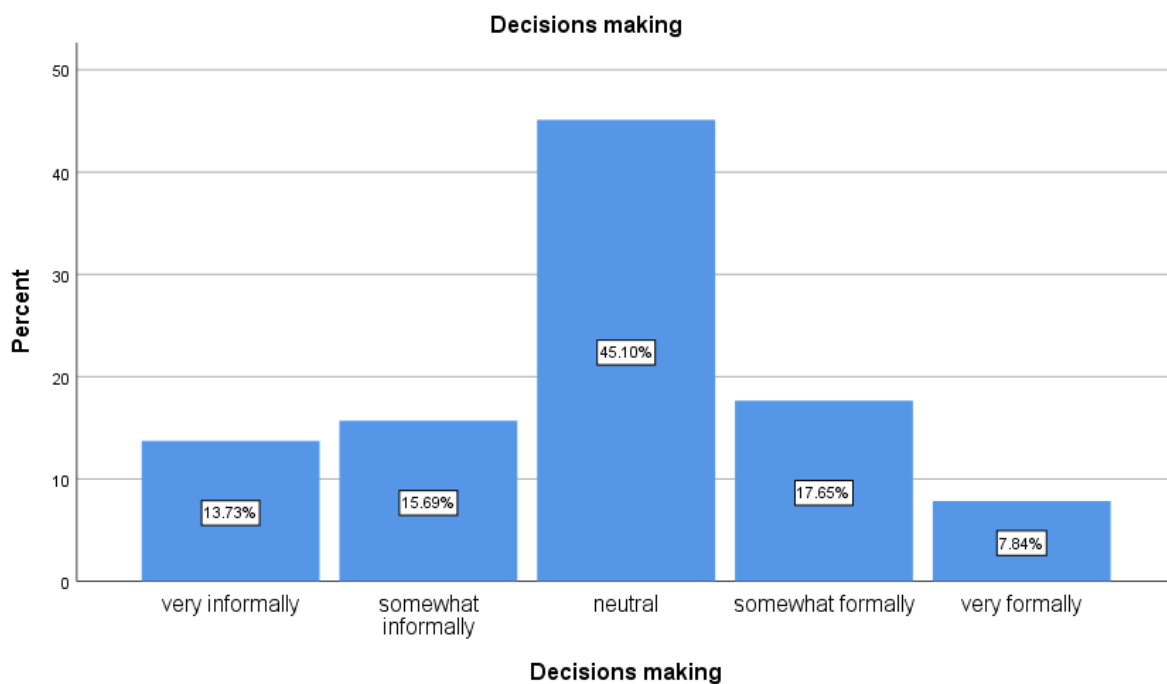
**Figure 4.9: No. of Full-time employees**

As illustrated in Figure 4.9: In terms of employees, around 11.8% of the firms had less than 6 employees, while 76.4% had between 6 to 500 employees, and 11.8% firms had more than 500 employees.

**Summary: Business and Personal Information**

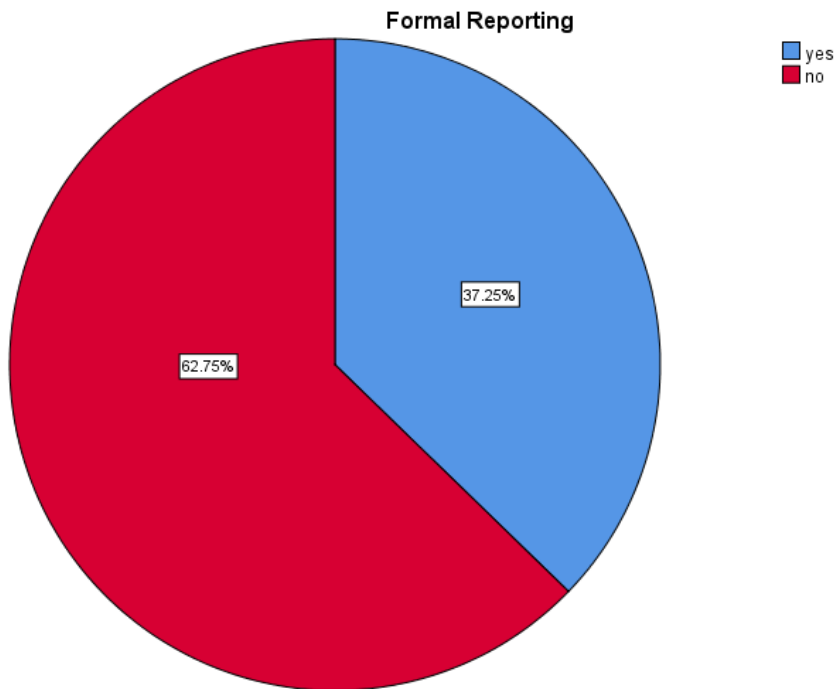
Based on the information presented in all the Tables and Figures above, it is found that the majority of the respondents were male, between the ages of 25 years to 34 years, with a Bachelor’s qualification, second generation in the family business predominantly operating since 1971-1990 in African countries in Trading/Wholesale/Retail or Manufacturing with annual turnovers between R50million to R200million having at least 21 to 51 full-time employees.

**4.1.2 Stages of the Business and Family Control**



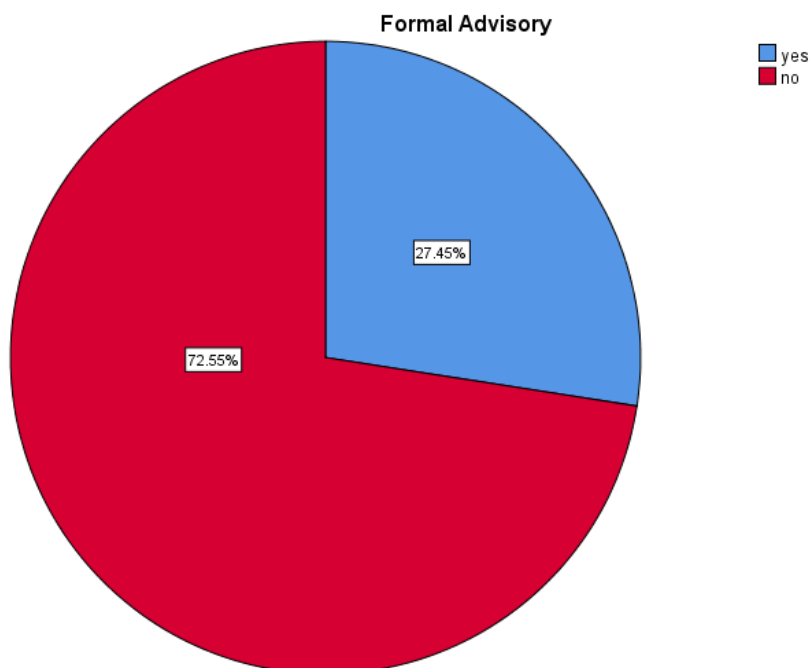
**Figure 4.10: Decisions making**

As illustrated in Figure 4.10: The highest total percentage of respondents, 45.10%, makes their decisions in-between very informal and very formal.



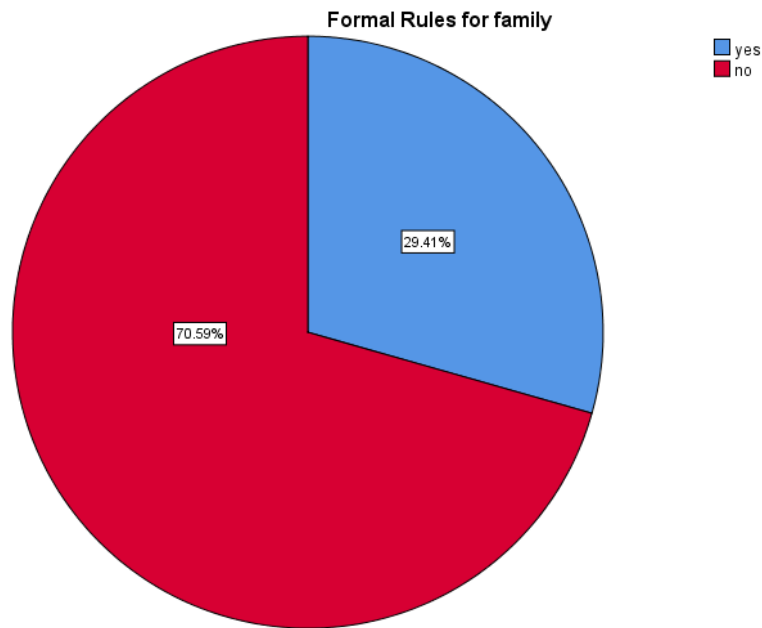
**Figure 4.11: Formal Reporting**

As illustrated in Figure 4.11: Majority of the respondents, 62.75%, do not have formal reporting to shareholders through reports or shareholder meetings.



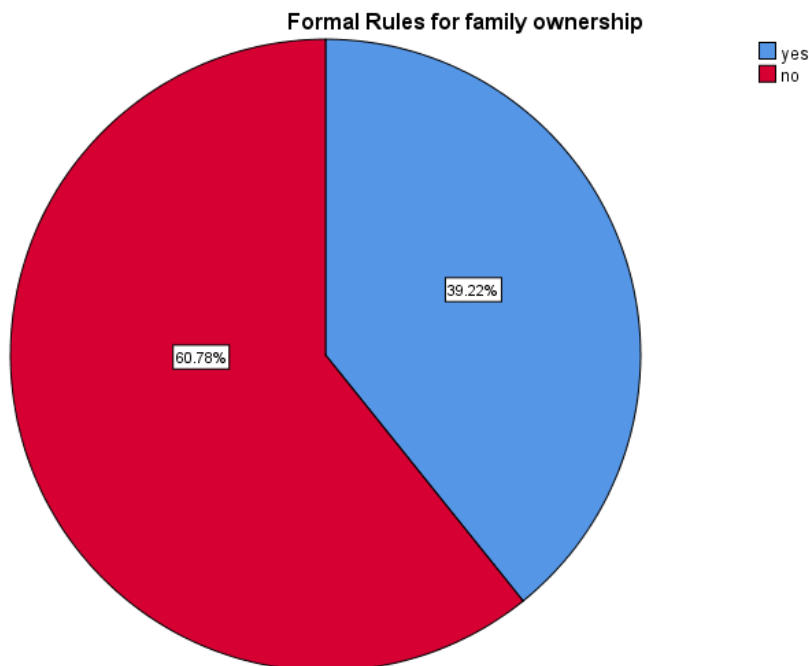
**Figure 4.12: Formal Advisory**

As illustrated in Figure 4.12: Majority of the respondents, 72.55%,do not have an advisory board to assist in decision making.



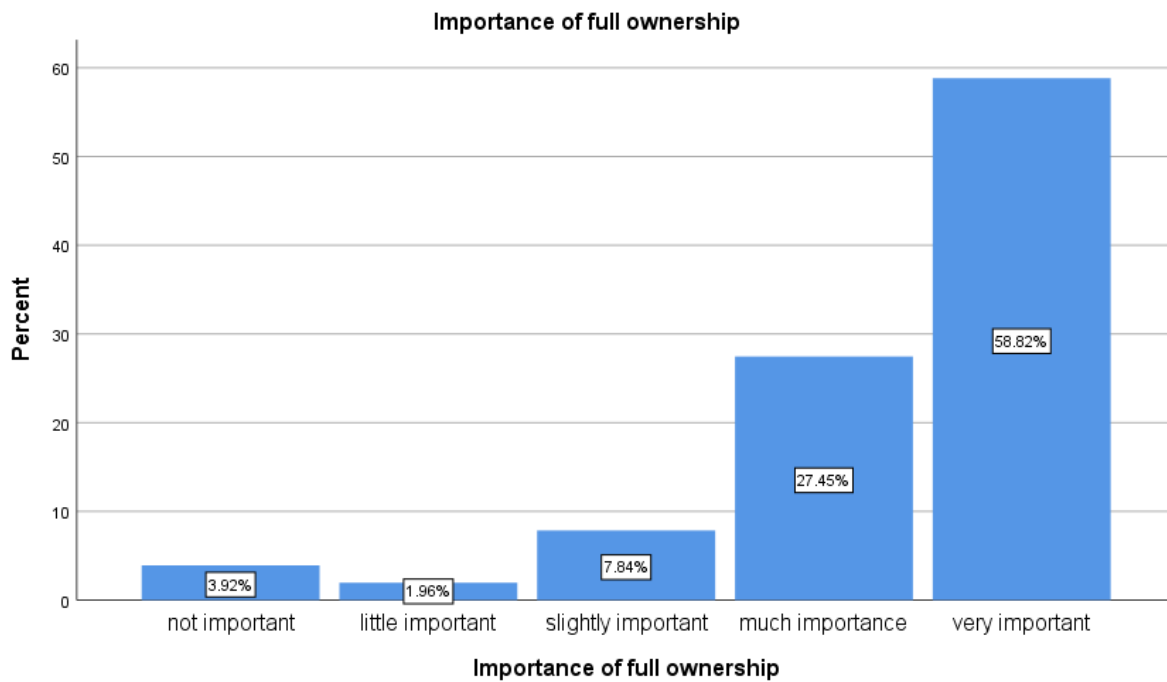
**Figure 4.13: Formal Rules for family**

As illustrated in Figure 4.13: Majority of the respondents, 70.59%,do not have formal rules for entry of family members into management positions..



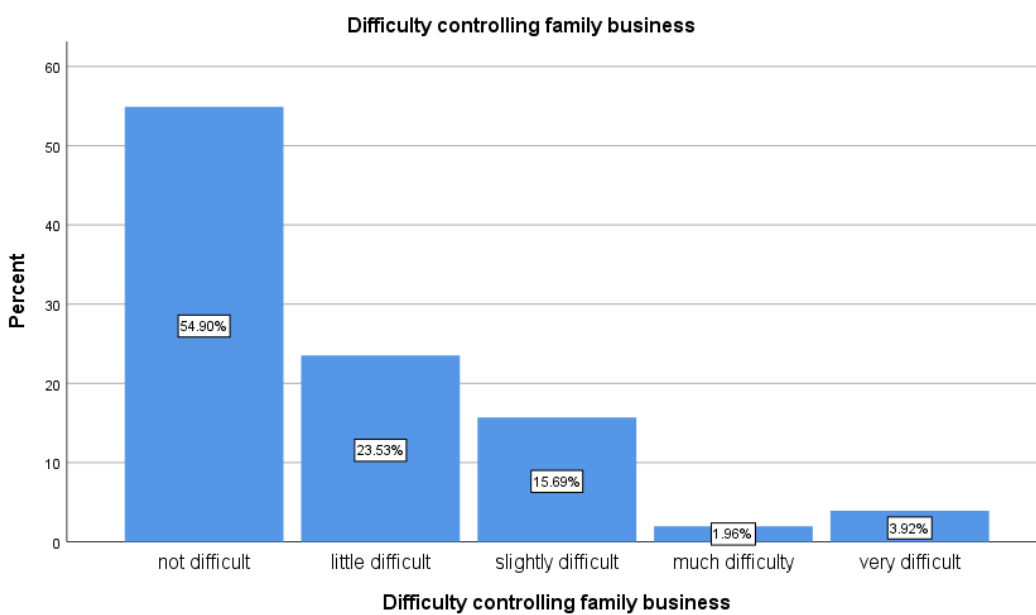
**Figure 4.14: Formal Rules for family ownership**

As illustrated in Figure 4.14: Majority of the respondents, 60.78%, do not have formal rules for entry of family members into ownership of the business.



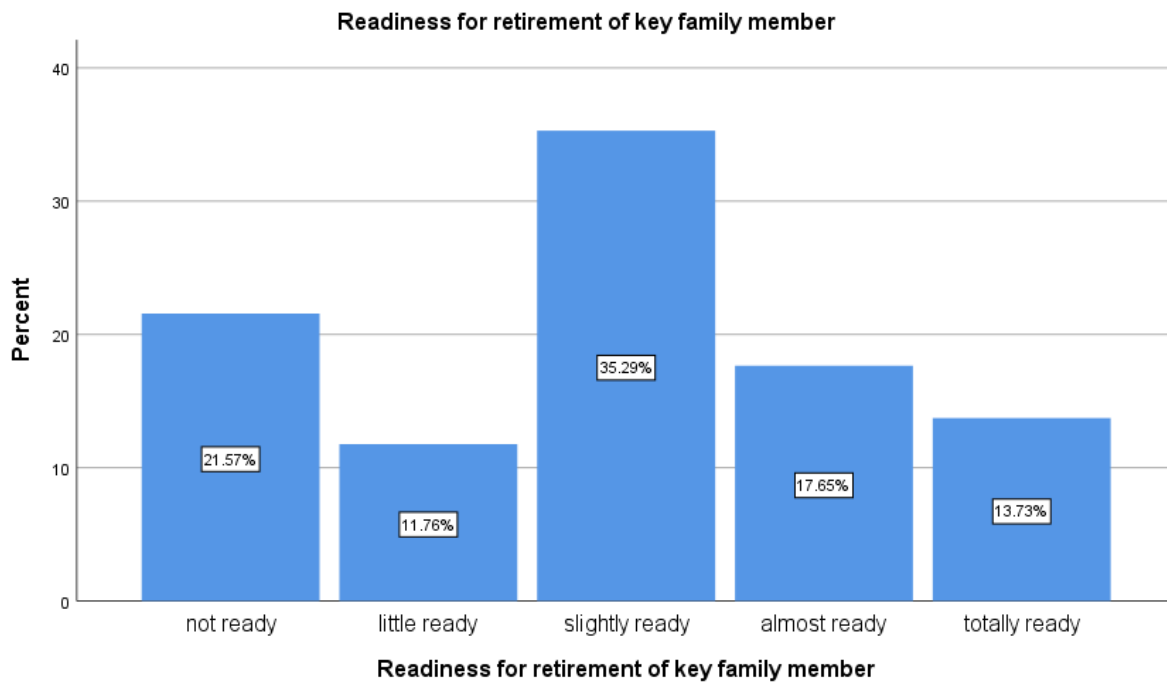
**Figure 4.15: Importance of full ownership**

As illustrated in Figure 4.15: Majority of the respondents, 58.82%, submit that it is very important to keep 100% ownership of the business within the family.



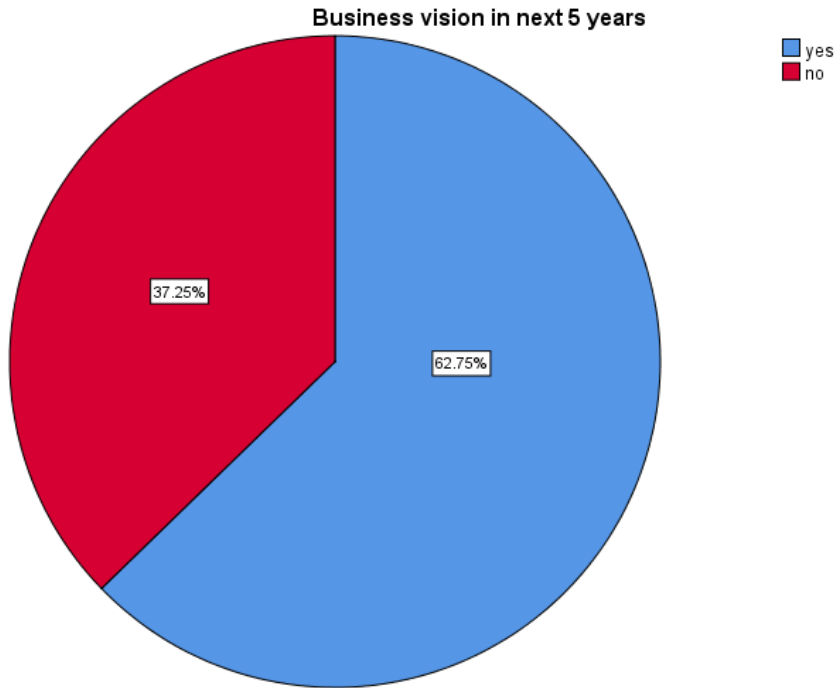
**Figure 4.16: Difficulty controlling family business**

As illustrated in Figure 4.16: Majority of the respondents, 54.90%, submit that it is not difficult to maintain the family control of the business.



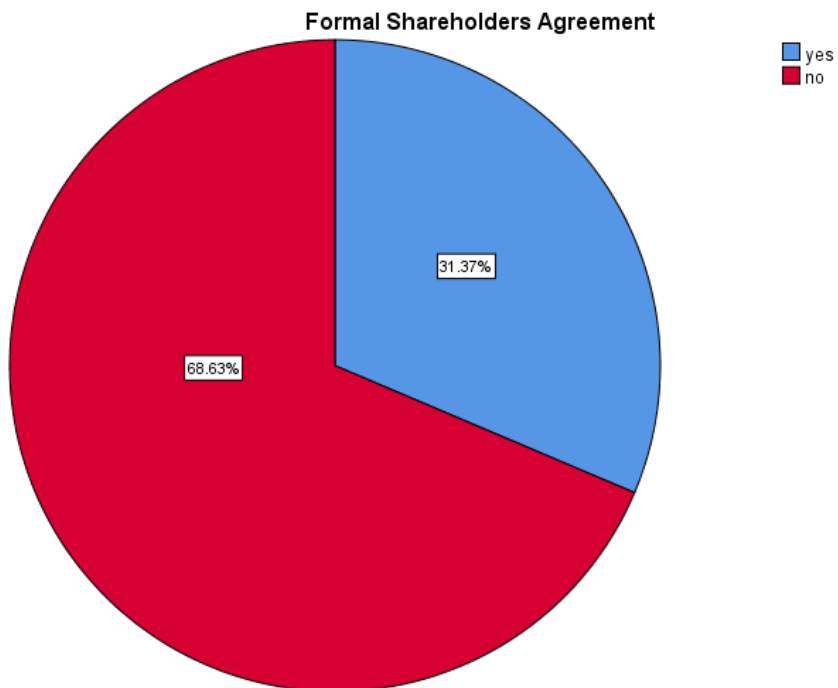
**Figure 4.17: Readiness for retirement of key family member**

As illustrated in Figure 4.17: Many of the respondents, 11, submit that the business is not ready to cope with exit or retirement of key members. Also, a significantly large number, 18, of the respondents submit that the business is only slightly ready to cope with exit or retirement of key members.



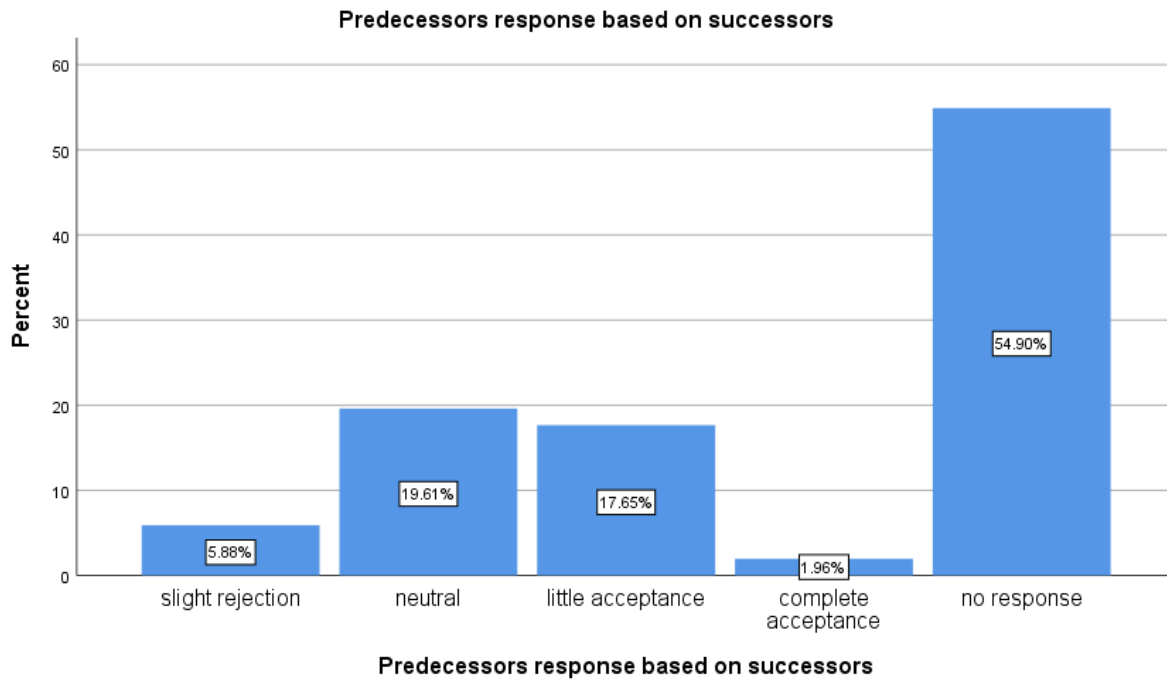
**Figure 4.18: Business vision in next 5 years**

As illustrated in Figure 4.18: Majority of the respondents, 62.75%, submit that is there an explicitly agreed upon vision for where your business is headed in the next 5 years



**Figure 4.19: Formal Shareholders Agreement**

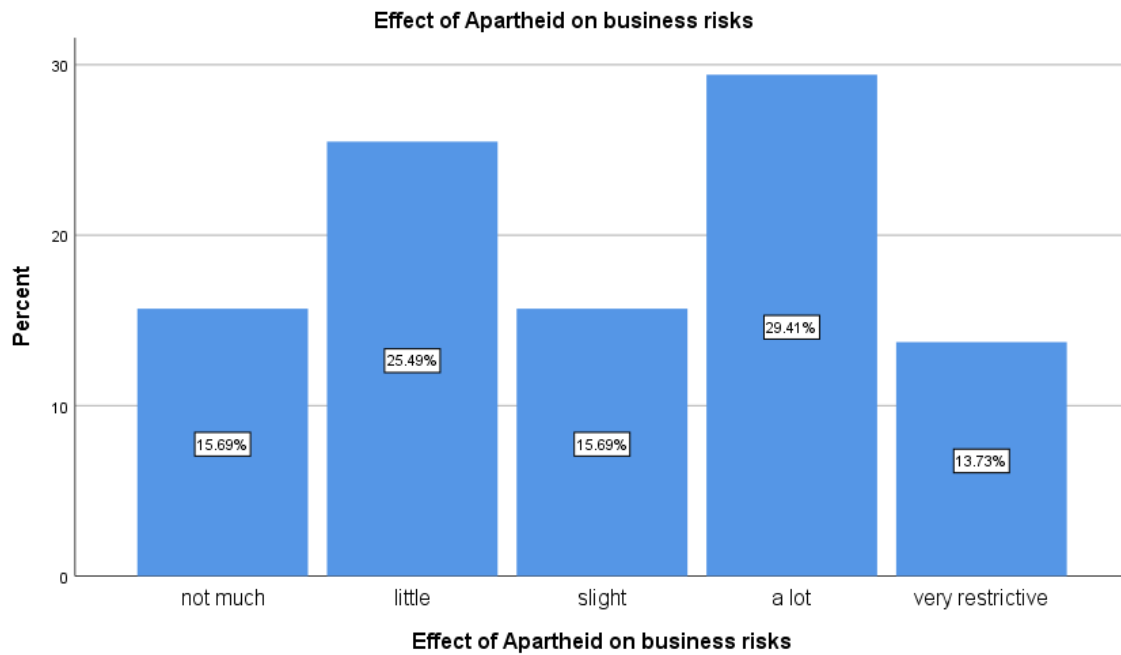
As illustrated in Figure 4.19: Majority of the respondents, 68.63%, submit that is their businesses do not have a formal and written shareholders' agreement or family business constitution



**Figure 4.20: Predecessors response based on successors**

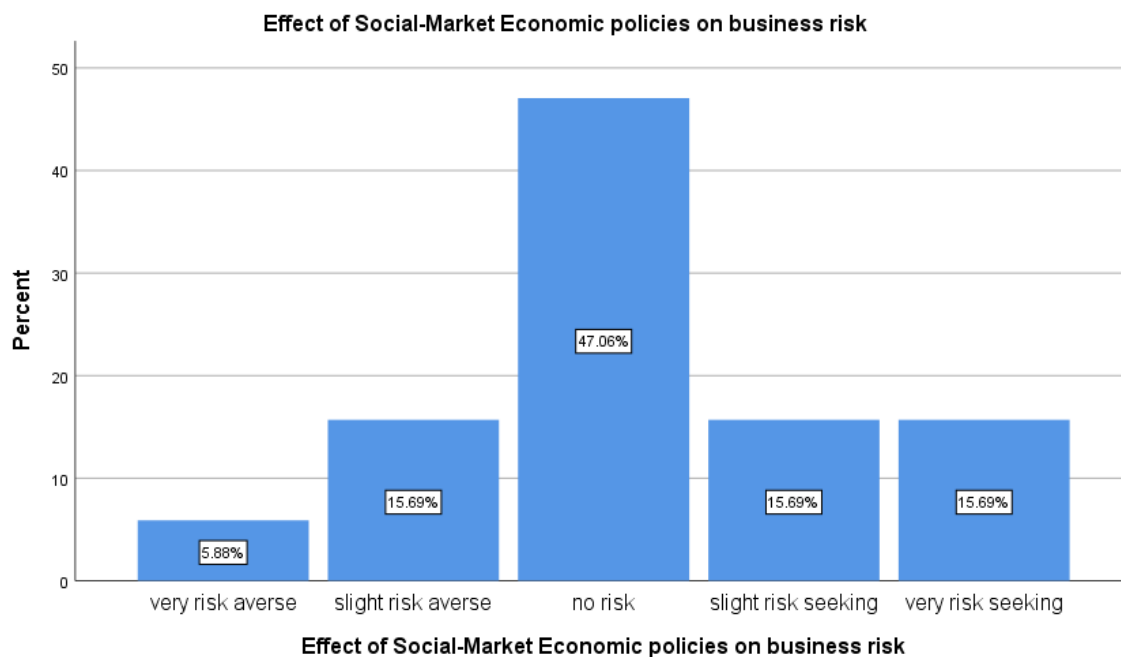
As illustrated in Figure 4.20: Majority of the respondents, 54.90%, did not respond to this question.

### 4.1.3 External Factors



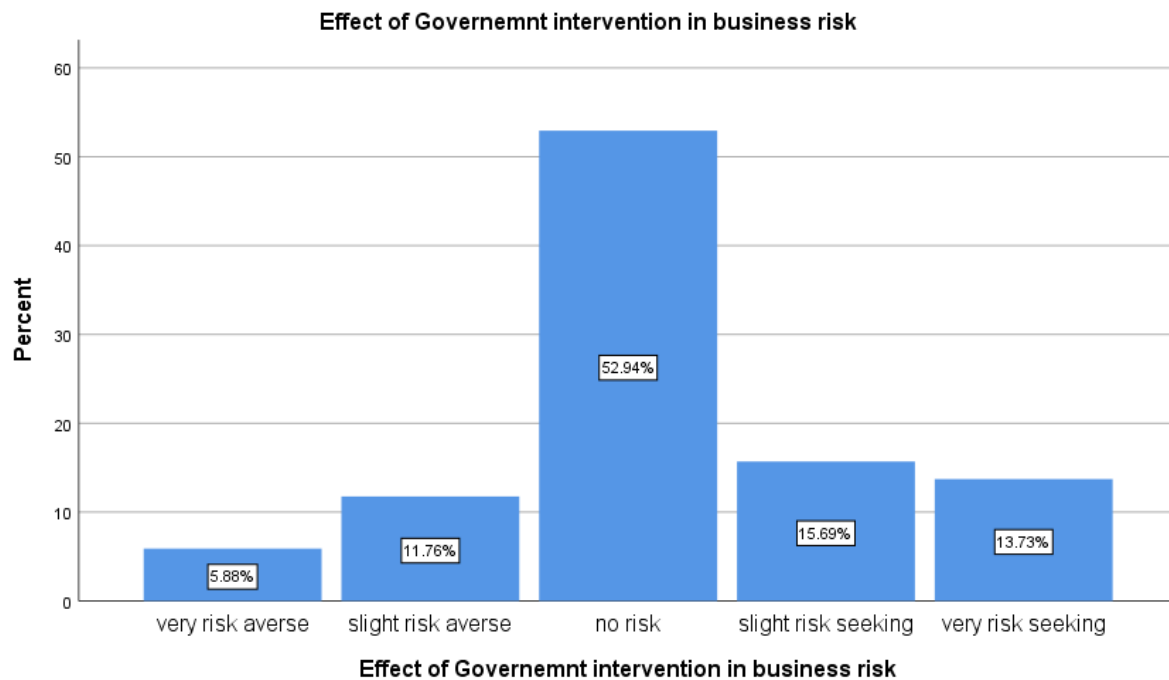
**Figure 4.21: Effect of Apartheid on business risks**

As illustrated in Figure 4.21: Many of the respondents, 13, submit that the impact of apartheid in South Africa had little effect on decision making in taking business risks. Also, 15 respondents submit that the impact of apartheid in South Africa had a lot of an effect on decision making in taking business risks



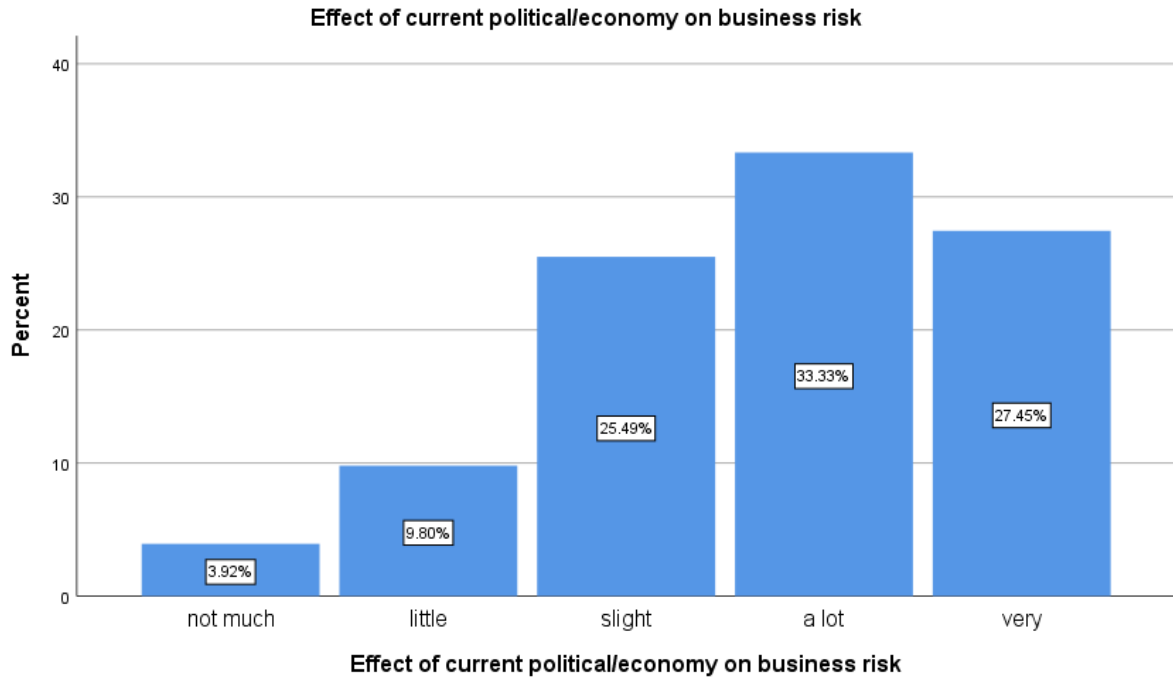
**Figure 4.22: Effect of Social-Market Economic policies on business risk**

As illustrated in Figure 4.22: The largest grouped percentage of respondents, 47.06%, submit that the Social-Market Economic policies of South Africa in the post-1990s had no risk effect on their family's decision-making in taking business risks in South Africa.



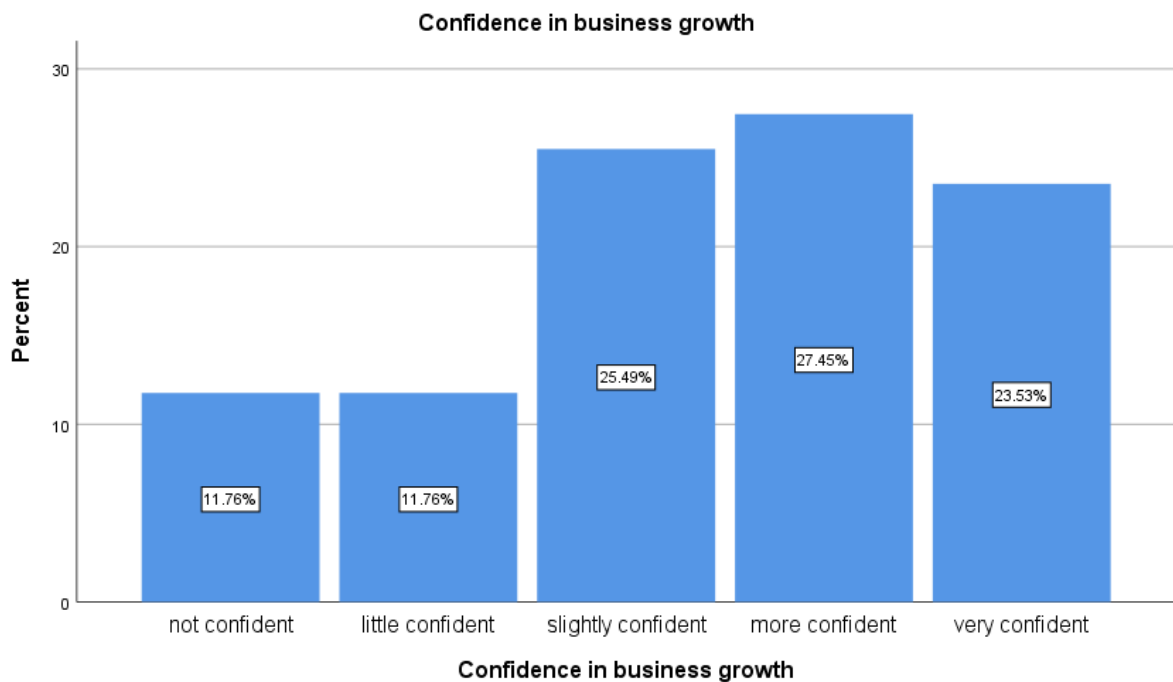
**Figure 4.23: Effect of Government intervention in business risk**

As illustrated in Figure 4.23: The majority of respondents, 52.94%, submit that the limited government intervention in price formation in South Africa in the post-1990s had a no risk effect in their family's decision-making in taking business risks in South Africa.



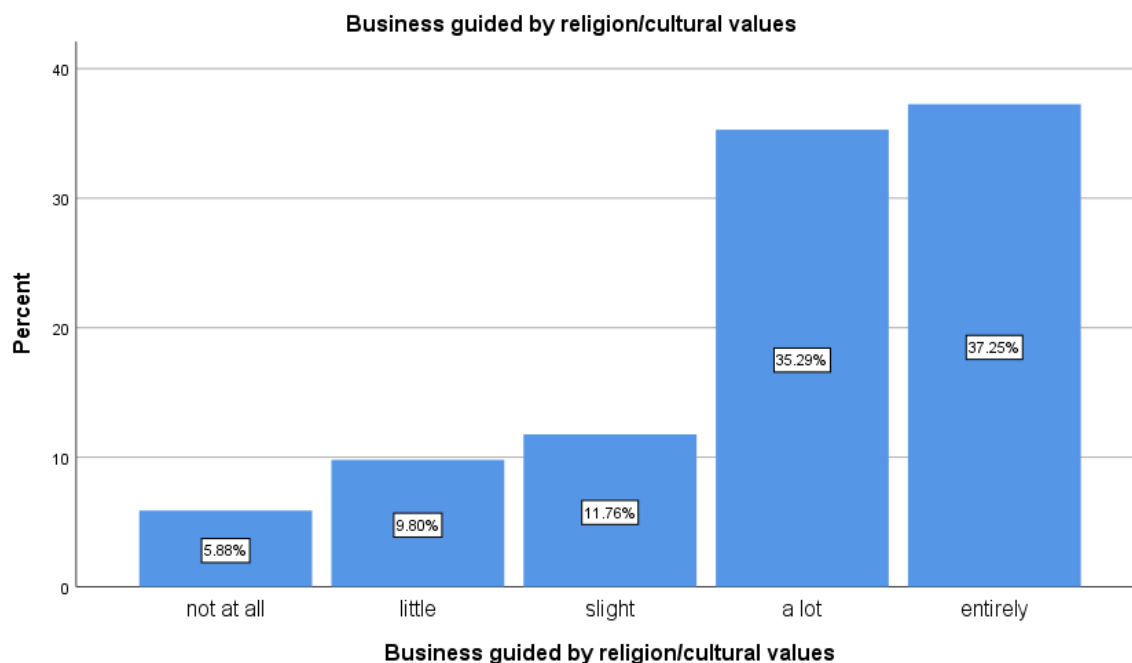
**Figure 4.24: Effect of current political/economy on business risk**

As illustrated in Figure 4.24: Majority of the respondents, 31, submit that the current political/economic uncertainty of South Africa has a lot or a very large effect on their family's decision-making in taking business risks in South Africa.



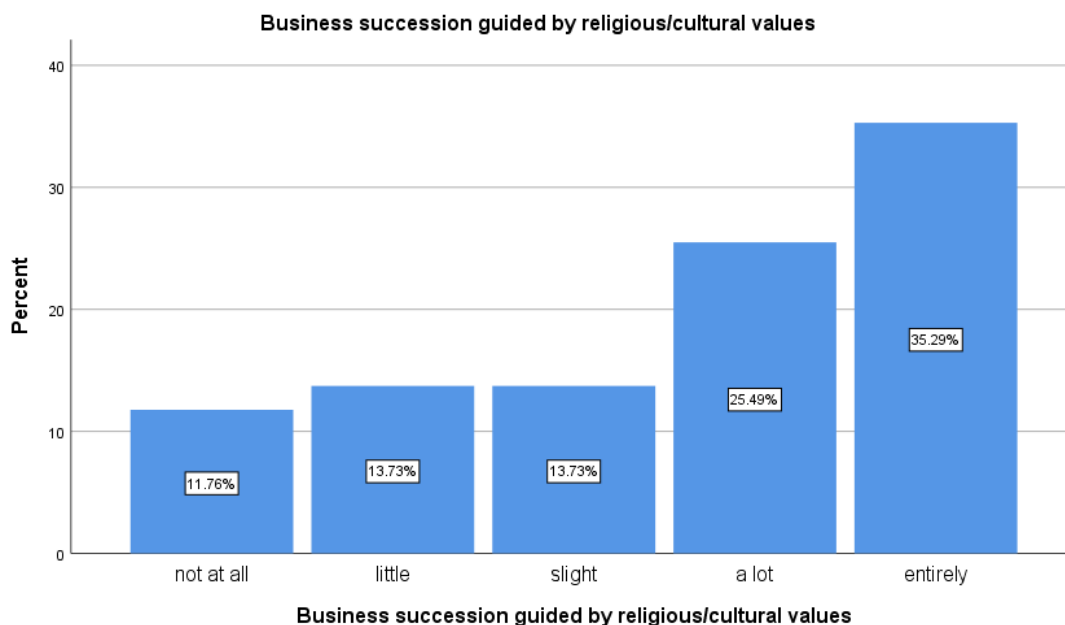
**Figure 4.25: Confidence in business growth**

As illustrated in Figure 4.25: Majority of the respondents, 45, are confident that their family business will have growth in South Africa for the next twenty years.



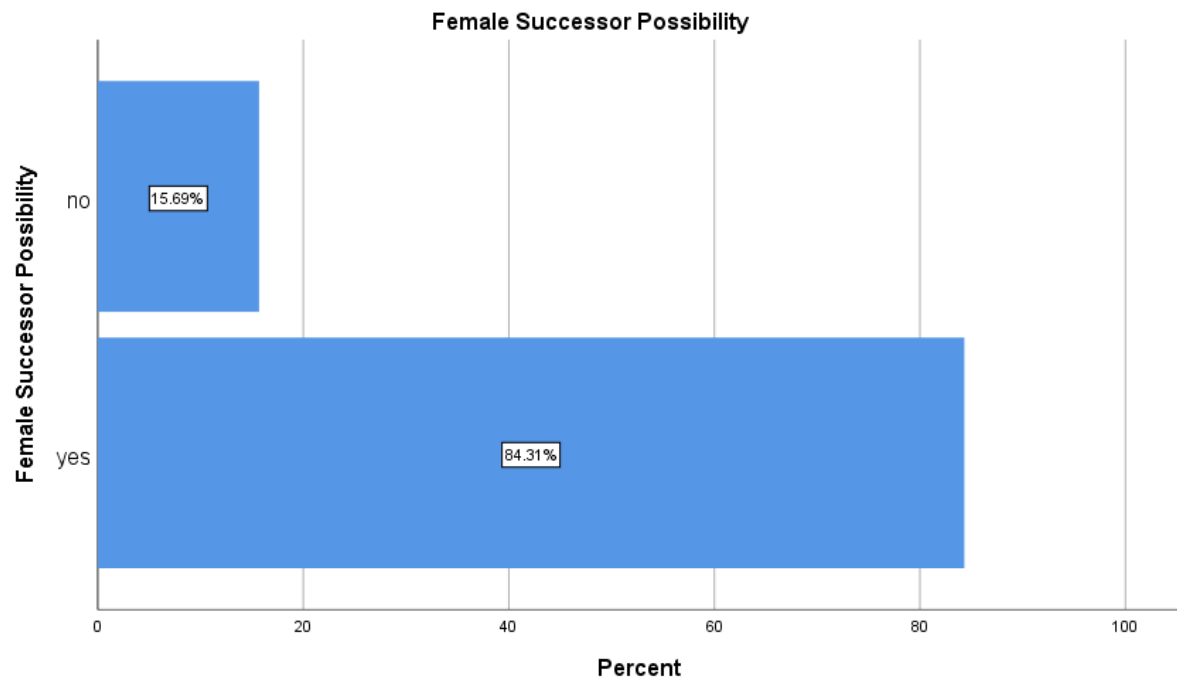
**Figure 4.26: Business guided by religion/cultural values**

As illustrated in Figure 4.26: Majority of the respondents, 37, submit that their business is guided by your religious/cultural values and teachings.



**Figure 4.27: Business succession guided by religious/cultural values**

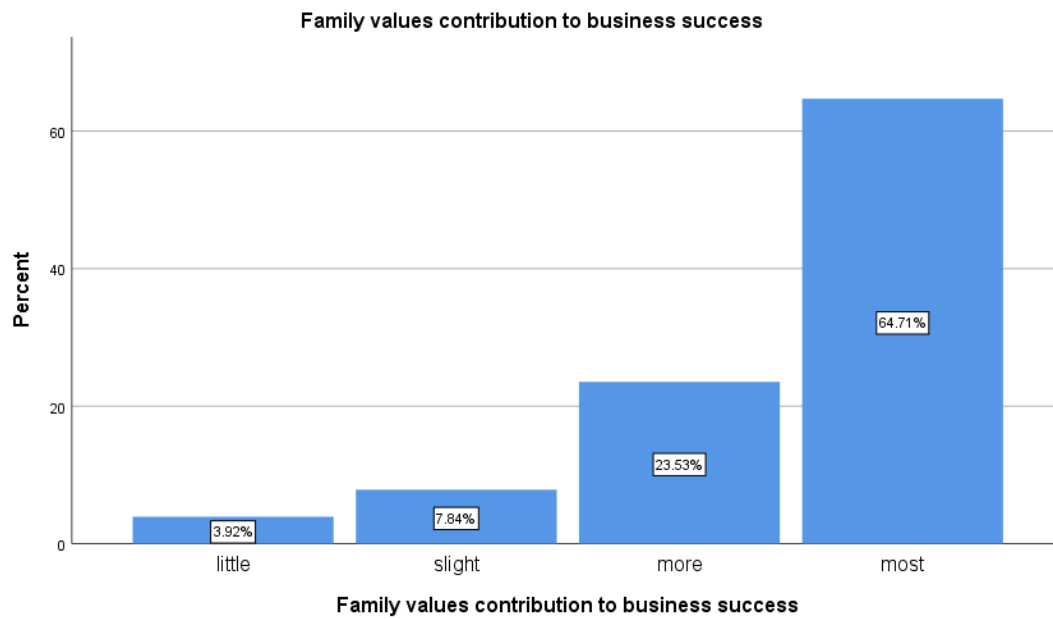
As illustrated in Figure 4.27: The most number of the respondents, 18, submit that their religious/cultural teachings and beliefs guide them on business succession.



**Figure 4.28: Female Successor Possibility**

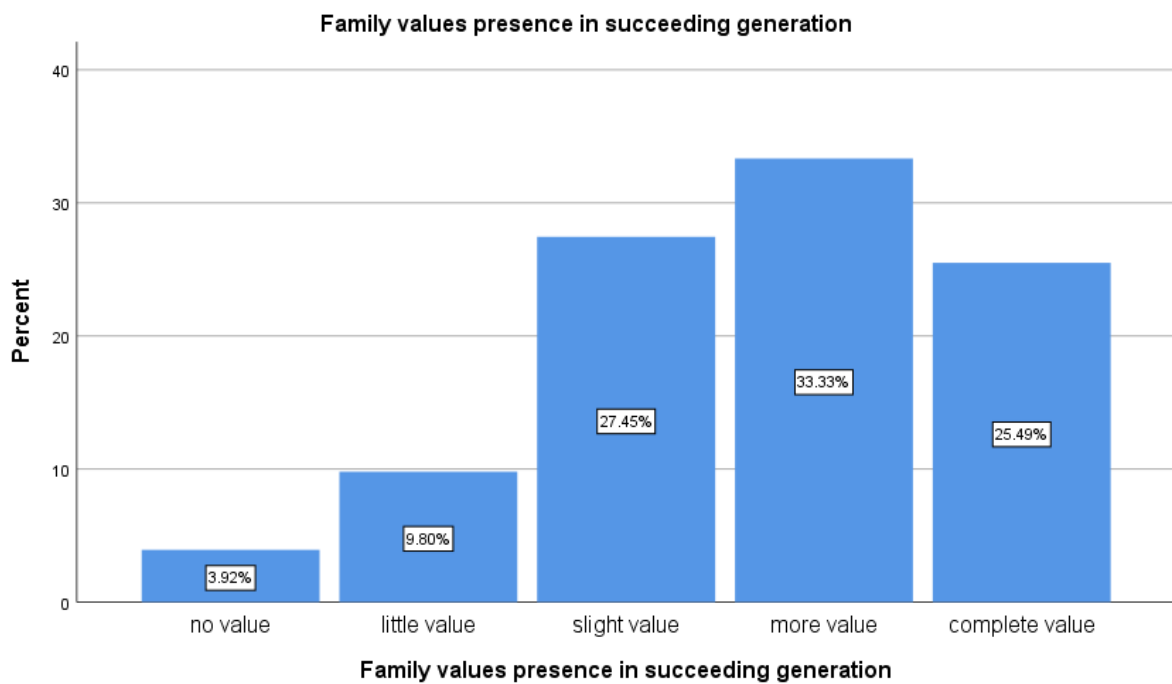
As illustrated in Figure 4.28: Majority of the respondents, 84.3%, submit that a female family member can be the successor of their family business.

#### 4.1.4 Family Culture and Relationships



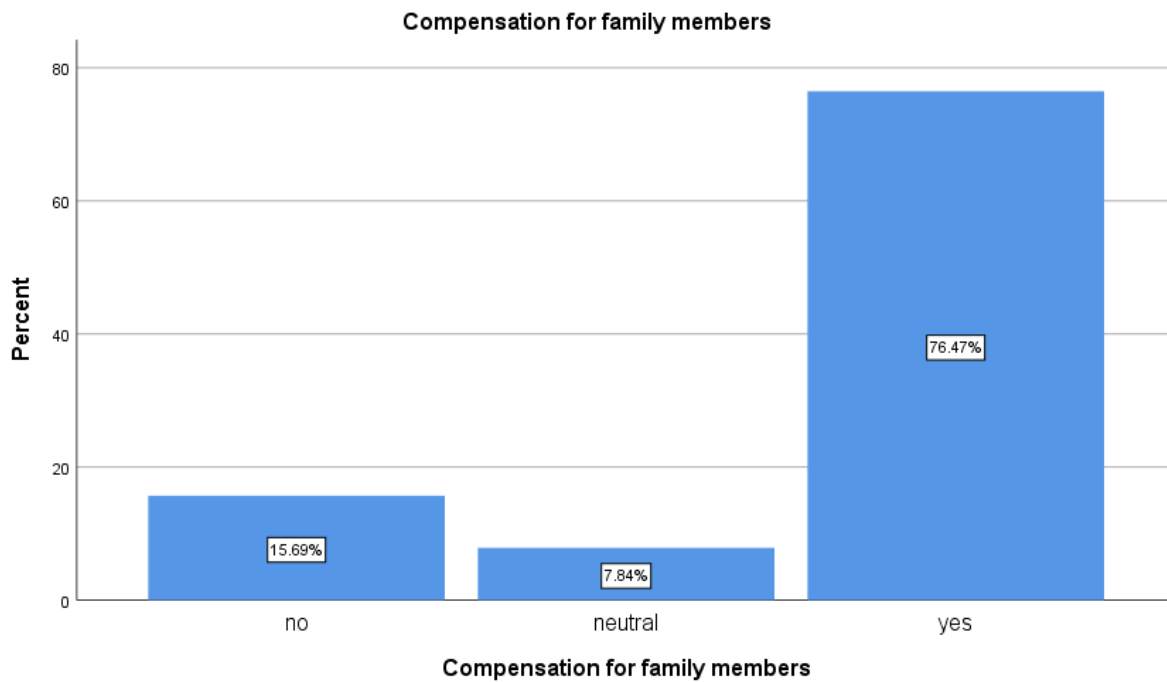
*Figure 4.29: Family values contribution to business success*

As illustrated in Figure 4.29: Majority of the respondents, 64.7%, submit that their family values have made a contribution to the success of their business.



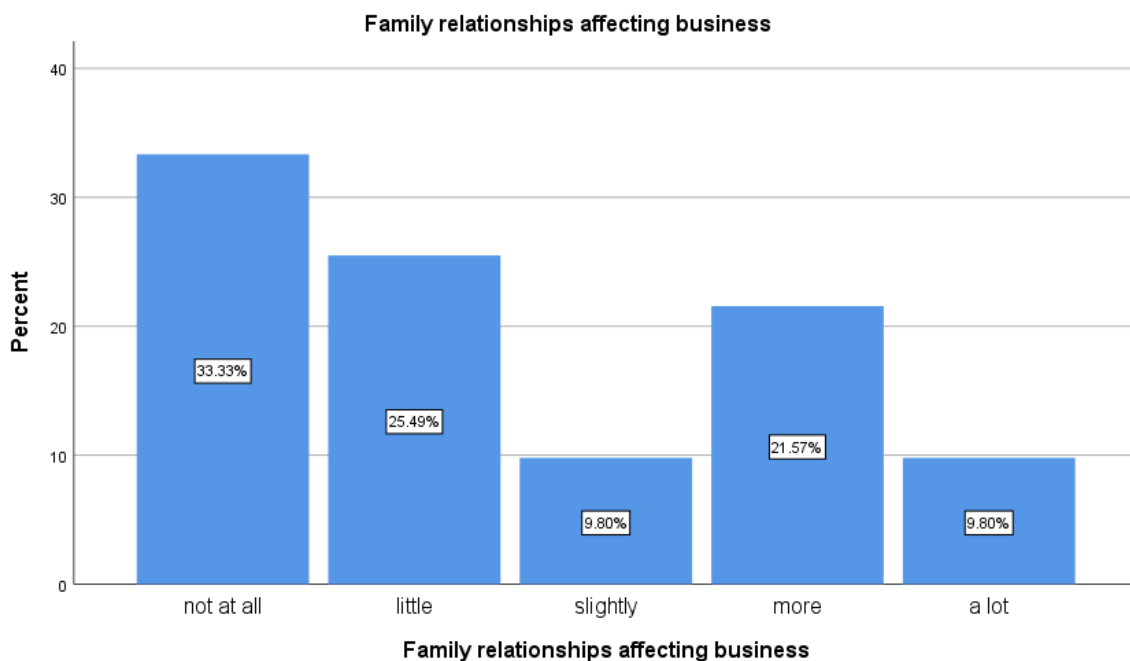
*Figure 4.30: Family values presence in succeeding generation*

As illustrated in Figure 4.30: Only 2 respondents believe that the same family values mentioned in Figure 4.29, are not present in the succeeding generation.



**Figure 4.31: Compensation for family members**

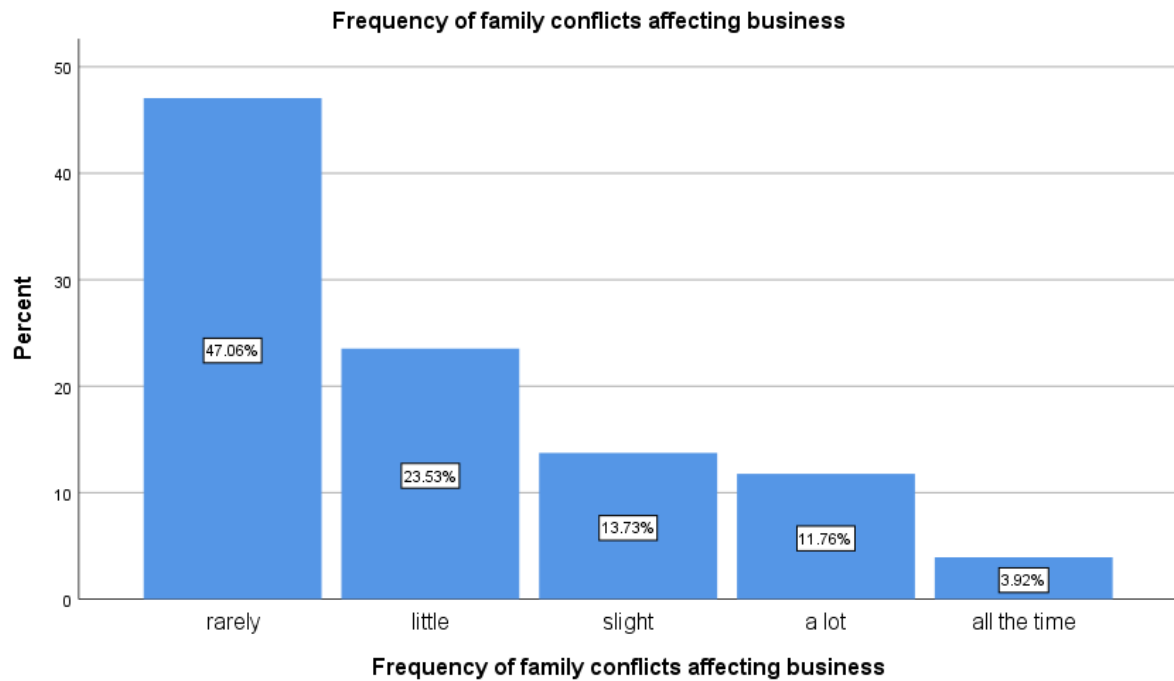
As illustrated in Figure 4.31: Majority of the respondents, 52.9%, submit that family members employed by the business compensated fairly and adequately.



**Figure 4.32: Family relationships affecting business**

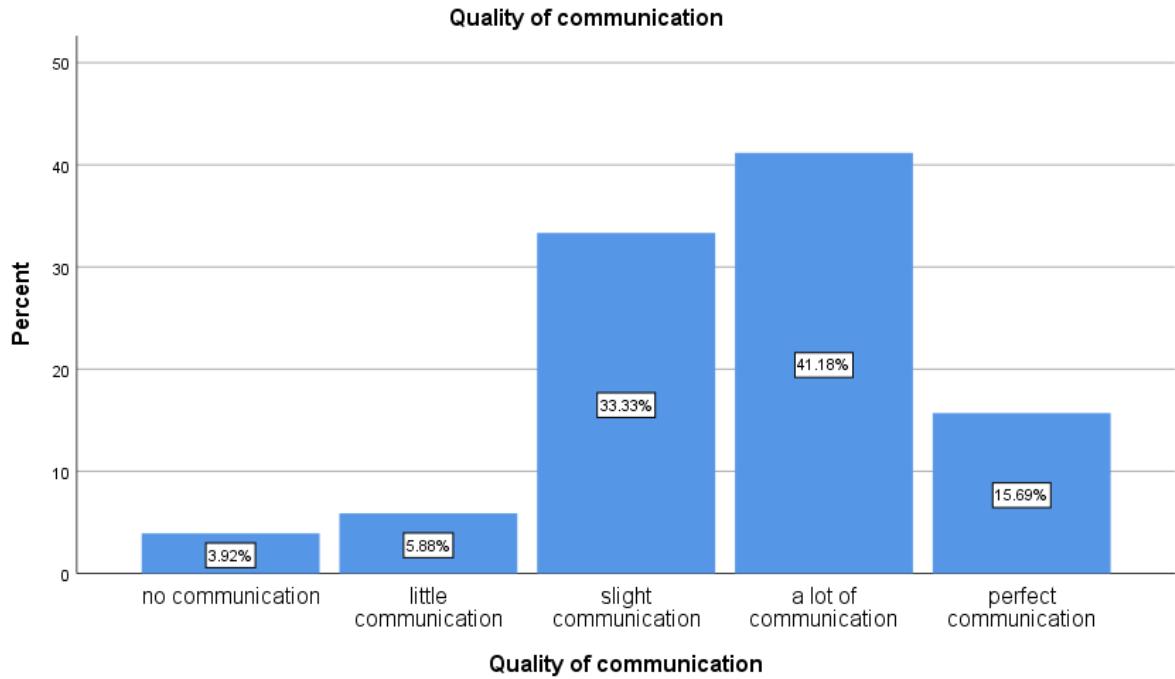
As illustrated in Figure 4.32: The most number of the respondents, 17, submit that family relationships do not affect their businesses.

#### 4.1.5 Family Conflicts



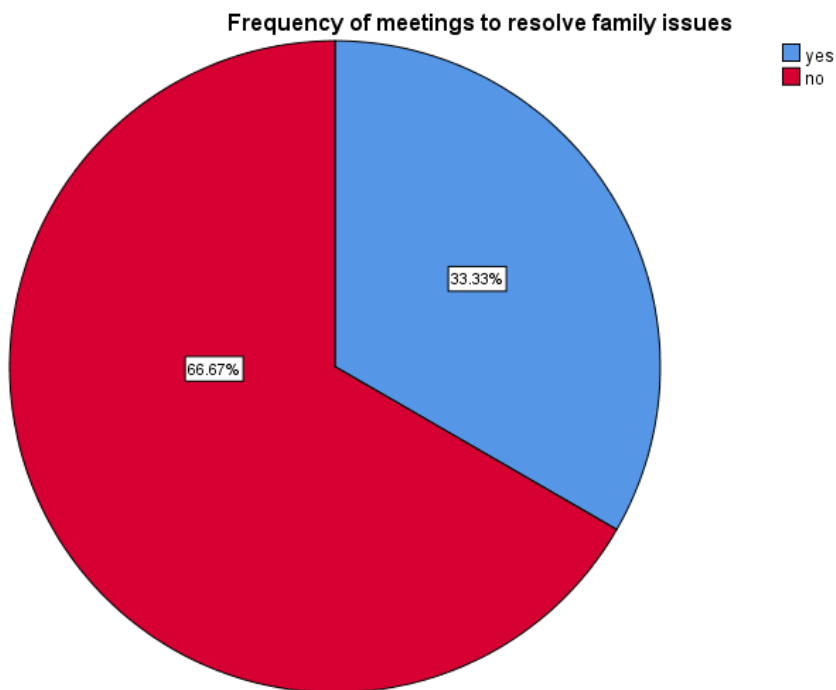
*Figure 4.33: Frequency of family conflicts affecting business*

As illustrated in Figure 4.33: The most number of the respondents, 24, submit that family conflicts, which affect the business, occur rarely.



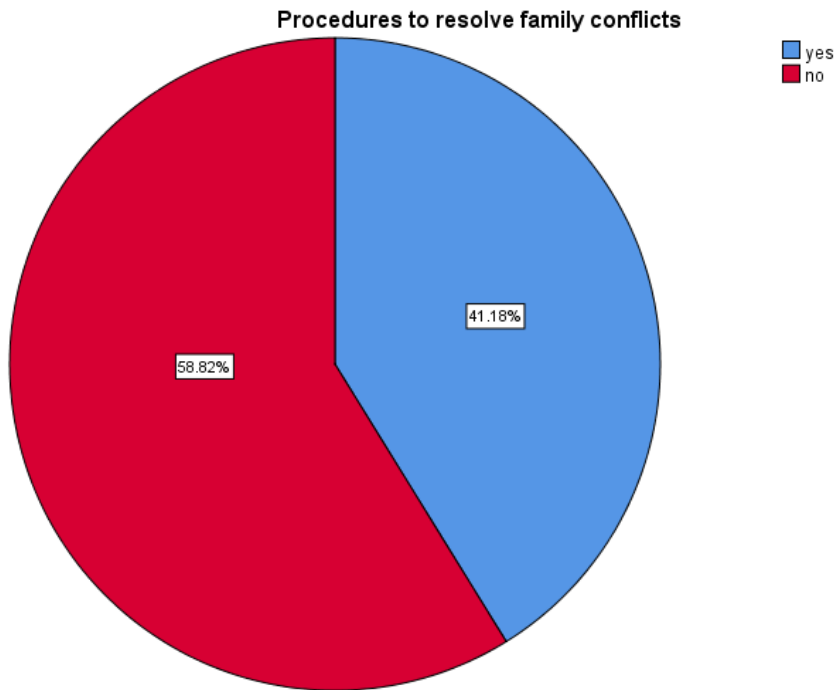
**Figure 4.34: Quality of communication**

As illustrated in Figure 4.34: The most number of the respondents, 21, rate that there is a lot communication within their family business.



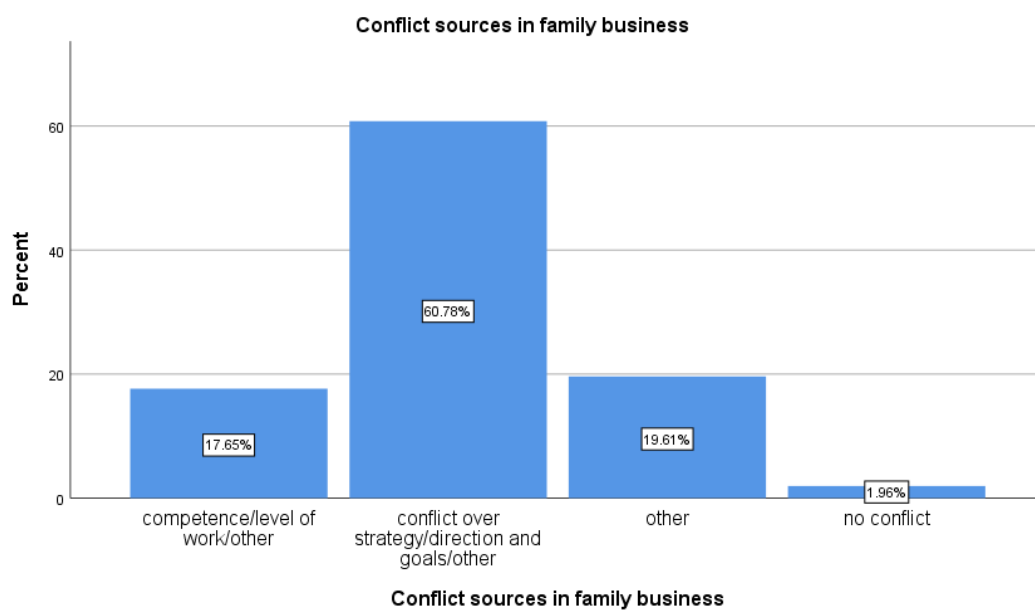
**Figure 4.35: Frequency of meetings to resolve family issues**

As illustrated in Figure 4.35: Majority of the respondents, 66.7%, submit that they do not have regular meetings for the purpose of working on the family, and its communications and relationships.



**Figure 4.36: Procedures to resolve family conflicts**

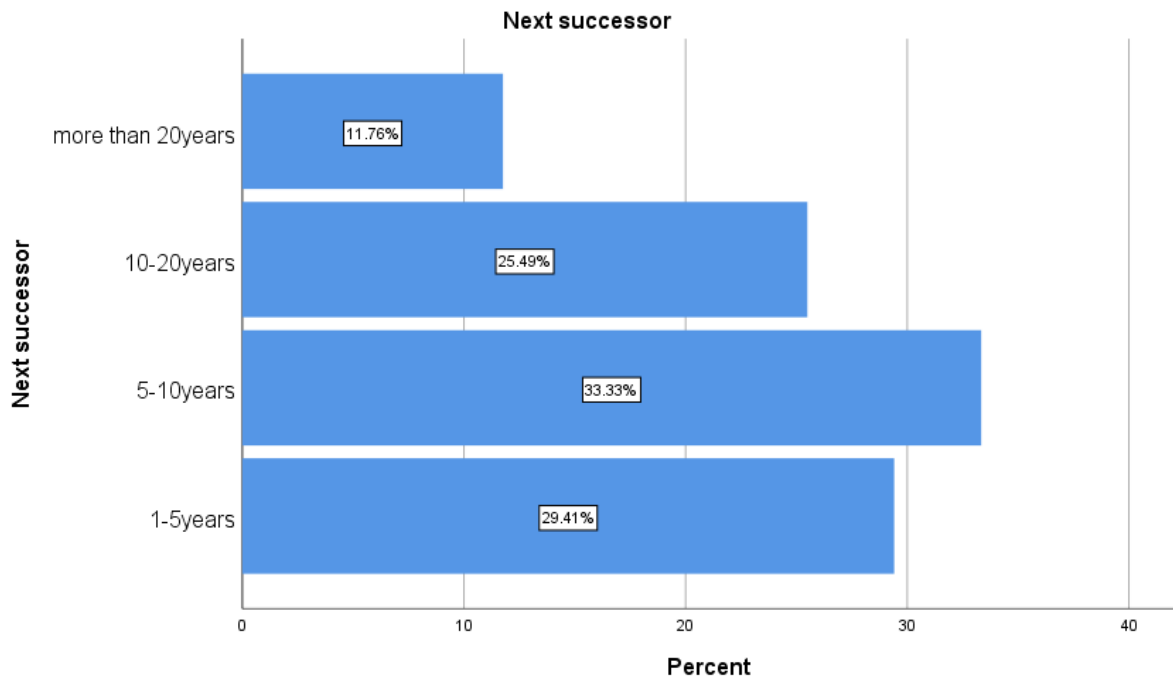
As illustrated in Figure 4.36: Majority of the respondents, 58.8%, submit that they do not have procedures in place to resolve family conflicts when they occur in the business.



**Figure 4.37: Conflict sources in family business**

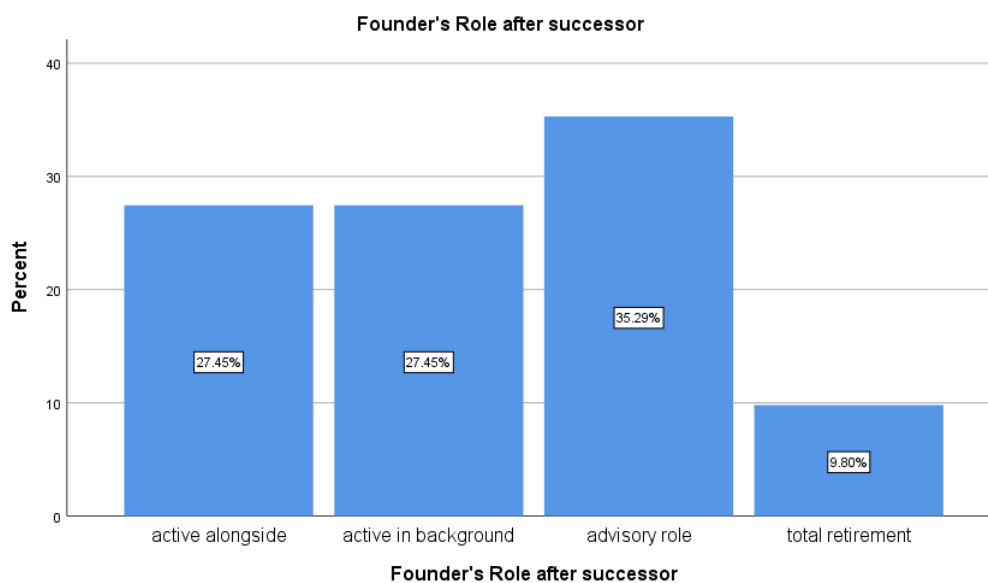
As illustrated in Figure 4.37: Majority of the respondents, 60.78%, submit that the main sources of conflict arise from conflict over strategy, direction and goals.

#### 4.1.6 Readiness of Successor



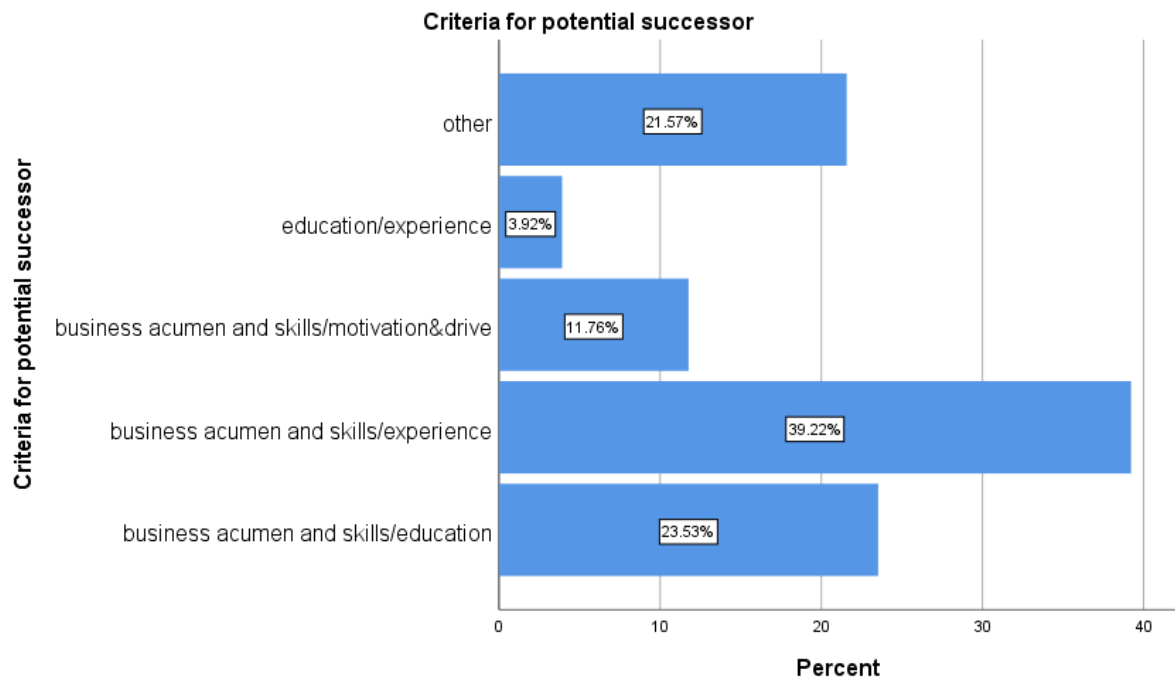
**Figure 4.38: Next successor**

As illustrated in Figure 4.38: The most number of the respondents, 17, submitted that their businesses will be ready for a successor with 5 – 10 years from the current date.



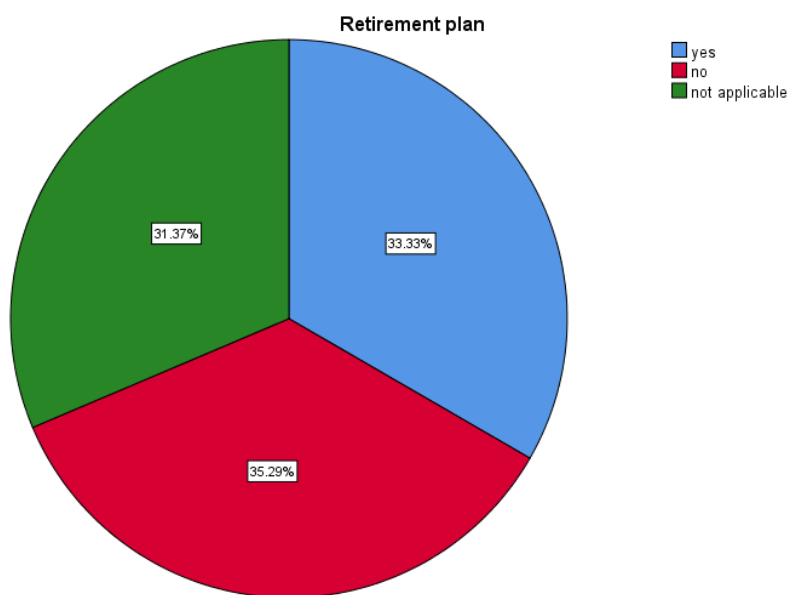
**Figure 4.39: Founder's Role after successor**

As illustrated in Figure 4.39: The most number of the respondents, 18, submitted that founder's role will be an advisory role only once the potential successor has taken over.



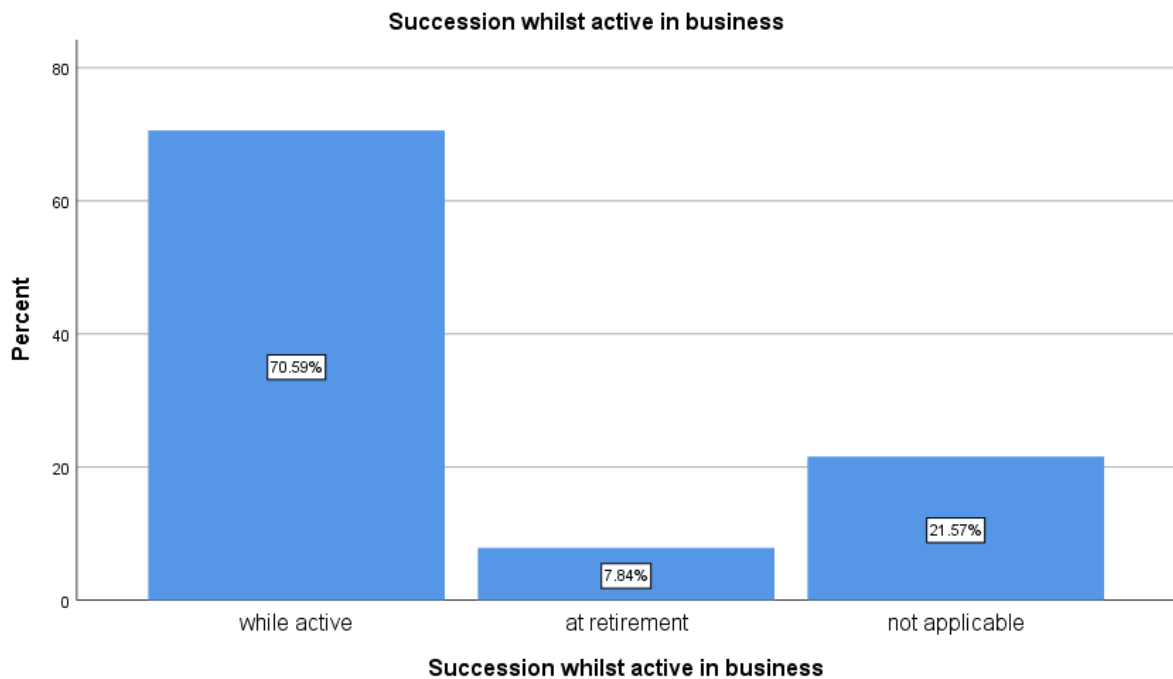
**Figure 4.40: Criteria for potential successor**

As illustrated in Figure 4.40: The most number of the respondents, 20, submitted that the main criteria for which the potential successor to the business should be chosen based on business acumen, skills and experience.



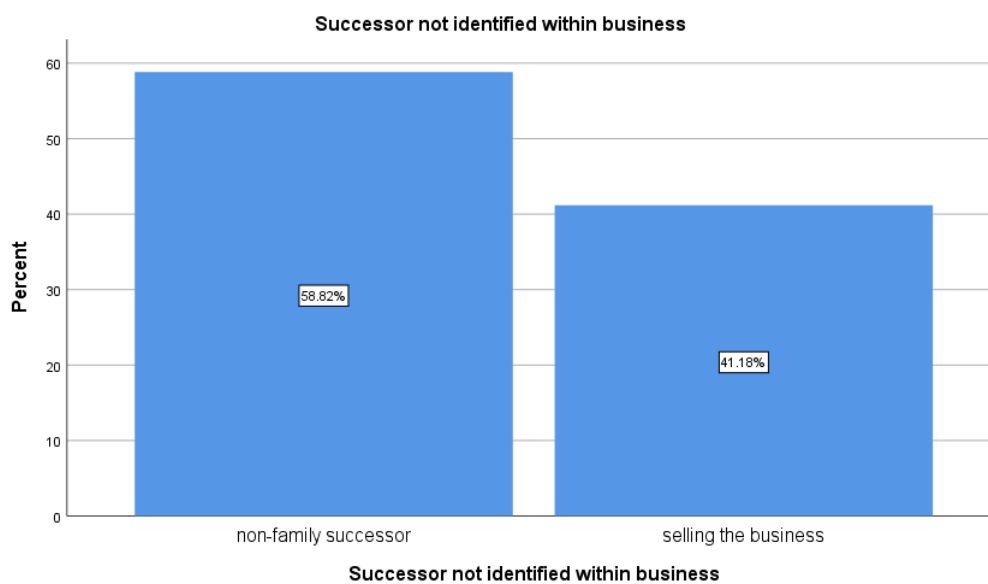
**Figure 4.41: Retirement plan**

As illustrated in Figure 4.41: The most number of the respondents, 18, submitted that they do not have a retirement plan in place.



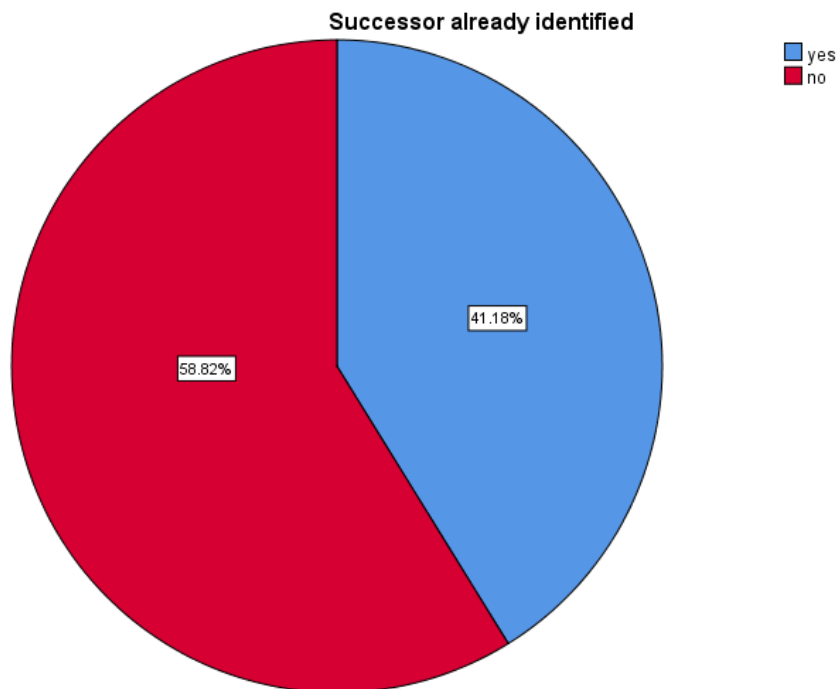
**Figure 4.42: Succession whilst active in business**

As illustrated in Figure 4.42: The most number of the respondents, 36, submitted that they would want the business succession to happen while they are still active.



**Figure 4.43: Successor not identified within business**

As illustrated in Figure 4.43: Majority of the respondents, 58.8%, submit that should their business not find a suitable successor within the family, they would you consider having a non-family successor appointed.



***Figure 4.44: Successor already identified***

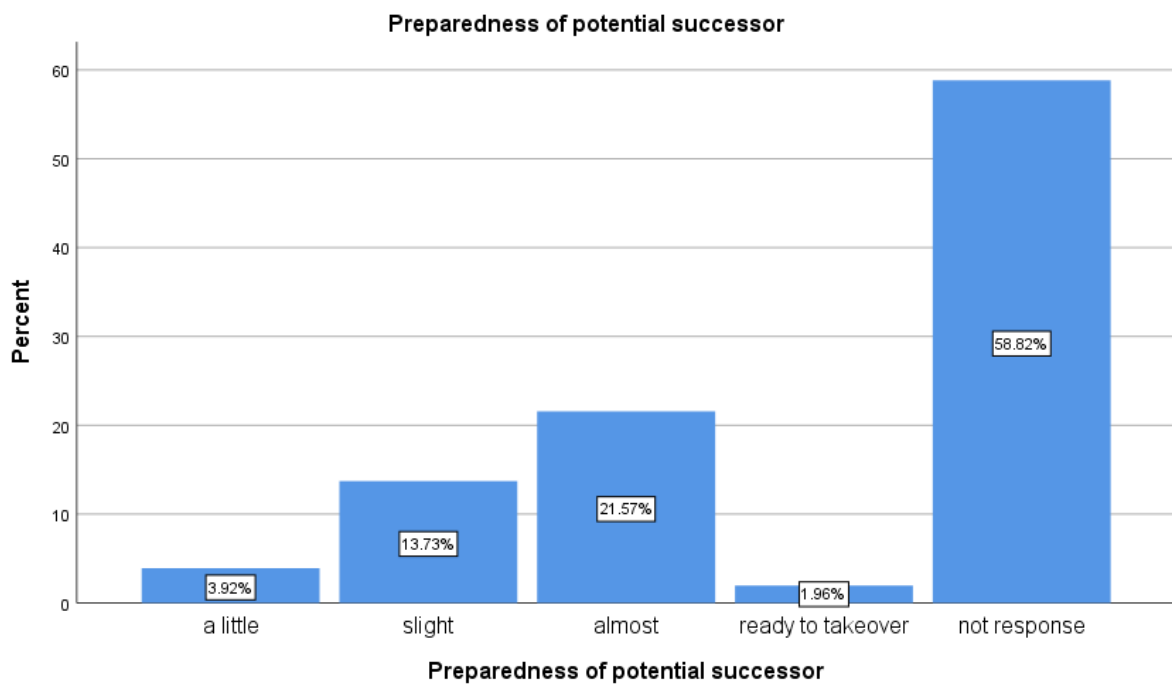
As illustrated in Figure 4.44: Majority of the respondents, 58.8%, submit that a potential successor has not yet been identified.

#### 4.1.7 Identification of Successor



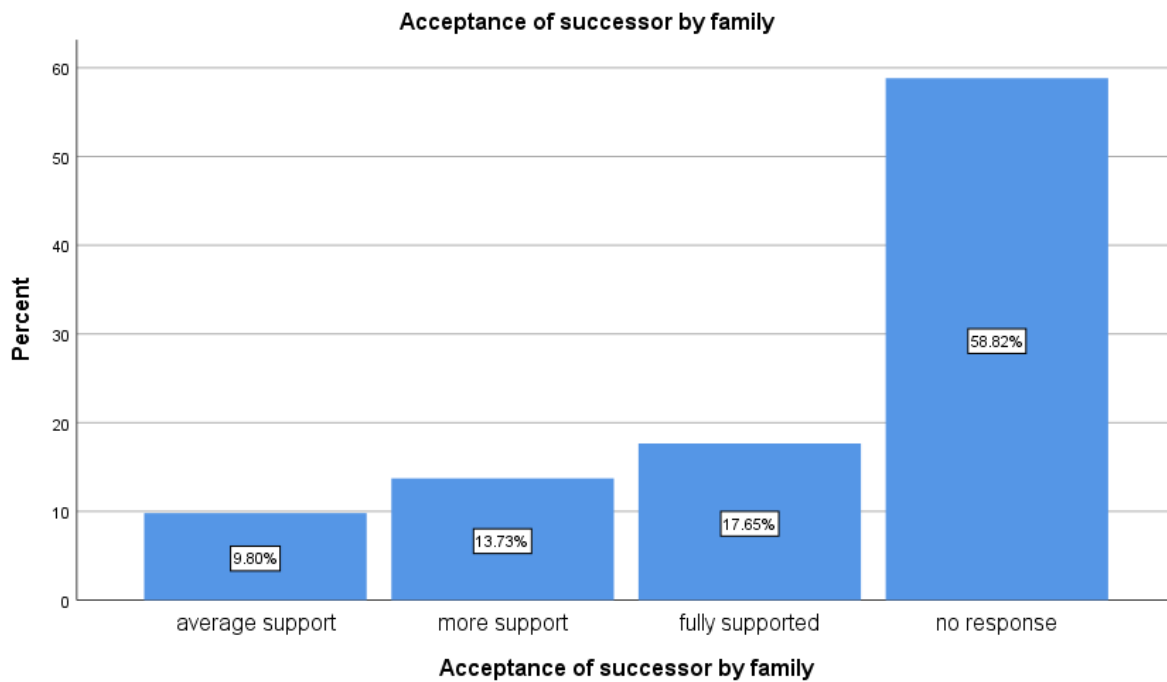
**Figure 4.45: Training for potential successor**

As illustrated in Figure 4.45: A percentage of 27.5%, submitted that there is no training program in place for potential successors.



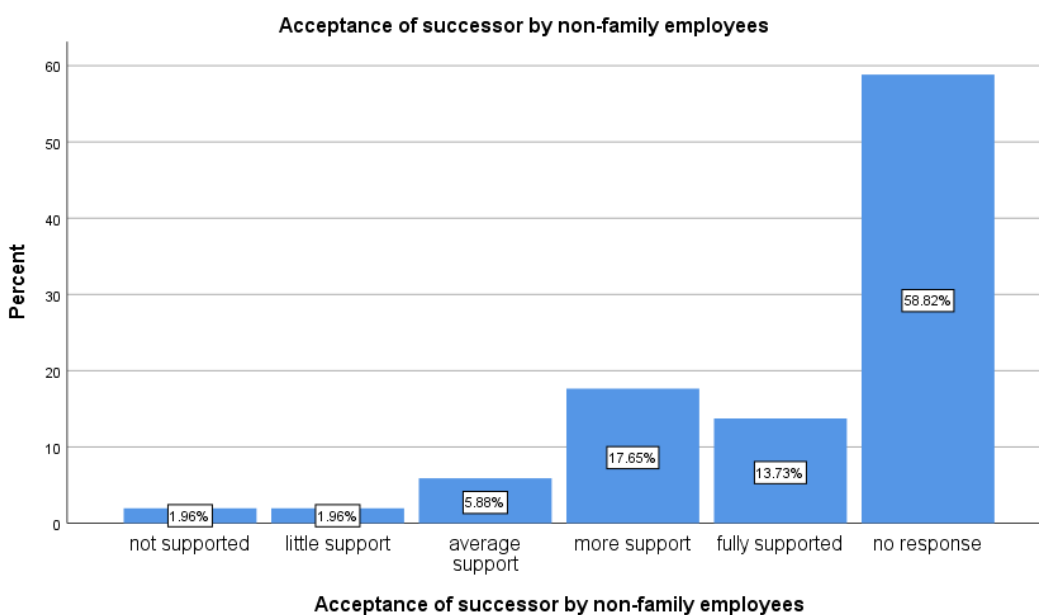
**Figure 4.46: Preparedness of potential successor**

As illustrated in Figure 4.46: A percentage of 21.57% of respondents to this question, submitted that potential successors are almost ready to take over the business.



**Figure 4.47: Acceptance of successor by family**

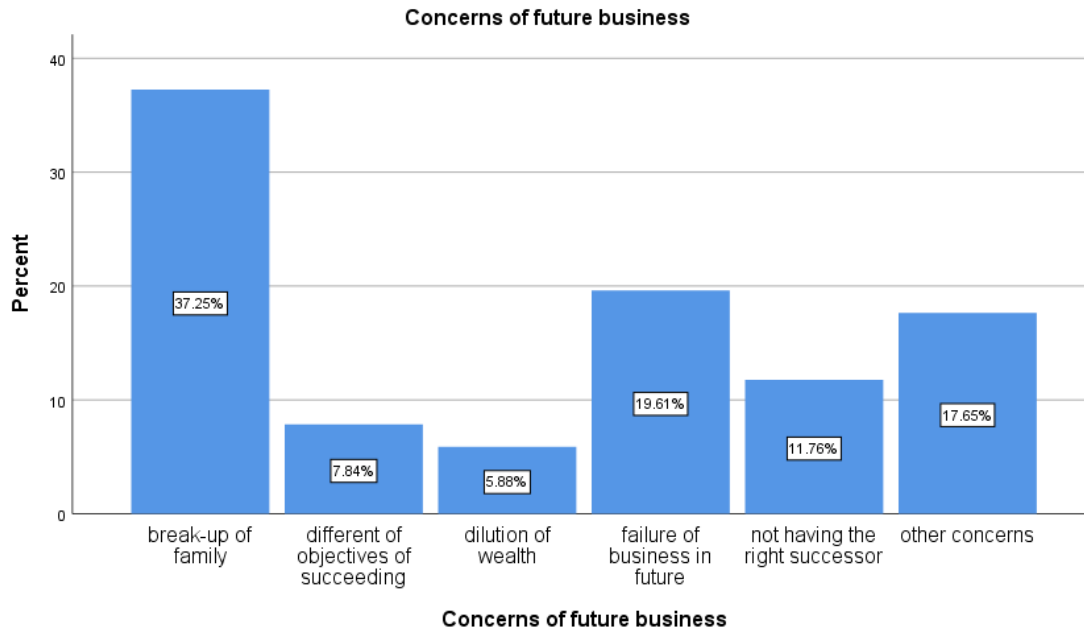
As illustrated in Figure 4.47: A percentage of 17.65% of respondents to this question, submitted that the potential successor fully supported and accepted by the family as the potential successor.



**Figure 4.48: Acceptance of successor by non-family employees**

As illustrated in Figure 4.48: A percentage of 17.65% of respondents to this question, submitted that the potential successor has more support by the non-family employees as the potential successor.

#### 4.1.8 Concerns



**Figure 4.49: Concerns of future business**

As illustrated in Figure 4.49: The most number of the respondents, 19, submitted that their biggest concern in relation to the future of the business is the break-up of the family.

## 4.2 Cross tabulations and Chi Squares

### 4.2.1 Businesses that are highly values-driven

**Table 4.1: Crosstabulation – Business guided by religion/cultural values | Industry Activity | Family values contribution to business success**

Business guided by religion/cultural values * Industry Activity * Family values contribution to business success Crosstabulation											
Count											
Family values contribution to business success			Industry Activity						Total		
			Agriculture	Food/ Restuarant	Manufacturing	Real Estate	Trading/ Wholesale/ Retail	Healthcare		Other	
little	Business guided by religion/ cultural values	a lot						2		2	
		Total					2			2	
slight	Business guided by religion/ cultural values	little	0		0			1		0	1
		slight	0		1		0			0	1
		a lot	1		0		0			1	2
		Total	1		1		1		1	1	4
more	Business guided by religion/ cultural values	little			0	2	0		1	0	3
		slight			0	0	1		0	0	1
		a lot			1	0	3	1	0	0	5
		entirely			1	0	1		0	1	3
		Total			2	2	5	2	1	1	12
most	Business guided by religion/ cultural values	not at all	0	0	1	0	0	0	0	2	3
		little	0	0	0	0	0	0	0	1	1
		slight	0	0	1	1	0	1	1	1	4
		a lot	0	3	1	0	3	0	2	2	9
		entirely	1	0	8	1	4	0	2	2	16
		Total	1	3	11	2	7	1	8	3	33
Total	Business guided by religion/ cultural values	not at all	0	0	1	0	0	0	0	2	3
		little	0	0	0	2	1	1	1	1	5
		slight	0	0	2	1	1	1	1	1	6
		a lot	1	3	2	0	8	1	3	3	18
		entirely	1	0	9	1	5	0	3	3	19
		Total	2	3	14	4	15	3	10	5	51

**Table 4.2: Chi-Square Tests – Family values contribution to business success**

<b>Chi-Square Tests</b>				
Family values contribution to business success		Value	df	Asymptotic Significance (2-sided)
little	Pearson Chi-Square	. <sup>b</sup>		
	N of Valid Cases	2		
slight	Pearson Chi-Square	8.000 <sup>c</sup>	6	.238
	Likelihood Ratio	8.318	6	.216
	Linear-by-Linear Association	.055	1	.815
	N of Valid Cases	4		
more	Pearson Chi-Square	13.920 <sup>d</sup>	12	.306
	Likelihood Ratio	15.312	12	.225
	Linear-by-Linear Association	.085	1	.770
	N of Valid Cases	12		
most	Pearson Chi-Square	30.501 <sup>e</sup>	24	.169
	Likelihood Ratio	28.045	24	.258
	Linear-by-Linear Association	3.980	1	.046
	N of Valid Cases	33		
Total	Pearson Chi-Square	31.860 <sup>a</sup>	24	.131
	Likelihood Ratio	32.465	24	.116
	Linear-by-Linear Association	3.202	1	.074
	N of Valid Cases	51		

a. 32 cells (91.4%) have expected count less than 5. The minimum expected count is .12.  
b. No statistics are computed because Business guided by religion/cultural values and Industry Activity are constants.  
c. 12 cells (100.0%) have expected count less than 5. The minimum expected count is .25.  
d. 20 cells (100.0%) have expected count less than 5. The minimum expected count is .08.  
e. 34 cells (97.1%) have expected count less than 5. The minimum expected count is .03.

As depicted in Tables 4.1 and 4.2 above, business operating within the Manufacturing and Trading/Wholesale/Retail are guided by family values as well as religious and cultural values. As evident from Figure 4.7, frequency business industry activities, all 15 Trading/Wholesale/Retail business are operating through family, religious and cultural values. All business industries are confirmed to be operating with some form of these values (at varying levels) with the exception of one manufacturing business which does not.

#### 4.2.2 Business Size: Family Ownership and Control

**Table 4.3: Crosstabulation – No. of Full-time employees | Importance of full ownership**

No. of Full-time employees * Importance of full ownership Crosstabulation							
Count							
		Importance of full ownership					
		not important	little important	slightly important	much importance	very important	Total
No. of Full-time employees	21-50	1	0	1	7	16	25
	51-100	0	0	0	2	4	6
	101-500	1	1	1	2	9	14
	above 500	0	0	2	3	1	6
Total		2	1	4	14	30	51

**Table 4.4: Chi-Square Tests – Importance of full ownership**

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	13.539 <sup>a</sup>	12	.331
Likelihood Ratio	12.894	12	.377
Linear-by-Linear Association	2.061	1	.151
N of Valid Cases	51		

a. 17 cells (85.0%) have expected count less than 5. The minimum expected count is .12.

As per Tables 4.3 and 4.4 above, it is found that whilst full ownership is important to business owners, this level of importance is irrespective of the number of full-time employees (44 of 51 responses) indicated noteworthy levels of importance.

#### 4.2.3 Conflicts: Frequency, Main areas and Procedures

**Table 4.5: Crosstabulation – Procedures to resolve family conflicts | Frequency of family conflicts affecting business | Conflict sources in family business**

Procedures to resolve family conflicts * Frequency of family conflicts affecting business * Conflict sources in family business Crosstabulation							
Conflict sources in family business: Total							
Count							
		Frequency of family conflicts affecting business					Total
		rarely	little	slight	a lot	all the time	
Procedures to resolve family conflicts	yes	11	6	3	1	0	21
	no	13	6	4	5	2	30
Total		24	12	7	6	2	51

**Table 4.6: Chi-Square Tests – Conflict sources in family business**

Chi-Square Tests				
Conflict sources in family business		Value	df	Asymptotic Significance (2-sided)
competence/level of work/other	Pearson Chi-Square	.225 <sup>b</sup>	1	.635
	Continuity Correction <sup>c</sup>	.000	1	1.000
	Likelihood Ratio	.228	1	.633
	Fisher's Exact Test			
	Linear-by-Linear Association	.200	1	.655
	N of Valid Cases	9		
conflict over strategy/direction and goals/other	Pearson Chi-Square	4.306 <sup>d</sup>	4	.366
	Likelihood Ratio	5.109	4	.276
	Linear-by-Linear Association	3.276	1	.070
	N of Valid Cases	31		
other	Pearson Chi-Square	.833 <sup>e</sup>	2	.659
	Likelihood Ratio	1.185	2	.553
	Linear-by-Linear Association	.136	1	.712
	N of Valid Cases	10		
no conflict	Pearson Chi-Square	. <sup>f</sup>		
	N of Valid Cases	1		
Total	Pearson Chi-Square	3.497 <sup>a</sup>	4	.478

	Likelihood Ratio	4.397	4	.355
	Linear-by-Linear Association	2.280	1	.131
	N of Valid Cases	51		
<p>a. 7 cells (70.0%) have expected count less than 5. The minimum expected count is .82.</p> <p>b. 4 cells (100.0%) have expected count less than 5. The minimum expected count is 1.33.</p> <p>c. Computed only for a 2x2 table</p> <p>d. 8 cells (80.0%) have expected count less than 5. The minimum expected count is .77.</p> <p>e. 6 cells (100.0%) have expected count less than 5. The minimum expected count is .40.</p> <p>f. No statistics are computed because Procedures to resolve family conflicts and Frequency of family conflicts affecting business are constants.</p>				

The information provided in Tables 4.5 and 4.6 on the previous page are indicative of family conflicts occurring within family businesses and almost 50% of the time, there are no procedures to handle these family business conflicts which may occur due to strategic direction and goals of the business.

#### 4.2.4 Key Attributes for Potential Successor

**Table 4.7: Crosstabulation – Training for potential successor | Successor already identified | Acceptance of successor by family | Acceptance of successor by non-family employees**

<b>Training for potential successor * Successor already identified * Acceptance of successor by family * Acceptance of successor by non-family employees Crosstabulation</b>				
Acceptance of successor by non-family employees: Total				
Acceptance of successor by family: Total				
Count				
		Successor already identified		Total
		yes	no	
Training for potential successor	yes	7	0	7
	no	14	0	14
	no response	0	30	30
Total		21	30	51

**Table 4.8: Chi-Square Tests – Acceptance of successor by non-family employees | Acceptance of successor by family**

Chi-Square Tests					
Acceptance of successor by non-family employees	Acceptance of successor by family		Value	df	Asymptotic Significance (2-sided)
not supported	fully supported	Pearson Chi-Square	. <sup>c</sup>		
		N of Valid Cases	1		
	Total	Pearson Chi-Square	. <sup>c</sup>		
		N of Valid Cases	1		
little support	average support	Pearson Chi-Square	. <sup>c</sup>		
		N of Valid Cases	1		
	Total	Pearson Chi-Square	. <sup>c</sup>		
		N of Valid Cases	1		
average support	average support	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	3		
	Total	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	3		
more support	average support	Pearson Chi-Square	. <sup>c</sup>		
		N of Valid Cases	1		
	more support	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	4		
	fully supported	Pearson Chi-Square	. <sup>c</sup>		
		N of Valid Cases	4		
	Total	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	9		
fully supported	more support	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	3		
	fully supported	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	4		
	Total	Pearson Chi-Square	. <sup>b</sup>		
		N of Valid Cases	7		

no response	no response	Pearson Chi-Square	. <sup>c</sup>			
		N of Valid Cases	30			
	Total	Pearson Chi-Square	. <sup>c</sup>			
		N of Valid Cases	30			
Total	average support	Pearson Chi-Square	. <sup>b</sup>			
		N of Valid Cases	5			
	more support	Pearson Chi-Square	. <sup>b</sup>			
		N of Valid Cases	7			
	fully supported	Pearson Chi-Square	. <sup>b</sup>			
		N of Valid Cases	9			
	no response	Pearson Chi-Square	. <sup>c</sup>			
		N of Valid Cases	30			
	Total	Total	Pearson Chi-Square	51.000 <sup>a</sup>	2	.000
			Likelihood Ratio	69.104	2	.000
			Linear-by-Linear Association	41.237	1	.000
			N of Valid Cases	51		
a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 2.88.						
b. No statistics are computed because Successor already identified is a constant.						
c. No statistics are computed because Training for potential successor and Successor already identified are constants.						

As depicted in Table 4.7 and Table 4.8 on the previous pages, it is found that family owned businesses which already have successors identified, two thirds of the time do not have training for these successors.

#### 4.2.5 Relationship between Communication and Stage of Business Succession

**Table 4.9: Crosstabulation – Next successor | Quality of communication**

Next successor * Quality of communication Crosstabulation							
Count		Quality of communication					
		no communication	little communication	slight communication	a lot of communication	perfect communication	Total
Next successor	1-5years	1	2	4	5	3	15
	5-10years	0	1	8	6	2	17
	10-20years	1	0	3	8	1	13
	more than 20years	0	0	2	2	2	6
Total		2	3	17	21	8	51

**Table 4.10: Chi-Square Tests – Quality of communication**

<b>Chi-Square Tests</b>			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.597 <sup>a</sup>	12	.651
Likelihood Ratio	10.725	12	.553
Linear-by-Linear Association	1.092	1	.296
N of Valid Cases	51		
a. 15 cells (75.0%) have expected count less than 5. The minimum expected count is .24.			

Tables 4.9 and 4.10 above show that irrespective of the stage of business succession, there is a good amount of communication which takes place.

### 4.3 Non Parametric Testing: Mann-Whitney U Test

#### 4.3.1 Mann-Whitney U Test by Gender

**Table 4.11: Mann-Whitney Test by Gender**

<b>Test Statistics<sup>a</sup></b>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business guided by religion/cultural values	21.000	31.000	-2.693	.007	.007 <sup>b</sup>
Business succession guided by religious/cultural values	30.500	40.500	-2.303	.021	.022 <sup>b</sup>
Concerns of future business	25.000	1153.000	-2.502	.012	.012 <sup>b</sup>
a. Grouping Variable: Gender					
b. Not corrected for ties.					

As per Table 4.11 above, there is significant agreement by males and females that; businesses are guided by religion/cultural values ( $Z(N=51) = -2.693$ ,  $p=0.007$ ), business succession is guided by religious/cultural values ( $Z(N=51) = -2.303$ ,  $p<0.05$ ) and the concerns of future business ( $Z(N=51) = -2.502$ ,  $p=0.012$ ).

### 4.3.2 Mann-Whitney U Test by Age

**Table 4.12: Mann-Whitney Test by Age**

<b>Test Statistics<sup>a</sup></b>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Compensation for family members	.000	6.000	-2.739	.006	.017b
Family relationships affecting business	2.000	30.000	-2.032	.042	.067b
Frequency of family conflicts affecting business	.000	28.000	-2.571	.010	.017b
Quality of communication	1.500	7.500	-2.130	.033	.033 <sup>b</sup>
a. Grouping Variable: Age					
b. Not corrected for ties.					

As per Table 4.12 above, there is significant agreement by the respondents from the ages of 18 and older that; there is compensation for family members ( $Z(N=51)=-2.739$ ,  $p<0.05$ ), that family relationships ( $Z(N=51)= -2.032$ ,  $p=0.042$ ) and the frequency of family conflicts ( $Z(N=51)= -2.571$ ,  $p=0.010$ ) affect family owned businesses. There is also a significant agreement that the quality of communication ( $Z(N=51) = -2.130$ ,  $p<0.05$ ) affects business.

### 4.3.3 Mann-Whitney U Test by Generation in Business

**Table 4.13: Mann-Whitney Test by Generation in Business**

<b>Test Statistics<sup>a</sup></b>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Effect of Social-Market Economic policies on business risk	1.000	4.000	-2.136	.033	.038 <sup>b</sup>
Family values contribution to business success	1.000	4.000	-2.935	.003	.038 <sup>b</sup>
Quality of communication	.500	3.500	-2.409	.016	.019 <sup>b</sup>
Acceptance of successor by non-family employees	2.500	5.500	-2.016	.044	.076 <sup>b</sup>

a. Grouping Variable: Generation in business  
 b. Not corrected for ties.

Table 4.13 above reveals that there exists significant agreement by the respondents from the first generation in business practice that; there is an effect of social-market economic policies on business risk ( $Z(N=51)=-2.136$ ,  $p=0.033$ ), that family values ( $Z(N=51)= -2.935$ ,  $p=0.003$ ) and the quality of communication ( $Z(N=51)= -2.409$ ,  $p=0.016$ ) contribute to business success.

#### 4.3.4 Mann-Whitney U Test by Business Establishment

**Table 4.14: Mann-Whitney Test by Business Establishment**

<b>Test Statistics<sup>a</sup></b>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Procedures to resolve family conflicts	9.000	30.000	-2.138	.033	.101b
Founder's Role after successor	2.500	23.500	-2.828	.005	.005b
Successor not identified within business	6.000	34.000	-2.535	.011	.035b
a. Grouping Variable: Business Establishment					
b. Not corrected for ties.					

As per Table 4.14 above, there is significant agreement by businesses established even before the 1930s; there exists a need to have procedures to resolve family conflicts ( $Z=-2.138$ ,  $P=0.033$ ). Furthermore, that there is no successor yet identified for the business ( $Z(N=51) = -2.535$ ,  $p<0.05$ ) affects business.

#### 4.3.5 Mann-Whitney U Test by Business Operations

**Table 4.15: Mann-Whitney Test by Business Operation**

Test Statistics <sup>a</sup>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Formal Reporting	40.000	68.000	-2.686	.007	.062b
Formal Rules for family ownership	36.000	64.000	-2.606	.009	.037b
Family relationships affecting business	32.500	60.500	-2.346	.019	.021b
Next successor	39.000	292.000	-2.011	.044	.055b
a. Grouping Variable: Business Operations					
b. Not corrected for ties.					

There is significant agreement as illustrated in Table 4.15 above, that business operations require; formal reporting ( $Z(N=51)=-2.686$ ,  $p=0.007$ ) and formal rules for family ownership ( $Z(N=51)=-2.606$ ,  $p<0.05$ ). There is also a significant agreement that family relationships ( $Z(N=51)=-2.346$ ,  $p<0.05$ ) affects business and that there is a need for the next successor ( $Z(N=51)=-2.011$ ,  $p=0.044$ ).

#### 4.3.6 Mann-Whitney U Test by Industry Activity

**Table 4.16: Mann-Whitney Test by Industry Activity**

Test Statistics <sup>a</sup>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Formal Advisory	1.000	4.000	-2.569	.010	.061b
Formal Rules for family ownership	2.000	5.000	-2.098	.036	.121b
Formal Shareholders Agreement	1.000	4.000	-2.569	.010	.061b
Female Successor Possibility	1.000	56.000	-2.569	.010	.061b
Family values presence in succeeding generation	.500	3.500	-2.161	.031	.030b
Concerns of future business	1.000	4.000	-1.997	.046	.061 <sup>b</sup>
a. Grouping Variable: Industry Activity					
b. Not corrected for ties.					

As per Table 4.16 above, there is significant agreement amongst the various business activities

that there needs to be formal advisory ( $Z(N=51) = -2.569, p=0.010$ ), formal rules for family ownership ( $Z(N=51) = -2.098, p=0.036$ ) and formal shareholders agreement ( $Z(N=51) = -2.569, p=0.010$ ). It is further agreed that there is a possibility of female successors ( $Z(N=51) = -2.569, p<0.05$ ), that family values need to be present in the succeeding generation ( $Z(N=51) = -2.161, p=0.031$ ) and concerns of future business ( $Z(N=51) = -1.997, p<0.05$ ).

#### 4.3.7 Mann-Whitney U Test by Annual Turnover/Revenue Sales

**Table 4.17: Mann-Whitney Test by Annual Turnover/Revenue Sales**

Test Statistics <sup>a</sup>					
	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Successor already identified	1.500	16.500	-2.049	.040	.071b
Training for potential successor	1.500	16.500	-1.960	.050	.071b

a. Grouping Variable: Annual Turnover/Revenue Sales  
b. Not corrected for ties.

Based on Table 4.17 above, there exists significant agreement that there is a successor already identified ( $Z(N=51) = -2.049, p<0.05$ ) and that there should be training for the potential successor ( $Z(N=51) = -1.960, p=0.050$ ).

#### 4.4 Non Parametric Testing: Kruskal-Wallis

##### 4.4.1 Kruskal-Wallis Test by Gender

**Table 4.18: Kruskal-Wallis Test by Gender**

Test Statistics <sup>a,b</sup>			
	Kruskal-Wallis H	df	Asymp. Sig.
Business guided by religion/cultural values	7.253	1	.007
Business succession guided by religious/cultural values	5.305	1	.021
Concerns of future business	6.262	1	.012

a. Kruskal Wallis Test  
b. Grouping Variable: Gender

As evident in Table 4.18 above and compared to that of the Mann Whitney Test in Table 4.11,

there is congruency amongst the gender to that of agreement with business and its succession guided by religious/cultural values as well as concerns of future business.

#### 4.4.2 Kruskal-Wallis Test by Age

**Table 4.19: Kruskal-Wallis Test by Age**

<b>Test Statistics<sup>a,b</sup></b>			
	Kruskal-Wallis H	df	Asymp. Sig.
Effect of Apartheid on business risks	14.968	4	.005
Effect of Government intervention in business risk	13.165	4	.010
Compensation for family members	14.851	4	.005
Frequency of family conflicts affecting business	10.439	4	.034
Criteria for potential successor	9.576	4	.048
Retirement plan	14.553	4	.006
a. Kruskal Wallis Test			
b. Grouping Variable: Age			

It is noticed that two of the variables; compensation for family members and the frequency of family conflicts are significant as compared amongst Table 4.19 above and Table 4.12. There further exists significance for the effect of external factors on business as well as requiring criteria for potential successors and retirement plans.

#### 4.4.3 Kruskal-Wallis Test by Generation in Business

**Table 4.20: Kruskal-Wallis Test by Generation in Business**

<b>Test Statistics<sup>a,b</sup></b>			
	Kruskal-Wallis H	df	Asymp. Sig.
Formal Rules for family ownership	13.176	4	.010
Family relationships affecting business	12.134	4	.016
Quality of communication	9.759	4	.045

Criteria for potential successor	11.171	4	.025
Retirement plan	13.237	4	.010
a. Kruskal Wallis Test			
b. Grouping Variable: Generation in business			

Based on the results generated within Table 4.20 above, respondents in the various generations of business agree significantly that there should be formal rules for family ownership, that family relationships, the quality of communication, criteria for selecting potential successor and retirement planning affect business.

#### 4.4.4 Kruskal-Wallis Test by Business Establishment

**Table 4.21: Kruskal-Wallis Test by Business Establishment**

<b>Test Statistics<sup>a,b</sup></b>			
	Kruskal-Wallis H	df	Asymp. Sig.
Formal Reporting	17.726	5	.003
Formal Advisory	12.938	5	.024
Formal Rules for family	15.449	5	.009
Formal Shareholders Agreement	14.764	5	.011
Business guided by religion/cultural values	15.585	5	.008
Business succession guided by religious/cultural values	14.063	5	.015
Female Successor Possibility	12.371	5	.030
Procedures to resolve family conflicts	19.884	5	.001
Founder's Role after successor	11.499	5	.042
a. Kruskal Wallis Test			
b. Grouping Variable: Business Establishment			

Based on Table 4.21 above, there is significance amongst the business establishment to that of; formal reporting, formal advisory, formal rules for family and shareholder agreement as well as businesses and its succession require guidance by religious/cultural values. Further to this, there is significance for female succession possibility, procedures required to resolve family conflicts and there need to establish the founder's role after succession has taken place.

#### 4.4.5 Kruskal-Wallis Test by Business Operations

**Table 4.22: Kruskal-Wallis Test by Business Operations**

<b>Test Statistics<sup>a,b</sup></b>			
	Kruskal-Wallis H	df	Asymp. Sig.
Formal Reporting	14.214	3	.003
Formal Rules for family ownership	8.851	3	.031
Business succession guided by religious/cultural values	9.710	3	.021
Family relationships affecting business	8.154	3	.043
Frequency of family conflicts affecting business	9.537	3	.023
a. Kruskal Wallis Test			
b. Grouping Variable: Business Operations			

As depicted on Table 4.22 on the previous page, business operations significance is established with formal reporting, formal rules for family ownership, business succession guided by religious/cultural values in conjunction with family relationships and the frequency of family conflicts affecting business and its operations.

#### 4.4.6 Kruskal-Wallis Test by Industry Activity

**Table 4.23: Kruskal-Wallis Test by Industry Activity**

<b>Test Statistics<sup>a,b</sup></b>			
	Kruskal-Wallis H	df	Asymp. Sig.
Formal Advisory	13.009	6	.043
Formal Shareholders Agreement	15.111	6	.019
Effect of Social-Market Economic policies on business risk	15.819	6	.015
Female Successor Possibility	15.230	6	.019
Concerns of future business	17.448	6	.008
a. Kruskal Wallis Test			
b. Grouping Variable: Industry Activity			

In Table 4.23 above, it is found that the significance exists amongst industry activity to that of

formal advisory and shareholder agreement. It is also evident that this significance extends to the effect of Social-Market Economic policies on business risk, female successor possibility and the concerns over future business.

#### 4.4.7 Kruskal-Wallis Test by Annual Turnover/Revenue Sales

**Table 4.24: Kruskal-Wallis Test by Annual Turnover/Revenue Sales**

Test Statistics <sup>a,b</sup>			
	Kruskal-Wallis H	df	Asymp. Sig.
Founder's Role after successor	15.681	6	.016
Retirement plan	13.237	6	.039
a. Kruskal Wallis Test			
b. Grouping Variable: Annual Turnover/Revenue Sales			

Based on the results generated within Table 4.24 above, respondents revealing annual turnover agree significantly about the founder's role after successor establishment ( $\chi^2(6, N=51) = 15.681, p < 0.05$ ) and retirement planning ( $\chi^2(6, N=51) = 13.237, p < 0.05$ ).

#### 4.4.8 Kruskal-Wallis Test by No. of Full-Time Employees

**Table 4.25: Kruskal-Wallis Test by No. of Full-Time Employees**

Test Statistics <sup>a,b</sup>			
	Kruskal-Wallis H	df	Asymp. Sig.
Formal Shareholders Agreement	4.332	1	.037
a. Kruskal Wallis Test			
b. Grouping Variable: No. of Full-time employees			

The results as per Table 4.25 above, reveal significant agreement of formal shareholders agreement ( $\chi^2(1, N=51) = 4.332, p < 0.05$ ).

### 4.5 Reliability and Validity

Reliability: Cronbach's Coefficient Alpha

**Table 4.26: Reliability Statistics – Cronbach’s Coefficient Alpha**

<b>Reliability Statistics</b>		
Cronbach's Alpha	N of Items	N of Items Deleted
.362	40	0
.604	27	13
.648	24	16
.676	22	18
.698	19	21
.709	18	22

As the rule of thumb, reliability measures requires Cronbach’s Alpha being greater than .7 for acceptable levels. It is evident from Table 4.26 that all Likert scale items (40) are at a low level and the acceptable reliability measure is only achieved when 22 of the Likert scale items are removed. Therefore, 18 items reveals an acceptable level and implies that this study is reliable.

Validity: Factor Analysis

**Table 4.27: Validity Statistics – Communalities**

<b>Communalities</b>		
	Initial	Extraction
Decisions making	1.000	.828
Formal Reporting	1.000	.730
Formal Advisory	1.000	.816
Formal Rules for family	1.000	.799
Formal Rules for family ownership	1.000	.827
Importance of full ownership	1.000	.756
Difficulty controlling family business	1.000	.770
Readiness for retirement of key family member	1.000	.819
Business vision in next 5 years	1.000	.885
Formal Shareholders Agreement	1.000	.656
Predecessors response based on successors	1.000	.651

Effect of Apartheid on business risks	1.000	.756
Effect of Social-Market Economic policies on business risk	1.000	.752
Effect of Government intervention in business risk	1.000	.900
Effect of current political/economy on business risk	1.000	.841
Confidence in business growth	1.000	.842
Business guided by religion/cultural values	1.000	.888
Business succession guided by religious/cultural values	1.000	.834
Female Successor Possibility	1.000	.655
Family values contribution to business success	1.000	.759
Family values presence in succeeding generation	1.000	.836
Compensation for family members	1.000	.820
Family relationships affecting business	1.000	.822
Frequency of family conflicts affecting business	1.000	.807
Quality of communication	1.000	.729
Frequency of meetings to resolve family issues	1.000	.772
Procedures to resolve family conflicts	1.000	.678
Conflict sources in family business	1.000	.785
Next successor	1.000	.796
Founder's Role after successor	1.000	.833
Criteria for potential successor	1.000	.757
Retirement plan	1.000	.733
Succession whilst active in business	1.000	.769
Successor not identified within business	1.000	.835
Successor already identified	1.000	.929
Training for potential successor	1.000	.931

Preparedness of potential successor	1.000	.965
Acceptance of successor by family	1.000	.944
Acceptance of successor by non-family employees	1.000	.897
Concerns of future business	1.000	.803

Extraction Method: Principal Component Analysis.

The communalities based on Table 4.27 on the previous pages are indicative of the amount of variance from the variables accounted for by the extracted factors. It found that 96.5% and 94.4% of variance for preparedness of potential successor and the acceptance of the successor by family has been accounted for. All other factors have between 65% to 94% of variance accounted for.

**Table 4.28: Validity Statistics – Total Variance Explained**

<b>Total Variance Explained</b>						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.955	14.887	14.887	5.955	14.887	14.887
2	4.789	11.971	26.858	4.789	11.971	26.858
3	3.346	8.365	35.224	3.346	8.365	35.224
4	2.866	7.166	42.390	2.866	7.166	42.390
5	2.679	6.699	49.088	2.679	6.699	49.088
6	2.312	5.780	54.869	2.312	5.780	54.869
7	2.006	5.015	59.884	2.006	5.015	59.884
8	1.766	4.416	64.300	1.766	4.416	64.300
9	1.557	3.893	68.193	1.557	3.893	68.193
10	1.431	3.578	71.771	1.431	3.578	71.771
11	1.298	3.246	75.017	1.298	3.246	75.017
12	1.190	2.974	77.991	1.190	2.974	77.991
13	1.009	2.523	80.514	1.009	2.523	80.514
14	.878	2.196	82.710			
15	.816	2.041	84.751			
16	.749	1.873	86.624			
17	.670	1.676	88.300			
18	.575	1.437	89.737			

19	.513	1.283	91.020			
20	.448	1.119	92.139			
21	.409	1.022	93.161			
22	.375	.939	94.100			
23	.352	.881	94.981			
24	.301	.752	95.732			
25	.258	.646	96.378			
26	.239	.598	96.975			
27	.225	.562	97.537			
28	.177	.442	97.979			
29	.154	.384	98.363			
30	.143	.357	98.720			
31	.131	.327	99.047			
32	.098	.246	99.293			
33	.060	.151	99.444			
34	.056	.139	99.583			
35	.053	.133	99.716			
36	.039	.097	99.813			
37	.036	.089	99.903			
38	.028	.070	99.972			
39	.008	.021	99.994			
40	.003	.006	100.000			

Extraction Method: Principal Component Analysis.

Table 4.28 above shows that all the factors that were extracted from the analysis along with the Eigen values, the percentage of variance and the cumulative variance of the factor and the previous factors. It is found that the first factor accounts for 14.887 of the variance, the second 11.971% and the third accounts for 8.365 of the variance. In total 13 factors account for a cumulative 80.514 of the variance. All other remaining factors are not significant.

## **4.6 Correlations**

### **4.6.1 Correlation: Stages of the Business and Family Control**

Based on Table 4.29 on the preceding page, it is noteworthy that there exists significant moderate and negative relationships between decision making to that of formal reporting ( $r=-.404$ ,  $p=0.03$ ), formal rules for family ( $r=-.651$ ,  $p=0.00$ ) and the business vision in the next five years ( $r=-.452$ ,  $p<0.01$ ) respectively. All other existing significant relationships are positive and moderate with the exception of formal rules for family to that of readiness of retirement for key family member ( $r=-.346$ ,  $p<0.05$ ) as well as readiness of retirement for key family member to that of business vision in the next five years ( $r=-.471$ ,  $p<0.01$ ).

**Table 4.29: Correlation – Stages of the Business and Family Control**

		Correlations										
		Decisions making	Formal Reporting	Formal Advisory	Formal Rules for family	Formal Rules for family ownership	Importance of full ownership	Difficulty controlling family business	Readiness for retirement of key family member	Business vision in next 5 years	Formal Shareholders Agreement	Predecessors response based on successors
Decisions making	Pearson Correlation	1	-.404**	-.257	-.651**	-.146	-.187	.170	.214	-.452**	-.177	.051
	Sig. (2-tailed)		.003	.069	.000	.307	.189	.233	.131	.001	.213	.721
	N	51	51	51	51	51	51	51	51	51	51	51
Formal Reporting	Pearson Correlation	-.404**	1	.435**	.393**	.295*	.193	-.018	-.245	.342*	.353*	.008
	Sig. (2-tailed)	.003		.001	.004	.036	.174	.898	.083	.014	.011	.956
	N	51	51	51	51	51	51	51	51	51	51	51
Formal Advisory	Pearson Correlation	-.257	.435**	1	.374**	.316*	-.092	-.181	-.114	.110	.436**	-.272
	Sig. (2-tailed)	.069	.001		.007	.024	.522	.203	.427	.440	.001	.054
	N	51	51	51	51	51	51	51	51	51	51	51
Formal Rules for family	Pearson Correlation	-.651**	.393**	.374**	1	.275	.144	-.105	-.346*	.319*	.213	-.272
	Sig. (2-tailed)	.000	.004	.007		.051	.314	.465	.013	.022	.134	.053
	N	51	51	51	51	51	51	51	51	51	51	51
Formal Rules for family ownership	Pearson Correlation	-.146	.295*	.316*	.275	1	-.120	.050	-.215	.536**	.322*	-.111
	Sig. (2-tailed)	.307	.036	.024	.051		.403	.728	.130	.000	.021	.437
	N	51	51	51	51	51	51	51	51	51	51	51
Importance of full ownership	Pearson Correlation	-.187	.193	-.092	.144	-.120	1	.234	-.080	-.111	-.186	.176
	Sig. (2-tailed)	.189	.174	.522	.314	.403		.099	.577	.437	.190	.217
	N	51	51	51	51	51	51	51	51	51	51	51
Difficulty controlling family business	Pearson Correlation	.170	-.018	-.181	-.105	.050	.234	1	.244	.018	-.275	-.125
	Sig. (2-tailed)	.233	.898	.203	.465	.728	.099		.085	.898	.051	.383
	N	51	51	51	51	51	51	51	51	51	51	51
Readiness for retirement of key family member	Pearson Correlation	.214	-.245	-.114	-.346*	-.215	-.080	.244	1	-.471**	-.213	.043
	Sig. (2-tailed)	.131	.083	.427	.013	.130	.577	.085		.000	.133	.766
	N	51	51	51	51	51	51	51	51	51	51	51
Business vision in next 5 years	Pearson Correlation	-.452**	.342*	.110	.319*	.536**	-.111	.018	-.471**	1	.346*	-.008
	Sig. (2-tailed)	.001	.014	.440	.022	.000	.437	.898	.000		.013	.956
	N	51	51	51	51	51	51	51	51	51	51	51
Formal Shareholders Agreement	Pearson Correlation	-.177	.353*	.436**	.213	.322*	-.186	-.275	-.213	.346*	1	-.213
	Sig. (2-tailed)	.213	.011	.001	.134	.021	.190	.051	.133	.013		.133
	N	51	51	51	51	51	51	51	51	51	51	51
Predecessors response based on successors	Pearson Correlation	.051	.008	-.272	-.272	-.111	.176	-.125	.043	-.008	-.213	1
	Sig. (2-tailed)	.721	.956	.054	.053	.437	.217	.383	.766	.956	.133	
	N	51	51	51	51	51	51	51	51	51	51	51

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

4.6.2

Correlation: External Factors

Table 4.30: Correlation – External Factors

Correlations									
		Effect of Apartheid on business risks	Effect of Social-Market Economic policies on business risk	Effect of Government intervention in business risk	Effect of current political/economy on business risk	Confidence in business growth	Business guided by religion/cultural values	Business succession guided by religious/cultural values	Female Successor Possibility
Effect of Apartheid on business risks	Pearson Correlation	1	.126	.266	.000	-.105	.278*	.193	-.041
	Sig. (2-tailed)		.379	.059	1.000	.465	.048	.174	.775
	N	51	51	51	51	51	51	51	51
Effect of Social-Market Economic policies on business risk	Pearson Correlation	.126	1	.656**	.100	-.156	.143	-.065	-.029
	Sig. (2-tailed)	.379		.000	.484	.273	.318	.652	.841
	N	51	51	51	51	51	51	51	51
Effect of Government intervention in business risk	Pearson Correlation	.266	.656**	1	.106	.001	.101	-.138	-.030
	Sig. (2-tailed)	.059	.000		.460	.993	.479	.334	.833
	N	51	51	51	51	51	51	51	51
Effect of current political/economy on business risk	Pearson Correlation	.000	.100	.106	1	-.506**	-.012	-.067	-.081
	Sig. (2-tailed)	1.000	.484	.460		.000	.935	.640	.570
	N	51	51	51	51	51	51	51	51
Confidence in business growth	Pearson Correlation	-.105	-.156	.001	-.506**	1	.211	.321*	.036
	Sig. (2-tailed)	.465	.273	.993	.000		.137	.021	.801
	N	51	51	51	51	51	51	51	51
Business guided by religion/cultural values	Pearson Correlation	.278*	.143	.101	-.012	.211	1	.771**	.043
	Sig. (2-tailed)	.048	.318	.479	.935	.137		.000	.765
	N	51	51	51	51	51	51	51	51
Business succession guided by religious/cultural values	Pearson Correlation	.193	-.065	-.138	-.067	.321*	.771**	1	.089
	Sig. (2-tailed)	.174	.652	.334	.640	.021	.000		.534
	N	51	51	51	51	51	51	51	51
Female Successor Possibility	Pearson Correlation	-.041	-.029	-.030	-.081	.036	.043	.089	1
	Sig. (2-tailed)	.775	.841	.833	.570	.801	.765	.534	
	N	51	51	51	51	51	51	51	51

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As per Table 4.30 on the previous page, there exists a positive relationship between the effect of apartheid on business risk to that of business guided by religious/cultural values ( $R=.278$ ,  $p<0.05$ ). There is also a strong positive relation between the effect of Social-Market Economic policies on business risk to the effect of Government intervention in business risk ( $R=.656$ ,  $p<0.01$ ). The effect of current political/economy on business has a moderate negative significant relationship with the confidence in business growth ( $R=-.506$ ,  $p=0.000$ ). Business succession guided by religious/cultural values have positive and significant relationships with confidence in business growth and business guided by religion respectively.

#### 4.6.3 Correlation: Family Culture and Relationships

**Table 4.31: Correlation – Family Culture and Relationships**

Correlations					
		Family values contribution to business success	Family values presence in succeeding generation	Compensation for family members	Family relationships affecting business
Family values contribution to business success	Pearson Correlation	1	.393**	.125	-.268
	Sig. (2-tailed)		.004	.381	.057
	N	51	51	51	51
Family values presence in succeeding generation	Pearson Correlation	.393**	1	.302*	-.165
	Sig. (2-tailed)	.004		.031	.246
	N	51	51	51	51
Compensation for family members	Pearson Correlation	.125	.302*	1	-.061
	Sig. (2-tailed)	.381	.031		.673
	N	51	51	51	51
Family relationships affecting business	Pearson Correlation	-.268	-.165	-.061	1
	Sig. (2-tailed)	.057	.246	.673	
	N	51	51	51	51

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

As per Table 4.31 on the previous page, there exists weak positive and significant relationships between; family values contribution to business success to family values present in succeeding generations ( $R=.393$ ,  $p<0.01$ ) and family values present in succeeding generations to that of compensation for family members ( $R=.302$ ,  $p<0.05$ ).

#### 4.6.4 Correlation: Family Conflicts

**Table 4.32: Correlation – Family Conflicts**

Correlations						
		Frequency of family conflicts affecting business	Quality of communication	Frequency of meetings to resolve family issues	Procedures to resolve family conflicts	Conflict sources in family business
Frequency of family conflicts affecting business	Pearson Correlation	1	-.388**	-.023	.214	-.050
	Sig. (2-tailed)		.005	.872	.132	.725
	N	51	51	51	51	51
Quality of communication	Pearson Correlation	-.388**	1	-.305*	-.361**	.069
	Sig. (2-tailed)	.005		.029	.009	.632
	N	51	51	51	51	51
Frequency of meetings to resolve family issues	Pearson Correlation	-.023	-.305*	1	.507**	-.062
	Sig. (2-tailed)	.872	.029		.000	.665
	N	51	51	51	51	51
Procedures to resolve family conflicts	Pearson Correlation	.214	-.361**	.507**	1	-.105
	Sig. (2-tailed)	.132	.009	.000		.463
	N	51	51	51	51	51
Conflict sources in family business	Pearson Correlation	-.050	.069	-.062	-.105	1
	Sig. (2-tailed)	.725	.632	.665	.463	
	N	51	51	51	51	51

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

As per Table 4.32 on the previous page, there exists weak negative and significant relationships amongst frequency of family conflicts ( $R=-.388$ ,  $p=0.005$ ), frequency of family meetings to resolve family issues ( $R=-.305$ ,  $p=0.029$ ), procedures to resolve family conflicts ( $R=-.361$ ,  $p=0.009$ ) to quality of communication respectively. There exists a moderate positive and significant relationship between frequency of family meetings to resolve family issues to procedures to resolve family conflicts ( $R=.507$ ,  $p<0.01$ ).

#### 4.6.5 Correlation: Readiness of Successors

**Table 4.33: Correlation – Readiness of Successors**

		Correlations						
		Next successor	Founder's Role after successor	Criteria for potential successor	Retirement plan	Succession whilst active in business	Successor not identified within business	Successor already identified
Next successor	Pearson Correlation	1	-.117	-.001	.005	.142	.116	.246
	Sig. (2-tailed)		.413	.994	.973	.322	.418	.082
	N	51	51	51	51	51	51	51
Founder's Role after successor	Pearson Correlation	-.117	1	.161	-.043	-.101	.051	-.051
	Sig. (2-tailed)	.413		.260	.763	.480	.724	.724
	N	51	51	51	51	51	51	51
Criteria for potential successor	Pearson Correlation	-.001	.161	1	-.040	-.194	.172	-.089
	Sig. (2-tailed)	.994	.260		.778	.172	.227	.533
	N	51	51	51	51	51	51	51
Retirement plan	Pearson Correlation	.005	-.043	-.040	1	.635**	.119	.178
	Sig. (2-tailed)	.973	.763	.778		.000	.404	.212
	N	51	51	51	51	51	51	51
Succession whilst active in business	Pearson Correlation	.142	-.101	-.194	.635**	1	.159	.227
	Sig. (2-tailed)	.322	.480	.172	.000		.265	.109
	N	51	51	51	51	51	51	51
Successor not identified within business	Pearson Correlation	.116	.051	.172	.119	.159	1	.214
	Sig. (2-tailed)	.418	.724	.227	.404	.265		.131
	N	51	51	51	51	51	51	51
Successor already identified	Pearson Correlation	.246	-.051	-.089	.178	.227	.214	1
	Sig. (2-tailed)	.082	.724	.533	.212	.109	.131	
	N	51	51	51	51	51	51	51

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

The relationship between retirement plan and succession whilst still active in business as per Table 33 on the previous page yields strong positive significant relationship ( $R=.635, p=0.000$ ).

#### 4.6.6 Correlation: Identification of Successor

**Table 4.34: Correlation – Identification of Successor**

		Correlations					
		Successor already identified	Training for potential successor	Preparedness of potential successor	Acceptance of successor by family	Acceptance of successor by non-family employees	Concerns of future business
Successor already identified	Pearson Correlation	1	.908**	.933**	.868**	.832**	-.105
	Sig. (2-tailed)		.000	.000	.000	.000	.465
	N	51	51	51	51	51	51
Training for potential successor	Pearson Correlation	.908**	1	.903**	.876**	.726**	-.086
	Sig. (2-tailed)	.000		.000	.000	.000	.550
	N	51	51	51	51	51	51
Preparedness of potential successor	Pearson Correlation	.933**	.903**	1	.940**	.845**	-.168
	Sig. (2-tailed)	.000	.000		.000	.000	.238
	N	51	51	51	51	51	51
Acceptance of successor by family	Pearson Correlation	.868**	.876**	.940**	1	.820**	-.174
	Sig. (2-tailed)	.000	.000	.000		.000	.221
	N	51	51	51	51	51	51
Acceptance of successor by non-family employees	Pearson Correlation	.832**	.726**	.845**	.820**	1	-.159
	Sig. (2-tailed)	.000	.000	.000	.000		.266
	N	51	51	51	51	51	51
Concerns of future business	Pearson Correlation	-.105	-.086	-.168	-.174	-.159	1
	Sig. (2-tailed)	.465	.550	.238	.221	.266	
	N	51	51	51	51	51	51

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

As per Table 4.34 on the previous page, all relationships relating to the identification of a successor yields very strong, positive and significant with  $R_s > .700$  and  $P_s = 0.000$

#### 4.7 Regression Model Summary

**Table 4.35: Regression – Model Summary**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Stages of the Business and Family Control	.786 <sup>a</sup>	.618	.523	.760
External Factors	.461 <sup>b</sup>	.213	.085	1.269
Family Culture and Relationships	.444 <sup>c</sup>	.197	.146	.748
Family Conflicts	.447 <sup>d</sup>	.200	.130	1.127
Readiness of Successors	.233 <sup>e</sup>	.054	-.051	1.025
Identification of Successor	.955 <sup>f</sup>	.912	.903	.155

a. Predictors: (Constant), Predecessors response based on successors, Business vision in next 5 years, Difficulty controlling family business, Importance of full ownership, Formal Advisory, Formal Rules for family, Readiness for retirement of key family member, Formal Shareholders Agreement, Formal Rules for family ownership, Formal Reporting

b. Predictors: (Constant), Female Successor Possibility, Effect of Social-Market Economic policies on business risk, Business succession guided by religious/cultural values , Effect of current political/economy on business risk, Confidence in business growth, Effect of Government intervention in business risk, Business guided by religion/cultural values

c. Predictors: (Constant), Family relationships affecting business, Compensation for family members, Family values presence in succeeding generation

d. Predictors: (Constant), Conflict sources in family business, Frequency of meetings to resolve family issues, Quality of communication, Procedures to resolve family conflicts

e. Predictors: (Constant), Successor not identified within business, Founder's Role after successor, Retirement plan, Criteria for potential successor, Succession whilst active in business

f. Predictors: (Constant), Concerns of future business, Training for potential successor, Acceptance of successor by non-family employees, Acceptance of successor by family, Preparedness of potential successor

Based on the regression Table 4.35 above, it indicates the level of variance for each of the sections alongside the predictors. The regressed effect has been highlighted by the R Square ( $R^2$ ) and denotes the multiple regressions. It is found that 61.8% of variance is present for the stages of the business and family control. Furthermore, 21.3% of variance is produced for the external factors affecting businesses. There is only 19.7% of the variance significantly explained by the set of predictors for family culture and relationships. There is 20% and 5.4% of variance explained for family conflicts and readiness of the successors respectively by the

predictors. Noteworthy, is the identification of the successor with over 90% of variance explained by the predictors

#### 4.8 Regression ANOVA Summary

**Table 4.36: Regression – ANOVA Summary**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
Stages of the Business and Family Control	Regression	37.397	10	3.740	6.472	.000 <sup>b</sup>
	Residual	23.113	40	.578		
	Total	60.510	50			
External Factors	Regression	18.716	7	2.674	1.659	.145 <sup>b</sup>
	Residual	69.284	43	1.611		
	Total	88.000	50			
Family Culture and Relationships	Regression	6.454	3	2.151	3.846	.015 <sup>b</sup>
	Residual	26.291	47	.559		
	Total	32.745	50			
Family Conflicts	Regression	14.568	4	3.642	2.868	.033 <sup>b</sup>
	Residual	58.412	46	1.270		
	Total	72.980	50			
Readiness of Successors	Regression	2.715	5	.543	.516	.762 <sup>b</sup>
	Residual	47.324	45	1.052		
	Total	50.039	50			
Identification of Successor	Regression	11.270	5	2.254	93.638	.000 <sup>b</sup>
	Residual	1.083	45	.024		
	Total	12.353	50			

Based on the analysis of variance summaries depicted in Table 4.36 above, the regressed significance exists for the four variables namely; stages of the business and family control, family culture and relationships, family conflicts and identification of successor with significance all less than 0.05.

## 4.9 Summary of Key Findings

To assist in addressing the research objectivess, the key findings from the survey results are summarised in the Table 4.37.

**Table 4.37: Summary of Key Findings**

Objective	Description (Key Finding)	Figure/Table Reference
<b>Objective One: Is there a relationship with the level of preparedness for business succession in Indian family businesses in South Africa and:</b>	Stages of the Business and Family Control (Relationship)	Tables 4.29 and 4.36
	External Factors (No Relationship)	Tables 4.30 and 4.36
	Family Culture and Relationships (Relationship)	Tables 4.31 and 4.36
	Family Conflicts (Relationship)	Tables 4.32 and 4.36
	Readiness of Successors (No Relationship)	Tables 4.33 and 4.36
	Identification of Successor (Relationship)	Tables 4.34 and 4.36
<b>Objective Two: How do Indian family businesses in South Africa view the different factors that affect the business succession process, including:</b>	Value-Driven Business Industries (Manufacturing and Trading/Wholesale/Retail)	Tables 4.1 and 4.2
	Business Size and Family Ownership/Control (Full Ownership irrespective of No. of Full Time Employees)	Tables 4.3 and 4.4
	Decision Making and Social-Market Economic Policies (No Risk Effect)	Figures 4.22 and 4.23, Table 4.13
	Female Successors (Majority would allow)	Figure 4.28, Tables 4.16 and 4.21
	Conflicts: Frequency, Main areas and Procedures (Occur 50% of the time over strategic goals and direction with no resolution procedures)	Figures 4.33 - 4.37, Tables 4.5 and 4.6
	Family relationships affecting Business (No effect)	Figure 4.32, Tables 4.12 and 4.22
	Retirement Role of Outgoing Leader (Advisory)	Figure 4.39, Tables 4.14 and 4.24
	Key Attributes of Potential Successor (business acumen, skills and experience but very little opportunities for training provided)	Figure 4.40, 4.7 and 4.8
<b>Objective Three: Those businesses that have started the process of succession:</b>	Coping with Exit of Key Member (Only Slightly Ready)	Figure 4.17
	Communication and Stage of Business Succession (Always good communication irrespective of stage of succession)	Tables 4.9 and 4.10
	Time relation to level of preparedness (5 - 10 years)	Figure 4.38 and Table 4.15
	Biggest Concern for Business Future (Family Break-Up)	Figure 4.49, Tables 4.11 and 4.23

(Source: Researcher's own construction)

#### **4.10 Conclusion**

This chapter presented the descriptive and inferential statistics results that were used to generate the key findings of this study. The next chapter will discuss these key findings in light of the extant literature sourced from the literature review.

## **CHAPTER FIVE: DISCUSSION OF FINDINGS**

### **5.1 Introduction**

This chapter presents the link between the findings of the research and the existing theory established as part of the literature review. This progresses from the summary of all findings as presented in Chapter 4 into breaking down the findings per research question derived from the three research objectives.

### **5.2 Objective One: Is there a relationship with the level of preparedness for business succession in Indian family businesses in South Africa and:**

#### **5.2.1 The stage of the business (1st/2nd/3rd/4th generation) and family control**

Table 4.29 highlights the correlation results between all variables constituting stages of the business and family control. The corresponding regression results highlight that there is a relationship between the stage of the business (1st/2nd/3rd/4th generation) and family control, and the level of preparedness for business succession in Indian family businesses. These results find support in the literature as Clifford (2008) suggests that evaluating all the alternative strategies used for succession planning is critical to meet the different needs of business owners. This implies that 1<sup>st</sup> generation family businesses could have a higher degree of control than later generations, thus they would consider keeping the family business or gifting stock as succession planning alternatives. On the other hand, later generations of the family business might have to give up control; and their only succession planning options might be to sell to employees, strangers or in a worst case scenario even consider liquidation.

#### **5.2.2 External Factors**

Table 4.30 highlights the correlation results between all variables constituting external factors. The corresponding regression results highlight that there is no relationship between external factors and the level of preparedness for business succession in Indian family businesses. These results find support in the literature as Mullins (2016) argues that change originates within the organisation itself; and that the main pressure of change stems usually from external forces. This means that family businesses are currently not experiencing any tremendous external forces, similar to the social-market economic policies of South Africa in the post-1990s; hence there is no urgency required to increase the level of preparedness for business succession.

### **5.2.3 Family culture and relationships**

Table 4.31 highlights the correlation results between all variables constituting family culture and relationships. The corresponding regression results highlight that there is a relationship between family culture and relationships and the level of preparedness for business succession in Indian family businesses. These results find support in the literature as Morris et al. (1997) also found that the relationship within family members has the greatest influence on effective succession between generations of family businesses with a specific emphasis on the preparation of successors as well as planning and control activities. This means that family culture and relationships within the Indian family businesses are extremely likely to influence the choice of the successor as well as the medium to long term planning activities. In other words, if relationships are unhealthy amongst family members involved in the business, it could have a disastrous impact on the longevity of the enterprise especially in situations where decisions are made out of pettiness and spite rather than business sense and expertise.

### **5.2.4 Family businesses that indicate levels of conflict**

Table 4.32 highlights the correlation results between all variables constituting family conflicts. The corresponding regression results highlight that there is a relationship between family business that indicate levels of conflict and the level of preparedness for business succession in Indian family businesses. These results find support in the literature as Fahed-Sreih (2018) suggests tasks, processes and relationships as the main sources from which levels of conflict within family businesses stem. Whilst tasks and processes were indicated to have positive influences on business performance and level of preparedness for business succession, relationships are always likely to cause dysfunctional conflict due to fairness norms and role ambiguity (Fahed-Sreih, 2018). This means that the level of preparedness in South African Indian family businesses is not currently at an adequate level to address conflict arising from fairness norms and role ambiguity.

### **5.2.5 Readiness of successors**

Table 4.33 highlights the correlation results between all variables constituting the readiness of successors. The corresponding regression results highlight that there is no relationship between the readiness of successors and the level of preparedness for business succession in Indian family businesses. These results find support in the literature as Morris et al. (1997) found the level of formal education; training obtained from the incumbent; work experience; entry-level

position; number of years working with the family business before the succession occurs as the main factors that determine the preparation level of the possible successor. This could mean that the level of preparedness for business succession in Indian family owned businesses in South Africa does not hinge heavily on the readiness of potential successors; however, Miller et al. (2003) found that there is a direct relationship between the preparation level of possible successor and the effectiveness of succession process. This in turn implies that there is room for improvement in the succession process when it comes to the readiness of potential successors in Indian family businesses.

### **5.2.6 Identification of successors**

Table 4.34 highlights the correlation results between all variables constituting the identification of successors. The corresponding regression results highlight that there is a relationship between the identification of successors and the level of preparedness for business succession in Indian family businesses. These results find support in the literature as Sharma et al. (2013) suggest that the two most important objectives of succession planning is to select the successor which includes setting criteria or creating a pool of candidates; and preparing for the succession of management and ownership from one generation to the other.

## **5.3 Objective Two: How do Indian family businesses in South Africa view the different factors that affect the business succession process, including:**

### **5.3.1 Which business industries are highly values-driven?**

The Chi-Square results from Table 4.1 and 4.2 highlight that business operating within the Manufacturing and Trading/Wholesale/Retail are guided by their family values as well as religious and cultural values. These results find support in the literature as Ivancevich et al. (2014) provides the example of Drexler's family restaurant, whose leader mainly responsible for driving culture and values underpinning the organisation. More specifically, by stressing the importance of giving back to the surrounding African-American community, the growth of Drexler's as a family business also contributes to the growth of the community. This means that the Indian family businesses that participated in this study within the Manufacturing and Trading/Wholesale/Retail are also very active in their respective communities due to their family, religious and cultural values; which could also act as a catalyst for growth for the business and the communities that they serve.

### **5.3.2 Does business size matter when it comes to family ownership and control?**

The Chi-Square results from Table 4.3 and 4.4 highlight that whilst full ownership is important to business owners, this level of importance is irrespective of the number of full-time employees (44 of 51 responses) indicated levels of importance. These results find support in the literature as Cucculelli et al. (2016) found that organisations where shareholders value control over the firm, new product introductions may be avoided. This means that family businesses are willing to sacrifice increasing the number of full-time employees if it results in maintaining a degree of family control within the business; however, this impacts of the capability to capitalise on technological advancements which new employees can bring to the family business.

### **5.3.3 How much of an effect has the Social-Market Economic policies of South Africa in the post-1990s affected your family's decision-making in taking business risks in South Africa?**

The results from Figure 4.22 highlight that largest grouped percentage of respondents, 47.06%, submit that the Social-Market Economic policies of South Africa in the post-1990s had no risk effect on their family's decision-making in taking business risks in South Africa. In addition, the results from Tables 4.13 and 4.23 highlight that there is an effect on social-market economic policies on business risk and first generation in business practice, and industry activity respectively. These results find support in the literature as Westhead (2003) highlighted the critical need to have a CEO succession plan and to understand which external environmental factors play a significant role in the success of succession plans in family businesses. This means that South African Indian family businesses should always stay informed and aware of any disruptive forces that could threaten the existence of their enterprises and drastically increase the level of business risk.

### **5.3.4 Would these businesses allow for female successors?**

The results from Figure 4.28 highlight that Majority of the respondents, 84.3%, submit that a female family member can be the successor of their family business. These results find support in the literature as Virick and Greer (2012) argue that businesses need gender diversity in management and leadership positions, and it is important to study this phenomenon for the purposes of developing competitive strategies. Their study concluded that, when businesses have a good climate for diversity, it is more favourable to nominate a woman for a management position.

Furthermore, the results from Tables 4.16 and 4.21 highlight that the significance exists amongst industry activity and business establishment respectively to that of female successor possibility. These results find support in the literature as Virick and Greer (2012) also argued that companies should seek an equilibrium in gender diversity that enables women's entry into different organisational levels, especially the managerial. This means that when external factors influencing the organisational climate with regards to industry activity and business establishment are more favourable, it will increase the possibility of female successors being allowed into those family businesses.

### **5.3.5 How often do conflicts surface in the business and what are the main areas of conflict? And are there procedures in place to deal with conflicts?**

The results from Tables and Figures 4.33 up until 4.37 highlight that many respondents felt that family conflicts, which affect the business, occur rarely; there is a lot communication within their family business; they do not have regular meetings for the purpose of working on the family, and its communications and relationships; they do not have procedures in place to resolve family conflicts when they occur in the business; the main sources of conflict arise from conflict over strategy, direction and goals.

Furthermore, the Chi-Square results from Tables 4.5 and 4.6 highlight that family conflicts occur within family businesses and almost 50% of the time, there are no procedures to handle these family business conflicts which may occur due to strategic direction and goals of the business. These results find support in the literature as Fahed-Sreih (2018) argues that family conflict is conflated when multiple family members are stakeholders in the business as this creates unique conflicts, such as sibling rivalry and marital discord, that traditional business practises and processes are not suited to handle or address. For example, the fear of losing status and inheritance perks could result in emotional rather than business-related decision making, thus making it almost impossible to phase out or address conflict in the business without forcefully removing problematic family members (Fahed-Sreih, 2018).

### **5.3.6 How often do family relationships affect the business?**

The results from Figure 4.32 highlight that the most number of the respondents, 17, submit that family relationships do not affect their businesses. These results find support in the literature as Fahed-Sreih (2018) suggests that some of the main issues affecting relationships within family businesses are related to unfair inheritance and nepotism. This means that the South

African Indian family businesses included in this sample are not necessarily plagued by any of these issues; hence there is no adverse impact on business performance.

Furthermore, the results from Tables 4.12 and 4.22 highlight that the significance exists amongst age and business operations respectively to that of family relationships affecting business. These results find support in the literature as Keyt (2015) argues that a differentiated leader is able to cast a vision that members of the family business can rally around when facing significant business threats. This means that the vision of the outgoing leader or potential successor of the Indian family has to be guided by the age and level of business operations that have the strongest bearing on family relationships. For example, in a fledgling business more senior family members would be trusted to share a vision to grow the business; but in a more mature business with complex processes and systems, only a very close-knit circle of family members would be counted on to maintain the continuity and success of the family enterprise.

### **5.3.7 How does the business see the retirement and role of the outgoing leader?**

The results from Figure 4.39 highlight that the most number of the respondents, 18, submitted that founder's role will be an advisory role only once the potential successor has taken over. Furthermore, the results from Tables 4.14 and 4.24 highlight that the significance exists amongst business establishment and annual turnover/revenue sales respectively to that of family relationships affecting business. These results find support in the literature as both Lansberg and Astrachan (1994) as well as Chrisman et al. (1998) concur that a close working relationship between the successor and outgoing leader allows for a smooth transition. Depending on the nature of closeness of this working relationship, the outgoing leader would prefer an advisory role only in retirement, or would prefer total retirement away from the family business altogether.

### **5.3.8 What key attributes do the businesses feel need to be present in a potential successor?**

The results from Figure 4.40 highlight that the most number of the respondents, 20, submitted that the main criteria for which the potential successor to the business should be chosen based on business acumen, skills and experience. Furthermore, the Chi-Square results from Tables 4.7 and 4.8 highlight that family owned businesses which already have successors identified, two thirds of the time do not have training for these successors. These results find support in the literature as Morris et al. (1997) found the level of formal education; training

obtained from the incumbent; work experience; entry-level position; number of years working with the family business before the succession occurs as the main factors that determine the preparation level of the possible successor. This means that potential successors for family businesses need to be placed in entry-level positions as soon as possible to learn directly from the outgoing leader. In this way, the outgoing leader can walk the potential successor through the entire business from grassroots level all the way to leadership levels.

#### **5.4 Objective Three: Those businesses that have started implementing the process of succession:**

##### **5.4.1 How ready do they feel they are to cope with the exit of a key member?**

The results from Figure 4.17 highlight that many of the respondents, 11, submit that the business is not ready to cope with exit or retirement of key members. Also, a significantly large number, 18, of the respondents submit that the business is only slightly ready to cope with exit or retirement of key members. These results find support in the literature as Mullins (2016) highlights the application of succession planning at Lloyds Banking Group to create successor pipelines. By using scorecards or indicators that match current performance with future potential, a successor pipeline can be created to cope with the exit of a key member.

##### **5.4.2 Is there a relationship between the level of communication in a business and the stage of business succession?**

The Chi-Square results from Tables 4.9 and 4.10 highlight that that irrespective of the stage of business succession, there is a good amount of communication which takes place. These results find support in the literature as Morris et al. (1997) found that trust, effective communications, and shared values among family members are essential to successful succession. This means that as long as successors and owners share a common vision it will allow for healthy communication levels that are sure to ensure effective stages of business succession.

##### **5.4.3 Is there any relation with time to retirement of key members with level of preparedness for succession?**

The results from Figure 4.38 highlight that the most number of the respondents, 17, submitted that their businesses will be ready for a successor with 5 – 10 years from the current date. Furthermore, the results from Table 4.15 highlights that the significance exists amongst

business operations to that of a need for the next successor in relation with time. These results find support in the literature as Miller et al. (2003) argue that the higher the preparation level of possible successor, the higher the likelihood that he or she will take over the family business after the predecessor leaves it. This implies that the processes behind identification of potential successors and the level of preparedness should begin at least five years before the time to retirement of key members.

#### **5.4.4 What is the most concerning thing relating to the future of the family business?**

The results from Figure 4.49 highlight that the most number of the respondents, 19, submitted that their biggest concern in relation to the future of the business is the break-up of the family. Furthermore, the results from Tables 4.11 and 4.23 highlight that the significance exists amongst gender and industry activity respectively to that of family relationships affecting business. These results find support in the literature as Chua et al. (1999) argue that behaviours form the essence of the family business; however, there is competing logic related to operational and family according to Mitchell et al. (2011). In other words, Indian family owned businesses need to strike a balance between addressing operational concerns such profits and productivity, and **family** concerns related to nurturing and business continuity.

### **5.5 Conclusion**

This chapter provided a discussion of the research findings in light of the extant literature. The study addressed the research objectives, by identifying the level of preparedness and implementation of business succession in Indian family businesses in South Africa. The discussions around the key findings have highlighted the factors that affect the business succession process. The conclusions and recommendation based on these discussions are presented in the next Chapter.

## CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

### 6.1. Introduction

This chapter presents the conclusions in relation to the main research objective. This is followed by recommendations that are drawn from the conclusions. Thereafter, the limitations of the study are discussed and then suggestions are provided for future research.

### 6.2. Conclusions

This analytical study concludes that, in-line with prior research (Neubauer and Lank, 1998; Scott, 2017; Steen, 2018) and the findings presented in Table 4.37, Indian family businesses in South Africa face similar issues and environments that have been seen in family businesses, and in particular, Indian family businesses, globally. It was determined that most family firms are unprepared for the process of succession planning. This conclusion applied to families in later stages (2<sup>nd</sup>/3<sup>rd</sup> generation), families with differing levels of conflict, businesses that were values-driven, larger businesses and businesses that have been around for more than 25 years. The only exception was, as evidenced in literature, having formalised shareholder agreements in place, which larger businesses tended to have (Motwani, 2006).

Indian family businesses in South Africa consider it crucial to maintain 100% control within the business, and most have found it fairly easy to maintain control of their family business (Clifford, 2008). The experiences of past policies of apartheid in South Africa, which for years were discriminatory against persons of colour, including Indians in South Africa, could be seen as an incentive for Indian family businesses to prosper, survive and grow. Contrary to existing research, which strongly showed preference of the eldest son taking over the family businesses, most businesses stated that females in the family could be successors of their business.

In general, conflicts in the family business were seen to be lower, while communication appeared to be fairly consistent. This was particularly seen in 1<sup>st</sup> generation families, as 2<sup>nd</sup> and 3<sup>rd</sup> generation families showed a significant increase in conflicts that affected succession. This finding is consistent with existing research (Swamy, 2011; Fahed-Sreih 2018). Most businesses had not identified a successor. Those that had identified a successor considered business acumen, business skills, experience within the business, education and motivation to succeed

as the most important attributes in a potential successor. Interestingly, the oft-cited birth order was identified as an attribute of little importance.

The study also concluded that family businesses that had begun the process of succession planning were more confident in the event of an exit or retirement of a key family member. Furthermore, those family businesses that had a common vision, showed more consistent levels of communication in the business (Mustakallio et al., 2002), which is crucial for effective succession planning.

### **6.3. Recommendations**

Based on the conclusion of the study, the following recommendations for family business are suggested:

- Family businesses should always try to maintain the degree of control they have in the business when transitioning from one generation to the next as this has a strong bearing on the types of succession planning alternatives available to them. Successor pipelines should be created by assessing the current performance of successors with their future potential to ensure that generational transitions brought about by the exit of key members are handled smoothly.
- Family businesses should not sacrifice hiring new employees or introducing new product portfolios just to maintain a degree of family control within the business. A shared vision for innovation is a strong foundation that will ensure open lines of communication and effective transitions from one stage of business succession to the next.
- Family businesses should design succession plans based on merit and not nepotism. The likelihood of appointing a female successor also depends mainly on whether a climate for diversity exists within the family business or not; therefore family businesses should strive to foster diversity within their enterprises.
- Family businesses should try to be more objective in choosing the successor and make a decision more aligned with ensuring the continuity of the business rather than based on past history, culture or bad relationships.

- Potential successors should be more humble and prepared to learn from the outgoing leader from an entry-level position rather than being placed into a CEO position without adequate training and preparation.
- The outgoing leader should find a way to transfer their charisma and differentiated vision as part of the readiness and identification of potential successors process. Family business continuity is one of the biggest concerns with regards to the future of family businesses; and it is the responsibility of the outgoing leader to ensure that for the sake of future continuity the business is left in the right hands and for the right reasons. Hence, the processes behind identification of potential successors and the level of preparedness should begin at least five years before the time to retirement of key members

#### **6.4. Study Limitations**

These findings are only preliminary hence this study poses several limitations that may provide opportunities for future research. Such future research is required to further understand business succession in Indian family businesses in South Africa. Another potential limitation is the snowball sampling because of the selection bias it may have introduced in the responses.

The author acknowledges and is aware that attempting to understand all the issues in business succession planning would require a much larger sample for the purpose of better representation for the purposes of greater generalisation. The data gathered for the study was cross-sectional (Rindfleisch et al., 2008), therefore only touching on the experience of Indian family businesses in South Africa in relation to the process of business succession.

Another possible complication is the complexity of the Indian society and culture. In general, Indians have their own unique cultural, faith and value systems, including language and familiar relationships. Furthermore, family businesses within themselves are not a homogenous population; hence there exists numerous types of family businesses (Westhead and Howorth 2007).

This study did not categorise respondents according to their position in the family business, generation and other such factors. The difficulty in this is that a founder member and a potential successor could each have different responses to similar questions. This study also relied on

the responses of a single respondent from a family business, thus not allowing for multiple viewpoints, which could possibly facilitate bias.

Finally, a family's decision to plan for succession could be influenced by numerous factors not covered in this research. These factors include, but are not limited to, the question of a potential successor's willingness to assume the role, or the impracticability of appointing a young family leader in a large business that cannot be run by a less experienced successor.

### **6.5. Suggestions for Future Research**

The nature of the open-ended questions provided responses to areas not covered in this survey (Collis and Hussey, 2014). This provides an opportunity for future research.

Certain families face the challenge of potential successors opting to move and be employed in a first world country rather than take over the family business in South Africa. Future research can assess the impact of international education on the succeeding generations and the implications that this will have on family business succession.

Families businesses that have grown into large conglomerates with interests across numerous industries are considering converting from a traditional business to a private-equity structure. The effect of such a structure on family ownership and the changing nature of succession across generations is a valuable area for future research.

The role of business structure and ethical considerations in business, from the perspective of a third-world country, is another lucrative area for future research. Corruption, poorly administered tax regimes and regulatory environments are all factors that prevent business succession from being structured in a clear and formalized manner, especially for multi-national family businesses (Motwani, 2006).

The possibility of non-family successors was not explored in depth. However, the complexity and dispersion of family members in a multi-generational and multi-national business would sometimes require a non-family successor to retain the business.

A study into the experiences of the different subgroups within the Indian population in South

Africa would provide key insight into which specific experiences and cultural values impact business succession within each subgroup of the sample.

An investigation into the practices that have worked/failed for businesses that have succeeded/failed in Indian families in South Africa would provide concrete evidence in further understanding the subject matter. Another interesting variable in studying the readiness of a potential successor would be to look at the manner in which a potential successor is groomed from the time he is born up until adulthood, and the impact of this upbringing (Chirico and Nordqvist, 2010).

Finally, future research can utilize other methods of data collection including face-to face interviews and/or in-depth case studies of family businesses in South Africa. The benefit of such data collection would be to provide insights that cannot usually be collected using an anonymous survey.

## **6.6. Conclusions of the Study**

The author opines that the aim of the research has been met, and that this study provides a valuable contribution in understanding the question of business succession in Indian family businesses in South Africa. As for the practical implications of this study, it provides family businesses in South Africa with a means to compare and reflect on the experiences of many respondents. Hence, allowing them to understand and apply the principles learnt to their own businesses. The author further opines that this research highlights the significance of the process of business succession and encourages those who have not started this process, to realise this and begin paving the way for a successful and sustainable multi-generational business.

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## **APPENDIX A: ETHICAL CLEARANCE LETTER**



16 November 2018

Mr Yaaser Mahomed (217077634)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Mahomed,

**Protocol reference number: HSS/2068/018M**

**Project title:** A study of business succession in Indian Family Businesses in South Africa

**Approval Notification – Expedited Application**

In response to your application received 30 October 2018, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....  
**Professor Shenuka Singh (Chair)**

/ms

Cc Supervisor: Dr Vuyokazi Mtembu  
Cc Academic Leader Research: Professor Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyraj

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**Humanities & Social Sciences Research Ethics Committee**

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Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

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## APPENDIX B: QUESTIONNAIRE

## MBA Dissertation Survey

Anonymous survey to assist with research on MBA dissertation topic: "A study of Business Succession in Indian Family Businesses in South Africa".

This survey is to be filled by:

- Family members involved in the business and in top management positions (Senior manager or higher)
- Primary owners of the business are of Indian origin and a major part of their business comes from South Africa. - The business should be at least a year old.

This survey is secure and entirely anonymous and no individual identification of the respondent(s) is captured by the survey.

The data collected by this survey will only be used in research of the above-mentioned dissertation towards a Masters in Business Administration (MBA) at UKZN Graduate School of Business.

I thank you for your cooperation and assistance in this research.

Regards,  
Yaaser Mahomed  
+27 82 764 9991

[yaasermahomed@gmail.com](mailto:yaasermahomed@gmail.com)

\* Required

1.

**What gender are you? \***

*Mark only one oval.*

- Male  
 Female

2.

**What is your age group? \***

*Mark only one oval.*

- 18 - 24  
 25 - 34  
 35 - 44  
 45 - 54  
 64 and over

3. **What is your highest education level? \***

*Mark only one oval.*

- Primary
- Secondary/High-School
- College
- Bachelor's
- Master's
- Doctorate
- Not Applicable

4. **What Generation are you in the Family Business? \***

*Mark only one oval.*

- 1st Generation (Founder-Member)
- 2nd Generation
- 3rd Generation
- 4th Generation or higher
- Not Applicable

5. **What year was your business established? \***

\_\_\_\_\_

6. **Countries where the Family does business apart from South Africa (separate with comma) \***

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. **Company's Industry of Activity (check all that apply) \***  
*Check all that apply.*

- Agriculture
- Automotive
- Communications
- Computers/IT
- Education/Training
- Energy
- Entertainment
- Financial Services
- Food/Restaurant
- Furniture/Furnishing
- Healthcare
- Hospitality/Hotel
- Insurance
- Manufacturing
- Media
- Real-Estate
- Service (Other)
- Trading/Whole-Sale/Retail
- Transportation
- Other: \_\_\_\_\_

8. **Annual Turnover/Sales Revenue (please select from dropdown) \***  
*Mark only one oval.*

- Less than R5,000,000
- R5,000,000 - R10,000,000
- R10,000,000 - R50,000,000
- R50,000,000 - R200,000,000
- R200,000,000 - R500,000,000
- R500,000,000 - R1,000,000,000
- R1,000,000,000+

9. **Number of Full-Time Employees in the Business (Please insert number below) \***  
*Mark only one oval.*

- 1 - 5  
 6 - 20  
 21 - 50  
 51 - 100  
 101 - 500  
 500+

*Skip to question 19.*

### **Business and Personal Information**

Overall information about the family business and about yourself.

10. **What Gender are you? \***  
*Mark only one oval.*

- Male  
 Female

11. **What is your age-group? \***  
*Mark only one oval.*

- 18 - 24  
 25 - 34  
 35 - 44  
 45 - 54  
 55 - 64  
 64 and over

12. **What is your highest education level? \***  
*Mark only one oval.*

- Primary  
 Secondary/High-School  
 College  
 Bachelor's  
 Master's  
 Doctorate  
 Not Applicable

13. **What Generation are you in the Family Business? \***  
*Mark only one oval.*

- 1st Generation (Founder-Member)
- 2nd Generation
- 3rd Generation
- 4th Generation or higher
- Not Applicable

14. **What year was your business established? \***

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15. **Countries where the Family does business apart from South Africa (separate with comma)**

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16. **Company's Industry of Activity (check all that apply) \***  
*Check all that apply.*

- Agriculture
- Automotive
- Communications
- Computers/IT
- Education/Training
- Energy
- Entertainment
- Financial Services
- Food/Restaurant
- Furniture/Furnishing
- Healthcare
- Hospitality/Hotel
- Insurance
- Manufacturing
- Media
- Real-Estate
- Service (Other)
- Trading/Whole-sale/Retail
- Transportation
- Other: \_\_\_\_\_

17. **Annual Turnover/Sales Revenue (please select from dropdown) \***  
*Mark only one oval.*

- Less than R5,000,000
- R5,000,000 - R10,000,000
- R10,000,000 - R50,000,000
- R50,000,000 - R200,000,000
- R200,000,000 - R500,000,000
- R500,000,000 - R1,000,000,000
- R1,000,000,000+

18. **Number of Full-Time Employees in the Business \***  
*Mark only one oval.*

- 1- 5  
 6 - 20  
 21 - 50  
 51 - 100  
 101 - 500  
 500 +

### Stage of the Business and Family Control

19. **How formally or informally are decisions made in your business? \***  
*Mark only one oval.*

	1	2	3	4	5	
Very informally, e.g., At the dinner table	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very Formally, e.g., at a Meeting

20. **Do you have formal reporting to shareholders through reports or shareholder meetings? \***  
*Mark only one oval.*

- Yes  
 No

21. **Does your business have a formal advisory board (including non-family members) to assist in decision-making? \***  
*Mark only one oval.*

- Yes  
 No

22. **Are there formal rules for entry of family members into MANAGEMENT positions? \***  
*Mark only one oval.*

- Yes  
 No

23. **Are there formal rules for entry of family members into OWNERSHIP of the business? \***

*Mark only one oval.*

- Yes  
 No

24. **How important is it to you to keep 100% ownership of the business within the family? \***

*Mark only one oval.*

1 2 3 4 5

Not Important      Very Important

25. **How difficult has it been maintaining the family control of the business? \***

*Mark only one oval.*

1 2 3 4 5

Not Difficult      Very Difficult

26. **How ready do you think your business is to cope with exit or retirement of key family member(s)? \***

*Mark only one oval.*

1 2 3 4 5

Not Ready      Totally Ready

27. **If the other family members in your business and your key employees were asked, is there an explicitly agreed upon vision for where your business is headed in the next 5 years? \***

*Mark only one oval.*

- Yes  
 No

28. **Do you have a formal and written shareholders' agreement or family business constitution? \***

*Mark only one oval.*

- Yes  
 No

29. **How do predecessors respond to changes/ideas/suggestions from their successors? \***

*Mark only one oval.*

1      2      3      4      5

---

Complete Rejection                  Complete Acceptance

### External Factors

The effects of historical, political, ethnic, and religious factors in planning for business succession

30. **How much of an effect has the Apartheid policies of South Africa in the pre-1990s affected your family's decision-making in taking business risks in South Africa? \***

*Mark only one oval.*

1      2      3      4      5

---

Not Much                  Very Restrictive

31. **How much of an effect has the Social-Market Economic policies of South Africa in the post-1990s affected your family's decision-making in taking business risks in South Africa? \***

*Mark only one oval.*

1      2      3      4      5

---

Very Risk Averse                  Very Risk Seeking

32. **How much of an effect has the limited government intervention in price formation in South Africa in the post-1990s affected your family's decision-making in taking business risks in South Africa? \***

*Mark only one oval.*

1      2      3      4      5

---

Very Risk Averse                  Very Risk Seeking

33. **How much of an effect does the current political/economic uncertainty of South Africa affect your family's decision-making in taking business risks in South Africa? \***

*Mark only one oval.*

1      2      3      4      5

---

Not Much                  Made us very cautious

34. **Ignoring the past, how confident are you of your family business growth in South Africa for the next twenty years? \***  
*Mark only one oval.*

1      2      3      4      5

---

Not Confident                  Very Confident

35. **How much of your business is guided by your religious/cultural values and teachings? \***  
*Mark only one oval.*

1      2      3      4      5

---

Not at All                  Entirely

36. **How much do your religious/cultural teachings and beliefs guide you on business succession? \***  
*Mark only one oval.*

1      2      3      4      5

---

Not at all                  Entirely

37. **Can a female family member be the successor of your family business? \***  
*Mark only one oval.*

Yes  
 No

## Family Culture and Relationships

38. **How much do you think your family values have contributed to the success of your business? \***  
*Mark only one oval.*

1      2      3      4      5

---

Least                  Most

39. **How much of these family values do you think are present in the succeeding generation? \***  
*Mark only one oval.*

1      2      3      4      5

---

None At All                  Completely

40. **Are family members employed by the business compensated fairly and adequately? \***  
*Mark only one oval.*

1      2      3      4      5

---

No                  Yes

41. **How much do family relationships (such as husband/wife and mother/son) affect your business? \***  
*Mark only one oval.*

1      2      3      4      5

---

Not At All                  A Lot

### Family Conflicts

42. **How often do you have family conflict that affects the business? \***  
*Mark only one oval.*

1      2      3      4      5

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Rarely                  All the time

43. **Rate the quality of communication within your family business. \***  
*Mark only one oval.*

1      2      3      4      5

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We do not communicate                  Perfect

44. **Are there regular meetings for the purpose of working ON the family, and its communications and relationships? \***  
*Mark only one oval.*

Yes  
 No

45. **Do you have procedures in place to resolve family conflicts when they occur in the business? \***  
*Mark only one oval.*

Yes  
 No

46. **What areas are the THREE most common sources of conflict in your family business? (Check MAXIMUM of THREE boxes below) \***

*Check all that apply.*

- Conflict over Strategy/direction and goals of the business and different family members
- Competence/Level of Work undertaken by different family members
- Lack of communication in the family
- Succession-related issues
- Domestic problems spilling over into the business
- Financial Stress
- Sibling Rivalry and Conflict
- The setting of remuneration levels for family members actively involved in the business
- Decisions about the reinvestment of profits in the business versus the payment of dividends
- No conflict
- Other: \_\_\_\_\_

### **Readiness of Successor(s)**

47. **Within what time do you think your business will need a successor? \***

*Mark only one oval.*

- 1 - 5 Years
- 5 - 10 Years
- 10 - 20 Years
- 20 Years +

48. **What will the founder's role be once the potential successor has taken over? \***

*Mark only one oval.*

- Active alongside Successor
- Active in the Background
- Advisory Role Only
- Total Retirement

49. **What do you think the potential successor to the business should be chosen based on: (Choose MAXIMUM three main selection criteria) \***

*Check all that apply.*

- Birth-order (First-born vs 2nd/3rd child)
- Business Acumen and Skills
- Education (College or higher)
- Experience (within the business)
- Experience (outside the business)
- Gender (Male vs Female)
- Motivation and Drive to Succeed
- One who works the hardest in the business
- Relationship with the Founder
- With Similar Goals and Values as Founder
- Other: \_\_\_\_\_

50. **If you are a key family member in the business, do you have a retirement plan in place? \***

*Mark only one oval.*

- Yes
- No
- Not Applicable

51. **If you are a key member of the business, would you want the business succession to happen while you are still active or not until you reach the age of retirement? \***

*Mark only one oval.*

- While Active
- At Retirement
- Not Applicable

52. **Should your business not find a suitable successor within the family, would you consider; (Check all that apply) \***

*Check all that apply.*

- Having a non-family successor appointed
- Selling the business
- Other: \_\_\_\_\_

53. **Has a potential Successor to your business been identified? \***  
*Mark only one oval.*

- Yes *Skip to question 54.*  
 No *Skip to question 58.*

### Readiness of Successor(s) - Part 2

54. **Is there a training program for potential successor(s)? \***  
*Mark only one oval.*

- Yes  
 No

55. **How well prepared do you think your potential successor(s) are to take over the business? \***  
*Mark only one oval.*

- 1      2      3      4      5
- 
- Not at all                  Ready to Takeover

56. **How well is the potential successor accepted by the FAMILY as the potential successor? \***  
*Mark only one oval.*

- 1      2      3      4      5
- 
- Not Supported                  Fully Supported

57. **How well is the potential successor accepted by the NON-FAMILY employees as the potential successor(s)? \***  
*Mark only one oval.*

- 1      2      3      4      5
- 
- Not Supported                  Fully Supported

### Conclusion

58.

**In your opinion, what THREE things concern you the most in relation to the future of your business? \***

*Check all that apply.*

- Dilution of Wealth among many shareholders
- Break-up of family due to the business
- Not having the right successor in place to continue the success
- Failure of the business in the future
- Running out of Cash
- Different objectives of succeeding generation
- Lack of motivation and entrepreneurial spirit in succeeding generation
- Issues cropping from remuneration of active vs inactive members of the family
- Future of the business in the volatile African environment
- Disregarding of the founders by the successors
- Other: \_\_\_\_\_

59.

**(Optional) Is there any other issue that you face in your South African family business in regards to business succession?**

Please state any other succession-related issue that you have encountered and which is not covered in the survey.

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60.

**(Optional) Please provide your email address if you are interested in receiving results of this survey (once research is complete)**

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## First Rough Draft

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