

MANAGEMENT SUCCESSION IN BLACK-OWNED FAMILY BUSINESSES: AN EXPLORATORY STUDY

ABSOLOM NETSIANDA

Mini-dissertation submitted in partial fulfilment of the requirements for the degree Master
in Business Administration at the North-West University, Potchefstroom Campus

Supervisor: Dr SP van der Merwe

November 2008
Potchefstroom

ABSTRACT

The objective of this study is to assess management succession in black-owned family businesses in the Vhembe District in Limpopo Province in South Africa.

In both developed and developing countries, the majority of family businesses are family owned and controlled and these businesses contribute significantly to their economic growth. To be sustainable, family businesses should anticipate, recognise, understand and work pro-actively on issues, learn from other businesses and find their own unique solutions.

Management succession in family businesses is an issue of significant importance. The manner in which succession in family business is managed will impact upon the broad business sector and society, not only upon these individual family businesses.

This research was conducted by means of a literature and empirical study. The purpose of the literature study was to gain in-depth knowledge on family businesses and management succession. The literature study formed the basis of understanding family businesses and management. Topics covered in the research literature include: definition of a family business, unique characteristics of family businesses, the advantages and disadvantages of family businesses, challenges to the continuity of family businesses, definition of succession and succession planning, the importance of management succession, the nature of the succession process, the selection of a successor, mentoring and preparing a successor and the final transfer of management to the successor.

It was concluded on the basis of the findings of the empirical study, that the most neglected aspects that could hinder successful management succession in black-owned family businesses in the Vhembe district, are management succession planning, estate and retirement planning, the selection of the successor, the prevention and

management of conflict and the establishment of family forums to enable effective communication within the family businesses.

Practical recommendations were suggested to support the family and the business to effectively manage the management succession process in family businesses.

DEDICATION

I dedicate this project to my late mother Phellepinah Mushaathoni Netsianda, my uncle Alsonary Ada Netsianda and my sister Thelma Naledzani Netsianda.

ACKNOWLEDGEMENTS

I would like to thank the following people who gave me the strength and courage to complete this dissertation and were influential during my studies. My deepest appreciation goes to:

- My Supervisor, Dr Stephan van der Merwe for his guidance, wisdom and patience.
- My wife Joyce Humbulani Netsianda-Mdau, my daughter Jacqueline Tshifhiwa and sons Rudzambilu and Shandukani for their patience and for allowing me to stay away from home for long hours and days.
- My father, Robert with his encouraging words.
- My brothers Tshifhiwa, Tshilidzi and Thilivhali and sisters Mbamba and Livhuwani for their support.
- My father-in-law William Mdau who in some way contributed to the choice of this study.
- My sister-in-law Cecelia Mdau, my friends Dr Nanga Lidovho and Marubini Mapholi, and relatives for their support.
- All the respondents (entrepreneurs) for their honest and timely response to the questionnaires.
- Members of my study group especially Tshilidzi Manyaga for her encouragement and support.
- Above all, God Almighty for carrying me in times of vulnerability and who gave me wisdom, strength and energy.

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CHAPTER 1

THE NATURE AND SCOPE OF THIS STUDY

1.1 INTRODUCTION

Family businesses are the most prevalent and pervasive form of business through all of history (Kenyon-Rouvinez & Ward, 2005: 1). According to Venter and Boshoff (2007: 42), small and medium-sized family businesses are known for creating jobs and economic wealth globally. They are also becoming the dominant form of enterprise in developed and developing countries around the world. Gersick, Davis, Hampton and Lansberg (1997: 2) indicated that 40 percent of the Fortune 500 companies are family-owned or controlled.

According to Kenyon-Rouvinez and Ward (2005: 1-4), 50 to 90% of the Gross Domestic Product (GDP) in all free market economies is represented by family-owned businesses. In Holland, for instance, small family businesses represent 75% of all the registered businesses in the country. In the United States of America, small family businesses generate 65% of all employment. In India, it was discovered that sixteen family groups make up 65% of all private sector assets and fifteen family groups in Chile represent more than 50% of the market value on the Santiago stock exchange.

The Ford family which is now in its fourth generation, controls 40% of the Ford Motor Company and the Walton family, in its second and third generation, controls 39% of Wal-Mart. In South Africa, approximately 80% of businesses could be classified as family businesses and the percentage is also expected to increase in the near future. Family businesses can continue to offer powerful opportunities for future economic growth in South Africa. This is so as more large corporations continue to be rationalised and the formal sector being unable to create more new jobs (Venter, Boshoff & Maas, 2003: 3).

From the above-mentioned figures, it is obvious that successful perpetuation of family industry is important to the owning family and the society. However, in reality as Friedman (1998: ix-xi) has indicated, there is no indication that the high number of failed family businesses has been reduced.

There is no doubt that there is a quiet crisis around the world that centres around ensuring effective succession in organisations of all types, sizes and industry categories (Voeller, Fairburn & Thompson, 2002: 7). There is enough evidence that shows that more than 20% of the senior leaders in many organisations could be retiring after the next five years.

According to Voeller *et al.* (2002: 7-8), as much as 43% of the people who own and operate closely-held businesses that comprise 80% of the North America economy are to retire in the next five years. The small-family businesses in the Vhembe District are not immune from this crisis. The family-business is faced with the challenge of finding and grooming people who can replace the seniors.

Voeller *et al.* (2002: 11) and Marshall, Sorenson, Brigham, Wieling, Reifman and Wampler (2006: 353-354) indicated that succession planning is a process that every family has to deal with sooner or later. They further state that it is a process that many business owners find difficult to contemplate as it involves facing the reality of aging and turning over control of the business to the successor. According to Voeller *et al.* (2002: 12) and Sharma (1997), succession planning is a process that includes strategic planning, financial planning, estate planning and the preparation of successors within the context of a family and within the context of a business.

Longenecker *et al.* (1994: 137) are of the opinion that family business implies ownership of more family members in the life and functioning of that business. As Venter and Boshoff (2007: 42) have indicated, the inadequate transfer of leadership and ownership from one generation to the next generation is seen as the primary reason for the lack of longevity in family businesses.

1.2 PROBLEM STATEMENT

The most common form of business structure is family businesses. These businesses employ many millions of people and they also generate a considerable amount of the world's wealth. According to Venter *et al.* (2003: 3), since family-owned businesses are a primary contributor to the economic and social well-being of all capitalist societies, their general lack of longevity is a cause for concern. Internationally, it has also been estimated that only 30% of family businesses survive to the second generation whereas fewer than 14% make it beyond the third generation. In South Africa in particular, only one in four family businesses survive into the second generation.

Therefore, the economic and social cost due to this high failure rate has impacted negatively on South African economic growth. Again, according to Venter *et al.* (2003: 3) and Daba (2007: 4), this high failure rate among first-and second-generation family businesses is due to their inability to manage the complex and highly emotive process of ownership and management succession from the founder to the next generation.

It is therefore, important to identify and understand the factors that influence succession in family businesses in order to be able to manage succession properly. Chances of finding a competent successor and ensuring a smooth leadership transition between generations can be maximised if succession is well considered and planned (Venter *et al.*, 2003: 3).

This study is focused on management succession in black-owned family businesses. The ultimate objective of the study is to offer managerial recommendations and effective strategies that can help family business owners to successfully address succession.

1.3 OBJECTIVES OF THIS STUDY

1.3.1 Primary objective

The primary objective of this study is to assess management succession in black-owned family businesses in the Vhembe District.

1.3.2 Secondary objectives

In order to address the primary objectives of the study, the following secondary objectives were formulated:

- To obtain insight into the dynamics of family businesses by means of a literature review.
- To obtain insight into the dynamics of management succession in family businesses by means of a literature review.
- To determine the reliability of the questionnaire.
- To assess management succession in black-owned family businesses in the Vhembe District.
- To examine the relationships between the demographical variable generation and the constructs measuring management succession.
- To determine the correlations between the dependent and independent variables.
- To suggest practical recommendations to ensure successful management succession in black-owned family businesses in the Vhembe district.

1.4 SCOPE OF THE STUDY

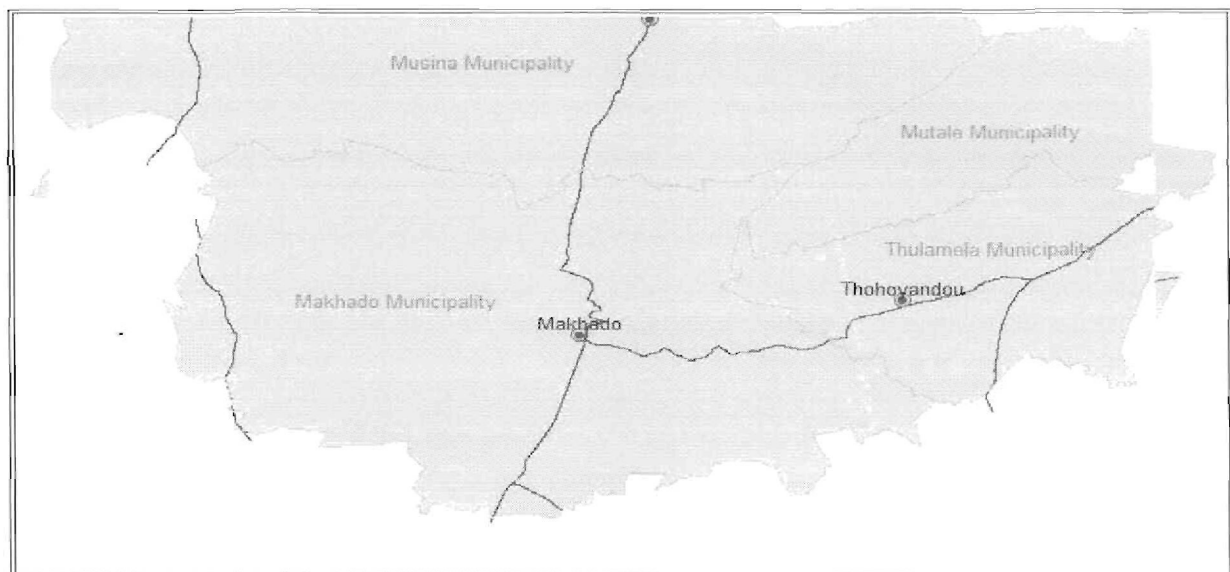
1.4.1 The field of study

The field of this study is entrepreneurship with the focus on management succession in black-owned family businesses.

1.4.2 Geographical demarcation

The study is conducted in the Vhembe District in Limpopo Province. The Vhembe District is formed by four municipalities, i.e. Thulamela, Mutale, Messina and Makhado (see Figure 1.1).

Figure 1.1: Vhembe district in Limpopo Province



1.5 RESEARCH METHODOLOGY

According to Daba (2007: 6), research is a process in which scientific methods are used to expand knowledge in a particular field of study. It tries to generate new knowledge that can in turn be applied to solve problems, improve quality of life and provide better

understanding of the problem. According to Struwig and Stead (2001: 3-4), research is based on an open system of thought as researchers are entitled to think anything. Research enables researchers to examine data critically and generalise and specify limits on their generalisations

The research process often includes quantitative or qualitative methods or a combination of the two. Qualitative research involves large representative samples and structured data collection methods whereas Quantitative research requires that the data collected can be expressed in numbers (Struwig & Stead, 2001: 3-4).

This research will be conducted in two phases, i.e. a literature review followed by an empirical study.

1.5.1 Literature study

Insight into family businesses as a form of enterprise is still limited and has largely been ignored as a study field even though family businesses are prevalent phenomena in the economies of most countries. Interest is now growing to identify and understand the facets of business that support the superior performance of family firms. The theories that support these views together with the interest in family businesses have expanded. Theory provides a guideline to investigate causalities and link information. There is no single generally accepted theory defining the family-firm concept as hard work on such theory is just starting (Venter, Kruger & Herbst, 2007: 1).

The purpose of this study is to review the different theories underlying family businesses and succession management. The review was done so as to gain more theoretical understanding on management succession and the factors that contribute towards successful succession planning. Problems encountered in succession planning and the results and recommendations from previous researchers were recognized.

According to Kenyon-Rouvinez and Ward (2005: 1), there is a growing body of knowledge about family business. New light on how business-owning families can better profit and continue is beginning to be shed through research, books, magazines and academic centres. Literature and views on family business are found almost worldwide be it locally, internationally and electronically. Information from various publications such as textbooks, journals, web pages, newspapers, magazines and previous studies on the subject will be obtained. The use of questionnaires directed at the target group and the interviews with the respondents will also help gather information that is not obtainable from relevant publications.

1.5.2 Empirical study

1.5.2.1 Questionnaire used in this study

The literature study provided valuable insight into the theoretical understanding of management succession and the factors that contribute towards successful succession planning. A questionnaire developed by Venter (2003) was utilised to conduct the research. Venter (2003) identified 16 latent constructs related to management succession based on a comprehensive literature study. These constructs can be used to measure perceptions of family members concerning the management succession process. The following constructs were identified by Venter (2003): **Family harmony, Relationship between owner-manager and successor, Outside interests of the owner-manager, Willingness to hand over the business, Mutual acceptance of roles, Management succession planning, Willingness to take over, Trust in the successor's abilities and intentions, Preparation level of successor, Outside advice and governance, Personal needs alignment, Rewards from the business, Agreement to continue the business, Estate planning, Strategic planning and Perceived success of the succession process.**

The questionnaire used in this study assessed the latent constructs with 104 statements on the basis of a 7-point Likert type scale ranging from *Strongly disagree* (1) to *Strongly*

agree (7). Respondents were required to indicate the degree to which they agreed or disagreed with each statement (Huysamen, 1994: 125). Dichotomous questions that required Yes/No answers and checklist-type of questions that required respondents to indicate a cross (X) next to the corresponding choice were also used in the questionnaire. Page and Meyer (2000: 84) emphasised that the reliability and construct validity of measures should be evaluated.

Respondents were required to complete the questionnaire handed to them. Those who were found not to be eligible to complete the questionnaire themselves were interviewed using a standardised interview. According to Struwig and Stead (2001: 87), personal interviews provide good response rates because the interviewer is able to persuade individuals to take part in the research and the data obtained tend to be accurate.

1.5.2.2 Study population

The target population of this study was small and medium-sized family businesses in the Vhembe District in the Limpopo Province. Since there is no comprehensive database in South Africa for family businesses and black-owned family businesses in particular, a convenience sampling by means of a snowball technique was used. This convenience sampling was used to identify the family businesses that could participate in this study and also to ensure that a sufficient number of responses were obtained in order to use more appropriate statistical analysis techniques to analyse data (Page & Meyer, 2000: 100).

In order to generate a preliminary list of family businesses, well-known business people were contacted in various municipalities in the Vhembe District. These business people then acted as informants and identified a further set of family businesses. These referrals were contacted to confirm that they fitted the definition of a family business used in this study (Ibrahim & Ellis, 2004: 5) and to assess their willingness to participate in the study. A list of family businesses was compiled as a result of this exercise.

1.5.2.3 Gathering of data

Questionnaires were delivered personally to be completed followed by telephone calls and structured interviews (Neuman, 1997: 251-263; Du Plooy, 1995: 109-124). A major challenge throughout the data collection was to persuade the retired owners, senior generation owner-managers active in the business, successors and potential successors to complete the questionnaires.

Each questionnaire was sent with a covering letter that guaranteed the confidentiality of their responses. A total of 86 usable questionnaires were returned from 43 family businesses which were subjected to further statistical analysis.

1.5.2.4 Statistical analysis

The data collected were statistically analysed, using Statistica (Statsoft, 2008) and SPSS (SPSS, 2006). The reliability of the questionnaire was assessed by calculating Cronbach alpha coefficients. Thereafter, the constructs measuring succession planning were assessed by means of descriptive statistics.

1.6 LIMITATIONS OF THE STUDY

This study attempted to make a contribution to the body of knowledge on management succession in black-owned family businesses and can be regarded as a small step towards moving away from the current dependence on subjective evidence and case studies.

Findings in this study cannot be generalised to the whole of South Africa because of the use of a convenience sampling technique. This sample cannot be considered to be representative of all black-owned family businesses in South Africa. Therefore, the interpretation and the utilisation of the results should be done with care.

By not using large empirical samples, the study cannot fully determine as to what extent the perceptions on succession management are different among different generations of family members.

Completely relying on the perception of the respondents, the study results in the creation of knowledge gaps between perception and reality. This limitation calls for future research that could be designed to collect data on what is actually done when black-owned businesses plan for succession.

1.7 LAYOUT OF THE STUDY

The study will be divided into the following chapters:

Chapter 2 involves a literature study on family businesses. This includes defining the family business, a discussion of the characteristics and uniqueness of family business, the advantages and disadvantages of family businesses and challenges to the continuity of family businesses.

Chapter 3 encompasses a literature study on management succession. It includes defining succession, discussing the importance of management succession, the nature of the succession process, succession planning, selection of the successor, mentoring and preparing a successor and the transfer of management to the younger generation family members (successors).

Chapter 4 involves a discussion of the construction of the questionnaire used in this study, the study population, the gathering of data and the presentation and discussion of the findings of the empirical study.

Chapter 5 entails the conclusions based on the empirical study, recommendations, achievement of objectives and suggestions for future research.

CHAPTER 2

LITERATURE REVIEW OF FAMILY BUSINESSES

2.1 INTRODUCTION

Family businesses are the most prevalent and pervasive forms of business throughout history (Kenyon-Rouvinez & Ward, 2005: 1). Chua, Chrisman and Sharma (1999: 19-23) are of the view that family businesses are ever-present within the global economy as over 60 percent of all businesses are classified as family business and arguably dominate the economic landscape.

Carrigan and Buckley (2008: 1) indicate that family business research takes the position that family firms possess certain unique characteristics related to their governance, ownership, management and vision and aims that explain why it is so. According to Venter and Boshoff (2007: 42), family businesses are among the small and medium-sized enterprises that are known for creating jobs and economic wealth globally and are becoming the dominant forms of enterprise in developed and developing countries around the world.

Upton (2001:3) has indicated that the United States has nearly 20.3 million family businesses that contribute 49 percent of the Gross Domestic Product. These businesses also contribute 59 percent of the work force and 78 percent of new jobs. It is also not surprising that some of the largest privately held firms are still steered by founding families. Wal-Mart which is a 165 billion dollar company is headed by Robson Walton, Ford Motor Company, a 162.5 billion dollar company by Clay Ford III and the Carlson Companies which are 22 billion dollar companies are guided by Marilyn Nelson and Barbara Gage.

Kenyon-Rouvinez and Ward (2005: 1-4) stated that 50 to 90% of the Gross Domestic Product in all free market economies is represented by family-owned businesses. In

Holland, small family businesses represent 75% of all the companies in the country whereas in the United States small family firms generate 65% of all employment. In India, it was discovered that sixteen family groups made up 65% of all private sector assets and fifteen family groups in Chile represent more than 50% of the market value on the Santiago stock exchange.

Various scholars indicated statistics about family businesses. A summary of those statistics are:

- Over 90 percent of all business enterprise in North America, and the majority of businesses internationally, are family owned.
- 78 percent of all new job creations, 60 percent of the nation's employment and 50 percent of GDP are accountable to family-owned businesses.
- A total of 37 percent of Fortune 500 companies are family-controlled.
- 35000 of family-owned businesses in the U.S generate annual revenues of more than \$25 million.
- Although these firms are seen as the primary engine of economic growth in the United States and in free economies all over the world, 30 percent of those that survive are transferred successfully to the next generation and only 4 percent remain in the same family (Poza, 2007: 1; Venter and Boshoff, 2007: 42; Venter *et al.*, 2003: 3; Sharma, Chrisman, Pablo & Chua, 2001: 18; Morris, Williams & Nel, 1996: 1).
- Family-controlled firms outperform non-family firms by 6.65 percent a on assets and were able to create an additional 10 percent in market value over that created by the S and P firms that are management-controlled (Bareither, 2003: 3-4; Litz, 1995: 71; Morris, Williams & Nel, 1996: 68; Poza, 2007: 1-2; Venter & Boshoff, 2007: 42; Ward, 1987: 1; Wang, Watkins, Harris & Spicer, 2004: 59; Gersick *et al.*, 1997: 2-4; Morris, Williams, Allen & Avilla, 1997: 386).

According to Venter *et al.* (2003: 3), in South Africa, approximately 80% of businesses could be classified as family businesses and these businesses will continue to offer powerful opportunities for future economic growth.

Poza (2007: 5-14), Daba (2007: 19-20) and Friedman (1998: xvii) also contend that the unique advantages and characteristics shared by family businesses enable them to deal in certain ways with the challenges facing family businesses and hence, place them in positions of competitive advantage over non-family businesses. This is so because family members have a shared history, sense of identity and they trust, care for and are loyal to each other. They are further, committed to each other's welfare and future and are able to communicate effectively.

There is no doubt that combining a family and business at the same time brings with it challenges and wonderful opportunities for a family business. The challenges of how to communicate effectively, resolve conflict, make effective decisions, treat employees equally, to draw a line between a business and family and to deal with the family, management and ownership interaction dilemma can determine the success of the business (Poza, 2007: 5-14; Daba, 2007: 19-20; Friedman, 1998: xvii-xxi).

Although there are hundreds of reasons why organisations fail as Poza (2007: 5) and Marshall *et al.* (2006: 351-353) indicated, these scholars emphasise that the most prevalent reason for their failure is lack of succession planning. They further state that if a family business is to survive, it has to successfully craft its succession process.

2.2 DEFINITION OF A FAMILY BUSINESS

It is surprising that more than 19 years ago, Handler had said that "defining the family firm is the first and most obvious challenge facing family business researchers", the challenge remains as to date there is still no widely accepted definition of a family business (Astrachan, Klein & Smyrnios, 2002: 45; Littunen & Hyrsky, 2000: 41; Handler, 1989: 258).

Litz (1995: 71-72), Carrigan and Buckley (2008: 1-2) and Bork (1993: 23-25) further indicated that there is considerable confusion concerning the term family business. It is not surprising also that a recent scanning of family business research suggests that

business researchers also face some unique and unusual problems when doing family business research. According to Poza (2007: 3-5), in Chrisman, Chua and Sharma's review of 250 research articles, 21 different definitions of family business were found. Various scholars also reviewed existing definitions of family businesses and tried to consolidate thoughts and conceptualised other definitions on family businesses. (Ibrahim & Ellis, 2004: 5; Astrachan, Klein & Smyrnios, 2002: 45; Littunen & Hyrsky, 2000: 41; Handler, 1989: 258; Litz, 1995: 71-72; Carrigan & Buckley, 2008: 1-2; Bork, 1993: 23-25).

However, for the purpose of this study, the definition of Ibrahim and Ellis (2004: 5) has been adopted which sees a family business as a business where 51 percent of the business is owned by a single family and with at least two family members involved in the management or operational activities in the business and where the transfer of leadership to the next generation is anticipated.

2.3 CHARACTERISTICS OF THE FAMILY BUSINESS

According to Friedman (1998: xvii-xviii) and Gersick *et al.* (1997: 2-24), family businesses share some of the characteristics of the corporate world, but they have many traits that are not present in the corporate arena. A family business focuses inwardly, encouraging loyalty, nurturing and security. An overlap occurs between a business and a family when several family members are subject to the complete interdependence of the economic, emotional and social issues and participate in a family business. Friedman (1998: xvii) further indicated that family businesses are wonderful institutions that offer rich and rewarding opportunities to family members by providing employment to those members who want it, returns on investment to those who own them and psychic benefits from parents and siblings and relatives working together towards a common goal.

Scholars such as Bork (1993: 23-24), Carrigan and Buckley (2008: 2-4), Daba (2007: 24), Poza (2007: 5), Friedman (1998: 22-33), Ward (1987: 56-57), Morris *et al.* (1997:

387), Litz (1995: 75-78) and Rosenblatt, de Mik, Anderson and Johnson (1985: 4) see the family business as being distinguished by the following:

- The presence of the family members.
- The unique sources of competitive advantage derived from the interaction of the family, management and ownership
- The objectivity of continuity from generation to generation and the extent to which succession planning assumes a key and strategic role in the life of the business makes family businesses unique.
- A clear sense of purpose and values that enables the family to know where it's heading and what it stands for and to have a clear identity and internalize its mission to succeed. Open and clear communication policies that allow and encourage its members to openly discuss their feelings, aspirations, dreams and needs.
- Acceptance of differences takes place because of the existence of clear well-defined boundaries between family and business practices where business issues are business issues and family issue are family issues.
- An atmosphere exists in the family that allows and encourages personal growth and development on the part of family members.
- A high level of trust between family members and non-family members that is necessary for family businesses to succeed, prevails.
- Clearly defined roles and responsibilities are created, recognised, defined, respected and understood for the family business to run profitably. Family members are held accountable for their responsibilities and are therefore, evaluated fairly without favouritism and are rewarded accordingly.
- The existence of family retreats, family councils and regular family meetings helps in retaining and maintaining healthy family relationships.
- Outside advisors that are critical to the establishment of succession, compensation and entry criteria and that help leaders to make informed difficult and emotional decisions are sought.

- Speed of making decisions on aspects that are concerned with market products, complaints, changes, technologies, innovations, competitions and family relations characterises family business.

2.4 ADVANTAGES AND DISADVANTAGES OF FAMILY BUSINESSES

Gersick *et al.* (1997: 3) indicated that every attribute or characteristic of the family business can be a source of both advantage and disadvantage to the same business owner, family members and non-family members working in the business. The advantages and disadvantages of family businesses will be discussed in more detail.

2.4.1 Advantages of family businesses

- **Common values and beliefs**

Ciuffo (2004: 41-45), Upton (2001: 7) and Gersick *et al.* (1997: 3-4) contend that values maximise the unique competitive strength of family business and also raise the chances of long-term family business survival. These values are the foundation of any organisation as they guide decision making, inspire top performance and give members an extra sense of purpose and pride. Values of accountability and ethics, honesty, integrity, self-reliance, openness, social purpose, stewardship and valuing stakeholders are important for family businesses to succeed. Commitment to the point of self-sacrifice can be asked for in the name of the general family welfare. However, it should be noted that this intimacy can work against the professionalism of the executive's behaviour because authority may be hard to exercise with relatives and the roles in the family and business may become confused and business pressures can overload and burn out family relationships. Despite these drawbacks, for the family businesses to be successful, the institutionalisation of core values is still very important. The identification of core values is important in crafting and sharing vision for the family and business.

- **Shared vision**

A great advantage of a family business is the ability to create a shared vision for the family and business that leads to personal and business success as they are likely to share the same vision, beliefs and values (Poza, 2007: 6; Upton, 2001: 12; Gersick *et al.*, 1997: 195-223; Voeller *et al.*, 2002: 33).

According to Ibrahim and Ellis (2004: 5), these shared values and beliefs enable them to have a clear identity and a strong sense of mission to succeed. A powerful tool for motivation and leadership is lost if the founder's vision is not also communicated to the second generation. Therefore, it is important to include successors' aspirations when crafting the family business shared vision in order to ensure enthusiastic commitment by the next generation. It is obvious that the family that lacks multigenerational leadership and vision cannot be positioned to retain the competitive advantages that made it successful in the previous generation.

- **Family name**

Upton (2001: 15-16), Carrigan and Buckley (2008: 2-4) and Aronoff and Ward (1995: 122-125) contend that the other advantage of family businesses over other businesses is their ability to capitalise on the family name because having the family name on the business is a tremendous source of pride. Customers consider family businesses as trustworthy because their owners have the responsibility of protecting the family's name and economic future. Longenecker *et al.* (1994: 140) contend that customers are likely to favour family businesses because they are seen to offer higher quality, lower prices, better service, have high ethical standards and are more willing to work toward customer satisfaction. Using the family name for advertising can be very effective as these advertisements create a sense of caring, concern for the community and closeness of the family owners to their benefactors. According to Ibrahim and Ellis (2004: 6), the success of many family businesses lies in the confidence that customers have in a family name and in the owner.

- **Marketing relationship and customer service**

Another advantage of family businesses is their ability to engage in better relationship marketing (Lavin, 2003: 327; Moore, 2006: 422; Upton, 2001: 15). Relationship marketing mostly focuses on building long-term and satisfying relationships with key stakeholders based on trust in order to retain long-term preference and business. This long term customer relationship is important because loyal customers generate more sales, cost less to serve and are important source of referrals that increase the bottom line.

Upton (2001: 17-18) contends that the other advantage of family businesses over non-family businesses is their ability to provide excellent customer service. Because many family businesses make their employees feel like part of their families whose ideas are appreciated, these workers end up having a great sense of caring for the company and give better customer service. However, studies have shown that the next generation management relationship with long-term employees may not be as strong as the founder's was. This kind of relationship may result in those employees leaving the business and the profitable associations they have built up with customers and suppliers ruined and customer dissatisfaction and customer disloyalty resulting, hence the loss of revenue and profits.

- **Flexibility and reaction**

Family businesses enjoy a competitive advantage as they are able to respond quickly to customers because of their size and management structure which is less hierarchical and bureaucratic. Family businesses have also complete control of the product and how it is made. Since the family is committed for the long term, its decisions are based on what is best in the long run for the family and business (Upton, 2001: 18-19; Poza, 2007: 14; Venter, 2002: 69; Carrigan & Buckley, 2008: 3).

- **Economic benefits**

According to Upton (2001: 20-21) and Poza (2007:14), family businesses are more profitable and create more shareholder value than non-family firms. This is possible because they have a longer-term managerial orientation, focus on the core business that built the company while they have the tendency to reinvest earnings and a consistency in values that might not exist in other businesses. Higher overall corporate productivity and longer-term commitment to investments in people and innovation result from the family businesses' concentration of ownership structure.

Upton (2001: 20-21) believes that owning a family business brings significant economic advantages and opportunities for self-fulfilment and achievement as they keep people out of poverty. Family businesses are known for providing opportunities for young entrepreneurs who create viable businesses. By starting or joining a family business, more women are finding economic rewards and opportunity that also enable them to occupy top corporate offices.

- **Loyalty and nepotism**

Upton (2001: 22-25) states that although there is a belief that nepotism and infighting will corrupt leadership in a family business, nepotism has its own advantages as well. It has been realised that family employees are more loyal and dependable than non-family employees. Relatives are likely to feel a stronger sense of responsibility to the company and their jobs and they usually fit into the company culture better than non-relatives. Family members are likely to stick together in hard times and make financial sacrifices for the sake of the business by also accepting lower pay and defer wages during a cash flow crisis.

However, according to Stewart (2003: 386-387), problems are caused when kinship position takes priority over experience and capability and the promotion of incompetent family members who cannot even be dismissed becomes standard practice. Nepotism

may cause employees not to respect the judgment, integrity and objectivity of top management because when a family member is hired or promoted it may be presumed that it is due to privilege and advantage but not hard work.

2.4.2 Disadvantages of family businesses

Family businesses like any other businesses have disadvantages that are mostly the result of inherent conflict between family and business values. The following are some of the disadvantages of family businesses:

- **Family conflict**

Various scholars have pointed out that the potential for conflict in family businesses can be greater than for many other businesses (Longenecker *et al.*, 1994: 146-147, Upton, 2001: 4-5; Tillet, 2001: 8; Bork, 1993: 41-43; Gersick *et al.*, 1997: 88-92; Swart, 2005: 53). They further argued that the overlap between the family and business sub-systems is the reason for the heightened potential for conflict in family businesses. However, this conflict can also be seen as a challenge or a positive driver for change because a dispute between family members on the strategic direction of the business may result in a much-needed rethinking of a business plan and a new agreed vision for the business.

Family conflict is one of the major causes of family business failure. It may arise from issues about equality in rewards, rules, roles, dual relationships, management roles, differing vision, succession, jealousy, poor communication, poor conflict management skills, ownership and control of the business. Conflict may further arise when couples bring marital problems to the board room and when a parent and child try to resolve power or authority issues at work. When sons and daughters marry and their wives and husbands are also employed in the same business, the potential for rivalry and conflict becomes ever more present.

Scholars contend that the best way to avoid conflict is to prevent misunderstanding from happening in the first place. The drawing up of a family constitution, holding a management meeting for minor disputes and the use of an outside advisor as a mediator for serious matters can help in this regard. It is therefore the family's ability to manage and resolve conflict that determines its maturity and emotional health.

- **Sibling rivalry**

According to Longenecker *et al.* (1994: 146-147) and Upton (2001: 29-30), sibling rivalry has also been identified as a problem in the operations of most family businesses. Inter-sibling comparisons, mode of justice and parental role in conflict resolution are some of the factors that affect the quality of sibling relationships.

The nature of comparison can result in a positive or negative outcome. If a child is compared to a sibling on a factor over which the child does not have control like beauty or intelligence, this comparison can lead to resentment. The mode of justice relates to whether the parents treat the children equally. A message of favouritism can be sent if they are not treated equally. The way parents resolve sibling conflict can also affect sibling relationships. If a parent rushes in every time siblings start fighting, children end up not learning how to resolve conflict on their own (Upton, 2001: 29-30; Longenecker *et al.*, 1994: 146-147).

Whiteside, Aronoff and Ward (1993: 36) confirm this by saying that parents create rivalry by comparing siblings in a way that classifies them as stereotypes or allocating parental love and attention regardless of individual differences and interfering in siblings' efforts to resolve conflicts with each other.

This rivalry may be due to siblings fighting over business policy or their respective roles in the family that may generate into competition. Conflict may also arise when siblings try to hash out old issues through the business. Sibling rivalry may end up affecting family as well as non-family members.

- **Boundary problems**

Family businesses are composed of the family, ownership and management subsystems. Since each subsystem has different goals and operating principles, the family business becomes vulnerable and suffer the consequences of these blurred boundaries. When employees or family members are unaware that the decisions taken are based on whether an issue is considered a family, ownership or management issue incongruent policies and untenable decisions can be created (Poza, 2007: 11; Voeller, *et al.*, 2002: 18-19).

- **Role confusion**

Family businesses often experience confusion over who does what (Ibrahim & Ellis: 2004: 7). Kets de Vries (1996: 23) and Koenig (2000: 31) are of the opinion that the role and responsibilities of family members involved in the business are often unclear or not defined at all. Role conflict is the major cause of stress in the family business. A family has a mixture of family and work roles or traditional roles assigned on gender patterns. Role overload can be particularly stressful especially if there are many roles to be juggled around in the family business being a mother, daughter, wife, manager or confidante at the same time (Upton, 2001: 31 -32; Churchill & Hatten, 1997: 5-57).

- **Lack of planning**

According to Upton (2001: 3), the majority of family businesses do not prepare written business, strategic, succession, financial and estate plans. It has been argued that the lack of these plans in family businesses has contributed to their high failure rate in passing from one generation to another (Astrachan & Aronoff, 1998; 72).

- **Poor communication**

Gersick *et al.* (1997: 85-86) contend that there is no doubt that communication is the most essential element for the success of any family business. Ibrahim and Ellis (2004: 164) further indicated that poor communication is a common problem in family businesses and according to Friedman (1998: 33), the absence of adequate channels of communication is a common source of family conflict. Gersick *et al.* (1997: 86) argued that family members whose communication is based on honesty, openness and consistency will be able to manage conflicts more productively than the one that is low on those dimensions. Maas, Van der Merwe and Venter (2005: 119) are of the opinion that sound relationships and conflict resolution are possible if there is effective communication.

Ward (2004: 115) and Voeller *et al.* (2002: 39) argue that the use of family forums, annual family meetings in which family members can talk with one another openly can help in dealing with miscommunication and more serious conflict. However, Astrachan and McMillan (2003: 2) has indicated that good communication does not eliminate conflict but it contributes towards effective business management and conflict that is not destructive.

- **Lack of vision**

The two common sources of conflict are the lack of vision about the company's future and how family members will participate in the business. This can be compounded by the family desire to have all children working in the business regardless of qualifications, poor communication about goals and perspectives and a lack of accountability. The continuity of the family business cannot be sustained without a clear vision of the future role of the business (Ward, 2004: 20-22; Voeller *et al.*, 2002: 30-31; Lansberg, 1999: 96).

2.5 CHALLENGES FACING FAMILY BUSINESSES

Gersick *et al.* (1997: 1) state it clearly that keeping a family business alive is perhaps the toughest management job on earth. Statistics indicate that there is only 30 percent of all family-owned businesses that survive into the second generation, only 12 percent that make it to the third generation and only 3 percent of all family businesses that continue to operate at the fourth generational level and beyond (Ward, 1987: 1; Morris *et al.*, 1996: 68; Wang *et al.*, 2004: 59; Poza, 2007: 1-2; Venter & Boshoff, 2007: 42).

Ward (2004: 10-12) and Upton (2001: 38-39) indicate that family businesses, like any other businesses, are challenged with managing the demands of an increasingly competitive climate. This competitive climate is characterised by the shrinking product life cycles, cost competition, rapid change in distribution and value chains and the technological changes. These challenges require these businesses to innovate, adapt, and renew their strategies and to be agile. The increasing individualism of younger generations who view the concepts of their extended families and legacy as if they were alien constructs is another challenging concern to older generations of owners.

Ward (2004: 23) added that the biased view of media houses that project large multinational and publicly traded businesses as the only winners in the globally competitive markets as another cause for concern for many family business owners. These owners fear that this bias will result in the next generation of owners growing up thinking that family businesses are lagging behind, hence looking for exciting opportunities elsewhere.

The entrenchment of the current-generation CEO whose focus may be mainly on tax minimisation rather than focusing on agility and corporate control of the family business for both generations is a concern for the new generation (Poza, 2007: 7-14).

Recruiting, retaining and motivating non-family managers in a situation where they may never share ownership or the top title is still a challenge to many family businesses. This

is frustrating on the part of employees today who want their efforts to grow the company and increase its value to be rewarded with stock and profit sharing (Poza, 2007: 9-14).

Family employee compensation is increasingly becoming a challenging issue in family businesses especially when the second and third generations enter the business. To have family compensation that is fair, merit-based, market-based, linked to actual work performance and the amount of responsibility, put in writing and communicated to all stakeholders is a challenging task for family businesses (Ward, 2004: 23-74; Brockhaus, 2001: 19-23; Koenig, 2000: 37; Rawls, 1999: 57).

The low survival rate and the lack of growth of family businesses remains one of the challenges to the continuity of family businesses. Ward (1997, 323-325), Venter *et al.* (2003: 2-3), Lansberg and Astrachan (1994: 41) Goldberg and Wooldridge (1993: 63-70) and Morris *et al.* (1997: 390) indicated that the failure to address the issue of management/leadership succession effectively and lack of growth of family businesses can be attributed to some of the following factors:

- Unqualified or incapable successors are selected for management roles or weak next-generation leadership.
- Founders or owner-managers of the businesses who are reluctant to plan for the succession process
- Founders or owner-managers who are reluctant to let go of the business due in part to their doubts about the successor's ability, willingness and desire to take control, experience emotional struggle to pass ownership and control to the successors.
- Low quality relationship between the successor and the founder.
- Family relationships have an influence on succession as they can either facilitate or hinder succession planning and training. However, families that are supportive and work well together are more likely to transfer the business to the next generation.
- Maturing business life cycles and increasing competition.
- Limited capital to fund both family needs and business growth needs.
- Conflicts among sibling successors.

- Disparate family goals, values and needs.

2.6 SUMMARY

There is no doubt that more than 80 percent of all companies in South Africa are owned and managed by small groups of individuals who are members of the same family group. The importance of family businesses in creating jobs and economic wealth has been, is still and will always be recognised globally.

Although family businesses are unique in the business world, they share some of the characteristics of the corporate world. The topics, an introduction to family businesses, the definition of family businesses, the characteristics, advantages, disadvantages and unique challenges to family businesses discussed herein reflect this uniqueness.

The three overlapping, interacting and interdependent components or subsystems of ownership, the business and the family cause family businesses to operate in a complex manner. Combining a family and business at the same time brings with it challenges as well as opportunities for a family business.

The challenges of how to communicate effectively, resolve conflict, make effective decisions, treat employees equally, to draw a line between a business and family and to deal with the family, management and ownership interaction dilemma can determine the success of the business.

Maturity and emotional health of a family business is determined by its capability to manage and resolve conflict. There is no doubt that conflict and the failure of communication contribute greatly to the failure of many family businesses to survive to the next generation.

It is not surprising that the major concern in most family businesses remains the question of their longevity. Therefore, the manner in which succession is planned remains of critical importance to the continuity of family businesses.

The following chapters discuss management succession of family businesses. The definition of succession, importance of management succession, the succession process and the selection, preparation of a successor, succession planning and management transfer are the topics to be discussed.

CHAPTER 3

LITERATURE REVIEW OF MANAGEMENT SUCCESSION

3.1 INTRODUCTION

As Venter and Boshoff (2007: 42) indicated, the importance of family businesses in creating jobs and economic wealth, driving and expanding economies in creating new markets and innovative technologies is globally recognised. Family businesses are rapidly becoming the dominant form of business enterprise in both developed and developing countries as between 65 and 90 percent of businesses are family-owned and 80 percent are family-owned in South Africa in particular.

Wang, Watkins, Harris and Spicer (2004: 59) and Sharma *et al.* (2001: 18) state that despite family businesses contributions to the economy, a cause of concern is their lack of longevity. Researchers confirm that only about one third (30 percent) of family businesses survive transition from the founders (first generation) to the second generation of owner-management and between 10-14 percent make it beyond the third generation. According to Venter *et al.* (2007: 2–3), one of the reasons for this failure rate is their inability to manage the complex, highly emotive process of ownership and management succession from one generation to the next.

In order to manage succession properly and pro-actively, we need to understand the importance of succession and also identify and understand the factors that influence succession in family business. Venter *et al.* (2007: 2–3) are of the opinion that a well-considered and planned succession will maximise the chances of finding a competent successor and will ensure a smooth leadership transition between generations.

3.2 DEFINITION OF SUCCESSION

According to Daba (2007: 40-41) and Van der Merwe and Ellis (2007: 37), succession is a process during which a business is transferred from one generation to the next. It involves planning, selection and preparation of the next generation of owners or managers and the transition of the management or ownership responsibility.

Sauereisen (2007: 34) and Nawrocki, Jaffe, Supper and Goad (2005: 39) put it clearly when they state that succession is not a light switch or a single event. It should be planned for in a way that prevents unpleasant surprises and involves a series of strategies implemented over a period of time. However, Gersick *et al.* (1997: 193) also see succession as the ultimate test of a family. They are of the opinion that once a business has been transformed from an individual venture into a family enterprise, its continuity becomes a unifying concern.

Sharma *et al.* (2001: 21), on the other hand, define the succession process as the actions and events that lead to the transition of leadership from one family member to another family member in the family business. The two family members may be part of the nuclear or extended family and may or may not belong to the same generation. Obviously, succession issues are a huge concern both to family-owned businesses and regular enterprises. The first priority of any leader is to plan for and train the successor. In addition, selecting a successor may be the most important decision that a business owner must make to ensure the longevity of the business.

The pitfalls are however, endless if the wrong candidate is chosen. The owner may assume that his/her son or daughter will eventually replace him or her, however it must be realised that the most obvious person for the job may not always be the best long-term choice (Ciuffo, 2004: 37-38). Gersick *et al.* (1997: 193-194) assert that succession is not a single event that occurs when an old leader retires and passes the torch to a new leader. It is a process that is driven by a development clock as it begins very early in the lives of some families and continues through the maturation and natural aging of

the generations. Succession is like the throne to royalty. A succession plan is needed and the process commences when the prince is still a young human being, unwise to the ways of the world. The succession process is not always as rational and simple as described in most family business literature because it is a complex process whether planned in advance or not.

It must be borne in mind that after the planning, strategising and negotiating process, businesses must then be prepared to deal with the unexpected contingencies which may threaten these very plans at any point in the process. Passing the company on to a new generation of leaders in a profitable and good condition is a goal that drives the members of the family. However, according to Sharma *et al.* (2001: 21), for succession in the family business to occur, there must be a leader who hands over the leadership role, a successor who takes over the role and a mechanism by which the transition takes place.

According to Daba (2007: 40) and Van der Merwe and Ellis (2007: 37), the cooperation of family and non-family members and the management team is required for successful succession as the succession process can take place over many years. They contend further that succession involves planning, selection and preparation of the next generation of managers or owners and transition in management or ownership. Succession is seen as a critical point in the history of a family business and therefore, continuity from one generation to the next depends mostly on succession planning.

3.3 THE IMPORTANCE OF SUCCESSION IN FAMILY BUSINESSES

The reason that there are about 70 percent of founders of family firms who resist preparation for succession, 28 percent who have a succession plan and 25 percent have not completed an estate plan beyond the will, shows how important succession is in family businesses (Marshall *et al.*, 2006: 349-350).

Wang *et al.* (2004: 59) point out that family businesses are recognized as one of the engines of the post-industrial growth. They are credited for nurturing entrepreneurial talent, a sense of loyalty to business success, long-term strategic commitment and corporate independence across generations.

Sharma *et al.* (2001: 17) are of the view that family businesses represent a significant portion of the world economy and their economic impact ranges from very large to overwhelming as the source of value they add is only beginning to be understood. They further indicated that the success of the succession process has a direct impact on the relationships among family members because dissatisfaction with the succession process could cause interminable conflict that can make succession ineffective.

3.4 FACTORS THAT INFLUENCE SUCCESSION

The failure of family businesses to make transition from second and third generations has prompted researchers to examine variables that influence succession. Sharma *et al.* (2001: 19) believe that there are two interactive dimensions concerning the success in management succession of family businesses. The first dimension is family members' satisfaction with the manner in which the succession process is carried out and the second one involves the effectiveness that deals with how succession affects the subsequent performance of the business following the successor taking the reigns. The following factors may impact on the succession management of the family businesses:

3.4.1 Size of the business

It is believed that the survival rate of small businesses improves as the size of the business increases (Timmons, 1999: 33). Kuratko, Foss and Van Alst (1994: 61) argued that because their owners are too busy keeping the business going, they end up failing to plan their own exit and do not devote more time on succession planning. According to

Stempler (1988: 114), the problems encountered in the transfer of power in family businesses had no relationship to business size.

3.4.2 Management succession planning

Succession planning entails making preparations to ensure harmony within the family and the continuity of the business through the next generation. Succession planning therefore is a very important factor in the continuity of the family business from one generation to the next (Venter *et al.*, 2007: 4; Sharma *et al.*, 2001: 26; Morris *et al.*, 1996: 71). Astrachan and Aronoff (1998: 72) however, argued that succession planning by itself does not appear to increase the family business survival rate but family meetings, active boards of directors and strategic planning contribute significantly to the longevity of family businesses.

3.4.3 Strategic planning

A general lack of strategic planning in family businesses has contributed to their higher failure rate in surviving from one generation to the next (Venter *et al.*, 2007: 4). Sharma *et al.* (2001: 26) are of the opinion that in the absence of succession planning, the sudden departure of the founder-manager can cause upheavals of power and authority, conflict among heirs and thorny estate issues.

3.4.4 Organisational culture

Venter and Boshoff (2007: 44), Sharma *et al.* (2001: 28) and Morris *et al.* (1996: 71) believe that organisational culture can determine if the succession is an evolution or a revolution because where change is seen as not a threat to the status quo but as an opportunity to learn, resistance becomes minimal. In organisations whose cultures are explicit and allow values and ideas to be clearly expressed and experienced by its members, succession can be managed effectively.

3.4.5 The goals of the business

The goals and objectives of a business play an important role in the succession process. Successors who are seen to be committed to business goals of growth and profit will be preferred (Sharma, 1997: 324). Although the goals and objectives of a business may exert an influence on the succession process, Sharma (1997: 52) again, states that the details of the relationship are not clear.

3.4.6 Estate planning

Venter *et al.* (2007: 6) are convinced that retirement, estate planning and the management of the wealth created by the family business are important for the success of succession planning. The older generation needs to feel secure before relinquishing control to the younger generation. This happens mostly if the formal process of ownership and knowledge of the estate plan are clear and the roles of the family members are congruent to their interests and abilities.

3.4.7 The rewards from the business

If the family business is seen as offering a high level of enjoyment, personal satisfaction and financial security, the business will be more attractive to the potential successor (Stavrou, 1995: 173).

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3.4.8 Mutual acceptance of roles and responsibilities

According to Venter and Boshoff (2007: 44) and Sharma *et al.* (2001: 28), one of the basic tasks associated with succession planning is the training of family members to understand the rights and responsibilities that come with the roles they may assume in the future. Morris *et al.* (1996: 70) claimed that successful transitions require a process of mutual role adjustments as the founder moves from a "sole operator" to "monarch" to "delegator" to "consultant".

3.4.9 Propensity of an incumbent to step aside

Sharma *et al.* (2001: 22) have indicated that the incumbent's inability to "let go" has been cited as the single biggest problem in succession. This inability can lead to succession being delayed or started and then aborted and can also result in frustration on the part of family members and the business employees. They further indicated that if an incumbent is willing to step aside, this willingness indicates that incumbent's acknowledgment that new leadership is needed and acceptance of the successor as a suitable replacement.

3.4.10 Propensity of the successor to take over the business

The lack of interest on the part of the successor to take over the business is a commonly cited reason for a problematic succession because a reluctant successor will not be fully committed and may not cooperate in the leadership transition. The presence of a willing successor could influence the quality of success significantly (Sharma *et al.*, 2001: 24-25).

3.4.11 Agreement to continue the business

Sharma *et al.* (2001: 27-28) contend that when family members are committed to keeping the business in the family, a satisfactory transition is enhanced but if some family members are strongly opposed to retaining ownership in the family, their opposition may disrupt the succession process.

3.4.12 Preparation level of heirs

Morris *et al.* (1996: 70), Sharma (1997: 35), Stavrou (1995: 169), Aronoff and Ward (1992: 19) and Chrisman *et al.* (1998: 20) all believe that the successor's formal level of education and training, entry-level position, years of work experience inside and outside the business, extensive use of external networks, managerial capabilities, knowledge of

business operations and the requisite business skills are also the determinants of successful transition.

3.4.13 Relationships among family and business members

Morris *et al.* (1996: 70-71) and Bork (1993: 40-41) indicated that communication, trust, commitment and loyalty must exist and sibling rivalry and conflict must be dealt with if transition is to be successful in the family business.

3.4.14 Mutual acceptance of roles and responsibilities

An important variable that may influence the succession process is the acceptance of individual roles in the context of the family business. One of the basic tasks associated with succession planning is educating the family to understand the rights and responsibilities that come with the various roles they may assume in the future (Sharma, 1997: 61).

3.5 SUCCESSION PLANNING

Marshall *et al.* (2006: 349-350) showed that around 70 percent of founders of family firms resisted preparation for succession. It was also discovered that 28 percent of family-owned businesses had a succession plan and 25 percent had not completed an estate plan beyond the will. What is interesting though, is that 81 percent of these owners want their businesses to stay in the family.

According to Marshall *et al.* (2006: 350), although succession planning is included in various models, definitions vary. In the Sharma *et al.* (2001) model, succession planning is described as an orderly process that includes input from stakeholders. Sharma (1997) defined succession planning as the deliberate and formal process that facilitates the transfer of management control from one family member to another. However, in the Sharma *et al.* (2003) model, succession planning processes have multiple components

that include selecting, training and development of a succession plan. Pickard (1999: 175) on the other hand, defines succession planning as a gradual change, a series of steps that strives towards a desired end being a rational rather than an emotional process.

Sebastian, Grassi and Giarmarco (2008: 27) indicated that one of the main concerns facing family business owners is how to affect an orderly and affordable succession of the business. Monetary losses and loss of the business can occur if there is a failure to properly plan for smooth succession during the owner's lifetime.

Wang *et al.* (2004: 60) are, furthermore, of the opinion that the objectives of succession planning are to efficiently and fairly distribute assets from older to younger generations, pass control of the business in a way that will ensure effective business leadership and to maintain and promote family harmony. They further see a well developed succession plan as an instrument that can enhance the chance of a smooth and effective succession. The absence of succession plans can cause serious management problems as this can lead to business failure.

According to Sebastian *et al.* (2008: 27-33), there are five levels to a family business succession plan, which are the following:

- The first level involves the determination of business owner's long-term goals and objectives for the family business that involves also the "what", "when" and "how" his goals are to be accomplished.
- The second level concerns the determining of the financial needs of the business owner and his or her spouse and developing a viable plan that ensures their financial security. It is important for the owner to know the true going concern value of his business by having it valued to know its current worth so that he can make informed decisions about his personal goals and the financing of his retirement.

- The third level entails the determination of who will manage the business and to develop the management team. It is really necessary to recognize that management and ownership are not the same because day-to-day management may be left to one child while ownership can be left to all the children whether active or not in the business.
- The fourth level is to determine who will own the business and how to transfer owner's interest in the business to the "new" owner. A means of transferring wealth to the children who are not interested in or qualified for continuing the business must be provided in the succession plan. Therefore, the business owner may decide to continue to receive economic benefits from the business after the transfer of ownership or continue to control the business after the transfer of ownership is complete.
- The last and fifth level involves how to minimise transfer taxes and to prepare an appropriate tax plan.

Nawrocki *et al.* (2005: 38) state that: "A lot of owners of family owned businesses get caught short on time. You can't just hand the keys over" and further suggested the following guidelines on succession planning:

- It is never too early to start planning for transition
- The next generation should know early on about the plan
- The concerns of the business must come before the desires of the family as it is something to be earned not to be deserved.
- Hold family members to the same standards as outsiders
- Consider a bridge manager if the next generation is not ready.
- Treating children equally does not necessarily mean treating them fairly.
- Never give a business half to an active child and half to an inactive child.

Kets de Vries (1996: 264) states that it has been demonstrated that companies with a succession plan tend to be more profitable after succession than those that fail to develop a succession plan.

The key steps in effective succession planning can be summarised as follows:

- **Revisiting the business mission**

There is no doubt that a clear business mission is important in all forms of business and family business is no exception. A general lack of a business mission in family businesses has really contributed to their higher failure rate as they try to survive from one generation to the next. Therefore, it is imperative that key employees and family members be encouraged to participate in revisiting the business mission from time to time. It is likely that those participating in the revisiting will be shocked by how the mission has changed over years or the mission and the business practice are no longer aligned. This assessment of the mission can help the family to adjust their succession plans accordingly.

- **Conducting business valuation**

It is important that the business owner knows how viable the business is before embarking on major decisions about the future. Emens and Wolper (2000: 81) indicated that a key step is to determine and agree on realistic valuation expectations. It has been realised that in most cases, family business members think the business is worth more than its current value because of the high emotional and financial investment they have incurred. Therefore, as business valuation is a critical aspect of succession planning, it should be undertaken at the beginning of the planning process. A sound decision on how much to spend on outside advisors in the succession planning process is dependent on understanding of the owner about the fair market value of the business.

- **Seeking advisory help**

In order to develop an effective succession plan, an advisory team of professionals should be formed. This team is necessary because succession planning involves several disciplines and family business members may lack the objectivity to make informed decisions about future leadership. Bork *et al.* (1994: 174) also recommend the use of professional advisors who will help in the assessment of the following dimensions of the business:

- The pool of potential heirs and their relationships to the business, what they want from it and what they can offer.
- The business needs and strategy for the future.
- The desires and wishes of current business owners and leaders.
- The various options that may be pursued, including modes of bequeathing the business and possible sale to an outside party.

- **Involving family members in the process**

For a succession plan to be effective, there must be a buy-in from family members who will play a role in the business future. This buy-in is necessary because without the involvement of the rest of the family, the succession plan may not be supported. Family participation can be through the creation of a family council. Because a family council is a place where the whole family meets to share information, set policies, make decisions and establish directions for the future that affect the entire family and the business, it is a vital tool that can help in the succession planning process (Voeller *et al.*, 2002: 39).

- **Establishing a plan for preparing successors**

Bork (1993: 119) believes that a smooth transition in a family business requires that a successor be chosen long before the founder leaves in order for the successor to be trained in skill-deficient areas. During the transition, there must be a periodic review of

performance by an outside advisor or responsible businessperson who runs a well-managed business.

Wang *et al.* (2004: 61) are of the opinion that since successors are seen as an important stakeholder group in the succession planning, the absence of successors who are managerially and physically capable of taking over ownership can cause succession within the family not to take place. They contend that senior generation family members must understand the differences between parenting and mentoring so that a blend of well-timed parenting and mentoring is found that will lead to effective succession.

3.6 SELECTING OR CHOOSING A SUCCESSOR

Voeller *et al.* (2002: 90) believe that selecting a successor is a serious task for any business leader. Nawrocki *et al.* (2005: 35) also indicated that the most difficult task to deal with is the one in which the owner has children, some of whom are active in the business and some of whom are not. This is so because the future of the business depends on it. It is doubly difficult because the future of a business leader, who is also a parent may be required to judge the worthiness of his child or children resulting in choosing one over the other.

Choosing a successor is a process that is often fraught with emotions and tensions. It is therefore, necessary to develop clear criteria for succession well in advance as this helps to establish a sense of fairness and to increase stakeholders' confidence. According to Kussman (1998: 4), this process requires that variables like the nature of the business, its life cycle stage, qualifications of family members, expectations and capabilities of senior members be considered. This can help to reduce the potential for conflict especially where there are a number of siblings involved.

Morris *et al.* (1996: 71), Voeller *et al.* (2002: 76) and Hess (2006: 79) contend that the level of interest in the business, appropriate abilities and skills, education, training and experience, practical training and knowledge of the business, current involvement in the

business, the successor's relationship with the founder and other family members and personality traits of independence, integrity, self-confidence and a willingness to take risks are desirable attributes that the successor should possess. Therefore, the involvement of outside members of the board of advisors can aid in reaching the consensus as to who can be the competent successor to assume leadership of the organisation.

According to Gersick *et al.* (1997: 78 -79) and Ward (1987: 63), there are three methods of determining a successor. These methods are primogeniture, adoption (selecting an interim leader) and competency (selecting the "best" candidate).

- **Primogeniture**

Gersick *et al.* (1997: 78 -79) indicated that primogeniture originated from the system of ownership and cultivation of land at a time when the fortunes of the family depended on living off the land and the physical nature of the work was considered unsuitable for females. Gersick *et al.* (1997: 78) state that gender bias towards males as suitable business leaders means that business founders traditionally looked to their sons as successor candidates automatically. This method relies upon inscriptive criteria namely sex and birth order and not on the transfer based on qualification and competency demonstrated by family members. Although primogeniture is still in existence in agricultural family businesses, its popularity is being reduced due to pressure and modern business practices.

- **Adoption or selecting an interim leader**

Adoption is preferred in the absence of natural firstborn son. The family in this case adopts a non-family member or son-in-law as a successor. A non-family successor is said to provide a buffer between generations that may be as much as thirty years apart. Ward (2004: 29) believes that selecting a non-family successor is an excellent temporary solution that works well in a situation where the offspring are clearly too

young to assume responsibility. According to Hess (2006: 96), the successor must be a person of high standards, highest integrity, earned the trust and respect of the family and who never loses sight that in whatever position he serves, he serves at the will of the people and places a great emphasis on making sure the owners are well informed.

- **Competency or selection of the “best” candidate**

This method shifts away from primogeniture as it encourages the selection of a successor based on competency. This method is advantageous as it allows the family to feel it has chosen the best successor for the job and hence the reduction of the risk of making the wrong choice. However, unhealthy competition may develop among siblings and family members may become bogged down in making the difficult decisions concerning the successor (Gersick *et al.*, 1997: 78).

3.7 MENTORING AND PREPARATION OF A SUCCESSOR

According to Bork, Jaffe, Lane, Dashew and Heisler (1996: 163), many people mistakenly believe that succession is an event that takes place when the business owner is ready to retire. They further indicated that succession in reality starts when the potential successors are still children when parents teach their children important attitudes about people, work, money, competence, work ethics and commitments.

Wang *et al.* (2004: 61-62) contend that the mentoring of the successor is the most critical part of the succession process as it reduces the likelihood of failure when one generation succeeds the next. The need for the successor to acquire managerial capabilities, business skills, knowledge of the company operations, working experience outside the family firm and quality of training should be satisfied during the successor's development. Succession within the business will rarely take place in the absence of a willing, managerially and physically capable successor to take over the ownership.

Wang *et al.* (2004: 61-62) further concluded that family-owned businesses favour more personal, direct, relationship-centred approach to successor development rather than the non-family approach which is more formalised, detached and task-centred. Seniors must understand the difference between parenting and mentoring in order to be effective mentors by finding a blend of well-timed parenting and mentoring.

Lansberg (1997: 19-20) is of the view that for effective mentoring, seniors should negotiate their mentoring process with juniors from the very beginning, specify jobs and competencies that need to be mastered at each stage. Juniors should be given jobs that generate reliable performance data that would lead to the final gain in authority. Commitment of the family to the business and the quality of relationship between the owner-manager and the successor mediate successor training.

Wang *et al.* (2004: 62) suggest that respect, understanding and complementary behaviour between the founder and the successor are critical for effective succession as both the owner-manager and heir are central persons in the succession process. According to Morris *et al.* (1996: 70) and Wang *et al.* (2004: 62), the succession process is a mutual role adjustment procedure between the founder and the young generation. There will be an increase in the young generation's authority from "no role" to final "chief decision maker" whereas on the other hand there will be diminished authority in the predecessor from "sole operator" to "consultant".

This mutual role adjustment requires that the successor be sensitive to the needs of the founder and should exercise patience and diplomacy and become a student of the organization and learn its workings and culture. This further entails a reduced involvement of the founder in the business as he delegates more responsibly and growing involvement in decision making of the successor in the business alternatively (Wang *et al.*, 2004: 62).

3.8 TRANSFER OF MANAGEMENT

Succession is driven by a biological clock as the ages of the senior leaders of the business and their designated successors determine the timing of succession (Daba, 2007: 53; Swart, 2005: 4). The actual transfer of control to the successor takes place when the founder retires. Once the successor is effectively integrated into the family firm and becomes self-sufficient, then the founder can lessen his active involvement in the business. Bork *et al.* (1996: 175) suggested that it takes at least two years to master the complexities of the position and gain the control associated with the leadership role.

Handler (1994: 149) contends that successful transitions take place if these transitions are timely, final and do not include the founder's participation in daily activities. They are also smooth if the founder is publicly committed to an orderly succession plan and has articulated and supervised the formulation of company principles concerning management, accountability, policies, strategies and objectives.

Lansberg (1998) believes that it is often difficult for the founder to leave the family business after having managed it for years and therefore may end up infringing on the successor's territory and autonomy. It is important for the boundaries around the founder's involvement to be drawn very clearly and for both the founder and the successor to monitor this aspect of transition carefully.

3.9 SUMMARY

There is no doubt that every business owner will eventually reach the point where he has to leave the marketplace and decide whether to hand over the reins to the successor or close the doors. However, there is enough evidence statistically that shows that less than 30 percent of family businesses survive to the second generation and less than 13 percent make it to the third generation. This poor success rate is mostly attributable to the owner's failure to adequately plan for business succession.

Therefore this chapter's main purpose was to discuss management succession of family business. The topics covered were definitions of succession, succession process and succession planning, factors that affect succession planning, succession planning, choosing or selecting the successor, mentoring and preparation of a successor and finally the transfer of management were topics that were covered.

Succession involves planning, selection and preparation of the next generation owners or managers and transfer of management to them. This is a process that takes place over a long period of time therefore should be communicated effectively within the family with members and even non-members. The chances of finding a competent successor before the founder plans to retire will be maximized if succession is well planned. The founder should gradually move away from active involvement in the business and becomes a mentor.

Continued business success is usually not the result of accident but careful planning. Succession is critical point in the history of a family and succession planning determines continuity from one generation to the next. Therefore business owners will reap the financial and emotional reward of knowing that their business will continue to thrive in the next generation only if they employ the principles necessary for successful succession management.

CHAPTER 4

RESULTS AND DISCUSSION OF THE EMPIRICAL STUDY

4.1 INTRODUCTION

The objective of this chapter is to present and discuss the findings of the empirical study. The empirical research was done by means of a field study using a structured questionnaire as the main component.

This chapter starts with a discussion of the questionnaire used to gather data in this study, followed by a discussion of the results of the demographical information regarding the respondents and the participating family businesses. The reliability of the questionnaire, the results of the evaluation of the respondents concerning the constructs measuring management succession in the participating family businesses, the relationship between the demographical variables and the constructs and the correlation between the dependant variable, **the perceived success of the succession process**, and the independent variables will also be discussed.

Data collected during the survey were analysed by the Statistical Consultation Services of the North-West University (Potchefstroom campus). In this study, frequency distributions would be portrayed with the aid of tables. The mean will be employed as measure of central tendency and the standard deviation to indicate the dispersion of data. Internal consistency is calculated by means of the Cronbach alpha coefficient, whilst effect sizes as discussed by Ellis and Steyn (2003: 2) would be put to use to indicate differences of practical significance in management succession.

4.2 QUESTIONNAIRE USED IN THIS STUDY

A structured questionnaire developed by Venter (2003) was used to gather the data of the empirical research. Refer to Appendix A. Management succession in family businesses formed the basis of the original design of the questionnaire.

Since this is a non-experimental research with no planned intervention (Welman & Kruger, 1999: 67), the relationships between variables are examined. Relevant unit of analysis of this study was retired and active senior generation, owner-managers and their respective successors in family businesses. The target population in this study was black-owned family businesses in the Vhembe District of the Limpopo Province in South Africa.

4.2.1 Questionnaire sections

The questionnaire used in this study is divided into the following two sections:

4.2.1.1 Section A

The purpose of section A was to gain information on the retired and retiring senior generation owner-managers, their successors and designated successors. The following latent constructs were identified by Venter (2003): **Family harmony, Relationship between owner-manager and successor, Outside interests of the owner-manager, Willingness to hand over the business, Mutual acceptance of roles, Management succession planning, Willingness to take over, Trust in the successor's abilities and intentions, Preparation level of successor, Outside advice and governance, Personal need alignment, Rewards from the business, Agreement to continue the business, Estate planning, Strategic planning and Perceived success of the succession process.**

The construct **Perceived success of the succession process**, will be considered as the dependent variable in this study. The rest of the constructs will be considered as the independent variables in this study.

This section comprised of 104 statements/items assessing the 16 above-mentioned latent constructs measuring management succession in family businesses.

4.2.1.2 Section B

The purpose of section B was to gather biographical information on the retired and retiring senior generation owner-manager family members, their successors and designated successors concerning aspects such as gender, race and age.

This section also gathered information on the structure of the family business which includes the type of industry, the legal status of the family business and the number of family and non-family permanent or full-time employees. Refer to Appendix A for the questionnaire.

4.2.2 Basis of the design of the questionnaire

The questionnaire used in this study was designed on the basis of a 7-point Likert scale ranging from *Strongly disagree* (1) to *Strongly agree* (7). Respondents were required to indicate the degree to which they agreed or disagreed with each statement (Huysamen, 1994:125). According to Welman and Kruger (1999: 155), the Likert scale is currently the most popular type of scale and it is easier to compile compared to any other attitudinal scale.

In the questionnaire used in this study, the format used was similar to the following: 1 = Strongly disagree; 2 = Disagree; 3 = Slightly disagree; 4 = Neutral; 5 = Slightly agree; 6 = Agree; 7 = Strongly agree. To answer the question, the respondent had to select a number that best describes how he or she experienced the item.

Dichotomous questions that required Yes/No answers and checklist-type of questions that required respondents to put a cross (X) next to the corresponding choice were also used in the questionnaire.

4.3 GATHERING OF THE DATA

4.3.1 Study population and sample

Wisniewski (2002: 100) defines a study population of research as the entire set of data that is of interest. A sample is regarded as a representative part of the population. The target in this study was black-owned family businesses in the Vhembe District of the Limpopo Province.

Due to the lack of a comprehensive database in South Africa for family businesses and black-owned family businesses in particular, a non-probability sampling method was used in this study. Therefore, convenience sampling by means of a snowball technique to identify the family businesses that participated in this study was used.

In order to generate a preliminary list of family businesses, well-known business people were contacted in various municipalities in the Vhembe District. These business people then acted as informants and identified a further set of family businesses that were willing to participate in the study. These referrals were contacted to confirm that they fitted the definition of a family business used in this study and to assess their willingness again to participate in the study. Although these samples cannot be fully representative of the study population, it was the only option left to identify the family businesses of the target study population.

4.3.2 Data collection

The techniques to distribute and complete the questionnaires were as follows: distribution of questionnaires via post, personal delivery of questionnaires, followed up

by telephone calls, telephone interviews, or structured interviews (Neuman, 1997: 251–263; Bless & Higson-Smith, 1995: 112; Du Plooy, 1995: 109–124). Each questionnaire was sent with a covering letter that guaranteed the confidentiality of their responses, as well as a return-paid envelope in order to make it as easy as possible for respondents to take part in the research.

A total of 86 usable questionnaires were returned from 43 black-owned family businesses. The objective of this study was to assess the perception of the retired and retiring senior generation owner-managers as well as the successors or designated successors in the participating family businesses.

Convincing all the retired and retiring senior generation family members, their successors and designated successors to complete the questionnaire and accessing family businesses that were widely located was a major challenge throughout the process.

4.3.3 Data analysis

The data collected were statistically analysed, using Statistica (Statsoft, 2008) and SPSS (SPSS, 2005). The reliability of the questionnaire was analysed by calculating Cronbach alpha coefficients. The results of the evaluation of the owner-managers and successors regarding the constructs measuring management succession, was presented and discussed. For each of the constructs, the arithmetic mean, standard deviation and Cronbach alpha coefficients were determined.

Thereafter, the relationship between the demographic variables generation (owner-manager and successor) and the constructs was explored by means of t-tests and effect sizes. The correlation between the dependant variable and independent variables was also analysed.

4.4 RESPONSES TO THE SURVEY

A total of 86 usable questionnaires were gathered. This represented 43 family businesses with 86 family members. A few family businesses were excluded from this study due to their failure to return the questionnaires before the cut-off date and due to questionnaires that were not completed in full.

4.5 RESULTS OF THE BIOGRAPHICAL INFORMATION

Biographical information of respondents regarding age, gender and racial group as presented in section B of the questionnaire (refer to Appendix 1), is indicated below in by means of tables.

4.5.1 Gender of respondents

In this question the split between male and female senior generation family members and their successors was determined as indicated in the following figures (Table 4.1 and 4.2).

4.5.1.1 Gender of the senior generation family members

The gender of the senior generation owner-managers is presented in Table 4.1.

Table 4.1: Gender of the senior generation family members

Gender	Number	Percentage (%)
Male	42	97.7
Female	1	2.3
Total	43	100

The gender distributions of senior generation family members are male-dominated with (42) 97.7% being male and only (1) 2.3% female.

4.5.1.2 Gender of the successors

The gender of the successors is presented in Table 4.2.

Table 4.2: Gender of the successors

Gender	Number	Percentage (%)
Male	40	93
Female	3	7
Total	43	100

The gender distributions of the successors are also male-dominated with 40 (93%) being male and only 3 (7%) females.

4.5.2 Full-time family employees

In Table 4.3 the results relating to number of family members employed in the family business are presented.

Table 4.3: Number of family members employed in the family business

Number of family employees	Number	Percentage (%)
One family employee	2	2.3
Two family employees	36	41.9
Three to four family employees	11	12.8
Five or more family employees	37	43.0
Total	86	100.0

The number of family members employed in the family business as per their categories shows that 2.3% of family businesses have only one family member employed in the family business. This unfortunately makes family businesses in this category failing to be considered as family businesses as per the definition of family businesses in this study. A total of 41.9% of the family business each have two family members employed, 12.8% of the family businesses each have three to four family members employed, whereas 43% of the family businesses have five or more family members employed in the family business.

4.5.3 Distribution of racial group

The race of the participating family members is presented in Table 4.4.

Table 4.4: Race distribution of the respondents

Race	Number	Percentage (%)
White	1	1.2
Black	83	96.4
Asian	1	1.2
Not indicated	1	1.2
Total	86	100.0

Respondents were requested to indicate their racial group. Most of the respondents that participated in the study were black (96.4%), while white respondents comprise only 1.2% and Asians also 1.2%. One respondent (1.2%) did not indicate his/her racial group.

4.5.4 Generation of family members involved in the business

The generation of family members currently managing the family businesses is presented in Table 4.5.

Table 4.5: Generation of family members managing the family business

Generation	Number	Percentage (%)
1 st generation	11	25.6
2 nd generation	21	48.9
3 rd generation	10	23.2
Not indicated	1	2.3
Total	43	100.00

The purpose of this question was to determine the family generational level of the respondents. It was found that 11 (25.6%) family businesses were 1st generation family businesses. A total of 21 (48.9%) of the family business respondents were 2nd generation family businesses and 10 (23.2%) were 3rd generation family businesses. However, 1 (2.3%) family business did not indicate their generational level.

4.6 STRUCTURE OF THE PARTICIPATING FAMILY BUSINESS

Data pertaining to Section B of the questionnaire relates to the structural information of the participating family businesses. Aspects such as the legal status of the family business and the number of full-time employees (permanent employees) in the family business were examined.

4.6.1 Legal status of the family business

The legal status of the participating family businesses is presented in Table 4.6.

Table 4.6: Legal status of family business

Legal status of business	Number	Percentage (%)
Sole proprietorship	38	88.5
Partnership	1	2.3
Close corporation (CC)	2	4.6
Business trust	1	2.3
Other	1	2.3
Total	43	100.00

It was found that 88.5% (38) of family businesses were operated as sole proprietorships, 2.3% (1) as a partnership, 4.6% (2) as close corporations, 2.3% (1) as a business trust and 2.3% (1) other forms of businesses.

4.6.2 Number of permanently employed employees

In Table 4.7 the number of the permanently employed (full-time) employees in the family business is given.

Table 4.7: Number of permanently employed employees

Employee category	Number	Percentage (%)
1 – 4	8	18.4
5 – 10	23	52.9
11 – 25	11	25.3
26 – 50	2	2.3
Total	86	100.00

The purpose of the questionnaire was to determine the number of permanent employees in the family business. A total of 18.4% of the participating family businesses

can be classified as micro businesses, with the remaining of the participating businesses (81.6%) as small businesses.

4.7 RELIABILITY OF THE QUESTIONNAIRE

In order to assess the internal consistency between the constructs of the measuring questionnaire, Cronbach's alpha coefficients were calculated (Page & Meyer, 2000: 292). Refer to table 4.8 for the calculations.

Table 4.8: Reliability of the constructs measuring management succession

Construct	Cronbach alpha
Agreement to continue the business	0.786
Management succession planning	0.891
Strategic planning	0.507
Estate (ownership) planning	0.584
Relationship between owner-manager and successor	0.718
Outside interests by owner-manager	0.801
Trust in the successor's abilities and intentions	0.882
Willingness to hand over the business	0.273
Mutual acceptance of roles	0.774
Preparation level of successor	0.748
Willingness to take over the business	0.627
Personal need alignment	0.671
Rewards from the business	0.925
Outside advice and governance	0.948
Family harmony	0.875
Perceived success of the succession process	0.856

A questionnaire that produces different scores every time that it is used on the same person under the same conditions has low reliability (Field, 2005: 666). The Cronbach alpha coefficient is based on the average correlation of variables within a test (SAS

Institute, 2005: 295). It is a given fact that the greater the Cronbach alpha coefficient, the more reliable the scale. Nunnally and Bernstein (1994: 265) suggest that for acceptable reliability the Cronbach alpha coefficient should be greater than 0.7.

The results in table 4.8 indicate that a total of 11 of the constructs have acceptable reliability with Cronbach Alpha coefficients above 0.70. Only five constructs measured with a Cronbach Alpha value below the customary cut-off value of 0.70 as suggested for internal consistency (Nunnally & Bernstein, 1994: 265). The Cronbach Alpha coefficient of the construct, **Willingness to hand over the business**, is very low and the items measuring this construct should be investigated.

4.8 RESULTS OF THE CONSTRUCTS MEASURING MANAGEMENT SUCCESSION

The average responses to each of the 16 constructs measuring management succession are shown in Table 1. Based on a 7-point scale (1 = Strongly disagree; 7 = Strongly agree), relatively high numbers represent agreement with the statement and relatively low numbers represent disagreement with the statement. Thus, a lower number representing disagreement with the statement suggests that the statement is perceived to be untrue. Likewise, a low number representing agreement with the statement suggests that the statement is perceived to be true.

4.8.1 Evaluation of the constructs by the respondents

The 16 constructs were analysed in accordance with the evaluation of the participating senior generation family members and the successors. The results of the evaluation are presented in Table 4.9.

Table 4.9: Arithmetic mean of the evaluation of the constructs by respondents

Construct	Mean	Std. Dev.
Trust in the successor's abilities and intentions	5.239	0.947
Agreement to continue the business	5.107	1.042
Relationship between owner-manager and successor	5.086	0.875
Willingness to take over the business	4.818	0.755
Rewards from the business	4.806	1.225
Personal need alignment	4.765	0.664
Outside interests by owner-manager	4.726	1.334
Family harmony	4.594	1.002
Mutual acceptance of roles	4.572	1.027
Perceived success of the succession process	4.352	0.872
Willingness to hand over the business	4.130	0.922
Estate (ownership) planning	4.030	1.019
Strategic planning	3.915	0.952
Management succession planning	3.950	1.265
Outside advice and governance	3.672	1.726
Preparation level of successor	3.154	1.031

For the purpose of this study, the arithmetic mean of all the constructs (including the dependent and independent variables) were ranked in ascending order and subsequently divided into three portions, i.e. the constructs which were evaluated the lowest, on average and the highest ranked constructs. Notice that the standard deviation across all 16 constructs is fairly high ranging from 0.97 to 1.73.

4.8.2 Constructs which were evaluated the lowest

The arithmetic means of the four lowest constructs are indicated in Table 4.10.

Table 4.10: Arithmetic mean of the four lowest constructs of the response

Construct	Mean	Std. Dev.
Strategic planning	3.915	0.952
Management succession planning	3.950	1.265
Outside advice and governance	3.672	1.726
Preparation level of successor	3.154	1.031

The four constructs, **management succession planning** ($\bar{x}=3.95$), **strategic planning** ($\bar{x}=3.92$), **outside advice and governance** ($\bar{x}=3.67$) and **preparation level of successor** ($\bar{x}=3.15$) obtained the lowest average score, indicating a relatively slightly disagreement.

4.8.3 Constructs which were evaluated as average

The arithmetic means of the nine average constructs are indicated in Table 4.11 (turn the page).

The nine constructs, **willingness to take over the business** ($\bar{x}=4.82$), **rewards from the business** ($\bar{x}=4.81$), **personal need alignment** ($\bar{x}=4.765$), **outside interests by owner-manager** ($\bar{x}=4.72$), **harmony** ($\bar{x}=4.59$), **mutual acceptance** ($\bar{x}=4.57$), **perceived success of the succession process** ($\bar{x}=4.35$), **willingness to hand over the business** ($\bar{x}=4.13$) and **estate (ownership)planning** ($\bar{x}=4.03$) obtained relatively average scores.

Table 4.11: Arithmetic mean of the nine average constructs of the response

Construct	Mean	Std. Dev.
Willingness to take over the business	4.818	0.755
Rewards from the business	4.806	1.225
Personal need alignment	4.765	0.664
Outside interests by owner-manager	4.726	1.334
Family harmony	4.594	1.002
Mutual acceptance of roles	4.572	1.027
Perceived success of the succession process	4.352	0.872
Willingness to hand over the business	4.130	0.922
Estate (ownership) planning	4.030	1.019

4.8.4 Constructs which were evaluated the highest

The arithmetic means of the three high constructs are indicated in Table 4.12 below.

Table 4.12: Arithmetic mean of the three high constructs of the response

Construct	Mean	Std. Dev.
Trust in the successor's abilities and intentions	5.239	0.947
Agreement to continue the business	5.107	1.042
Relationship between owner-manager and successor	5.086	0.875

The constructs, **trust in the successor's abilities and intentions** ($\bar{x} = 5.24$, **agreement to continue the business** ($\bar{x} = 5.11$) and **relationship between owner-manager and successor** ($\bar{x} = 5.09$) has the average score. This indicates a relatively strong agreement with the statement.

4.9 RELATIONSHIP BETWEEN THE DEMOGRAPHICAL VARIABLE GENERATION AND CONSTRUCTS

The relationships between the demographic variable, generation of family members (owner-manager and successor), and the constructs measuring management succession, were examined by a paired t-test and effect sizes.

A natural way to comment on practical significance is to use the standardised difference between the means of two populations, i.e. the difference between the two means

divided by the estimate for standard deviation, $d = \frac{|\bar{x}_{diff}|}{s_{diff}}$, where $|\bar{x}_{diff}|$ is the difference

between the average scores of active and inactive family members, without taking the sign into consideration, and s_{diff} is the standard deviation of the difference.

Effect sizes (d) are interpreted as follows: small effect ($d = 0.2$), medium effect ($d = 0.5$) and large effect ($d = 0.8$). Results with medium effects can be regarded as visible effects and with $d \geq 0.8$ as practically significant, since it is the result of a difference having a large effect (Ellis & Steyn, 2006: 51-53).

Table 4.13 shows the relationships between the constructs and the demographical variable generation, with the mean (\bar{x}), standard deviation (s), statistical significance (p) and effect sizes (d).

Table 4.13: Relationship between the variable generation and the constructs measuring management succession

Construct	Owner-manager		Successor		Comparison	
	\bar{x}	S	\bar{x}	S	p	d
Agreement to continue the business	4.49	1.07	5.72	0.54	0.00	1.15
Management succession planning	4.77	1.19	3.13	0.68	0.00	1.38
Strategic planning	4.20	1.10	3.63	0.69	0.01	0.52
Estate (ownership) planning	4.41	1.16	3.65	0.68	0.00	0.65
Relationship between owner-manager and successor	4.80	0.95	5.37	0.70	0.00	0.61
Outside interests by owner-manager	5.56	0.95	4.89	1.63	0.25	0.21
Trust in the successor's abilities and intentions	5.06	0.90	5.42	0.97	0.08	0.36
Willingness to hand over the business	4.22	0.97	4.04	0.87	0.35	0.19
Mutual acceptance of roles	4.25	0.89	4.90	1.06	0.00	0.61
Preparation level of successor	3.60	1.19	2.71	0.59	0.00	0.74
Willingness to take over the business	4.39	0.76	5.25	0.45	0.00	1.13
Personal need alignment	4.62	0.67	4.91	0.63	0.01	0.42
Rewards from the business	3.92	0.95	5.69	0.74	0.00	1.85
Outside advice and governance	4.93	1.61	2.42	0.47	0.00	1.56
Family harmony	4.58	0.68	4.61	1.25	0.86	0.03
Perceived success of the succession process	4.12	0.82	4.58	0.87	0.01	0.53

This table indicates that the differences in means between the perception of owner-manager and successor with regard to the constructs measuring management succession are statistically significant ($p < 0.05$) except **trust in the successor**, **willingness to take over**, **outside interests by owner-manager** and **family harmony**. With regard to the calculation of effect sizes, the results can be summarised as follows: The variable generation of the family members (senior generation owner-manager and successor) have a large effect ($d > 0.80$) on the following constructs, i.e. Agreement to continue the business ($d = 1.15$); Management succession planning ($d = 1.38$) and

Outside advice and governance ($d = 1.56$). The results indicate that successors are practically significant more positive about the agreement to continue the business in direct comparison with the senior generation owner-managers. Furthermore, the owner-managers are practically significant more positive about management succession planning in direct comparison with the successors. Lastly, the owner-managers are practically significant more positive about the use of outside advice and governance in direct comparison with the successors.

The results thus indicate that there are practical significant gaps between the perception of the owner-managers and successors regarding the above-mentioned three constructs.

4.10 CORRELATION BETWEEN PERCEIVED SUCCESS AND CONSTRUCTS

Table 4.14 presents the calculated coefficients of correlation between the dependent variable, **Perceived success of the succession process** and the independent variables. Levine, Stephan, Krehbiel and Berenson (2007:131) indicate that the coefficient of correlation indicates the linear relationship between two numerical variables. When the coefficient of correlation gets closer to +1 or -1, the linear relationship between the two variables is stronger. When the coefficient of correlation is closer to 0, little or no linear relationship exists. The sign of the data indicates whether the data are positively or negatively correlated.

Field (2005: 32) points out that effect sizes are useful because they provide an objective measure of the importance of the effect. A correlation coefficient of 0 means there is no effect, and a value of 1 means that there is a perfect effect. Cohen (1988; 1992), quoted by Field (2005:32), made the following suggestions about what constitutes a large or small effect: $r = 0.10$ (small effect); $r = 0.30$ (medium effect) and $r = 0.50$ (large effect).

Table 4.14: Relationship between perceived success and constructs

Construct	Perceived success
Agreement to continue the business	0.54
Management succession planning	0.24
Strategic planning	0.51
Estate (ownership) planning	0.44
Relationship between owner-manager and successor	0.52
Outside interests by owner-manager	0.38
Trust in the successor's abilities and intentions	0.72
Willingness to hand over the business	0.18
Mutual acceptance of roles	0.61
Preparation level of successor	0.39
Willingness to take over the business	0.62
Personal need alignment	0.65
Rewards from the business	0.67
Outside advice and governance	-0.05
Family harmony	0.66

Based on Cohen's rules, it is evident from Table 4.14 the independent variable, **Outside advice and governance** ($r = 0.05$) has only a small effect on the dependent variable, **Perceived success of the succession process**. The following variables have a medium effect on the dependent variable: **Management succession planning** ($r = 0.24$), **Willingness to hand over the business** ($r = 0.18$), **Estate planning** ($r = 0.44$), **Outside interests of the owner-manager** ($r = 0.38$) and **Preparation of the successor** ($r = 0.39$).

The variables **Agreement to continue the business** ($r = 0.54$); **Strategic planning** ($r = 0.51$); **Relationships between owner-manager and successor** ($r = 0.52$); **Mutual acceptance of roles** ($r = 0.61$); **Willingness to take over the business** ($r = 0.62$); **Personal need alignment** ($r = 0.65$); **Family harmony** ($r = 0.66$); **Rewards from the business** ($r = 0.67$) and **Trust in the successor's ability and intentions** ($r = 0.72$)

have a large effect on the dependent variable, **Perceived success of the succession process**.

Furthermore, all the constructs, except the construct **Outside advice and governance** ($r = -0.05$) with a negative correlation, are positively correlated towards the dependent variable, **Perceived success of the succession process**.

4.11 SUMMARY

The empirical research was done by means of a field study in which the questionnaire was used as the main component. The purpose of the literature (chapter 2 and chapter 3) was to get insight on the management succession in black-owned family businesses in Vhembe District of the Limpopo Province. The management succession theory was aligned with the constructs developed by Venter (2003) during the design of the questionnaire used in this study. All the 16 constructs were applicable to the senior generation family members and successors in the family business. Data collected from the questionnaire were processed using Statistica and SPSS.

Chapter 4 presented and analysed the empirical results of this study. This chapter comprised of the structuring of the questionnaire, gathering of the data, results and discussions, reliability of the research instrument, analysis of the constructs and an effect size analysis.

The research instrument is a structured questionnaire (Van der Merwe, 2004). The original design of this questionnaire was based on the management succession in black-owned family businesses in Vhembe District in the Limpopo Province literature. This questionnaire adhered to the requirements of being reliable and valid and it was reviewed and minor adjustments were made to it.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The final chapter comprises of conclusions and recommendations drawn up based on the literature review in chapters 2 and 3 and the empirical study on the management succession process in black-owned family business in Vhembe District in Limpopo Province. The results from the analysis of questionnaires were analysed and used to compare the management succession processes in black-owned family business in theory and in practice.

Conclusions were drawn on the response of the family survey, the demographic and biographic information pertaining to the respondents and the structure of the participating family business. Conclusions were also made on the reliability of the questionnaire, an assessment of the 16 constructs measuring the succession process as evaluated by the retired or retiring owner-managers and the successors or designated successors, the statistical and practical significance (effect sizes) differences in mean values of the 16 constructs between the owner-managers and successors and a correlation analysis between the dependent and independent variables.

A list of recommendations was proposed on how to comprehend the management succession in black-owned family business in Vhembe District in Limpopo Province.

A critical evaluation was done to determine if the primary and secondary objectives, as set out in chapter one, were achieved. Finally, recommendations were made for future research.

5.2 CONCLUSIONS ON THE EMPIRICAL STUDY

An empirical study was conducted in 43 black-owned family businesses in Vhembe District in Limpopo Province in South Africa as determined by means of the convenient snowball sampling method. Based on the literature study in chapter two and three and the empirical study in chapter four, it is now possible to draw conclusions on the evaluation of the management succession in black-owned family business in the Vhembe District in Limpopo Province. Conclusions are made on the most significant findings as analysed in chapter four.

5.2.1 Response to the family business survey

A total of 43 family businesses that were identified through a convenience sampling using a snowball technique participated in this study.

5.2.2 Demographic and biographic information of the respondents

A total of 43 retired or retiring senior generation owner-managers and 43 successors or designated successors participated in this study (Refer to Appendix 1 for the questionnaire used in this study).

The split between male and female senior generation family members and their successors was determined. It is clear from this study that males are still dominant in both the owner-manager and successor categories who participated in the study.

5.2.3 Structure of the family business

The data pertaining to Section B of the questionnaire (Appendix 1) was analysed to determine the structural information of the family businesses. The structure of the family

business such as number of permanent employees and the legal status of the family business were examined.

All the businesses that participated in this study can be classified as either micro or small businesses according to the classifications proposed by the Small Business act.

The majority of the businesses are still operated as sole proprietorships. This is a major concern. These results indicate that most of the participating black-owned family businesses do not use other legal forms of business that could put the businesses on a faster growth path or in a more tax friendly environment.

5.2.4 Reliability of the questionnaire

The Cronbach alpha coefficient was used to determine the internal consistency between the data (constructs in the questionnaire). The questionnaire used in this study to measure management succession, has acceptable reliability. Eleven of the constructs obtained Cronbach Alpha coefficient values higher than the customary cut-off value of 0.70 suggested for internal consistency (Nunnally & Bernstein, 1994: 265). The very low Cronbach Alpha coefficient calculated for the construct, **Willingness to hand over the business**, should however be investigated.

The overall conclusion can thus be made that, based on the results obtained by the calculation of the Cronbach alpha coefficients, there appears to be internal consistency between the items measuring the construct.

5.2.5 Assessment of the constructs measuring management succession

The 16 constructs measuring the management succession process in black-owned family businesses were evaluated in accordance with the evaluation of the participating owner-managers and successors. Based on these analyses, the constructs are rank and discussed from the lowest to the highest calculated arithmetic mean value below.

The four constructs, **management succession planning** ($\bar{x}=3.95$), **strategic planning** ($\bar{x}=3.92$), **outside advice and governance** ($\bar{x}=3.67$) and **preparation level of successor** ($\bar{x}=3.15$) obtained the lowest average scores, indicating a relatively slightly disagreement. These results indicated that the respondents perceived the items measuring the four constructs in a relative negative light.

The nine constructs, **willingness to take over the business** ($\bar{x}=4.82$), **rewards from the business** ($\bar{x}=4.81$), **personal need alignment** ($\bar{x}=4.765$), **outside interests by owner-manager** ($\bar{x}=4.72$), **harmony** ($\bar{x}=4.59$), **mutual acceptance** ($\bar{x}=4.57$), **perceived success of the succession process** ($\bar{x}=4.35$), **willingness to hand over the business** ($\bar{x}=4.13$) and **estate (ownership)planning** ($\bar{x}=4.03$) obtained relatively average scores.

The constructs, **trust in the successor's abilities and intentions** ($\bar{x}=5.24$), **agreement to continue the business** ($\bar{x}=5.11$) and **relationship between owner-manager and successor** ($\bar{x}=5.09$) has obtained high rankings. This indicates a relatively strong agreement with the statement. The respondents perceived these three constructs as the participating family businesses strengths concerning the management succession process in their respective businesses.

5.2.6 Comparative results between the demographical variable generation and constructs

A paired t-test and effect sizes were used to determine the relationships between the demographic variable, **generation** of family members (owner-manager and successor) and the constructs measuring management succession.

It was discovered that the differences in means between the perception of owner-manager and successor with regard to the constructs measuring management succession are all statistically significant ($p < 0.05$) except for the constructs **Outside**

interests by owner-manager, **Willingness to take over the business**, **Trust in the successor's abilities and intentions** and **Family harmony**.

5.2.7 Effect size analysis

The purpose of the effect size analysis was to compare the assessment of the relationship between the owner-managers and successors and the constructs measuring the management succession process. The variable **generation** of the family members (senior generation owner-manager and successor) have a large effect ($d > 0.80$) on the following constructs, i.e. **Agreement to continue the business** ($d = 1.15$); **Management succession planning** ($d = 1.38$), **Willingness to take over the business** ($d = 1.13$), **Rewards from the business** ($d = 1.85$) and **Outside advice and governance** ($d = 1.56$).

The results indicate that successor's are practical significant more positive about the agreement to continue the business in direct comparison with the senior generation owner-managers. Furthermore, the owner-managers are practical significant more positive about management succession planning in direct comparison with the successors. Lastly, the owner-managers practical significant are more positive about the use of outside advice and governance in direct comparison with the successors.

The results thus indicate that there are practical significant gaps between the perception of the owner-managers and successors regarding the above-mentioned three constructs. The difference in the perception between the owner-managers and successors with regard their respective evaluation of the constructs, are very high. This results should be confirmed by further research on a larger sample of black-owned family businesses.

5.2.8 Correlation between perceived succession and constructs

The evaluation of the correlation between the dependant variable, **Perceived success of the succession process**, and the independent variables determining the perceived success resulted in the following findings. All independent variables, except the variable Outside advice and governance, have a positive correlation with the dependent variable.

Based on Cohen's guidelines, the following independent variables have a large effect on the dependent variable: **Agreement to continue the business** ($r = 0.54$); **Strategic planning** ($r = 0.51$); **Relationships between owner-manager and successor** ($r = 0.52$); **Mutual acceptance of roles** ($r = 0.61$); **Willingness to take over the business** ($r = 0.62$); **Personal need alignment** ($r = 0.65$); **Family harmony** ($r = 0.66$); **Rewards from the business** ($r = 0.67$) and **Trust in the successor's ability and intentions** ($r = 0.72$).

This means that in practice, have the above-mentioned independent variables a positive effect on the dependent variable.

5.3 RECOMMENDATIONS

5.3.1 Practical recommendations to family businesses

Based on the literature and empirical study, the analysis of the empirical study and the conclusions, management recommendations made are listed below. The recommendations are not according to a specific ranking. The importance will depend on the requirements of the specific family business as determined by management.

Management of the family and business interaction

The principle of parallel focus on the interests of the family and the business should always be the main focus, as it is the most enduring strategy for successful family businesses. The family and the business are equally important and should receive mutual respect and care. Family members have to earn a voice in business governance by showing and developing qualifications that convey the right to be heard. The business needs to be accountable to the family.

Families should equalise the family and the business systems to create a positive environment whereby the family thrives and the business performs. Families should earnestly want both a successful family life and a successful family business.

Therefore, it is recommended that the balancing approach should be in place so that these two subsystems become the foundation for healthy family business relationships and ultimately for the creation of a family business legacy.

Building of good relationships between all family members

The building of healthy interpersonal relationships between the owner-managers and successors should receive immediate and ongoing attention. This could ensure a successful succession and good relationship after the final transfer of management. Healthy family relations between all the family members should also be fostered. This should begin with a regular family forum meetings to remain in touch with what each person wants (vision), what the family stands for (values) as well as what the family wants from the business. The family members should not lose sight of the fact that the family relationships affect the business and the business affects the family.

Outside interests of the owner-manager

The study shows that senior generation owner-managers should spend more time in preparing for the transfer of ownership and management succession. It is recommended that ageing owner-managers should be encouraged to earnestly think what they would do once they have stepped down. The current owner must seek the ability to find meaning in life after giving up the challenge, influence, status, identity, control and daily structure associated with running a business.

Senior generation owner-managers should, therefore, also begin to look for interests outside of the family business and create quality life instead of only quality work life. This they could start by delegating more responsibilities to the designated successors and increase coaching and mentorship to the younger family members.

Management succession planning

Management succession is an ongoing process and a family should never postpone addressing the issue therefore rather sooner than later. It is strongly recommended that succession planning must commence as soon as possible. The decision made on the designated successor should be communicated. The family, employees, suppliers, clients and other relevant stakeholders should be clearly informed on the decision of the suitable successor. Care must be taken to ensure that the potential successor develops the necessary skills, experience and confidence to effectively manage the family business in the future.

A timetable must be drawn up for retirement or a deadline to finally shift leadership. It is recommended that this plan is put in writing and to stick to it. An estate plan should be drawn up to indicate how the assets are to be divided as well as ensuring the appropriate transfer ownership the next generation.

Preparation level of successor

It is evident from this study that the senior family members need to spend more time in preparing for the transfer of ownership and management succession. It is strongly recommended that the selection of the successor should not be based on the birthrights and gender of a person but on competency. Women must be valued and acknowledged as an important resource in family businesses. It is recommended that coaching and mentorship of the younger generation receive a high priority so that more responsibilities can be delegated from the senior generation to the younger generation. Once the phasing-out process has been made known and the retirement plan is concluded, the best recommendation to the successor is to stick to the plan.

Outside advice and governance

Establishing corporate governance bodies, as well as rules and regulations to ensure effective corporate governance, also requires urgent attention in most participating black-owned family businesses, as it seemed that it is currently not adequately addressed. The key focus of business governance should be to serve shareholders and other stakeholders together with meeting the goals set for it by shareholders. The key focus of family governance should be to find consensus on matters where owners' wishes matter most, as well as to provide family members with a shared sense of identity and mission that transcends their individual interests in the business. It is also very important that black-owned family businesses seek outside advice to assist them during succession process or the successful management of the business after the final transfer of management.

Rewards from the business

Performance measure and compensation of the younger generation family members or successors should be regarded as a high priority issue. A feasible starting point will be to reinforce clear-cut roles and responsibilities of the active family members and by

actually putting the compensation policy down in writing. This can be used as the basis for future performance measure and market-related compensation. Clear rules and regulations need to be in place so that the setting up of disciplinary policies and procedures can address any inconsistencies. The performance of family members should be objectively evaluated on a regular basis and followed by honest feedback. The goal of a good compensation plan should be to keep everyone involved in the family business to work at his or her best and for what is best.

Estate planning

Ownership succession is a critical issue that has not received all the planning and urgency as would be expected in most family businesses. It is also critical to ensure the financial stability of the senior generation owner-manager when planning for retirement. It is also recommended that the family members must gain an understanding of what the retiring leader is going through, as this will strengthen the psychological resistance to retirement planning. The mere fact that the owner-manager retires from the business does not mean he or she no longer has expenses.

It is recommended that the assistance and guidance of an estate planner be called in to assist the family. The estate planner should assist the family in specific area such as shareholding and equity, the ownership succession transfer from the senior generation to the younger generation, as well as fair estate planning. Tax implication of the latest will and testament should be discussed and revisited in the event of changes in legislation.

Strategic planning

It seems that management succession planning is not adequately addressed in the participating black-owned family businesses and should accordingly receive urgent attention. Management succession should be seen as a three-fold process and should include the preparing for change, implementing change and ultimately managing

change. It should be a strategic process that is based on a thorough analysis of the business, family and other stakeholders involved. Succession should start early and be accompanied by a comprehensive succession plan that recognises the complex interaction of family, ownership and management issues. The succession plan should be a feasible plan that is managed so that the actual transition takes place at the desired point and in an appropriate manner. It is fundamental that the potential successor should gradually and timely be involved in the family business. Like wise, the timely departure of the founder is essential.

Conflict management

The family business should focus on the prevention and management of conflict amongst all family members, together with the establishing and maintaining of effective communication forums. Conflict is normal when emotions are involved. However, a family forum meeting is an excellent communication improvement tool to vent uprising conflict. Nevertheless, good communication does not eliminate conflict, but it certainly contributes to managing a business effectively and to ensure it does not become toxicated, over emotional and destructive.

Establishing family forums and meetings

The setting up and maintenance of family forums require urgent attention. The values, ideals and sense of purpose nurtured by the family are a potentially vast resource for the family business. Family forum meetings can be used as an important mechanism to improve communication among all family members and to identify and resolve differences among all family members.

Family forums are one of the most important resources in ensuring the continuity of the family business as a business. Family forums offer a variety of important benefits, including planning for the future of the family business as a business, building a stronger family and a stronger business, ensuring family participation, opening up the succession

process as well as preserving family tradition and history. The future of the business as a family business, corporate governance in the family business, performance measurement, the compensation of family members and succession and ownership planning should be discussed at the family forum meetings. The purpose of a family meeting should be to build the cohesion of the family and to enhance the sense of identity as a family.

Family meetings should address many of the dimensions necessary for the continuity of the family business; articulating the meaning and mission of the family, the education and personal development of younger members, the pleasure and social aspects of being a family, as well as planning for the future. However, care must be taken that the overall picture is seen, and not only the needs and dreams of a few dominant family members. The overall approach should be a strategic approach to managing the management succession to family businesses.

5.3.2 General recommendations to assist and support family businesses

Improve the education system

It is recommended that primary and secondary schools be introduced that will produce matriculates with entrepreneurial skills, proficient language and mathematical skills. Universities must provide engineering, technical and scientific and managerial skills that will enable South Africa to compete effectively in globalising markets.

Research on family business

Research on family businesses in South Africa must be encouraged that will bridge the gap and establish guidelines to assist family businesses in surviving through generations.

5.4 CRITICAL EVALUATION OF THE STUDY

The measurement of success of this study is based upon the achievement of the primary and secondary objectives, as indicated in Section 1.4 of this study.

5.4.1 Primary objective

The primary objective of this study was to evaluate the management succession process in black-owned family business in Vhembe District in Limpopo Province and to put forward recommendations to enable the family businesses to overcome management succession to ensure long-term sustainability.

The achievement of the primary objective was depended upon the realising the secondary objectives.

5.4.2 Secondary objectives

As indicated in Section 1.4, the secondary objectives had to be met to be able to achieve the primary objectives. The following secondary objectives had to be met:

- To define family businesses.
- To obtain insight into the dynamics of family businesses by means of a literature review.
- To obtain insight into the dynamics of management succession in family businesses by means of a literature review.
- To determine the reliability of the questionnaire.
- To assess management succession in black-owned family businesses in the Vhembe District.

- To examine the relationships between the demographical variable, generation and the constructs measuring management succession.
- To determine the correlations between the dependent and independent variables.
- To suggest practical recommendations to ensure successful management succession in black-owned family businesses in the Vhembe district.

The first objective, to define family businesses, was achieved by defining family businesses in section 2.2 in chapter 2 of this study.

The second secondary objective, to obtain insight into the dynamics of family businesses by means of a literature review, was achieved by means of the literature study as presented in chapter 2. The third objective, to obtain insight into the dynamics of management succession in family businesses by means of a literature review, was also achieved by means of a literature study in chapter 3.

The fourth objective was to determine the reliability of the existing questionnaire. This objective was achieved as it was concluded that the existing questionnaire has acceptable reliability. Constructs that obtained low Cronbach alpha coefficients, should however, be investigated to improve the internal consistency of the items measuring the respective constructs. The empirical study in Section 4.7 discussed the calculated Cronbach alpha coefficients and the conclusions were put forward in Section 5.2.4 of this study.

The fifth objective, to assess management succession in black-owned family businesses in the Vhembe District, was achieved by means of a detailed empirical research followed by a presentation thereof in chapter four, as well as conclusions made in chapter five.

The six objective was to determine the statistical and practical significance for the differences in the arithmetic means assessed by the owner-managers and successors concerning the 16 constructs measuring the management succession process in the

participating black-owned family businesses. This objective was achieved by means of the presentation and discussion of the findings in Section 4.8 of this study.

The seventh objective, to determine the correlations between the dependent and independent variables, were achieved by presenting the findings in Section 4.10 of this study.

The last secondary objective, to suggest practical recommendations to ensure successful management succession in black-owned family businesses in the Vhembe district was achieved by presenting recommendations in Section 5.3 of this study.

The conclusion can be made that all of the secondary objectives were achieved. Based on the realising of the secondary objectives, as well as the recommendation put forward in Section 5.3, it can be concluded that the primary objective of this study was achieved.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

Despite the important role that family businesses play in the economy of South Africa, very little literature is locally available concerning family businesses.

Therefore, scientific research on the management succession in black-owned family business in South Africa should be encouraged. As a result of insufficient research there is a gap concerning an in-depth understanding of the management succession challenges facing black-owned family businesses.

Existing knowledge and understanding should be broadened so that a common understanding and knowledge exists on management succession to enable family businesses to optimise on these challenges. Adherence to the latter will enhance the long-term survival rate of the businesses as family businesses.

5.6 SUMMARY

In this chapter the conclusions based on the empirical study, practical recommendations to black-owned family businesses and general recommendations, the achievement of the primary and secondary objectives and suggestions for future research were discussed.

It was concluded on the basis of the findings of the empirical study, that the most neglected aspects in that could hinder successful management succession in black-owned family businesses in the Vhembe district, are management succession planning, estate and retirement planning, the selection of the successor, the prevention and management of conflict and the establishment of family forums to enable effective communication within the family businesses.

Practical recommendations were suggested to support the family and the business to effectively manage the management succession process in family businesses.

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APPENDIX 1

MANAGEMENT SUCCESSION QUESTIONNAIRE

SENIOR GENERATION OWNER-MANAGER (ACTIVE IN THE FAMILY BUSINESS)



Developed and compiled by:

Prof Elmarie Venter (NMMU)
Dr Stephan van der Merwe (NWU)

Contact details:

Dr Stephan van der Merwe
Tel: (018) 299 1414 (w)
Tel: (018) 297 7591 (h)
Fax: (018) 299 1416
Cell: 082 335 0578
E-mail: stephan.vandermerwe@nwu.ac.za



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
POTCHEFSTROOM CAMPUS

Potchefstroom Business School
Dr SP van der Merwe

Tel (018) 299 1414

Fax (018) 299 1416

Email stephan.vandermerwe@nwu.ac.za

1 September 2008

Dear Respondent

RESEARCH PROJECT: MANAGEMENT SUCCESSION IN FAMILY BUSINESSES

The North-West University in Potchefstroom is currently researching the management succession process in family businesses. Entrepreneurship, and particularly the family business phenomenon are relatively ill-defined concepts in South Africa. There is also an apparent lack of adequate support for such family businesses. The family business is a primary contributor to the economic and social well being of all capitalist societies and its lack of longevity is a cause for concern. One of the main reasons posed for this problem is that the required skill to manage the process of management succession from one generation to the next is often lacking.

The purpose of this research project is to identify the factors that influence the success of the management succession process of family businesses and to propose managerial approaches and strategies that will assist family business owners to successfully accomplish the management succession process.

Should there be more than one successor in your family business, we request that each successor completes a questionnaire independently. Additional questionnaires are provided for this purpose, alternatively please feel free to photocopy the relevant questionnaire. Should you feel that you do not fall into either of the categories stated above, please contact the undersigned immediately and a replacement questionnaire will be forwarded to you.

Please complete the questionnaire that applies to your particular position independently and without consultation among family members. Please place the completed questionnaire in the envelope and give it to the co-ordinator of this research project. **The questionnaire should take only 15 minutes to complete.**

Even though no confidential information is required, your responses will be treated with the strictest confidentiality. Names of individuals will not appear in the research report. Only aggregate data and summary statistics will be reported. Each questionnaire has an ID number so that we can verify the receipt of the returned questionnaire. Should you so require, a copy of the findings will be forwarded to you.

Thank you in anticipation for your willingness to contribute to the success of this important research project.

Yours faithfully

ABSOLOM NETSIANDA

Cell: 076 515 4366

POTCHEFSTROOM CAMPUS

• Private Bag X6001 • Potchefstroom • South Africa 2520 • Tel: +27 18 299-1111
• Fax: +27 18 299-2799 • <http://www.nwu.ac.za>



QUESTIONNAIRE: ACTIVE OWNER-MANAGER

A FAMILY BUSINESS is one that has the potential or has been passed on for the next generation of family member(s) to manage and control.

SECTION A: FACTORS INFLUENCING SUCCESSION

A number of factors influencing the succession process in family businesses are listed below. Using the following scale please indicate to what extent you agree or disagree with the statements by circling the appropriate number in each row: 1 = Strongly disagree; 2 = Disagree; 3 = Somewhat/slightly disagree; 4 = Neither agree nor disagree (neutral); 5 = Somewhat/slightly agree; 6 = Agree; 7 = Strongly agree

		<div>Strongly disagreeNeutralStrongly agree</div> <div>←-----→</div>							For office use
		1	2	3	4	5	6	7	
1	Our family members emotionally bond with each other	1	2	3	4	5	6	7	B
2	Our family members trust each other	1	2	3	4	5	6	7	C
3	Our family members respect each other	1	2	3	4	5	6	7	D
4	Our family members communicate openly with each other	1	2	3	4	5	6	7	E
5	Our family members care about each other's welfare	1	2	3	4	5	6	7	F
6	Our family members appreciate each other	1	2	3	4	5	6	7	G
7	The potential successor(s) and I respect each other	1	2	3	4	5	6	7	H
8	The potential successor(s) and I have a trusting relationship	1	2	3	4	5	6	7	I
9	The potential successor(s) can be counted on to do what is best for the family business	1	2	3	4	5	6	7	J
10	The potential successor(s) and I have a mutually supportive relationship	1	2	3	4	5	6	7	K
11	I prefer to cooperate with the potential successor(s) rather than compete with him/her	1	2	3	4	5	6	7	L
12	The potential successor(s) and I freely share our business-related opinions with each other	1	2	3	4	5	6	7	M
13	The potential successor(s) and I are willing to share information with each other	1	2	3	4	5	6	7	N
14	I am looking forward to the pursuit of activities outside the family business after my retirement	1	2	3	4	5	6	7	O
15	I have a new challenge or group of interests that will keep me busy after my retirement from the family business	1	2	3	4	5	6	7	P
16	I am involved in hobbies/cultural activities/watching or playing sports	1	2	3	4	5	6	7	Q
17	I am NOT completely immersed in the challenges of my family business	1	2	3	4	5	6	7	R
18	I am heavily involved in activities outside the context of the family business	1	2	3	4	5	6	7	S
19	I am happy to let go of the leadership of the family business	1	2	3	4	5	6	7	T
20	My involvement in the family business is NOT essential to keep it running	1	2	3	4	5	6	7	U
21	I do NOT have to be persuaded to hand over the leadership of the family business	1	2	3	4	5	6	7	V
22	I will willingly hand over the leadership of the family business	1	2	3	4	5	6	7	W
23	I am willing to share full financial information with others involved in the family business	1	2	3	4	5	6	7	X
24	Family members accept their roles and positions in the business	1	2	3	4	5	6	7	Y
25	Family members understand their specific responsibilities in the business	1	2	3	4	5	6	7	Z
26	Family members in the business freely express their opinions about the business	1	2	3	4	5	6	7	AA
27	Family members work as a team with other family members involved in the business	1	2	3	4	5	6	7	AB
28	Family members acknowledge each other's achievements in the business	1	2	3	4	5	6	7	AC
29	Family members encourage each other to produce their best efforts in the business	1	2	3	4	5	6	7	AD
30	Conflict between family members involved in the business is effectively resolved	1	2	3	4	5	6	7	AE
31	Explicit succession criteria have been developed for identifying the best successor(s)	1	2	3	4	5	6	7	AF

		<div> <div>Strongly disagree</div> <div>Neutral</div> <div>Strongly agree</div> </div>							For office use
		1	2	3	4	5	6	7	
32	Explicit efforts have been made to train the potential successor(s) for his/her/their future role in the family business	1	2	3	4	5	6	7	AG
33	Explicit attention has been given to familiarise the potential successor(s) with the employees of the family business prior to succession	1	2	3	4	5	6	7	AH
34	Explicit attention has been given to familiarise the potential successor(s) with the family business prior to the succession	1	2	3	4	5	6	7	AI
35	The decision about who the successor(s) will be, has been clearly communicated to key stakeholders	1	2	3	4	5	6	7	AJ
36	A proper process has been followed to identify a suitable successor(s) for the family business	1	2	3	4	5	6	7	AK
37	The succession process has been discussed with key stakeholders	1	2	3	4	5	6	7	AL
38	There is a written succession plan in place	1	2	3	4	5	6	7	AM
39	The potential successor(s) has/have a strong desire to take over the family business	1	2	3	4	5	6	7	AN
40	The potential successor(s) is/are happy to work in the family business	1	2	3	4	5	6	7	AO
41	The potential successor(s) has/have a choice whether to work in the family business or not	1	2	3	4	5	6	7	AP
42	The potential successor(s) prefer(s) to work in the family business even if she/he/they has/have other career options to choose from	1	2	3	4	5	6	7	AQ
43	The potential successor(s) is/are looking forward to managing the family business	1	2	3	4	5	6	7	AR
44	The potential successor is willing to put in a great deal of effort beyond that normally expected in order to help the family business be successful	1	2	3	4	5	6	7	AS
45	The potential successor(s) is/are proud to tell others that he/she/they is/are part of the family business	1	2	3	4	5	6	7	AT
46	The potential successor(s) has/have a great deal of confidence in his/her/their ability to manage the family business	1	2	3	4	5	6	7	AU
47	I trust the potential successor(s) to use his/her/their own judgment in making business decisions	1	2	3	4	5	6	7	AV
48	The potential successor(s) has/have the ability to deliver good business results	1	2	3	4	5	6	7	AW
49	The potential successor(s) has/have the best interests of the family business at heart	1	2	3	4	5	6	7	AX
50	I have a great deal of confidence in the integrity of the potential successor(s)	1	2	3	4	5	6	7	AY
51	I can rely on the potential successor(s) to complete assigned tasks	1	2	3	4	5	6	7	AZ
52	I trust that the potential successor(s) know(s) the family business	1	2	3	4	5	6	7	BA
53	I have a great deal of trust in the ability of the potential successor(s) to manage the family business	1	2	3	4	5	6	7	BB
54	The potential successor(s) has/have relevant business experience other than that obtained in the family business that has prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BC
55	The potential successor(s) has/have worked at lower levels within the family business, which has prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BD
56	The potential successor(s) has/have been exposed to different activities within the family business that have prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BE
57	The potential successor(s) has/have received personal tutoring in specific skills or knowledge areas, which has prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BF
58	The potential successor(s) has/have been mentored by someone other than myself that has prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BG
59	The potential successor(s) has/have a personal advice network that has prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BH
60	The potential successor(s) has/have an academic qualification(s) that has/have prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BI
61	The potential successor(s) has/have regularly attended business-related courses/seminars that have prepared him/her/them to take over the family business	1	2	3	4	5	6	7	BJ
62	The family business has a formal board of directors	1	2	3	4	5	6	7	BK
63	The family business has a written business plan	1	2	3	4	5	6	7	BL

		<div> <div>Strongly disagree</div> <div>Neutral</div> <div>Strongly agree</div> </div>							For office use
		1	2	3	4	5	6	7	
64	The family business has a formal structure where family and business issues can be discussed	1	2	3	4	5	6	7	BM
65	The family business has a formal document that describes the relationship between the family and the business	1	2	3	4	5	6	7	BN
66	The family typically involves outsiders (consultants, solicitors, accountants, bank managers etc.) in the most important decisions related to our family business	1	2	3	4	5	6	7	BO
67	It is exciting for the potential successor(s) to work in the family business	1	2	3	4	5	6	7	BP
68	It is rewarding for the potential successor(s) to work in the family business	1	2	3	4	5	6	7	BQ
69	Opportunities offered to the potential successor(s) in the family business are more challenging than anywhere else	1	2	3	4	5	6	7	BR
70	The potential successor(s) is/are able to satisfy his/her/their personal development goals within the family business	1	2	3	4	5	6	7	BS
71	The potential successor(s)'s career needs and interests are closely aligned with opportunities within the family business	1	2	3	4	5	6	7	BT
72	The potential successor(s) is/are able to influence the strategic direction of the family business	1	2	3	4	5	6	7	BU
73	The long-term financial gains available to the potential successor(s) from the continuation of our business as a family business are much higher than they would be if the business were sold	1	2	3	4	5	6	7	BV
74	The long-term non-financial gains available to the potential successor(s) from the continuation of our business as a family business are much higher than they would be if the business were sold	1	2	3	4	5	6	7	BW
75	The family business is financially secure	1	2	3	4	5	6	7	BX
76	The family business offers the potential successor(s) job security	1	2	3	4	5	6	7	BY
77	The family business has potential for future expansion	1	2	3	4	5	6	7	BZ
78	The family values the business and its future survival	1	2	3	4	5	6	7	CA
79	A major objective of the family business is to pass it on to the next generation	1	2	3	4	5	6	7	CB
80	I am deeply committed to continuing the family business	1	2	3	4	5	6	7	CC
81	The successor is deeply committed to continuing the family business	1	2	3	4	5	6	7	CD
82	All family members actively involved in the family business are deeply committed to its continuation	1	2	3	4	5	6	7	CE
83	I want my children to be involved in the family business	1	2	3	4	5	6	7	CF
84	I will be very disappointed, if none of the next generation of family members join the family business	1	2	3	4	5	6	7	CG
85	There will be sufficient capital to run the family business effectively after my retirement	1	2	3	4	5	6	7	CH
86	I have a current will that accurately reflects my wishes regarding the disposition of the family business	1	2	3	4	5	6	7	CI
87	I will be financially secure after retiring from the family business	1	2	3	4	5	6	7	CJ
88	Explicit decisions have been made about how family assets and ownership are to be distributed among family members of the next generation, once I retire from the family business	1	2	3	4	5	6	7	CK
89	I have done estate planning in addition to my basic will	1	2	3	4	5	6	7	CL
90	A periodical analysis takes place regarding the role of the family and the business in the family business	1	2	3	4	5	6	7	CM
91	There is a proper understanding among family members of what the family business strategy will be after leadership is transferred to the potential successor(s)	1	2	3	4	5	6	7	CN
92	Family members often discuss family and business goals	1	2	3	4	5	6	7	CO
93	The family often discusses the future role and involvement of the family in the business after succession	1	2	3	4	5	6	7	CP
94	I expect that the family business will perform as well or better after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	CQ
95	I expect that the family business will be sustainable after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	CR

		<div> <div>Strongly disagree</div> <div>Neutral</div> <div>Strongly agree</div> </div>							For office use
96	I expect that the relationships among family members will be positive after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	CS
97	I expect that the relationships with stakeholders (networks, suppliers, etc.) will be positive after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	CT
98	I expect that all family members involved in the family business will be satisfied with the succession process	1	2	3	4	5	6	7	CU
99	I expect that the potential successor(s) will be satisfied with the succession process	1	2	3	4	5	6	7	CV
100	I expect that the family will support the family business after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	CW
101	I expect to be satisfied with the succession process	1	2	3	4	5	6	7	CX
102	I expect the business to be financially secure after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	CY
103	I expect that the potential successor(s) will improve/increase the revenues and profits of the family business after the management/leadership of the business is handed over to him/her/them	1	2	3	4	5	6	7	CZ
104	I expect the employees of the family business to be committed to the business after the management/leadership of the business is handed over to the potential successor(s)	1	2	3	4	5	6	7	DA

SECTION B: BIOGRAPHICAL INFORMATION

1.1	Has the leadership/management of your family business been passed onto a family member in the past few years?	<table border="1"> <tr> <td>Yes</td> <td>1</td> </tr> <tr> <td>No</td> <td>2</td> </tr> </table>	Yes	1	No	2	DB
Yes	1						
No	2						
1.2	If YES , please indicate the year in which such leadership/management was passed onto the current owner-manager. _____		DC				
2	If NO , please indicate whether it is anticipated that the leadership/management of the family business will be handed over to a family member in future.	<table border="1"> <tr> <td>Yes</td> <td>1</td> </tr> <tr> <td>No</td> <td>2</td> </tr> </table>	Yes	1	No	2	DD
Yes	1						
No	2						
3	Please indicate the number of full-time employees employed in the family business (including family members). _____		DE				
4	Please indicate the activities (within a branch of industry) of the family business (e.g. manufacturing of leather products, grocery store, hairdresser, farming) _____		DF				
5	Indicate your current position in the family business:		DG				
5.1	Retiring owner-manager of the family business (will soon retire from active management of the family business)	1					
5.2	Retired owner-manager (have already retired from the management of the family business)	2					
5.3	Successor (have already taken over the management of the family business from a family member)	3					
5.4	Designated successor (will soon succeed the family member who now manages the family business)	4					
5.5	Potential successor (could possibly be a successor to the family member currently managing the business)	5					
5.6	Other family member (please indicate) _____	6					
6	Indicate which generation (1 st , 2 nd , 3 rd , etc.) that you represent in the family business. _____		DH				
7	How many family members work full-time in the family business (including in-laws)? _____		DI				

- 7.1 One
- 7.2 Two
- 7.3 Three – Four
- 7.4 Five or more

1
2
3
4

8 What percentage of business shares is controlled by your family?

- 8.1 Less than 50%
- 8.2 50%
- 8.3 More than 50%

1
2
3

DJ

9 Please indicate the gender of the following family members:

9.1 Retiring owner-manager (yourself)

- Male
- Female

1
2

DK

9.2 Potential successor

- Male
- Female

1
2

DL

10 Please indicate the ethnic background of your family

- 10.1 White
- 10.2 Black
- 10.3 Asian
- 10.4 Coloured

1
2
3
4

DM

11 Please indicate the form of ownership of your family business

- 11.1 Sole proprietorship
- 11.2 Partnership
- 11.3 Close corporation
- 11.4 Private company
- 11.5 Business trust
- 11.6 Other (please specify) _____

1
2
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4
5
6

DN

12 How long do you anticipate it will be before you retire?

- 12.1 Within the next two years
- 12.2 Within the next five years
- 12.3 Within the next ten years
- 12.4 More than ten years

1
2
3
4

DO

13 What age do you (the retiring owner-manager) expect to be at the time of the anticipated succession? _____

DP

14 What age do you expect the potential successor to be at the time of the anticipated succession? _____

DQ

15 Since when has your business been operating as a family business? _____

DR

Comments or suggestions on the management succession process:

If you would like a copy of the research findings, please provide your name and postal address.

THANK YOU FOR YOUR TIME AND COOPERATION.

MANAGEMENT SUCCESSION QUESTIONNAIRE

POTENTIAL OR DESIGNATED SUCCESSOR (ACTIVE IN THE FAMILY BUSINESS)



Developed and compiled by:

Prof Elmarie Venter (NMMU)
Dr Stephan van der Merwe (NWU)

Contact details:

Dr Stephan van der Merwe
Tel: (018) 299 1414 (w)
Tel: (018) 297 7591 (h)
Fax: (018) 299 1416
Cell: 082 335 0578
E-mail: stephan.vandermerwe@nwu.ac.za



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
POTCHEFSTROOM CAMPUS

**Potchefstroom Business School
Dr SP van der Merwe**

Tel (018) 299 1414

Fax (018) 299 1416

Email stephan.vandermerwe@nwu.ac.za

1 September 2008

Dear Respondent

RESEARCH PROJECT: MANAGEMENT SUCCESSION IN FAMILY BUSINESSES

The North-West University in Potchefstroom is currently researching the management succession process in family businesses. Entrepreneurship, and particularly the family business phenomenon are relatively ill-defined concepts in South Africa. There is also an apparent lack of adequate support for such family businesses. The family business is a primary contributor to the economic and social well being of all capitalist societies and its lack of longevity is a cause for concern. One of the main reasons posed for this problem is that the required skill to manage the process of management succession from one generation to the next is often lacking.

The purpose of this research project is to identify the factors that influence the success of the management succession process of family businesses and to propose managerial approaches and strategies that will assist family business owners to successfully accomplish the management succession process.

Should there be more than one successor in your family business, we request that each successor completes a questionnaire independently. Additional questionnaires are provided for this purpose, alternatively please feel free to photocopy the relevant questionnaire. Should you feel that you do not fall into either of the categories stated above, please contact the undersigned immediately and a replacement questionnaire will be forwarded to you.

Please complete the questionnaire that applies to your particular position independently and without consultation among family members. Please place the completed questionnaire in the envelope and give it to the co-ordinator of this research project. **The questionnaire should take only 15 minutes to complete.**

Even though no confidential information is required, your responses will be treated with the strictest confidentiality. Names of individuals will not appear in the research report. Only aggregate data and summary statistics will be reported. Each questionnaire has an ID number so that we can verify the receipt of the returned questionnaire. Should you so require, a copy of the findings will be forwarded to you.

Thank you in anticipation for your willingness to contribute to the success of this important research project.

Yours faithfully

ABSOLOM NETSIANDA

Cell: 076 515 4366

POTCHEFSTROOM CAMPUS

• Private Bag X6001 • Potchefstroom • South Africa 2520 • Tel: +27 18 299-1111
• Fax: +27 18 299-2799 • <http://www.nwu.ac.za>



QUESTIONNAIRE: POTENTIAL OR DESIGNATED SUCCESSOR

A FAMILY BUSINESS is one that has the potential or has been passed on for the next generation of family member(s) to manage and control.

SECTION A: FACTORS INFLUENCING SUCCESSION

A number of factors influencing the succession process in family businesses are listed below. Using the following scale please indicate to what extent you agree or disagree with the statements by circling the appropriate number in each row: 1 = Strongly disagree; 2 = Disagree; 3 = Somewhat/slightly disagree; 4 = Neither agree nor disagree (neutral); 5 = Somewhat/slightly agree; 6 = Agree; 7 = Strongly agree

		<div style="display: flex; justify-content: space-between; align-items: center;"> Strongly disagree Neutral Strongly agree </div> <div style="text-align: center; margin-top: 5px;"> ← → </div>							For office use
1	Our family members emotionally bond with each other	1	2	3	4	5	6	7	B
2	Our family members trust each other	1	2	3	4	5	6	7	C
3	Our family members respect each other	1	2	3	4	5	6	7	D
4	Our family members communicate openly with each other	1	2	3	4	5	6	7	E
5	Our family members care about each other's welfare	1	2	3	4	5	6	7	F
6	Our family members appreciate each other	1	2	3	4	5	6	7	G
7	The retiring owner-manager and I respect each other	1	2	3	4	5	6	7	H
8	The retiring owner-manager and I have a trusting relationship	1	2	3	4	5	6	7	I
9	The retiring owner-manager can be counted on to do what is best for the family business	1	2	3	4	5	6	7	J
10	The retiring owner-manager and I have a mutually supportive relationship	1	2	3	4	5	6	7	K
11	I prefer to cooperate with the retiring owner-manager rather than compete with him/her	1	2	3	4	5	6	7	L
12	The retiring owner-manager and I freely share our business-related opinions with each other	1	2	3	4	5	6	7	M
13	The retiring owner-manager and I are willing to share information with each other	1	2	3	4	5	6	7	N
14	The retiring owner-manager is looking forward to the pursuit of activities outside the family business after his/her retirement	1	2	3	4	5	6	7	O
15	The retiring owner-manager has a new challenge or group of interests that will keep him/her busy after retirement from the family business	1	2	3	4	5	6	7	P
16	The retiring owner-manager is involved in hobbies/cultural activities/watching or playing sports	1	2	3	4	5	6	7	Q
17	The retiring owner-manager is NOT completely immersed in the challenges of his/her family business	1	2	3	4	5	6	7	R
18	The retiring owner-manager is heavily involved in activities outside the context of the family business	1	2	3	4	5	6	7	S
19	The retiring owner-manager is happy to let go of the leadership of the family business	1	2	3	4	5	6	7	T

		<div> <div>Strongly disagree</div> <div>Neutral</div> <div>Strongly agree</div> </div>							For office use
		1	2	3	4	5	6	7	
20	The retiring owner-manager feels that his/her involvement in the family business is NOT essential for its survival	1	2	3	4	5	6	7	U
21	The retiring owner-manager does NOT have to be persuaded to hand over the leadership of the family business	1	2	3	4	5	6	7	V
22	The retiring owner-manager will willingly hand over the leadership of the family business	1	2	3	4	5	6	7	W
23	The retiring owner-manager is willing to share full financial information with others involved in the family business	1	2	3	4	5	6	7	X
24	Family members accept their roles and positions in the business	1	2	3	4	5	6	7	Y
25	Family members understand their specific responsibilities in the business	1	2	3	4	5	6	7	Z
26	Family members in the business freely express their opinions about the business	1	2	3	4	5	6	7	AA
27	Family members work as a team with other family members involved in the business	1	2	3	4	5	6	7	AB
28	Family members acknowledge each other's achievements in the business	1	2	3	4	5	6	7	AC
29	Family members encourage each other to produce their best efforts in the business	1	2	3	4	5	6	7	AD
30	Conflict between family members involved in the business is effectively resolved	1	2	3	4	5	6	7	AE
31	Explicit succession criteria have been developed for identifying the best successor(s)	1	2	3	4	5	6	7	AF
32	Explicit efforts have been made to train me for my future role in the family business	1	2	3	4	5	6	7	AG
33	Explicit attention has been given to familiarise me with the employees of the family business prior to succession	1	2	3	4	5	6	7	AH
34	Explicit attention has been given to familiarise me with the family business prior to succession	1	2	3	4	5	6	7	AI
35	The decision about who the successor(s) will be, has been clearly communicated to key stakeholders	1	2	3	4	5	6	7	AJ
36	A proper process has been followed to identify a suitable successor(s) for the family business	1	2	3	4	5	6	7	AK
37	The succession process has been discussed with key stakeholders	1	2	3	4	5	6	7	AL
38	There is a written succession plan in place	1	2	3	4	5	6	7	AM
39	I have a strong desire to take over the family business	1	2	3	4	5	6	7	AN
40	I am happy to work in the family business	1	2	3	4	5	6	7	AO
41	I have a choice whether to work in the family business or not	1	2	3	4	5	6	7	AP
42	I prefer to work in the family business even though I have other career options to choose from	1	2	3	4	5	6	7	AQ
43	I am looking forward to managing the family business	1	2	3	4	5	6	7	AR
44	I am willing to put in a great deal of effort beyond that normally expected in order to help the family business be successful	1	2	3	4	5	6	7	AS
45	I am proud to tell others that I am part of the family business	1	2	3	4	5	6	7	AT
46	I have a great deal of confidence in my ability to manage the family business	1	2	3	4	5	6	7	AU
47	The retiring owner-manager trusts me to use my own judgement in making business decisions	1	2	3	4	5	6	7	AV
48	The retiring owner-manager knows I have the ability to deliver good business results	1	2	3	4	5	6	7	AW
49	The retiring owner-manager believes I have the best interests of the family business at heart	1	2	3	4	5	6	7	AX
50	The retiring owner-manager has a great deal of confidence in my integrity	1	2	3	4	5	6	7	AY
51	The retiring owner-manager can rely on me to complete assigned tasks	1	2	3	4	5	6	7	AZ
52	The retiring owner-manager trusts that I know the family business	1	2	3	4	5	6	7	BA
53	The retiring owner-manager has a great deal of trust in my ability to manage the family business	1	2	3	4	5	6	7	BB

		<div> <div>Strongly disagree</div> <div>Neutral</div> <div>Strongly agree</div> </div>							For office use
		1	2	3	4	5	6	7	
54	I have relevant business experience other than that obtained in our family business that has prepared me to take over the family business	1	2	3	4	5	6	7	BC
55	I have worked at lower levels within the family business, which has prepared me to take over the family business	1	2	3	4	5	6	7	BD
56	I have been exposed to different activities within the family business that have prepared me to take over the family business	1	2	3	4	5	6	7	BE
57	I have received personal tutoring in specific skills or knowledge areas, which has prepared me to take over the family business	1	2	3	4	5	6	7	BF
58	I have been mentored by someone other than my father/mother that has prepared me to take over the family business	1	2	3	4	5	6	7	BG
59	I have a personal advice network that has prepared me to take over the family business	1	2	3	4	5	6	7	BH
60	I have an academic qualification(s) that has/have prepared me to take over the family business	1	2	3	4	5	6	7	BI
61	I have regularly attended business-related courses/seminars that have prepared me to take over the family business	1	2	3	4	5	6	7	BJ
62	The family business has a formal board of directors	1	2	3	4	5	6	7	BK
63	The family business has a written business plan	1	2	3	4	5	6	7	BL
64	The family business has a formal structure where family and business issues can be discussed	1	2	3	4	5	6	7	BM
65	The family business has a formal document that describes the relationship between the family and the business	1	2	3	4	5	6	7	BN
66	The family typically involves outsiders (consultants, solicitors, accountants, bank managers etc.) in the most important decisions related to our family business	1	2	3	4	5	6	7	BO
67	I find it exciting to work in the family business	1	2	3	4	5	6	7	BP
68	I find it rewarding to work in the family business	1	2	3	4	5	6	7	BQ
69	Opportunities offered in the family business are more challenging than anywhere else	1	2	3	4	5	6	7	BR
70	I am able to satisfy my personal development goals within the family business	1	2	3	4	5	6	7	BS
71	My career needs and interests are closely aligned with opportunities within the family business	1	2	3	4	5	6	7	BT
72	I am able to influence the strategic direction of the family business	1	2	3	4	5	6	7	BU
73	The long-term financial gains available to me from the continuation of our business as a family business are much higher than they would be if the business were sold	1	2	3	4	5	6	7	BV
74	The long-term non-financial gains available to me from the continuation of our business as a family business are much higher than they would be if the business were sold	1	2	3	4	5	6	7	BW
75	The family business is financially secure	1	2	3	4	5	6	7	BX
76	The family business offers me job security	1	2	3	4	5	6	7	BY
77	The family business has potential for future expansion	1	2	3	4	5	6	7	BZ
78	The family values the business and its future survival	1	2	3	4	5	6	7	CA
79	A major objective of the family business is to pass it on to the next generation	1	2	3	4	5	6	7	CB
80	The retiring owner-manager is deeply committed to continuing the family business	1	2	3	4	5	6	7	CC
81	I am deeply committed to continuing the family business	1	2	3	4	5	6	7	CD
82	All family members actively involved in the family business are deeply committed to its continuation	1	2	3	4	5	6	7	CE
83	The retiring owner-manager wants his/her children to be involved in the family business	1	2	3	4	5	6	7	CF
84	The retiring owner-manager will be very disappointed if none of the next generation of family members join the family business	1	2	3	4	5	6	7	CG

		<div> <div>Strongly disagree</div> <div>Neutral</div> <div>Strongly agree</div> </div>							For office use
		1	2	3	4	5	6	7	
85	There will be sufficient capital to run the family business effectively after the owner-manager's retirement	1	2	3	4	5	6	7	CH
86	The retiring owner-manager has a current will that accurately reflects his/her wishes regarding the disposition of the family business	1	2	3	4	5	6	7	CI
87	The retiring owner-manager will be financially secure after retiring from the family business	1	2	3	4	5	6	7	CJ
88	Explicit decisions have been made about how family assets and ownership are to be distributed among members of the next generation, once the owner-manager has retired from the family business	1	2	3	4	5	6	7	CK
89	The retiring owner-manager has done estate planning in addition to his/her basic will	1	2	3	4	5	6	7	CL
90	A periodical analysis takes place regarding the role of the family and the business in the family business	1	2	3	4	5	6	7	CM
91	There is a proper understanding among family members of what the family business strategy will be after leadership is transferred to the potential successor(s)	1	2	3	4	5	6	7	CN
92	Family members often discuss family and business goals	1	2	3	4	5	6	7	CO
93	The family often discusses the future role and involvement of the family in the business after succession	1	2	3	4	5	6	7	CP
94	I expect that the family business will perform as well or better after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CQ
95	I expect that the family business will be sustainable after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CR
96	I expect that the relationships among family members will be positive after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CS
97	I expect that the relationships with stakeholders (networks, suppliers, etc.) will be positive after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CT
98	I expect that all family members involved in the family business will be satisfied with the succession process	1	2	3	4	5	6	7	CU
99	I expect to be satisfied with the succession process	1	2	3	4	5	6	7	CV
100	I expect that the family will support the family business after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CW
101	I expect the retiring owner-manager to be satisfied with the succession process	1	2	3	4	5	6	7	CX
102	I expect the business to be financially secure after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CY
103	I expect to improve/increase the revenues and profits of the family business after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	CZ
104	I expect the employees of the family business to be committed to the business after the management/leadership of the business is handed over to me	1	2	3	4	5	6	7	DA

SECTION B: BIOGRAPHICAL INFORMATION

1.1	Has the leadership/management of the family business been passed onto a family member in the past few years?	<table border="1" style="margin: auto;"> <tr> <td style="padding: 2px;">Yes</td> <td style="padding: 2px; width: 30px; text-align: center;">1</td> <td style="padding: 2px; width: 30px;">DB</td> </tr> <tr> <td style="padding: 2px;">No</td> <td style="padding: 2px; text-align: center;">2</td> <td></td> </tr> </table>	Yes	1	DB	No	2		
Yes	1	DB							
No	2								
1.2	If YES , please indicate the year in which such leadership/management was passed onto the current owner-manager. _____		DC						
2	If NO , please indicate whether it is anticipated that the leadership/management of the family business will be handed over to a family member in future.	<table border="1" style="margin: auto;"> <tr> <td style="padding: 2px;">Yes</td> <td style="padding: 2px; width: 30px; text-align: center;">1</td> <td style="padding: 2px; width: 30px;">DD</td> </tr> <tr> <td style="padding: 2px;">No</td> <td style="padding: 2px; text-align: center;">2</td> <td></td> </tr> </table>	Yes	1	DD	No	2		
Yes	1	DD							
No	2								
3	Please indicate the number of full-time employees employed in the family business (including family members). _____		DE						
4	Please indicate the activities (within a branch of industry) of the family business (e.g. manufacturing of leather products, grocery store, hairdresser, farming) _____		DF						
5	Indicate your current position in the family business:		DG						
	5.1 Retiring owner-manager of the family business (will soon retire from active management of the family business)	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">1</td></tr> </table>	1						
1									
	5.2 Retired owner-manager (have already retired from the management of the family business)	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">2</td></tr> </table>	2						
2									
	5.3 Successor (have already taken over the management of the family business from a family member)	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">3</td></tr> </table>	3						
3									
	5.4 Designated successor (will soon succeed the family member who now manages the family business)	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">4</td></tr> </table>	4						
4									
	5.5 Potential successor (could possibly be a successor to the family member currently managing the business)	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">5</td></tr> </table>	5						
5									
	5.6 Other family member (please indicate) _____	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">6</td></tr> </table>	6						
6									
6	Indicate which generation (1 st , 2 nd , 3 rd , etc.) that you represent in the family business. _____		DH						
7	How many family members work full-time in the family business (including in-laws)?		DI						
	7.1 One	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">1</td></tr> </table>	1						
1									
	7.2 Two	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">2</td></tr> </table>	2						
2									
	7.3 Three – Four	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">3</td></tr> </table>	3						
3									
	7.4 Five or more	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">4</td></tr> </table>	4						
4									
8	What percentage of business shares is controlled by your family?		DJ						
	8.1 Less than 50%	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">1</td></tr> </table>	1						
1									
	8.2 50%	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">2</td></tr> </table>	2						
2									
	8.3 More than 50%	<table border="1" style="margin: auto;"> <tr><td style="padding: 2px; text-align: center;">3</td></tr> </table>	3						
3									

9 Please indicate the gender of the following family members:

9.1 Retiring owner-manager

- Male
- Female

9.2 Potential successor (yourself)

- Male
- Female

10 Please indicate the ethnic background of your family

- 10.1 White
- 10.2 Black
- 10.3 Asian
- 10.4 Coloured

11 Please indicate the form of ownership of your family business

- 11.1 Sole proprietorship
- 11.2 Partnership
- 11.3 Close corporation
- 11.4 Private company
- 11.5 Business trust
- 11.6 Other (please specify) _____

12 How long do you anticipate it will be before the current owner-manager retires?

- 12.1 Within the next two years
- 12.2 Within the next five years
- 12.3 Within the next ten years
- 12.4 More than ten years

13 What age do you expect the retiring owner-manager to be at the time of the anticipated succession? _____

14 What age do you expect the potential successor (yourself) to be at the time of the anticipated succession? _____

15 Since when has your business been operating as a family business? _____

Comments or suggestions on the management succession process:

If you would like a copy of the research findings, please provide your name and postal address.

THANK YOU FOR YOUR TIME AND COOPERATION.

	DK
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	DL
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	DR