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INYUVESI  
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An Evaluation of Succession Planning In Family Business: A Case Study of  
Tholakonke Group

Student Name: Victoria Nomathamsanqa Gasas

Student Number: 206521817

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Supervisor: Dr. Abdulla Kader

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## **Abstract**

Many family-owned businesses lack strategies regarding succession planning. Succession planning is a company's way of embracing the future. The majority of South African family-owned businesses do not survive to the second generation, and it is estimated that only 3% of family-owned businesses make it past a third generation. This descriptive case study explored strategies that leaders of a family-owned logistics and property development business use to prepare future generations to assume leadership roles in their company.

The theory of family systems and the theory of organisational and business development were the conceptual frameworks for this study. In-depth interviews with purposively selected members of the small family-owned business were supplemented with a review of documentation from archival records. Yin's 5-step analysis guided the coding process of participants' response, capturing essential elements using the participants' own language. Member checking was used to validate the transcribed data. The major themes of the study revealed the owners' strategies relating to comprehensive business development and sustainment, examining the family systems, strengthening retention of all employees, examining organisational theory, planning for the future with contingency strategies, strengthening team building, training and support, and understanding leadership knowledge and leadership competency. This study may benefit small businesses by providing lessons learned on ensuring organisational sustainability. This study's implications for social change include contributing to social stability and continuing economic growth within the South African context.

## Table of Contents

Description	Page
Title Page	i
Supervisors Permission to Submit Thesis/ Dissertation for Examination	ii
Declaration	iii
Acknowledgements	iv
Abstract	v
Table of Contents	vi
<b>Chapter One- Introduction to Study</b> .....	<b>1</b>
<b>1.1 Introduction</b> .....	<b>1</b>
<b>1.2 Importance of The Study</b> .....	<b>1</b>
<b>1.3 Objective and Motivation For The Study</b> .....	<b>2</b>
<b>1.4 Focus of The Study</b> .....	<b>3</b>
<b>1.5 Problem Statement of The Study</b> .....	<b>3</b>
<b>1.6 Research Objectives</b> .....	<b>4</b>
<b>1.7 Research Question</b> .....	<b>4</b>
<b>1.8 Interview Questions</b> .....	<b>4</b>
<b>1.9 Interview Prompts</b> .....	<b>5</b>
<b>1.10 Conceptual Framework of the Study</b> .....	<b>5</b>
<b>1.12 Assumptions and Limitations Of The Study</b> .....	<b>7</b>
<b>1.12.1 Assumptions</b> .....	<b>7</b>
<b>1.12.2 Limitations</b> .....	<b>7</b>
<b>1.13 Summary</b> .....	<b>7</b>
<b>Chapter Two- Literature Review</b> .....	<b>8</b>
<b>2.1 Introduction</b> .....	<b>8</b>
<b>2.2 Background of Succession Planning</b> .....	<b>9</b>
<b>2.3 Entrepreneurship</b> .....	<b>10</b>
<b>2.4 Leadership</b> .....	<b>11</b>

2.5 Education and Leadership .....	12
2.6 Nature of Family Owned Business in S.A.....	13
2.7 Culture in Family Owned Business .....	13
2.8 Exit of Baby Boomers .....	14
2.9 Succession Strategy Methodology.....	15
2.10 Succession Planning Approaches and Applications .....	18
2.11 Gender Theory and Succession.....	22
2.12 Contingency Theories.....	23
2.13 Summary .....	24
<b>Chapter Three- Research Methodology .....</b>	<b>26</b>
3.1 Introduction.....	26
3.2 Research Method and Research Design.....	26
3.2.1 Method .....	26
3.2.2 Design .....	28
3.3 Data Collection Strategy.....	29
3.4 Population and Sampling .....	30
3.5 Data Collection Instruments.....	31
3.6 Trustworthiness and Credibility.....	32
3.6.1 Trustworthiness.....	32
3.6.2 Credibility .....	33
3.7 Data Analysis.....	34
3.8 Ethical Considerations.....	35
3.9 Summary.....	36
<b>Chapter 4- Research Findings.....</b>	<b>37</b>
4.1 Introduction.....	37
4.2 Findings .....	37
4.3 Presentation of the Findings.....	38
4.4 Overview and thematic development.....	41
4.5 Discussion.....	42

4.5.1. Theme 1: Business Context .....	42
4.5.2. Theme 2: Family Systems.....	45
4.5.3. Theme 3: Organisational Theory .....	46
4.5.4. Theme 4: Successor Related Factors.....	47
4.5.5. Theme 5: Business Strategy .....	49
4.5.6. Theme 6: Leadership knowledge, skills & competencies .....	50
4.5.7. Theme 7: Business development .....	51
4.5.8. Theme 8: Team building/retention.....	52
4.6 Summary.....	53
Chapter 5- Research Application.....	54
5.1 Introduction.....	54
5.2 Application .....	54
5.3 Implications for Social Change.....	57
5.4 Recommendations .....	57
5.5 Conclusion .....	59
References .....	61
Appendix A .....	75
Appendix B.....	76
Appendix C.....	78
Appendix D .....	80

## List of Tables

<b>Number</b>	<b>Description</b>	<b>Page</b>
4.1	Demographic Data for Managers/Leaders	38
4.2	Interview prompts, Conceptual Ideas, and Themes	39-41
4.3	Themes Derived from Data	41-42

## **Chapter One- Introduction to Study**

### **1.1 Introduction**

Leaders in organisations face a broad range of challenges that make succession planning a low-priority objective (Lyon & Hollcroft, 2012). Without succession planning, family-owned businesses are vulnerable and in danger of failing (Lyon & Hollcroft, 2012). In this qualitative descriptive case study, the researcher examined the state of succession planning within a family-owned business to determine how the organisation leaders prepared for succession planning, the challenges they faced, and the knowledge and skills required to prepare the future generations for leadership within the company.

South Africa faces many challenges with economic growth being the major hurdle to overcome. Many factors contribute to economic growth such as employment and sustainability in the small family business sector.

South African Small Family Businesses often face challenges that significantly contribute to the growth and sustainability of the business. These challenges often include poor leadership and a lack of proper succession planning. Family owned business are key part of the economy and their success beyond the founding generation is vital to our economy.

Leadership and succession planning play a vital role in the growth and sustainability of any business. These elements are critical to ensure profitability and continuation of the business. A lack of both or either of these elements can significantly impair on the chances of success of the business.

This chapter aims to provide an introduction for the study. Furthermore, this chapter discusses the importance, motivation and problem statement of the study. Thereafter the objectives of the study and the research questions are be highlighted. The limitations of the study are also be discussed and lastly the chapter will conclude with a summary.

### **1.2 Importance of The Study**

As mentioned above, South Africa faces a major hurdle with growth in the economic sector. This growth is driven by many factors such as success of small and medium

enterprises. The success of these entities contributes to the growth of the economy as well as contributes to lowering the unemployment rate in South Africa; which ultimately can reduce the levels of poverty in the country.

Leadership and succession planning then become key elements to ensuring success in this sector. A proper business succession seeks to alleviate or lessen issues pertaining to transition, future ownership and management of the company. A succession plan will establish an orderly transfer of the management and ownership of the business to new managers and owners to avoid liquidation or failure of the business.

### **1.3 Objective and Motivation For The Study**

The objective and motivation for the study comes from a desire by the researcher to see South Africa as a country prosper and to have full employment in South Africa in which all South Africans have the means to provide for their families and live dignified lives. The researcher believes that entrepreneurship is a key component of this vision and that successful family owned businesses are part of the vehicles to drive prosperity in South Africa.

The research was undertaken with family businesses in mind in order to assist them overcome the difficulties in planning for succession and continuity of the business. Small family business owners will be given an insight into the importance of a succession plan, and how to plan for succession taking into account the future owner and manager's role. The researcher also believes that the small business sector will benefit from this research as it can be used as a blueprint for developing and implementing a succession plan for businesses. The South African government and law practitioners will also benefit from this research, as they will also be given an insight into the limitations and struggles that small family owned businesses face pertaining to the leadership, ownership, growth and continuity of the business after the founder or owner of the business has retired or died.

The contribution of the study to the existing body of literature is unique in that the study was undertaken from an objective perspective. There are many studies on the challenges and difficulties that small businesses in South Africa face when it comes to leadership and succession planning.

The findings of this study are intended to contribute to positive social change through the study's focus on strategies for business growth. Business leaders are intended to use the study results to help prepare for their organisation's future.

Succession planning is a company's way of embracing the future; it is therefore in the researcher's opinion critical that it be integrated into the business strategy of the organisation.

#### **1.4 Focus of The Study**

The purpose of this research was "to explore strategies that leaders of family-owned businesses used to prepare future generations to assume leadership roles in the company. The target population of the study consisted of leaders in family-owned businesses with succession plans in the Pietermaritzburg-KZN area. In addition to interviews with leaders and managers in a Pietermaritzburg based organisation, the study data sources included business succession planning company documents.

Succession planning is a company's way of embracing the future; a business strategy linked to a succession plan is crucial for survival of the communities in which they operate.

Furthermore, the focus of the study was to gain an understanding of the obstacles that family owned businesses faced when it comes to succession planning. The researcher believes that the views of organisational leaders in family-owned businesses are critical in understanding the vision and future of the company.

The focus of this qualitative descriptive case study was on strategies used by a family-owned logistics and property development business to ensure continuity during leadership succession.

#### **1.5 Problem Statement of The Study**

Approximately 44% of family-owned businesses in South Africa will undergo a change of leadership by 2019 due to the retirement of Baby Boomers (Hoch, 2013). It is estimated that only thirty percent of family-owned businesses will survive into the second generation, 12% into the third generation, and 3% beyond (Giarmarco, 2012). Without the tool of succession planning, family-owned businesses have higher chances of failing (Hall & Hagen, 2014).

The business founder's optimistic beliefs and the reality of their business's ability to survive through generations often do not correspond. For example, in the research statistics provided above, some family-owned businesses fail because of a lack of appropriate succession planning (Hoch, 2013)

The majority of South African family-owned businesses do not survive to the second generation, and only 3% of these South African family-owned businesses make it past a third generation (Giarmarco, 2012). A succession plan is essential for a business to survive (Hall & Hagen, 2014).

In most cases, the general business challenge is that without proper succession planning, family owned businesses have an increased risk of failure. The specific business challenge is that the leaders of some family-owned businesses have limited abilities and strategies to prepare for future generations to assume leadership roles within the company.

## **1.6 Research Objectives**

In this qualitative descriptive study, the objectives are:

- To establish the importance of a succession plan in family owned businesses,
- To determine the role that business leaders must play in succession planning,
- To assist family owned business in developing a blueprint for succession planning,
- To determine strategies that family owned businesses can use to identify potential future leaders.

## **1.7 Research Question**

What strategies are used to prepare future leaders of family-owned businesses to assume leadership roles?

## **1.8 Interview Questions**

A set of substantive interview questions reflected the line of inquiry as it related to the research question. The questions signified the need for information and indicated why the information is necessary. Interview questions were the focal point of the study, in alignment with Yin (2014). The interview questions helped keep track of the collected

data. Leadership affiliated with the Logistics and Property Development Company under the study will receive a summary of the findings of the study. Responses to the questions revealed the level of succession preparation within the organisation.

### **1.9 Interview Prompts**

1. Please explain your company's official or unofficial succession plan.
2. What role do family members play in your business and your succession planning?
3. Who is involved in the developing the succession planning at your company?
4. How does succession planning affect the well-being of your current and future leaders?
5. What strategies do leaders in your company use to capture and retain the knowledge of your veteran workers?
6. What role does the family systems play in your organisation's leadership?
7. What steps does your company take to improve goal clarity and to increase skill proficiency of current and future leaders?
8. How is the succession plan integrated with the company's strategic planning process?
9. What other information, if any, would you like to share concerning your company's succession planning strategies?

### **1.10 Conceptual Framework of the Study**

A commitment to executive leadership is critical in building a succession planning conceptual framework. After having reviewed the business theories pertaining to succession planning, three ideas emerged and these were combined to form the conceptual framework for this study: family systems, organisational, and business development theories. The resulting framework were similar to the theories proposed by Rautiainen, Pihkala, and Ikävalko (2012).

Growing a business often can lead to organisational strength in family-owned businesses and signify positive implications in family business research (Rautiainen et al., 2012). The practices of the family systems theory include the knowledge of

leadership (Zepeda, Bengtson, & Parylo, 2012), which was an important aspect of this study. Family systems theory was therefore appropriate to guide this study.

Another theory that was foundational to this study was organisational theory as in alignment with Baran, Shanock, & Miller (2012). Succession planning is aimed at providing long-term sustainability for an organisation. The relationship between leaders and employees is essential to the growth of organisations and in establishing the impact of social change. Organisational theory involved developing four significant theoretical ideas: the wellbeing of leaders, what employees considered non-traditional, cross-cultural and international issues, and the enhancements that work together with multilevel modelling (Baran, Shanock, & Miller, 2012).

The last theory incorporated in the conceptual framework was the business development theory as in alignment with Jantti & Greenhalgh (2012). Effective business development focuses on maintaining vital areas of operations, including marketing, partnerships, employee development, succession planning, improved goals, and the aptitude and ability to apply the required competencies (Jantti & Greenhalgh, 2012). Jantti and Greenhalgh 2012 state that in order to improve goal clarity and increase skill proficiency, there is a need to develop a source of information for succession planning evaluation, which can lead to successful succession management.

### **1.11 Format of The Study**

This document discusses in detail the background and motivation for the study in chapter one. Furthermore, chapter two of this study investigates current knowledge including substantive findings, theoretical and methodological contributions to succession planning in family business with the aim of laying a foundation for the study and aiding to the recommendations made in chapter five of this document.

In the third chapter, the focus is on the research strategies and approaches that were used by the researcher to collect and interpret information. Finally, chapter four and five will discuss the findings and make recommendations that family owned businesses can take into account when developing a succession plan for their business.

A qualitative study approach was chosen for this research as it involves asking, answering and interpreting narrative information (Yap & Webber, 2015).

## **1.12 Assumptions and Limitations Of The Study**

### **1.12.1 Assumptions**

Assumptions are described as statements of belief and realistic expectations of the inquirer (Kirkwood & Price, 2013). The participants of this study consisted of leaders and managers of a family-owned logistics and property development company. The assumption was that information collected would lead to meaningful and continued learning, as suggested by DeSimone and Buzza (2013). Therefore, the assumption was that the responses would be honest and truthful. The likelihood of this assumption being realised was promoted by the use of voluntary participation and ensuring confidentiality

### **1.12.2 Limitations**

Kirkwood and Price, (2013) describes limitations as factors in the design or methodology of a study that affect the application or interpretation of the results of the study and are potential weaknesses of the study. A study limitation was the inclusion of only one family owned logistics and property development business. Other limitations included time, convenience, and the inability to take a broad view of data based on the chosen population; therefore, the study results are not applicable to the general population (Simon & Goes, 2013) or generalizable to every organisation (Dastgeer & Atiq, 2012).

## **1.13 Summary**

Leaders in many family-owned businesses lacked succession plans to maintain their businesses after they step down from their position” (Kochanowski, 2011). The successful implementation of a succession plan is a challenging journey. It is therefore necessary to train organisational leaders on the importance and value of succession planning particularly for South African family owned businesses. Furthermore, there is a lack of literature concerning succession planning in the family-owned businesses particularly in the South African context and thus a need to reveal strategies for successful implementation of succession planning.

## **Chapter Two- Literature Review**

### **2.1 Introduction**

Having reviewed a multitude of literature on succession planning, this process according to this research can be described as the process of identifying future leaders within an organisation. This process involves identifying skills, or the potential to develop skills on employees that can become future leaders of the organisation.

According to Kimball (2006), “succession planning is described as a dynamic, ongoing process of systematically identifying, assessing and developing leadership and management talent. It further involves assessing, developing and recognising ‘key contributors’ to meet future organisational, strategic and operational needs (Carl: 2006). Corrections today, Goliath Business Knowledge, (2006).

This chapter includes thematic research on succession planning for family-owned businesses. The objective of the review of the body of literature considered for this study was to present a multifaceted view and to facilitate and present findings on the research question pertaining to succession planning.

Furthermore, this chapter focuses on the following research aspects, which include the background of succession planning, organisational leaders, Baby Boomers, sustainability theory, and various aspects of succession strategy methodology.

Gibbert and Ruigrok, (2010) noted that in order to have a clear foundation and be able to analyse scholarly research, surveying existing literature is essential.

Furthermore, there is an urgent need to understand the challenges faced by family-owned businesses in preparing future leaders and strengthening the organisation. The need to reveal strategies developed to execute a succession-planning program in a family-owned business served as the guide for this study.

This chapter reviewed many academic sources that included journal articles, public and private electronic research databases and books related to succession planning.

## 2.2 Background of Succession Planning

Earlier research by Ward (1994) defined succession planning in family owned firms as the passing of the leadership baton from the founder-owner to a successor who will be either a family member or a non-family member; that is a 'professional manager. The 'passing of the leadership baton' suggests that succession planning is viewed in the context of a race which for this research can be viewed as a process of passing the management and or leadership baton of the organisation on to another person or the next generation of the family.

Furthermore, in line with this definition of succession planning, Belcourt, McBey, Hong and Yap (2013) describe succession planning as a process of ensuring that pools of skilled employees are trained and available to meet strategic objectives of the organisation.

In the definitions stated above by Ward (1994) and Belcourt et al, (2013) there are parallels in the sense that both agree that succession planning is a process. However, Belcourt et al, (2013) takes it further by stating that in the process of succession planning, the firm/business needs pools of employees to be trained and upskilled to ensure that they meet the strategic objectives of the organisation. Ward (1994) on the other hand looks at the process of succession planning as passing on the leadership to the person next in line.

In light of this research topic, Ward (1994)'s definition of succession planning can be viewed as being more aligned to succession planning in a family owned business in that they view succession planning as a process of passing on leadership and management of the organisation to the next in line, whereas Belcourt et al, (2013) looks at succession planning from a corporate perspective where there is a multitude/pool of options available to succeed a leadership role.

In earlier literature on succession, there were presumptions that the eldest sons of the owners of the business would be the successors thus making claims that succession were based on gender stereotypes, Fox (1996). Although this may have been the case in the Western Societies in previous decades, a shift towards a focus on girls becoming successors also became known in later literature on succession, (Martin, 2001). This suggests that although succession was viewed in light of a birthright in a male *primogeniture* society, this view and with literature evolving with time, the notion of gender

playing a significant role in modern society when choosing a successor is slowly becoming obsolete (Elsaid & Ursel, 2011).

In family business, many researchers in this field concur that succession planning is the most important issue that most family firms face today. Handler 1994. It is said that succession is so central to the firms 'existence that Ward (1987) chose to define family firms in terms of the potential for succession: we define a family business as one that will be passed on for the family's next generation to manage and control (p.252).

In previous literature, Ward (1987) makes a claim that succession planning in family business is essentially rooted in the succession planning, management and control of the business. Other theorists support this claim as they also agree that the continuity of a business from one generation to the other is dependent highly on succession planning (Christensen, 1953; Dyer, 1986; Handler, 1989; Lansbeg, 1988; Rosenblatt, de Mik, Anderson and Johnson, 1985; Thashakori, 1977).

Therefore, if this research is to take into account this claim made by Ward (1987), the element of 'leadership' of the organisation must be interrogated as continuity, management and control of the business mainly rests on the shoulders on the Leader.

### **2.3 Entrepreneurship**

Ward (1994) describe entrepreneurship as a process of designing, launching and running a new business. This definition suggests that entrepreneurship involves three phases:

- Development of an idea,
- Launching the business, and
- Running the business.

Although this is a simplified definition of entrepreneurship, other research may argue that it lacks a significant component of continuation. An addition on to this definition is 'succession' as a final stage in the stages of entrepreneurship as noted above. This would suggest that the entrepreneur is also planning ahead for either uncertain life circumstances or for retirement when the time comes.

Early research also suggests that entrepreneurship in family owned business is influenced by the life experiences of the entrepreneur, family involvement and support

in start-up activities, employability of family members and lastly potential for succession among family members (Dyer and Handler, 1994).

This suggests that entrepreneurship in the family business sector is influenced by circumstances of the entrepreneur as well as support and involvement from the family.

## **2.4 Leadership**

Executive leadership plays a significant role in the sustainability of organisations; however, members of the next generation of business leaders may not be skilled or have the ability to lead their businesses. Training the next generation of leaders must then involve transparent succession plans in family-owned businesses (Hagemann & Stroope, 2013). Leadership evolution is likely to follow the exit of Baby Boomers, thus creating concerns about a potential of a shortfall in effective leadership in many family-owned organisations (Froelich, McKee, & Rathge, 2011).

It is critical that business leaders develop and maintain talent within the organisation. Various methods that leaders can use to develop and maintain talent in an organisation are essential for a business to succeed. These methods include developing the leader's ability to develop and maintain thinking skills, develop management skills, having a forward thinking approach to move the organisation forward, and appealing to others with the same goals and aspirations (Hagemann & Stroope, 2013). These skills and abilities can be used to inform an exit strategy that will form part of the succession plan of an organisation.

Leaders in family-owned businesses must determine when it would be suitable to step out of business and what steps will be taken (Giarmarco, 2012). This also suggests that leaders ought to be transparent with this information so it can be used to strengthen the succession planning process where potential future leaders can be identified and groomed in time for the succession. Their abilities and talents can be nurtured to fit the scope and vision of the organisation.

## 2.5 Education and Leadership

Succession planning and management of the ability and talent within organisations is a crucial strategic procedure that reduces disparities in organisational leadership and enables the most talented employees to enhance the skills required for future positions (Gandhi & Kumar, 2014). Education is an important aspect in leadership. This includes formal education as well as skills learnt through the process of leadership. This suggests that the ability of an organisation to take its future leaders through a skills development programme would reduce the disparities caused by lack of skill, education and training thus equipping them with all the tools needed to succeed.

From what this study will coin as a 'corporate perspective', organisational structures are levelling and considering changes in the work scope and are forcing executives to rethink how future leaders can develop the abilities and experiences needed in organisational leadership. Having a succession plan that will identify and groom leaders for progression into senior roles is essential for executives of the organisation. A management development plan can be used in conjunction with a succession plan to create a pool of possible leaders with areas of specialisation where opportunities for professional and personal development can be attained (Gandhi & Kumar, 2014).

Leadership succession planning is a good foundation to portray the natural expansion of good foresight, which can be effective and financially rewarding for the organisation (Fitsimmons, 2013).

Research suggests that executives are now focusing on plans for the departure of Baby Boomers. This means that, a majority of leaders in family owned businesses and corporates are part of the Baby Boomers era. The exit strategies of these baby boomers amongst others considered are:

- selling the business to an internal successor,
- selling the business to an external party, or
- merging with a similar business and selling to an internal, or
- external successor at a later date (George, 2013).

Following a succession plan can lead to many benefits; however, the leaders of many family-owned businesses do not make developing a succession plan a priority.

## **2.6 Nature of Family Owned Business in S.A.**

South Africa is currently facing economic uncertainty and the accelerating pace of change. According to a study conducted by PWC (Family Business Survey 2016/2017), South Africa's family business sector is said to have high ambitions for quick and aggressive growth over the next five years. Furthermore, noted in this study was that; only a limited number of family businesses achieve their ambitious targets. This was a result of the two main issues facing this industry. These were identified as obtaining funding for the business, and attracting and retaining the top talent that is needed to run the businesses successfully ([www.pwc.co.za/en/publications/family-business-survey.html](http://www.pwc.co.za/en/publications/family-business-survey.html)).

## **2.7 Culture in Family Owned Business**

The study further revealed that communication, professionalization and staffing are challenges that currently face this industry in South Africa. Furthermore, culture also plays a significant role in the leadership and operations of a family business in South Africa. Eighty one percent (81%) of the respondents stated that the current leaders are guided by the values that were entrenched in the day-to-day operations of the business by the founder and have been passed on the next generations ([www.pwc.co.za/en/publications/family-business-survey.html](http://www.pwc.co.za/en/publications/family-business-survey.html)).

The study also highlighted issues pertaining to stakeholder expectations and decision making within a family owned business structure.

Decision making in formal corporate channels is believed to be backed up by a high level of bureaucracy and is also focused on the short term goals achievable. The PWC study revealed that 78% of the respondents believed in family business decision making is guided by a long-term approach and it is more streamlined and faster than in traditional corporate businesses. This approach is beneficial in family business as it allows for a quicker response to issues and challenges that the business may face. However, it was also noted that business decisions often will involve input from multiple family members and thus can give rise to various conflict situations.

This disadvantage is normally worked out to procedure in many formal corporate businesses where the final decision rests with the head of the organisation.

Some of the key findings in this PWC study noted that although the family business sector in South Africa is faced with a myriad of challenges, this sector contributes significantly to the gross domestic product (GDP) of the country.

Furthermore, this sector continues to grow despite the challenging economic factors that the country faces. In 2017, the PWC Study states eighty seven percent of family businesses grew in sales whilst only 10% saw a reduction. Globally, it is estimated that 64% of family business grew whilst 20% shrunk. This comparison suggests that the family business sector in South Africa is strong and resilient to the challenges they face ([www.pwc.co.za/en/publications/family-business-survey.html](http://www.pwc.co.za/en/publications/family-business-survey.html)).

Although majority of family owned businesses grow on a yearly basis, the challenge of attracting and retaining talent continues to be a disadvantage in this industry. Baby boomers are a generation that was born between the year 1946 and 1964. It is estimated that nearly half of this generation has reached the full retirement age of 66. This means that succession planning needs to be prioritised in this industry so that there is continuation in the growth of this sector in South Africa.

## **2.8 Exit of Baby Boomers**

Statistics in South Africa (2018) estimate that nearly half of the Baby Boomer generation has reached the full retirement age of 66 (<http://www.bizcommunity.com/Article/196/752/184760.html>). In order to implement a successful transition there are steps involved in a planning process and viable recommendations that can be used to assist organisational leaders to manage the impact of the exit of this generation of Baby Boomers and in determine what could be done to increase efficiency in the organisation (Appelbaum et al., 2012).

Leaders within the family-owned business structures can follow practical solutions and models, which will allow them to take a proactive approach to prepare for the retirement of Baby Boomers.

In a qualitative grounded theory study that involved ten family-owned businesses, the results revealed the challenges of succession planning in family-owned businesses (Solomon et al., 2011). The business approach to succession planning had four key influences:

- the business internally, which takes the control and differences and captures the intrapsychic dynamics;
- the marriage, which focuses on how gender roles shape succession;
- the adult children, which includes the natural successors and their role; and
- the vision of retirement, which captures the philosophies of the owners' vision of life following succession (Solomon et al., 2011).

This study revealed that many business owners were not ready for the retirement of Baby Boomers. The transition of leadership and skills transfer can be successful if business leaders identify and groom potential future leaders to assume responsibilities in managing the business. This grooming process must be continuous to the time where the leadership transition is completed (Boudreaux, 2011). Furthermore, in order to ensure a smooth transition of organisational leadership, there needs to be an active involvement and participation of the prospective leaders and staff in the development and preparation of a succession plan (Simoneaux & Stroud, 2014).

In another study in preparation for exit of Baby Boomers that was conducted with executive directors and chief executive officers (CEOs) of non-governmental organisations (NGOs) in 2011, it was noted that succession planning and preparation for the exit of executive leaders who are Baby Boomers was not a priority for the leaders in these NGOs (Froelich et al., 2011). This suggests that the institutional knowledge, skills and abilities of these Baby Boomers were not taken into account by these organisations for transfer on to potential future leaders. Froelich, (2011) states that executives need to take proactive steps where necessary to prepare for the succession of baby boomer leaders.

## **2.9 Succession Strategy Methodology**

Creating and implementing succession planning can differ in many ways. Five steps are outlined in establishing a succession plan:

1. identify leaders with the aspiration and ability to carry the organisation forward,
2. identify the knowledge and skills of a qualified replacement,
3. evaluate the strengths and weaknesses,

4. determine what development opportunities are necessary, and
5. evaluate, support, and monitor progress (George, 2013).

The main issues in implementing a succession plan involve management, ownership, and transferring taxes. Leaders can use the three core issues as techniques to prepare for the next generation of leaders while reducing both family conflict and transfer taxes (Giarmarco, 2012). It is important for financial service professionals to play a role in developing succession planning for organisations. The holistic approach to succession planning is a means of incorporating professional financial advisors with various skills and capacities, which allows organisational leaders to get the most value for their business, reduces their tax burden, and allows corporate leaders to have control over their processes (Hall & Hagen, 2014). Succession planning generally involves a team of a competent staff and requires their participation in planning strategies to allow a clear change of business leadership. Accountants or tax specialists, business consultants, and business valuation professionals can come together to form an efficient transition team (Simoneaux & Stroud, 2014).

Few businesses stay intact beyond one or two generations of the company founder. Succession planning is vital in transitioning from one generation to the next, can increase the transparency in transitioning, and can minimize conflict that may arise between beneficiaries and trustees (Gallo, 2013).

A study was conducted of 34 academic libraries that included questions regarding the age of library leaders, the hiring habits, the leaders' opinions about succession planning principles, and the importance of these practices (Galbraith, Smith, & Walker, 2012). The results showed a need for library leaders to implement a succession plan for future leaders because many of the library leaders are not ready to fill leadership positions (Galbraith et al., 2012). As is the situation with many organisations, library leaders in this study did not make succession planning a priority.

Theorist hold different views concerning research. Gray (2014) also suggested five steps to developing a succession plan. This suggests that although there may be similarities in the steps proposed by George (2013) an organisation could use either and end up in the same place. Therefore, this suggests that although there may be differences in the approach, the fundamentals remain the same where it comes to succession planning and family owned businesses.

- Step 1: is to identify key personnel, who may need replacing in the next few years,
- Step 2: ensure the required and recommended roles indicate the job competencies and characteristics,
- Step 3: leaders should review the positions of current key personnel and determine their development status- An analysis will indicate whether they are ready to move forward, whether they need to define development needs, or whether they need to identify development needs,
- Step 4: pinpoint the potential talent pool,
- Step 5: leaders should aggressively develop key personnel so they can be ready for advancement (Gray, 2014).

Ignoring the consequences of a lack of succession planning related to the exit of key leaders can lead to negative results for a business (Durst & Wilhelm, 2012). In a study conducted in a medium sized company with different departments and leaders holding various positions to establish knowledge on succession planning, the results revealed a lack of knowledge and a lack of succession planning. Lacking in both these aspects can negatively influence the financial situation in an organisation (Durst & Wilhelm, 2012). Those interviewed recognized the importance of knowledge training and the need for succession planning, however; current directives were the priority (Durst & Wilhelm, 2012).

To be successful in the process of succession planning, business leaders should address three essential problem areas: (a) individual, (b) interpersonal, and (c) organisational (Filser, Kraus, & Märk, 2013). Leaders should also address the stage in which the conflicts arise, which includes preparation, transfer or takeover, and continuation (Filser et al., 2013).

Furthermore, a need exists for additional research to address the exiting process and the psychological ramifications of the succession planning process (Filser et al., 2013). As validated by McDonald's, in 2004, the CEO of McDonald has suffered a fatal heart attack, and the company appointed another CEO. Three weeks after the incoming CEO accepted the position, his doctors informed him that he had cancer, and he passed away a few months later (Flynn, 2012). The next CEO steered the company

toward the best financial performance in its history. All the CEOs were executives who had worked for McDonald's for many years and had worked their way up the corporate ladder (Flynn, 2012). According to McDonald's chairman, succession planning is a topic addressed at every board meeting and is the primary focus of at least one board meeting annually (Flynn, 2012).

This suggests that succession planning is essential for business success and continuity. The company leaders constantly need to interrogate their succession plan within the company.

Grossman (2011) state that leaders of corporations ought to improve succession planning by focusing on the strategic and impending business needs. Gaps must be identified for key positions to incorporate training and development needs for the future during the planning process.

## **2.10 Succession Planning Approaches and Applications**

It is important to align strategic planning with succession planning in organisations. This allows for synergy and drives the organisation towards better effective leadership. The strategic plan of an organisation speaks to the needs of the business and vision of the leaders. The needs will also vary according to the strategic direction that the organisation seeks to take. Leadership therefore plays a significance role in the success of a business. Borwick, (1993) states that succession planning should not only identify the potential candidate, but it also needs to state reasons as to why the candidate is more preferable to other possible nominees. This literature suggests that leaders must be chosen based on the needs of the organisation and based on individual attributes that are more preferable to have in a successor of the organisation thus aligning the business strategy with the succession plan.

However, although this rational can be easily applied to big corporates, family owned businesses have different dynamics where it comes to leadership and may experience challenges with aligning personal attributes to that that is needed by the organisation to grow. Other literature states that leaders of family-owned businesses should expand the number of qualified candidates or look for competent candidates outside the organisation (Darvish & Najafi, 2014). This suggests that family owned businesses should not only look within their 'family structure' when looking for successors but should also cast the net wider and be willing to be led by an 'outsider'. Darvish & Najafi

(2014) therefore supports Borwick (1993)'s view on succession planning that there must be compelling reasons as to why one candidate is more preferable to the other to succeed the leader.

Engaging in a succession plan is important for finding, recruiting, developing, and guiding future leaders to ensure they are competent and have the necessary skills to meet the challenges of the business (Kippist, 2013). Succession planning and effective management development may contribute towards providing businesses with a team of managers who possess the abilities, knowledge, and competency to provide efficient and successful leadership (Kippist, 2013). Being able to maintain or exceed an organisations' level of business after a leader's transition is vital in succession planning, as is being able to recognize the leadership and technical skills of future leaders (Sinkin & Putney, 2014).

As it is with most companies, succession planning is essential in the family owned business sector. Financial considerations, social factors, and political uncertainty, all affect succession planning. It is imperative that leaders include all management levels in the organisation when developing a succession plan. Qualifying and aspiring candidates interested in leadership positions should incorporate mentoring, coaching, and effective communication early in their career (Griffith, 2012). The ability to develop future leaders rests on organisational leaders' ability to train and develop these leaders into being capable of successfully taking the organisation into the future (Sinkin & Putney, 2014). Finding and properly training effective future leadership can be difficult. It is important for organisation leaders to meet the challenges involved in developing a succession plan. Organisations fail to realize the risks in the creation of succession planning (Lyon & Hollcroft, 2012). Organisational leaders believe risk assessments are not a necessity and leaders rely on insurance coverage for any risks that turn into issues, and because they have had no major incidents, they feel it is not a priority.

The Integrative Model of Effective Family Owned Businesses (FOB) and the FOB Knowledge Accumulation Model combine to create a new model that recognizes the strengths and weaknesses of each methodology (Nieh & McLean, 2011). The new model considers four distinct levels:

- individual,
- group,

- organisation, and
- environment (Nieh & McLean, 2011).

On the individual level, the focus is on the development of the participants' characteristics that significantly influence the success of succession. The group level encompasses the family systems and leans towards the group and interpersonal dynamics. The organisation level addresses the cultural qualities and systems perception of succession planning, and finally, the environment level is categorised into population ecology theory or contingency perspectives (Whatley, 2011).

Emphasis on FOB's demonstrates that there is a progression in the relationship between succession planning, ethical climate, and management development. Managers play a key role in the development and competitiveness of the organisation. Therefore, it is critical to retain effective managers and encourage a strategy to introduce and implement valuable tools in the continuous training and develop of managers (Nieh & McLean, 2011). This suggests then that there is a close correlation between succession planning, staff retention, leadership and organisational performance.

Furthermore, on the element of staff retention, family owned businesses would be in a disadvantaged position if they do not plan for retirement of senior employees. This reality, if not planned for could leave the organisation in a compromising position where succession become a reactive plan. Succession planning provides an opportunity to start the conversation not only for those in the process of retiring but also for those thinking about retirement (Flynn, 2014). When no proactive measures are taken for leadership succession, the reactive approach would often leave the successor facing challenges with applying strategies that previously worked for the new regime to continue growth and prosperity.

In a study that was conducted of 18 family-owned business CEOs, the results indicated that successors acknowledged that when organisations are confronted with leadership transitions, this often creates a dangerous situation (Contreras, 2015). The study concluded that the CEOs were willing to conform to formal requirements already in place, however, for them to increase their knowledge; they must be in a position to present and implement strategies to build on leadership suited for the organisation. Therefore, there needs to be a thorough evaluation on the successor's ability to drive

the mission and vision of the organisation for sustainability and growth (Contreras, 2015).

When organisations are planning for succession planning, this is often a complicated and an emotion driven process. However, as intensive and emotional this process can be, one important aspect that the business should not lose sight on is that of its service to its clients. Research suggests that the leaders in family owned businesses often perform duties beyond the scope of a single person, i.e. leader, relationship consultant, marketing and human resources (Schulaka, 2015). All these responsibilities usually are allocated to different individuals within corporates thus with the exit of a leader of this calibre may require multiple individuals to maintain the business effectively. This approach however may not be a blue print for such businesses since it is not cost effective and may require sourcing the leader from outside the organisation. The ultimate goal is that customers should be given good and proper service at all times (Schulaka, 2015).

In a recent study that consisted of 65 family owned businesses in 17 different industries, the aim was to determine the effectiveness on the bottom line of an internally groomed CEO as opposed to an external candidate. The results were that family members that are successors in a family business were more likely to enhance the organisation' value more than successors that are not family members (Viet, 2015). However, it was also noted that younger CEOs can add value to the organisation's bottom line if they are provided with the right tools and training to better handle the demands of the business environment and execute the strategic goals (Viet, 2015).

Successfully developing a succession plan requires a lot of detail and thought into the process. There are many considerations that must be taken into account as to how and when the succession program will be rolled out, with the exception to life situations where unexpected events take place, of which this risk can be mitigated by a succession plan (Roback, 2014). Strategic tools when developing a succession plan are essential to create a buy in from all stakeholders affected. An executive equity program is a strategic tool that is used as a motivator for leaders (Roback, 2014).

Research into succession planning has noted that managers who are given a stake in the company that provides them with financial incentives are more likely to help the

company flourish during a leadership transition phase (Roback, 2014). Motivating successors with equity can be a positive solution for organisation stability and growth (Roback, 2014). Where equity is not an option, the researcher believes that broadened responsibilities with financial incentives can also give managers the motivation to help the company to succeed during a transition period. This *hypothesis* can be proven through a study that focuses on leadership transition and staff incentives. The aim is to prove if adding responsibility and incentives to staff during a transition would positively influence the staff's commitment to the company.

## **2.11 Gender Theory and Succession**

In other research, according to Elizondo, (2014), one in three organisations made it to the third generation. One of the key components that informed these results was having a succession plan in place. This suggests that only 1 in three businesses will survive beyond the third generation and thus poses a significant threat to family businesses. Furthermore, Glover (2014) raises an important factor of power struggles between genders in a family owned business. Their study revealed that there are business leaders who prefer having male successors as opposed to female successors. Although this claim cannot be generalised, it is important to note that there are other theorists who support this claim, such as Elisiah (2014) who claims that succession from a female CEO to a male CEO can help stabilise the business and reduce the chances of bankruptcy after succession.

Research acknowledges that gender is social construct; however, there is a limited amount of literature available that delves into gender theory within family-owned business research (Al- Dajani, Bika, Collins, & Swail, 2014). Other researchers suggest that an approach that involves gender theory that embraces family-owned businesses needs to provide a vital theoretical deconstruction of current viewpoints on the procedure, sustainability and succession of family-owned businesses in this 21st century (Al-Dajani et al., 2014). This suggests that there is not enough literature available for theorists such as Elisiah (2014) to conclude that gender roles are the key to success of a business, thus this claim in the absence of proven research in the 21<sup>st</sup> century is not applicable.

Furthermore, other research concludes that the management style and founder's decision-making style are variables that need to be taken into account when a

succession plan is developed (Garcia, Alberto, Maldonado, & Medina, 2014). This means that there are many factors that one must consider when developing a succession plan and thus there is no blueprint for a one size fits all approach particularly in the family business research.

Education plays a fundamental role in sustainability and succession planning. It provides understanding, language, leadership, and confidence – which are key elements for planned organisation change (Lansberg & Gersick, 2015).

In a study that focused on two theories to education, Lansberg & Gersick, (2015), suggested two approaches to succession planning; the outside-in (deductive) and inside-out (inductive) approaches. The ‘outside-in’ approach capitalises on the owners understanding of the family business using ideas, examples, and models. The second approach encourages owners to consider experiences they were directly involved in to enable them to obtain a greater understanding of the family businesses and how they would approach certain situations. It is suggested that when these two approaches are coordinated correctly, they can strengthen each other.

Education is thus perceived as a tool that can be used for continuous development and capacity building aimed at addressing current and future needs of the business and the family (Lansberg & Gersick, 2015).

Succession planning requires preplanning and the cooperation and buy-in of all areas of the organisation (Bronza, Auslander, & Marrullier, 2015). This may entail employing the services of a succession planner in the absence of skills internally. The succession planner develops relationships with key management and identifies the necessary skills and characteristics of key management, which is the foundation for succession planning (Bronza, et al., 2015). It is noted that if there are multiple owners or partners in the business, the task of succession planning become more complex in successful execution (Bronza, et al., 2015).

## **2.12 Contingency Theories**

The contingency theory claims that that there is no blueprint or standard method and or approaches to organising a company, leading a company or to make decisions. It suggests that the course of action is dependent (contingent) on factors surrounding

the situation looking at both internal and external environment (Graffin, Boivie, & Carpenter, 2013).

In a study on theoretical frameworks on succession planning, the company leaders examined different theoretical sections including the significance, concepts, strategies, and importance of succession planning; understanding the theoretical basis and notion of succession; conceptual framework recommendations; and the strengths and boundaries of the conceptual framework (Landry, 2011). This study revealed that there is no blueprint on how succession planning should be done and that the success of a succession plan is highly dependent on the individual organisation with its own dynamics.

Where companies failed to plan for succession until last minute, often this leaves stakeholders unsettled and uncertain of the future of the organisation. A strategic noise theory supports the use of strategic noise following the announcement of a CEO succession where the new CEO comes with no prior CEO experience or comes from an organisation that is not as highly regarded, or even a different industry. The board of directors may counterbalance the stakeholders' impressions by announcing confusing information about other important events (Graffin et al, 2013). Although this theory may work in the interim, there are no long-term spin offs and thus necessitating a properly plan succession plan.

Where an organisation experiences a sudden departure of the leader in the organisation, an emergency succession plan can be put in place whilst the search for a new leader ensues. The practice of interim management is based on agency theory where both the organisation's performance and the uncertainty of the environment are directly related to the succession process of the interim leader (Liang, Liu, Wu, & Zhang, 2012). In a study on interim leadership, it was noted that outside successors would most likely receive significantly more in compensation than inside successors (Elsaid, Davidson, & Wang, 2011). This was based on risk assessment for both the company and the external candidate (Elsaid et al, 2011).

### **2.13 Summary**

Family-owned businesses play a fundamental role in local and global economy development, stimulates new job creation, the growth of businesses and the increase of entrepreneurial endeavours" (AhmadiZahrani, Nikmaram, & Latifi, 2014). Theorists

have different perspectives on the topic of succession planning and what this study can deduce is that there is no blueprint to implementing succession planning. Furthermore, there is limited literature in this field of succession planning in family business and thus there are still conflicting views on how to develop and implement a succession plan successfully.

The next chapter will discuss the research methods employed in this qualitative descriptive study. This will be followed by findings and recommendations, and lastly a conclusion that will give an answer to the research question.

## **Chapter Three- Research Methodology**

### **3.1 Introduction**

Adopting “a qualitative descriptive case study approach was suitable for exploring succession planning in family-owned business. In this chapter, the researcher will explore the purpose statement, the role of the researcher, research method and design, population and sampling. Furthermore, this chapter includes ethical research, data collection instruments, techniques and analysis, and reliability and validity of the study.

The overall aim of this qualitative descriptive case study was to explore strategies that leaders of family-owned businesses use to prepare future generational leaders to assume a leadership role within the company.

The target population consisted of leaders in family owned Logistics and Property Management Company in the Pietermaritzburg area. In addition to interviews with the leaders and managers in this organisation, the study involved analysing the business’s current succession planning documents.

The researcher aims to contribute to social change through the findings of this study by providing leaders with useful insight and strategies to prepare for succession planning. Succession planning is a company's way of preparing for the future. In preparation for this, succession planning must be part of the business strategy, which is essential for the business to succeed.

When determining the research design and method, the research problem, purpose, and research questions were considered (Cox, 2012). There are three types of research methods that were considered (qualitative, quantitative and mixed methods) and only one was applicable to this study (Simon and Goes, 2013). A qualitative research method was appropriate for collecting and interpreting data regarding succession planning in a family owned business.

### **3.2 Research Method and Research Design**

#### **3.2.1 Method**

The research method chosen for this study was a qualitative research approach.

This method was appropriate because it consists of narrative and not numeric information, as with the quantitative method (Yin, 2014). Qualitative research deals with descriptions and data can be observed, but not measured whereas quantitative research deals with numbers and data can be measured (Yin, 2014).

Succession planning has not been a tool that is embraced by a majority of family owned businesses. Further research into this topic of succession planning can contribute positively towards addressing the challenges faced by many businesses in successfully implementing a succession plan (Kippist, 2013). The executives and leaders of family owned businesses need to commit to the development of an effective succession plan, which is crucial for its success (Jantti & Greenhalgh, 2012).

According to Fetterman (2010), the mixed methods approach combines elements of qualitative and quantitative research methodologies by way of data collection, data analysis, and inference techniques for having a more elaborate understanding and corroboration of the subject matter under investigation. It enables the researcher to gain a fuller picture and deeper understanding of the phenomenon being studied to provide a richer, contextual basis for interpreting and validating results, as well as to relate complementary findings to each other resulting from the use of the two methods (Yin, 2009 and Creswell, 2013). This methodology functions well with the exploratory research design of the proposed study, as it allows the use of multiple methods which will provide a comprehensive view of the subject matter (Mitchell and Jolley, 2010:12).

A mixed method approach can also be a non-convincing design that theorizes it as a method instead of a methodology (Simon & Goes, 2013); as a result, a mixed-method approach was not appropriate for this study.

A quantitative method was also not suitable because that approach is more useful in testing theories rather than developing theories (Yin, 2014).

The qualitative methodology allows a researcher to examine complex behaviour occurring in a complex real-world environment (Yin, 2014). Through the qualitative research method, one is able to understand the patterns, ideas, and perceptions of the participants and is thus beneficial to this study. Qualitative data also allows the researcher to measure the quality of the responses rather than the quantity as with the quantitative research method (Yin, 2014).

### **3.2.2 Design**

The research design selected for this study was a descriptive case study. This design is suitable for determining the succession practices of a family-owned business. This descriptive case study results applies only to a single organisation and a few participants (Hansen & Kraemmergaard, 2013). The case study is bound by time and location and is suited for the research questions that required an understanding of the social or organisational processes (Yin, 2014).

Yin (2014) describes a descriptive case study as a means to explore problems in a workplace setting. A descriptive case study is thus appropriate to be employed in this research because it represented a significant test to a situation that was previously inaccessible to experimental studies. The intent of this descriptive qualitative research design was to create a holistic understanding of a complex situation without a preconceived hypothesis of why a situation exists (Avison & Malaurent, 2014).

A common case study rationale is suitable to demonstrate the strategies used to develop a succession plan within family-owned businesses because it captures everyday situations and circumstances. The ultimate goal of developing leaders is to ensure a smooth transition of power, responsibilities and accountability to the next generation of leaders (Simoneaux & Stroud, 2014).

Phenomenology, grounded theory, or ethnographic design were not selected for this study. A phenomenology study was not suitable for this research since it aims to understand lived experiences and perception of the participants in order to establish meaning (Arbour & Wiegand, 2014). The grounded theory was also not applicable since it involved developing theories and then using empirical evidence to reinforce these theories (Bateman, 2013). An ethnographic design study involves identifying culture characteristics by directly observing participants and directly interacting with participants therefore, it was not suitable for this research (Roberts & Bailey, 2013).

A qualitative descriptive case study approach was then employed as the research entailed a complex phenomenon, succession planning, within a real-world context.

### 3.3 Data Collection Strategy

Data collection is an essential element of the research process that aims to resolve a problem and address the research questions (Peet, 2012). Researchers often use multiple sources of data for a qualitative case study (Yin, 2014).

Face-to-face interviews were conducted and the participants were asked nine open-ended questions relating directly to succession planning (see Appendix C). Short or long answers in response to open-ended questions are better predictors of a situation than questions provided in a multiple-choice format (Walsh, 2014). The approach to collecting the data may influence the quality of responses received and the quality of the data collected (Wright & Ogbuehi, 2014).

Furthermore, the interviews were recorded with written consent from the participants. The responses from the face-to-face interviews indicated the views of the leaders and senior managers on their role in the transfer of their institutional knowledge from one generation to the next (Appelbaum et al., 2012). Decoding the unique trends supports the objectives of the study and determines if the researcher meets the objectives (Robert, Paul, & Celestine, 2014).

The researcher also emphasised the need for privacy, comfort, and an environment free of interruptions to be able to establish rapport and to encourage interviewees to reveal their true experiences (Mealer & Jones, 2014).

The data collection techniques for the study included audio recorded interviews, and note taking. The interviews were conducted using a digital cell phone voice recorder that would enable the data capture to transcribe the data to a computer. The audio recording of interviews is necessary for transcript accuracy (Yin, 2014).

Additional information was gathered by exploring the company's website, reviewing business literature, and archival data that included brochures, meeting minutes, and missives related to the company's succession planning. Material from various source documents provided information to supplement the interview data as suggested by Ochiai (2016). In addition, notes were also taken during the interviews. Note taking is a means to describe non-verbal communication and to collect information on behavioural observations and impressions (Frels & Onwuegbuzie, 2013).

A formal letter was sent to outline the intent of the study to potential participants. A clear explanation of the study, the goals of the study, and a letter of consent for participants to sign were also sent to the gatekeepers in this organisation (see Appendix B). The data was managed and analysed using the Atlas.ti software. Analytical tools assist Atlas.ti in analysing qualitative information through coding, query, and cross tabulation for data evaluation (Scales, 2013). The interviews were not longer than 30 minutes in duration. Member checks were done before the interviews in order to verify and clarify the members participating.

The participants received a copy of their interview transcript for review and confirmation of accuracy. Member check authenticates the information provided by the Participants with the interview transcripts of dialogues for accurateness (Lincoln & Guba, 1985). Member checking also includes the before, during, and after dialog to strengthen the trustworthiness of the study (Shenton, 2004). During member checking, classification may be required ensuring the participant meant the information provided during the interview and are in accords with the data analysis (Shenton, 2004).

### **3.4 Population and Sampling**

The population for this study was a small family-owned logistics and property management company. Purposive sampling was the process used for selecting the participants who have experienced incidents and trends, and could provide answers to the research question (Truglio- Londrigan, 2013). The sample was a logistics and property management company located in Pietermaritzburg that consisted of 16 employees including management and with 3 branches in Pietermaritzburg, Hillcrest and Botha's Hill area. Analysis of an effective succession plan study included the participants' perspectives and their role.

There is a need for leaders in family-owned businesses to establish a framework to prepare future leaders and to develop a leadership structure for their business (Hann, 2014). It is important to accept a multilevel perspective in obtaining answers to the research question (Nordqvist et al., 2013). All leaders and managers of this organisation were a part of the sample. A review of the company's succession planning documentation completed the data collection.

The participants were selected based on purposive sampling. The purposive sampling method is built on the process of judgment by the researcher (Sakeah et al., 2014).

Research sampling size varies based on the research question and the design of the study (Walker & Forbes, 2014). A small sample size consisting of 10 or fewer participants is characteristic of qualitative, phenomenological research to gain insight into the complex phenomenon (Skiba, 2014). The recommended sample size for a case study is between two and six participants (Yin, 2014).

All leaders and managers who had knowledge and experience with succession planning were interviewed. The interview process continued until data saturation was met. Saturation is met when the same ideas manifest numerous times, and no new ideas develop (Trotter, 2012).

### **3.5 Data Collection Instruments**

The interviewer is the main instrument in the data collection process in qualitative research (Vohra, 2014). The consent form included a clarification of the procedures and a detailed description of the interview protocol. A semi structured interview is appropriate for a qualitative case study (Yin, 2014). Semi structured interviews were used, which was the primary means of data collection, and archival data for this qualitative case study. To complete the interviews, the participants received interview instructions via a consent form (see Appendix A). Instructions included name of the interviewer, the participant's name, the date, and the location of the interview. Also included was the intent of the study and the interview questions (Johnson & Campbell-Stephens, 2013). Results from the respondents might corroborate leadership development, a foundation of knowledge, and succession planning (Jantti & Greenhalgh, 2012).

Providing the questions to the participants before the interview enabled the participants to become acquainted with the questions (Peet, 2012). The business succession planning documents were reviewed and analysed. Company documents to be analysed were an accumulation of succession planning documentation accrued by the organisation over a period and demonstrated the purpose of succession planning. The purpose was to analyse the strategies used in succession planning. Follow-up interviews took place with some of the participants, via telephone, to clarify initial findings and explore developing themes further.

### **3.6 Trustworthiness and Credibility**

Reliability and validity are essential in research since they ensure the accuracy of research and the validity of assumptions (Boudrias, Bernaud, & Plunier, 2014). A valid instrument measures what it should measure. A score ensures a fundamental construct with stability and consistency to the degree to which reliability is defined (Titzer, Phillips, Tooley, Hall, & Shirey, 2013). To achieve reliability and validity in qualitative research, the inquirer uses research strategies to achieve credibility, dependability, confirmability and transferability (Houghton, Casey, Shaw, & Murphy, 2013).

Data saturation is a key element in the selection of participants (Sinnott, Guinane, Whelton, & Byrne, 2013). Saturation is the point in the interview process where the researcher is not able to identify new themes and concepts (Sinnott et al., 2013). Data saturation occurs when no new themes, concepts, or findings are evident during the data analysis process (Sinnott et al., 2013).

#### **3.6.1 Trustworthiness**

To achieve reliability and validity in qualitative research, researchers must use research strategies to achieve credibility, dependability, confirmability, and transferability (Yin, 2014). Credibility refers to the notion that the interviewer possesses sufficient expertise and knowledge to assess the participants accurately and to present the results appropriately (Boudrias, 2014). The reliability criterion requires that the data collected be credible and comprehensible from the viewpoint of the participant. Only the participants can reasonably judge the credibility results of the study (Hur, Kim, & Woo, 2014).

Electronic data coding software, such as Atlas.ti, can be used as a means to achieve dependability, which is a factor of interrater stability and reproducibility (Yilmaz, 2013). Atlas.ti managed developing the themes, organizing the data, storing the data, and coding the collected data.

Furthermore, the researcher was responsible for recognizing the change in the context of the research and to define the variance and determine how these would influence change in the study. Confirmability of responses determines whether the responses have any logical contradiction with the basic properties of the logistic model (Kim,

Hong, & Koo, 2013). A data audit served to examine the data collected, analyse the process, and determine if there was any bias or misrepresentation.

Over a period of three weeks, all the participants received a well-defined instruction pack on how to respond to the questions and to ensure that everyone understood the expectations. Initially, data collection involved interviewing participants face-to-face and reviewing business succession planning company documents. Multiple reviewers increase the reliability and validity of a study (Titzer et al., 2013).

Some fields of research lack a rigorous orientation toward developing theory and, therefore, should offer a more complete and detailed method of managing validity and reliability (De Beuckelaer & Wagner, 2012). The availability of participants depended on their work schedule, their workload, and the direction of the leader. Information collected from the open-ended questions asked during the interview underwent a qualitative descriptive analysis.

Triangulating data is a technique that researchers use to ensure reliability and validity (Yin, 2014). Furthermore, the process of obtaining credibility in the research means triangulating the data. This means that the researcher can use multiple methods of data collection in an attempt to gain an articulate, comprehensive view of the phenomenon (Cope, 2014). Triangulation consists of multiple methods of data collection: questionnaires present significant information as it relates to the leaders and their positions within the company, face-to-face interviews consists of open-ended questions that are predetermined, and business succession planning company documents examines archival documents within the company.

### **3.6.2 Credibility**

Creditability, conformability, and transferability are components of validity in qualitative research (Cope, 2014). Credibility is internal validity and transferability is external validity that are critical elements in qualitative studies (Yin, 2014). The study included follow-up interviews and additional questions presented to participants to validate the reliability and validity of the data collected.

When using qualitative research, data saturation is a key element in the selection of participants (Sinnott, 2013). To obtain data saturation a two-step process was employed (Francis et al, 2010). To apply this process, the researcher selected a

minimum sample size from the literature. Should data saturation be reached, then the second step involves two more interviews. Step 2 will be repeated until data saturation is met. The interviewing ceases at that time when no new ideas emerge.

Electronic data coding software, such as Atlas.ti, is a means to achieve dependability, which is a factor of interrater stability and reproducibility (Yilmaz, 2013). All leaders of the logistics and property development and management company participated, which resulted in a variety of perceptions. Validity indicates the relevance and completeness of the data, including the prognostic and discriminative properties (Chow, 2013). The participants varied in age and held different positions within the company, which may pose a potential threat to the validity of the study. Furthermore, all the participants were of the same ethnic group; however, their variations in gender might also pose a threat to the validity of the study.

### **3.7 Data Analysis**

Qualitative studies encompass a systematic review of data elements involving data interpretation to discover any underlying meaning (Klassen, 2012). The data analysis in this study involved using a coding process to capture themes and perspectives obtained in the interviews. Each of the two distinct types of data collection selected; interview and business succession planning documents underwent a different form of analysis.

The responses provided by the participants in the interview were analysed. The data analysis process can include data reduction, data display, conclusions, and verification (Yin, 2014). Triangulation was the suitable data analysis for this qualitative case study design. Triangulation from various sources is required for a larger choice of data research in order to validate the results in a qualitative case study (Yin, 2014).

Qualitative research yields a sizeable amount of raw text, and researchers must interpret, organize, and analyse the data for replicability (Wertz, 2011). Using innovative technology as a part of qualitative research facilitates flexibility, thematic continuity, and increased rigor during the data analysis processes (Rademaker, Grace, & Curda, 2012). Coding allows themes and perspectives to develop and allows researchers to make sense of the collected data (Rademaker et al., 2012).

The information in the business succession planning documents was analysed which determined how it can be applied to the study. Documents referencing succession planning underwent analysis and documents that provided information that may be valuable to the study.

The responses were treated with confidentiality, and the researcher performed the analysis and interpreted the results. The name of the company and the names of the participants do not appear in the study. Additionally, Atlas.ti was used to help manage the data and the development of themes from the interview data (Pfaff et al., 2014). The software facilitated the process of analysis of the raw data collected from the interviews to identify clusters or themes based on the participants' experiences (Stomski, Mackintosh, & Stanley, 2014).

The data and results in the study have a focus on the conceptual framework consisting of family systems, organisational theory, and business development. The researcher performed the overall data analysis. A thorough interpretation and revelation of themes is the basis for data evaluation (Johnson & Campbell-Stephens, 2013). The process involved comparing key themes with the existing literature and the conceptual framework (Johnson & Campbell-Stephens, 2013). This step is a means to make sense of the concepts and themes regarding participants' experiences and perceptions (Johnson & Campbell-Stephens, 2013).

### **3.8 Ethical Considerations**

Research ethics is essential for the protection of participants' rights, safety, dignity, and well-being. Ethical procedures constitute principles for research ethical protocols and standards, and include informed consent, the privacy of participants, avoiding harm, cognizance of vulnerable groups, participants' right, data restriction, data protection, data storage, and conflicts of interest (Stacey & Stacey, 2012). In qualitative studies, the researcher is the primary data collection instrument, and as such has an obligation to follow ethical standards that respect human dignity, compound with academic principles to ensure integrity, and protect the participants' anonymity (Yin, 2014).

To certify the method and design and follow the university guidelines, the researcher obtained ethical clearance from the Humanities & Social Science Research Ethics

Committee (Protocol Reference Number#: HSS/2146/017M, expiration November 8, 2020) before any data collection was collected.

Participants received a letter of consent indicating that their involvement is purely voluntary and that they were free to withdraw at any time without any repercussions. Furthermore, the participants were advised that the data collected would remain secure in my home on a flash drive for 5 years, after which time it will be destroyed and discarded. The researcher's contact information was supplied to the participants in the event they decided to withdraw from the study or requested to see the results of the study. The participants received no incentives for participating in the study. A thank-you note was sent to each participant.

### **3.9 Summary**

This qualitative descriptive case study involved determining the strategies leaders follow to prepare for the transfer of leadership to the next generations. The leaders and managers of the logistics and property development and management company were interviewed. Additionally, the researcher examined the organisational succession planning documents, and analysed the findings in accordance to the research methods employed". The next chapter includes a presentation of the findings, applications to professional practice and implications for social change. The last chapter will outline recommendations for action and further study, and reflections of succession planning in family-owned businesses.

## **Chapter 4- Research Findings**

### **4.1 Introduction**

The purpose of this qualitative descriptive case study was to explore strategies leaders of family-owned businesses use to prepare future generations to assume leadership roles in the company. The population consisted of “participants in leadership positions at a single family-owned financial and wealth management company. Succession planning is critical for businesses in the 21st century. In preparing for future leaders, leadership needs to identify the skills and capabilities of current management and the training required to assist future leaders in fulfilling a position successfully when someone leaves the organisation (Wu, Nurhadi & Zahro, 2016). Participants of this study shared their thoughts on the company's unofficial succession plan; the role family members play in the succession plan; the strategies used to capture and retain knowledge of their veteran workers, and how the succession plan integrates with the company's strategic planning process. The results of this study include strategies leaders may use to prepare for successful succession planning.

### **4.2 Findings**

Table 4.1 contains demographic data for the six participants (two male, four female) who were leaders in a logistics and property development company. Their work experience in the logistics and property development varied: one participant had less than 4 years in experience (17%), three participants had between 5 and 15 years (50%), and two participants had over 16 years in cumulative experience (33%).

Furthermore, one participant had more than 1 year as a leader or manager (17%), two participants had more than 5 years as a leader or manager (33%), and three participants had over 16 years as a manager or leader (50%). All participants were active in the community at some level” (100%). A summary of these findings appears in Table 4.1.

**Table 4.1***Demographic Data for Leaders/Managers*

<b>Categories and Item</b>	<b>Participant (n=6)</b>	<b>Total</b>	<b>%</b>
<b>Gender</b>			
Male	P2, P5	2	33
Female	P1, P3, P4, P6	4	67
<b>Years in Logistics and Property Management</b>			
1-4	P5	1	17
5-15	P3, P4, P6	3	50
16-25+	P1, P2	2	33
<b>Years as Leader or Manager</b>			
1-4	P5	1	17
5-15	P3, P4	2	33
16-25+	P1, P2, P6	3	50
<b>Community Involvement</b>			
Yes	P1, P2, P3, P4, P5, P6	6	100
No			

**4.3 Presentation of the Findings**

The overarching research question is: "What strategies are used to prepare future leaders of family-owned businesses to assume leadership roles?"

The case study design included data from two sources. The primary source of data was in-depth interviews with leaders in a family-owned logistics and property development company. I also reviewed organisational documentation about the company's succession planning. The participants included two people who identify as males and four who identify as female. All 6 participants have more than 3 years of leadership experience and 1 to 18 years of experience in a logistics and property development company.

The logistics and property development company was founded to address the needs of corporates with their distribution channels by providing them with a service to deliver their products and services through a network established by this company. During the growth phase of this company, profits were invested in property where the property development and management arm of this entity was born. This organisation provides logistical support and property development and management services for clients through an established network...

Peer-reviewed journals provided the foundation for this study to connect the research question with the conceptual frameworks of family systems, organisational theory, and business development theory. The participants answered nine open-ended questions and provided an in-depth understanding of the company's strategies in succession planning and of how they relate to future leaders within the organisation. Open-ended questions link themes and patterns to answers provided by participants (Yin, 2014). Table 4.2 includes the interview questions and the related themes developed from the questions.

The targeted population were leaders in a family-owned business. Six study participants held different leadership roles; and this study was able to capture the potentially different viewpoints from a representative cross-section of the leadership community. Management levels in this company varied from junior to senior and executive level. The participants in the study shared their views and opinions on the development of a succession plan for the organisation, future leadership, strategies for skills transfer and talent retention.

**Table 4.2**

*Interview Prompts, Conceptual Ideas and Themes*

No.	Participant Question	Conceptual Ideas	Themes
1.	Please explain your company's official or unofficial succession plan.	Business development Sale vs succession	Development of succession plan

2.	What role do family members play in your business and your succession planning?	Organisational theory and leadership	Role of family members, structure
3.	Who is involved in the development of the succession plan at your company?	Business development and leadership competencies	Strategies for the future
4.	How does succession planning affect the well-being of your current and future leaders?	Leadership management, leadership competencies, successor related factors	Understanding leadership knowledge, leadership competency
5.	What strategies do leaders in your company use to capture and retain the knowledge of your veteran workers?	Business development strategies and retaining knowledge	Strategies for the future, retention
6.	What role does the family systems play in your organisation's leadership?	Family systems and organisation leadership	Family systems, leadership knowledge, and competency
7.	What steps does your company take to improve goal clarity and to increase skill proficiency of current and future leaders?	Business development of future leaders, business strategy	Strategies for the future, retention

8.	How is the succession plan integrated with the company's strategic planning process?	Business development, strategic planning	Strategies for the future
9.	What other information, if any, would you like to share concerning your company's succession planning strategies?	Business development, team members support, retaining talent, training	Team building, training, and support

#### 4.4 Overview and thematic development

Eight themes emerged from the study pertaining to the strategies for preparing future leaders of family-owned businesses to assume leadership roles within the organisation (see Table 4.3). The development of these themes may provide the leaders and managers with useful insights to strategies of developing a succession plan. Recorded interviews were concluded, the data transcribed, and the participants' names replaced with P1, P2, P3, P4, P5 and P6”.

The study applied the data to the Atlas.ti software program that is used to help coordinate and manage the data and code themes, recurring words, and phrases. Qualitative software is “a useful tool for researchers who wish to gain analytic insight from data obtained with responses to open-ended questions (Fielding, Fielding, & Hughes, 2013). The supplemental materials were in accord with the interview findings.

**Table 4.3**

*Themes Derived from Data Analysis*

Themes	Participant Responses	% of Participant Responses
Business context	6	100
Family systems	4	67
Organisational theory	6	100
Successor related factors	5	83

Business strategy	6	100
Leadership knowledge, skills & competencies	6	100
Business development	6	100
Team building/retention	3	50

All participants (100%) in the study spoke about the importance of the decisions that are made for the company based on the on macro-micro economic consequences, the changing business environment and the current succession plan for the business. This topic further revealed varied themes across all participants who wanted to express their views. The most common themes within this business context included sale versus succession, professional management, and miscellaneous business decisions.

Family systems were also a common theme amongst the participants as (67%) invoked their understanding of family business systems and what it entails concerning the leadership and decision making on all aspects of the business while the (33%) did not. Furthermore, (100%) of the participants recognise the need and importance of a succession plan and the impact it would have on the future of the business. This further raised two other common themes pertaining to planning for the future of the company and the role that each participant plays in the profitability and success of the company. Majority, (83%) of the participants realised the importance of preparation of the successor, their willingness to lead and the skills and competencies that are needed for leadership whilst (17%) believed that experience of the successor counted more. Lastly, only (50%) of the participants noted that teambuilding and retention played an important role in keeping the staff and morale up and the other (50%) did not see the value of expanding team building programmes within the company.

## **4.5 Discussion**

### **4.5.1. Theme 1: Business Context**

Research Question: Please explain your company's official or unofficial succession plan.

The data presented three main categories of business context decisions, namely: sale versus succession decisions, the employment of professional management and some

uncategorised business decisions. The results of the findings and the literature review determined an effective succession plan may provide an organisation with successful business development to sustain the organisation into future generations. Furthermore, it may provide the business with the alternative of keeping the business within the family as opposed to a sale. This however could mean that a decision of hiring a professional manager to take over in the event that a successor within the family is not capable to lead.

Family businesses exist in a business context with unique consequences and challenges as a result of their particular economic and cultural environments (Pieper & Klein, 2007). The data show that family business has been confronted with the decision of: sale versus continuity (succession) in their previous discussions. There are various consequences that may lead to the family considering a sale as opposed to a succession. Business owners are generally concerned with their financial prosperity, and the sale of a family business may be an attempt to realise some of that value, if they do not have confidence in the next generation to create longevity.

The leaders in this family business were faced with this concern which lead the company to develop the current succession plan in order to address their need of wanting to keep the business within the family. One of the owners P1 stated that,

*“we have been confronted in the past with a situation where we had to decide if we wanted to hand the business over to our children. This came from a point where we did not want to force our kids to be part of our dream of growing the company and keeping it within the family for generations to come. They have their lives and they must live it. My husband and I decided that it was best we let them choose their path and if they wanted to be part of the business, but of course our ideal situation would be to leave it to them”.*

The findings based on this data suggested that the leaders in this family business understood the importance of a succession plan in an event that should a life event or retirement take place, the business would have a successor who can take it forward. At the time of this research, the organisation had an informal succession plan which was not officiated into a legal document although all the participants were aware of it. In the situation where potential successors are not willing to enter the business or the leaders do not feel the potential successors are adequate to take over, it is unlikely a

succession will occur (Brockhaus, 2004). However if the family business owners wish to keep the ownership but retire from management of the business then they may employ professional management if there is a large age gap between leaders and potential successors, in order to 'plug' the gap. Professional managers who are hired by family businesses need to be process-orientated and understanding of the needs of the business (Hall & Nordqvist, 2008).

P1 also pointed out that, although the plans are for their two children to take over, the succession plan would include provisions for in the case where either one or both of them decide not to take over, for a professional manager to be appointed. Developing a successful succession plan contributes significantly towards the success of the business (Kippist, 2013). All the participants (100%) stated that they recognized the importance of a succession plan and why it is a major component in the business development and the sustainment of the organisation.

Family businesses are often evaluated based on their strengths and weaknesses (Boyd, Botero, & Fediuk, 2014). Concurrently, the leaders in family business will consider their concern for their family and concern for the organisation. They use both these elements to gather information regarding the status of the business in order to decide if they will engage in the succession planning process (Boyd et al., 2014). There are six family factors that affect the growth of family owned businesses:

- family dynamics,
- the leaders plan and vision,
- the successful development of future planning,
- community involvement,
- conflict management, and
- the approach family leaders take toward risk (Cater & Young, 2016).

Boyd et al, (2014) suggests that business owners will most likely participate in the succession process if they firmly believe the business is sustainable for the future and family members are desiring and capable of moving the business forward (Boyd et al., 2014).

#### 4.5.2. Theme 2: Family Systems

There is a connection that exists between the findings and the literature review that proved individual traits can greatly influence the success of family systems. At group level, interpersonal dynamics are affected; at the organisational level, cultural opinion and views are considered (Whatley, 2011).

García, Castejón, Juan Mart, & Pérez, (2014) state that human life is embodied with disputes and disagreements, and this is a natural phenomenon. During the interviews, (67%) of the participants spoke about decision-making, conflict resolution and team work within the organisation. When P3 was asked about the decision making structure in the company, she responded by stating that,

*“the directors often do not interfere with how we do our work. In fact, they always encourage us to think outside the box and make suggestions on how we can change things for the better where we struggle. I like this approach because it makes me feel my points are valid and are taken serious. I can only hope that whoever would step in their shoes in the future will also give us the same respect”.*

When asked about how conflict is resolved between a family member and a staff member in the organisation, P3 responded by stating that management allows the team to solve problems on their own before escalating them to the leaders.

During the interview with P4, he was asked the same questions as P3 relating to decision-making and conflict resolution in the company. P4 responded by saying that *“I am happy that I am included in the planning and decision making processes for the company, but I also know that the ultimate decisions for the company are made by the leaders and not the department heads. I understand that this is a family owned business and such is expected”.*

P4 proceeded to state that *“when conflict arises between staff members, it is quickly resolved in most cases without escalating it to senior management. P4 further stated that they respect the position of each person in the company and the staff is also afforded the same respect”.*

### 4.5.3. Theme 3: Organisational Theory

Research Question: What role do family members play in your business and succession planning?

Organisational theory focuses on the approaches to analysing the business environment for an organisation. This analysis will assist the organisation in specifying their goals and formalising them on paper.

This theme relates to the literature review on succession planning methodology and the exit of Baby Boomers from the workforce. Various methods and steps have been proposed on how leaders can plan for succession. These are usually tied to the unique position of an institution. Appelbaum et al, (2012) states that leaders ought to plan for departures of Baby Boomers within the organisation through succession planning, particularly for those in key positions.

Furthermore, the analysis of the internal and external environment of the organisation highlights the strengths and weak points of the organisation. This presents a platform to establish new goals, re-focus and plan for the future. This process of organisational development is as important as planning for future leadership of the organisation.

During the interview session with the owner of the business, P1 was asked about the role that family members play in the business. Their response was that their two children are involved in some of the projects undertaken by the organisation but have not been part of the daily team for operations. The researcher further probed P1 on how she plans to integrate them fully in the company as her successors. She responded by stating that *“both the children take parts in projects with the organisation and that gives them insight into the operations of the business and allows them to grow and develop skills from different sectors which they can use in future to run the business”*.

The second owner of the company P2 was asked the same questions as P1. He responded by stating that he engages his children in the affairs of the business. Although they may not be full time in the office, the children are aware of the business dealings. Furthermore, they are given opportunities to propose projects that they want the company to embark on, and are tasked with the responsibility to see it through.

The researcher further asked P1 to explain the relationship between his children and the management of the organisation. P1 responded by stating

*“the children (planned successors) learn a lot from the current management team and the team is also very supportive of their development. However, there are conflicts occasionally between them but it has always been about work and the projects that they are involved with. This is common in every work place where there is a clash of ideas between parties”.*

A further probe was asked to the leader if he thought his children use their status in the family business to overrule or make final decisions on the projects they work on. P1 responded by stating that the management staff were informed that they can always approach the owners of the business if they are ever presented with such a situation. He continued to state that the children work well with the staff and they do not intimidate the staff based on being the future leaders. Furthermore, the successors know that they are in the business to learn, gain knowledge and skills from the team.

Boudreaux (2011) states that leadership transition and skills transfer can be successful if business leaders identify and groom potential future leaders to assume responsibilities in management of the company. This family business will identify their future successors and allow the process to groom them through delegating part responsibilities in the organisation. Furthermore, their involvement in the company will identify gaps which can be addressed in the succession plan that will be implemented when the time comes. Applying such practical elements to succession planning contributes to the sustainment and performance of organisations (El-Chaarani, 2013).

#### **4.5.4. Theme 4: Successor Related Factors**

Research Question: How does succession planning affect the wellbeing of your current and future leaders?

There are many factors to consider when it comes to choosing the successor for a business or leadership role. These factors include the preparation of the successor, their willingness, business cycles and the need to be entrepreneurial, the stigma of joining the family business, autonomy of the successor, the personal needs of the successor and the perceptions of the successor to mention a few.

In the discussions during the interviews, (85%) of the participants referenced the preparation of the successor and their willingness to lead as two of the most important elements of succession whilst (15%) did not. Other elements included the current leadership's management style and decision-making abilities. Some responses were as follows:

*"I believe that the successors must know the ins and outs of the business. They need to know how to run the company and make good decisions"*

*"You can't force someone to do something just because it's their inheritance. They must want to be part of the business and be passionate about the work we do, otherwise they should just leave it to someone who can do it for them"*

*"Our current leaders are open and fair people. They give us opportunities to excel in our work. They do not interfere with how we do things and they ask for our input when making decisions"*

*"The owners have always been open about the fact that they started the company so that their children can have a future. All other reasons were secondary but not less important. I like that they do not put pressure on their kids to join the company full time. But when they [successors] make progress with their projects, they ask everyone to help them"*

Poza (2010) states that a successor can be prepared internally and or externally to take over the business. Each method individually or combined can give the successor the adequate training they need to assume the leadership role. To illustrate the importance of these, the following responses apply.

*"I believe the successor must be competent enough to lead. They must learn the ropes fast and know what each person in the business does. They must learn this, and the best way is to start from the bottom up".*

*"Knowing how the world works is usually a good place to start. Leaders know how to treat employees fairly and still be firm at the same time. That is not something you learn overnight".*

*"Let them gain experience first before making them leaders. It would not be fair on us [staff] and them [successors] if they were just thrown in. that would be setting us [business] up for failure".*

The family business leaders give their successors opportunities to be prepared to take over the business when the owners retire or move on. The owners realise the importance of having prepared leaders to take over when the time comes and this according to them, gives relief knowing that their children have a future.

A successor related factor that was equally important with the leader being prepared to take over the business was their willingness to lead. Generally, the more willing the successor the greater the passion developed for succeeding the business (Prior, 2012).

Various elements were mentioned by the participants during the interviews that illustrate the importance of having a willing successor:

*“There is a general perception that when you didn’t work hard for something big that is given to you, then you do know its real worth and you will abuse it until it is worthless. I agree 100% with this! But sometimes, when you love something that was given to you, you make the effort to keep it in the best condition for a long time”*

*“They [successors] are given a chance to make a success of the business. Not many people get that. But if they don’t enjoy, let them rather go do something else or sell the business to someone willing to put in the time and effort”.*

The participants agreed that willingness has to come from within and the successor must not be put under pressure to join the family business. The will to uphold the legacy of this family business became apparent to the owners when the successors were willing and eager to collaborate with the business on their projects. These important elements are key to the success of the succession plan.

#### **4.5.5. Theme 5: Business Strategy**

Research Question: How is succession planning integrated with the company’s strategic planning process?

When companies integrate succession planning and business strategy, the probabilities of success increase. This will give employees a full picture of the direction and vision of the company and help it to become more sustainable in future. Kumaran (2015) state that, incorporating succession plan with the business strategy will ensure that the right people are placed in the right positions. It is about not just replacing but

also preparing the family members or trusted individuals within or affiliated with the organisation to take on leadership responsibilities at any moment (Kumaran, 2015).

In order to effect these strategies, leaders ought to fill the central positions with expertly trained people who understand the company and are able to take it forward. P2 state, *“There are a lot of processes in place to develop key people and execute the plans of the company”*. P2 felt that the company must continue to develop key people, to get the best from them by cross training them in different positions, and to educate them as the company plans to move forward.

P1 and P3 agreed that the company’s strategic planning process also encompasses elements of succession planning particularly for the key roles.

The consensus with P4, P5 and P6 was that more needs to be done in ensuring that the right person is filling the right position so that there is growth and continuation within the business.

#### **4.5.6. Theme 6: Leadership knowledge, skills & competencies**

Succession planning allows the current leaders to plan the future and to provide potential leaders with a blueprint to follow. A blueprint has five elements:

1. The first element relates to all customer actions and services provided.
2. The second element exposes tangibles to clients who can affect their opinions.
3. The third is the result of interactions between the customer and the provider and the decisive moment.
4. The fourth element consists of provider actions that are invisible to clients.
5. The final element is the foundation of processes separated from the invisible employee contact by the line of interactions from within (Trkman, Mertens, Viaene, & Gemmel, 2015).

Both current and potential future leaders can use succession planning as a tool in conjunction with other business strategy to determine the future needs of the company.

The company uses processes and procedures to capture and retain the knowledge of veteran workers. In these sessions, veteran employees are encouraged to share their

wisdom and insight of how the company operates. This is beneficial particularly for the new employees and those that wish to grow within the family business.

The roadmaps provided serve to channel more resources and coaching not only to the skilled workers but also to those employees who recently joined the company. Roadmaps are essential in supporting and implementing business strategies across the organisation that can be the source of organisational success (Byrne, Keys, Schaffer, & Solic, 2014).

Employees and leadership capture knowledge through these information-sharing sessions by documenting the policies and procedures. Configuration and analysis of business processes and systems play a vital role in an organisation (Lam, 2015).

The company uses an open door policy that allows employees at any level to input suggestions, complaints, or anything that needs attention. Having such policies in place keeps up the morale of the employees, enables the employees to stay invested, and makes sure employees are staying on task and things are running appropriately.

#### **4.5.7. Theme 7: Business development**

The results of the findings and the literature review have demonstrated that an effective succession plan may provide the organisation with successful business development to sustain the organisation into future generations. Kippist (2013) agrees with this statements as they also state that developing a succession plan contributes significantly towards the success of the business.

All the participants (100%) stated that they recognized the importance of a succession plan and the role it plays in business development. They also recognised that the succession plan allows the company to determine the needs of business in conjunction with the business strategy. This is critical since a succession plan that is well designed and integrated with the organisation's strategies can save company leaders time attempting to find a replacement of the leader that retired or left the company for other reasons (Hall Ellis, 2015).

At the time of this study, the organisation had an unofficial succession plan and was in the process of making the plan a legal document that would go into effect upon the leader's retirement or if anything unforeseen happened.

All the participants by the end of the study were familiar with the need for an effective succession plan, what it means to the future of the company, and what needs completing to make their document official and legal. In this family-oriented company, participants have had round table discussions and multiple meetings regarding the contents of the succession plan and what having a succession plan means to the company. Should something unforeseen happen or the founder retires; there is a person who can assume the leadership role.

*“Currently, our succession plan document is unofficial but nonetheless can be enforceable should any unforeseen event happen. However, our mission right now is to ensure that it is as detailed as possible so that it can give guidance to the new leader”.*

P1 also pointed out that even though the plans are for the children to take over, the succession plan will include contingencies where for whatever reason the children are not able to assume control of the business. This will ensure continuity of our legacy.

#### **4.5.8. Theme 8: Team building/retention**

Team building involves engaging employees in order to improve and encourage team members' interactions, trust levels, and support levels. It also can minimise stress within the workplace and promote a unified team” (Karmakar & Paneerselvam, 2014).

P1 was supportive of team building and noted that team building gives key personnel an opportunity to mentor future leaders and the employees. P1 also indicated that,

*“If anyone is struggling with the organisation, the area they are struggling in can be identified and addressed when the person is teamed up with someone to help them. By immediately addressing the problem, this helps the individual in being able to effectively complete their job and help the company to move forward with everyone on the same track”.*

The company promotes transparency with the short-term and long-term goals the organisation is trying to obtain.

The company engages in different staff retreats in order to promote a healthy and fun atmosphere, so employees enjoy coming to work. By participating in a variety of events during different sessions, managers can focus on different skill sets and

address needed areas. To build a successful team, leaders must understand the qualities and competencies of what each member contributes (Matthews & McLees, 2015).

However, not all company members feel the need for team building, as they believe that the company already has a strong culture and sense of ownership amongst the employees. P4 feels that the company ought to invest more in adequate training of the job and upskilling of employees.

*“I realise the importance of team building, but since we are a small office, I believe this already takes place on a daily basis as we help each other out more often than not. I believe that instead of going to expensive retreats, we can use that money to further upskill the staff on how to best do their jobs”.*

#### **4.6 Summary**

The participants in the study took part in in-depth interviews with the researcher and the data analysed from the participants led the research to common themes that emerged. These themes suggested that the importance of succession planning within this organisation is realised and the responses provided suggested the current leadership understands the needs for their business.

The following chapter consists of the discussion and application of the findings. Furthermore, the following chapter will make recommendations that can be applied by family owned businesses who wish to embark on planning for succession”. The assumption was that all the participants offered a truthful perspective of their experiences with the family business.

## **Chapter 5- Research Application**

### **5.1 Introduction**

This chapter will focus on the application of the findings that were tabled on the preceding chapter. The “research questions were identified using the literature to identify key themes and constructs. The discussions were based on these constructs in order to verify their validity and further identify other phenomena surrounding the family business succession process.

This chapter relates the results from the interviews with the six family business leaders and managers of the logistics and property development company. Each of the specific research questions was an attempt to answer the main research question: What strategies are used to prepare future leaders of family-owned businesses to assume leadership roles? The findings were tested against the literature and the researcher’s own insight as a member of a family business. Finally, disparities in the knowledge and findings are discussed and a model is proposed to better understand the determinants of a successful family business succession plan.

### **5.2 Application**

The findings in this study indicated that, family-owned logistics and property management companies have a compelling need for a succession plan. One of the objectives of the study was to determine the importance of a succession plan in family business.

Staehr (2015) note that, in many cases implementing a succession plan is often postponed, delayed, or left to last minute where some components of the plan have become irrelevant to the time. In this study, all participants noted the need and importance for a succession plan, but no one indicated any urgency in executing and completing the plan promptly. The participants, although knowing the importance of this document, no further steps have been taken to ensure completion and enforceability of the document for any unforeseen circumstances. The leaders and managers of the family business can use the findings and recommendations from this study to complete current and document future succession plans in a more organized approach and by developing a road map to clarify positions

Secondly, the study aimed to determine the role that business leaders can play in succession planning. The participants in the study demonstrated that the current leadership took the initiative to develop a succession plan even though it has not been taken to completion. The leadership spearheaded this process in collaboration with other senior staff members in the organisation.

When the participants were questioned about the role of the leaders in the development of a succession plan, the consensus was that the business was founded and established by owners who had a vision and a need to leave a legacy to their children. It is thus important for the leadership as the founders to spearhead the completion of the succession plan so that a clear roadmap outlines the steps to be taken in an event where the founders are no longer in a position to lead.

The findings suggested that the participants are content with informally documenting information without formally finalising the document. However, the role of the leadership in developing a succession plan was established as the key individuals who are responsible for establishing and implementing the succession plan.

Research by Hooijberg & Lane (2016) suggests that there is a common trend for leaders of many organisations to poorly plan for top leaders' succession, and the cost of failure can be high. There are three main reasons: the criteria for hiring do not align with strategic needs, those responsible for completing the succession plan do not want to upset or alienate themselves from the top leader, and a lack of development for some managers below the senior leaders (Hooijberg & Lane, 2016). There needs to be active participation from all levels of management in planning for succession with the aim of reducing financial costs, organisation development, and strategic goals (Kippist, 2013).

Furthermore, the study aimed to determine strategies that family owned businesses can use to identify potential future leaders.

In family business, the founders often have their own personal reasons as to why they started the business. Their vision and goals are the driving forces behind the success of the business. The leadership of the organisation in the study alluded to have started the business due to a gap they saw in the market but more especially, it was to secure a bright future for themselves and their family. In such cases, often the strategy is to

appoint one or all their children into the key roles of the business where the founders leave the organisation.

Other non-family participants in the study recognised the wishes of the current leadership to have their children take over the business when the time comes. The findings suggested that there was a clear strategy in place to groom the children to take over the leadership of business. In the case where the children are not able to take over the business, the informal succession plan developed made contingencies to appoint a potential 'outside' leader however there was no determination made as to who this potential leader would be and the training requirements needed to ensure a smooth transition. The business can benefit from the recommendations to be made in the following section.

Lastly, the study aimed to assist family owned businesses in developing a blueprint for succession planning. The literature investigated in this study suggests that there isn't a single blueprint that family-owned businesses can use as the dynamics in each business are different. However, where there are commonalties in business, a blueprint developed for family business might assist other organisation in preparing for succession. The commonalties may include a similar industry or family business structure.

The findings in the study suggests that a blueprint can be developed for family businesses in the similar industry that highlights the steps that must be taken into account as well as details the responsibilities of leadership and other stakeholders when preparing for succession. The current 'informal' succession plan investigated in this study lacked critical components such as the roles and responsibilities of parties concerned in the development and implementation of a succession plan.

Although this study will not attempt to develop the blueprint for succession planning, the recommendations in the following section will enable family owned businesses to develop a skeleton that can be used to address the succession planning needs of the business. The participants in this study did not have negative sentiments about the current succession plan. This gave an impression that the state of the succession plan was acceptable to them.

### **5.3 Implications for Social Change**

Through an extensive literature review, this study has increased the awareness of the benefits of developing and implementing strategies for the succession plan in family-owned businesses, which can lead to positive social change. As noted in previous chapters, family owned businesses in South Africa contribute significantly to the gross domestic product (GDP) of the country. This sector also plays a role in reducing the level of unemployment in the country and thus their stability and continuation is of paramount importance to the economy.

After complete analysis of data from this study, the results determined that the leaders do not have effective methods in place to prepare future leaders to assume leadership roles. Although the results showed that the family-owned business had interim plans to function if a succession event occurred, there were no formal written plans that can be enforceable by law at the company; however, plans were in the process of being finalized.

The focal contribution of this study was the evidence and information provided on the advantages of succession planning in family-owned businesses. The information provided by the participants may provide tools to validate proposals and a blueprint for succession planning within family-owned businesses. Succession events may have an adverse impact on the sustainment of family-owned businesses; therefore it is important to prepare impending employees for leadership positions by assessing skill level and capabilities.

The results of this study should be considered by leaders in order to determine the strategies that can be used to prepare future leaders of family owned businesses to assume leadership roles.

### **5.4 Recommendations**

Several recommendations emerged from the analysis of the data collected and an examination of the themes. These recommendations can be used as a checklist for organisations who want to develop a succession plan. This list is applicable to all industries however, there needs to be a thorough analysis of the strengths, weaknesses, opportunities and threats of the business before these recommendations can be applied.

1. Document the goals and objectives of the succession plan.
2. Outline the roles and responsibilities of current business leadership and other stakeholders in the development of a succession plan.
3. Determine a profile of the ideal potential future leader.
4. Develop a 'potential's list of candidates that can be selected.
5. Perform a skills audit on the current workforce versus the future needs of the organisation.
6. In the case where the founder's children are not able to assume leadership role, identify future potential leader.
7. Assign the names in the order of preference and priority.
8. Determine training needs.
9. Determine/revise a long-term business strategy and align succession plan to the long-term business strategy.
10. Develop a financial plan for succession planning.
11. Prepare a code of governance to be integrated to the succession plan.
12. Implement test phase of the succession plan and monitor results.

It is important to document strategic goals and objectives for the organisation. Leaders should determine future retirement goals of seasoned personnel and engage professional consultants, if necessary, to help in finalizing the succession plan. Providing training for leaders and managers and involvement at conferences or other gatherings could help to educate key personnel on the benefits of having a succession plan within the organisation.

The roles and responsibilities must be outlined so as to have points of accountability in the development of a succession plan. This will ensure that the plan is developed timeously and implemented accordingly when the need arises. The succession plan is a live document, which means that it must be flexible and can adapt to change in any circumstances.

It is important to have a profile of the ideal candidate as this will make the hiring process easier as there is a profile that already exists for the potential incumbent. A

skills audit is thus necessary as it will also point out the strengths and weaknesses of the current staff.

The succession plan must be developed in conjunction to the business strategy. This will ensure that there is alignment in the future goals and vision of the organisation. This would also mean that an organisational development program must be developed to ensure alignment of these two strategic plans.

Leaders and managers must be part of the decision-making process through their active involvement. This promotes a culture of transparency. This company would profit from acknowledging that two succession plans are being considered. Plan A should involve a family member taking the lead and Plan B if needed, is having a non-family member from within the company, with the necessary skills, take on the leadership role.

There needs to be a continuous leadership development and training programme for potential future leaders to enhance their paths to excel in the main positions and to develop their abilities to meet the needs of the organisation.

Furthermore, a financial plan that contains estate planning, tax implementation, and any other financial matters that affect the business must be developed for the organisation. Lastly, leadership should set milestones for each phase of the succession plan, with a firm date for implementation to ensure a commitment to the organisational needs.

## **5.5 Conclusion**

Research by Boyd et al, 2014 have revealed that over 70% of family-owned business do not have a succession plan in place for the continuation and future of the organisation (Boyd et al, 2014). With the state of the economy in South Africa, family-owned businesses are essential to reviving and keeping the economy afloat. It is therefore imperative that there are contingencies taken into account for positions of senior managers and key positions when developing a succession plan.

Succession is the process of transitioning of leadership and possibly ownership of an organisation. It is thus an important process for organisational regeneration (Hayek, Williams, Wallace, Taneja, & Salem, 2015). There is an acute awareness of the importance of having a succession plan in place amongst leaders in family owned

businesses, however it is often not viewed as a priority and no proper planning is done as a result (Boyd et al, 2014).

The recommendations above can be used as a strategy to prepare future leaders of family-owned businesses to assume leadership roles". Further research in the field of family-owned businesses is necessary to address the impact of the lack of succession planning in this industry.

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## Appendix A



Date: 10 October 2018

Dear Ms Nontobeko Makanya,

My name is Victoria Nomathamsanqa Gasa from the University of KwaZulu-Natal Graduate School of Business and Leadership, student number: 206521817 e-mail: [veegasa@gmail.com](mailto:veegasa@gmail.com) .

I am a master of business administration student who is currently conducting research in partial fulfilment of my degree.

I have chosen to base my research on succession planning and implementation in family owned businesses. I have selected your company as my case study and would like to interview your company leadership.

The study is expected to enroll not more than 10 participants who are senior management of the organisation. It will involve conducting individual interviews with the participants. The duration of your participation if you choose to enroll and remain in the study is expected to be 30 minutes.

I would appreciate it if I can be given an opportunity to conduct this research where the findings can be shared with your company and recommendations.

I look forward to your favorable response.

For any further information, kindly contact me on the details below.

Kind regards,

---

Ms Victoria Gasa  
0729114002  
[veegasa@gmail.com](mailto:veegasa@gmail.com)

## Appendix B



### Consent to Participate in Research

Date:

To the Participant

My name is Victoria Nomathamsanqa Gasa from the University of KwaZulu-Natal Graduate School of Business and Leadership, student number: 206521817 e-mail: [veegasa@gmail.com](mailto:veegasa@gmail.com).

You are being invited to consider participating in a study that involves research in order to evaluate succession planning implementation in family owned businesses. The study is expected to enroll 6 participants who are senior management of the organisation. It will involve conducting individual interviews with the participants. The duration of your participation if you choose to enroll and remain in the study is expected to be 30 minutes. The study is self-funded.

The study will provide no direct benefits to participants.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee.

### **CONSENT TO PARTICIPATE IN RESEARCH**

I \_\_\_\_\_ have been informed about the study entitled “An Evaluation of Succession Planning in Family Business: A case Study of the Tholakonke Group”, by **Miss Victoria Nomathamsanqa Gasa**.

I understand the purpose and procedures of the study.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at:

**VN Gasa**  
**24 Gilbert Road**  
**Bisley**  
**Pietermaritzburg**

**3201**  
**Cell: 072 911 4002**  
**E-mail: [veegasa@gmail.com](mailto:veegasa@gmail.com)**

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus  
Govan Mbeki Building  
Private Bag X 54001  
Durban  
4000  
KwaZulu-Natal, SOUTH AFRICA  
Tel: 27 31 2604557 - Fax: 27 31 2604609  
Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

**Additional consent, where applicable**

I hereby provide consent to:

Audio-record my interview / focus group discussion      YES / NO

\_\_\_\_\_  
**Signature of Participant**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Signature of Witness**

\_\_\_\_\_  
**Date**

**(Where applicable)**

\_\_\_\_\_  
**Signature of Translator**

\_\_\_\_\_  
**Date**

**(Where applicable)**



## INTERVIEW SCHEDULE

An Evaluation of Succession Planning in Family Business. A case Study of Gender Tholakonke Group.

My name is Victoria Nomathamsanqa Gasa, a Master of Business Administration student of the University of KwaZulu-Natal Graduate School of Business and Leadership. As a partial fulfilment of the Master of Business Administration course, I am required to submit a research based on a topic of interest to me.

As part of the research, I am carrying out face-to-face interviews with the leadership and Management of Tholakonke Logistics and Property Development Group. The information we gather today will be used to help write the research report which will be used for academic assessment as partial fulfilment of the requirements.

Please be assured that no Employee of Tholakonke will be named in our report and nothing will be linked back to interviewee. Therefore everything you tell me will be treated as confidential. However, should you mention something that leads me to believe that you and/or someone else is at risk of serious physical and/or emotional harm, I will have to pass this information onto my supervisor.

Please note that this interview is voluntary.

— ***The interview should take around 30 minutes.***

— ***Are you happy to take part in the interview today? You are free to withdraw from the interview at any point if you wish to.***

— ***Do you have any questions before we start?***

— ***Just to help me with my notes is it OK to record our conversation?***

### Questions

1. Please explain your company's official or unofficial succession plan.
2. What role do family members play in your business and your succession planning?
3. Who is involved in the developing the succession planning at your company?
4. How does succession planning affect the well-being of your current and future leaders?

5. What strategies do leaders in your company use to capture and retain the knowledge of your veteran workers?
6. What role does the family systems play in your organisation's leadership?
7. What steps does your company take to improve goal clarity and to increase skill proficiency of current and future leaders?
8. How is the succession plan integrated with the company's strategic planning process?
9. What other information, if any, would you like to share concerning your company's succession planning strategies?

— ***'Do you have any questions or would you like to add anything else to your responses?'***

— ***'Thank you very much for participating in this research. Once our report has been published, we will send you a copy.'***

— ***'Please could I check that I have your correct contact details?'***

## Appendix D



4 December 2017

Miss VN Gasa 206521817  
Graduate school of Business and Leadership  
Westville Campus

Dear Miss Gasa

Protocol reference number: HSS/2146/017M

Project Title: An evaluation of of succession planning in family business: A case study of Tholokanke Group

**Full Approval – Expedited Application**

In response to your application received 9 November 2017, 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,

Dr Shrenuka Singh (Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

Cc Supervisors: Dr Abdul Kader  
Cc Academic Leader Research: Dr M Hoque  
Cc School Administrator: Ms Zarina Ballyraj

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Humanities & Social Sciences Research Ethics Committee

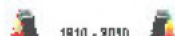
Dr Shrenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (3) 81 250 3597/3380/4657 Facsimile: +27 (3) 61 260 4806 Email: [vh@hss.ukzn.ac.za](mailto:vh@hss.ukzn.ac.za) / [shrenuka@hss.ukzn.ac.za](mailto:shrenuka@hss.ukzn.ac.za) / [mbhuna@ukzn.ac.za](mailto:mbhuna@ukzn.ac.za)

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