CHAPTER 2
LITERATURE REVIEW OF FAMILY BUSINESSES

2.1 INTRODUCTION

The survival of any long-term relationship or business venture depends mainly on the ability and responsibility of all the team members. It is thus particularly important for these parties involved in relationships or in the business to have mutual trust and respect, communicate properly and are able to deal with conflict in order to ensure sustainability in the long-term. This will contribute towards family harmony between family members in a family business.

As infighting in family businesses is a global phenomenon, Astrachan and McMillan (2003:5) and often the reason why many families within well-set family businesses break-up, it is evident that a family should be able to harmoniously communicate in order to solve problems as a family team. This will reduce the chance of nasty legal disputes between family members, which often leads to splitting-up the family businesses’ assets amongst themselves and therefore almost ensuring the discontinuation of the family business towards the next generation.

In this chapter family businesses will be defined, followed by a discussion of the uniqueness and advantages and disadvantages of family businesses. Thereafter, family harmony and the determinants of family harmony will be discussed. The chapter will be concluded by a discussion of the perceived future continuity of the family business.
2.2 DEFINING FAMILY BUSINESSES

Sharma (2004:3) expresses that several efforts have been made to obtain a clear theoretical and operational definition for family firms. Different researchers re-examined existing definitions, and attempted to combine their thoughts and anticipate other more relevant definitions for family businesses.

Jaffe (1991:27) contents that a family business is any business where more than one member of a family takes the management and / or the active ownership responsibility. According to Aronoff, Astrachan and Ward (2002:2), the simplest possible definition of a family business is a business that includes two or more members of a family that have financial control of the company.

Hellriegel, Jackson and Slocum (2002:137) philosophy are that there is no single definition for a family business, but most often the term is used to describe that the business is owned and managed by people who are related by blood and / or marriage. Often these businesses are passed down from one generation to the next.

Neubauer and Lank (1998:5) summarise the most common elements of an indefinite number of definitions of family businesses as follow:

- The percentage of share capital (voting or otherwise) owned by a family.
- Employment of owning family in executive or other positions.
- The existence of non-family executives or employees.
- The extent to which the intention is to maintain family involvement in the future.
- The number if generations of the owning family involved in the business.
- The number of families involved in either management and / or ownership
- Whether a given family accepts that it controls its own enterprise.
- Whether non-family employees accept that it is a family enterprise.
- The size of the business, particularly the number of employees.
Various other scholars highlighted different determinants for suitable definitions of family businesses. These determinants are, amongst others:

- Chrisman, Chua and Sharma (2005:556) argue that family businesses can be theoretically defined by means of their core characteristics.
- Klein, Astrachan and Smyrnios (2005) value the importance of the family's influence over the business.
- Davis and Taguiri (1989) underline the strategic direction of the business towards longevity.
- Litz (1995:71) believes that the family must have the intention to keep control of the business.
- Ibrahim and Ellis (2004:5) regard the transferral of the business to the next generation family members as an important part of the definition.
- Chua, Chrisman and Sharma (1999:19) focus on family behaviour towards harmonious relationships.
- Habbershon, Williams and MacMillan (2003) emphasize the unique, undividable, synergistic resources and capabilities arising from family involvement and interactions.

Aronoff et al. (2002:2) distinguish between two major types of family businesses, namely single generational and cross-generational businesses. Jaffe (1991:27) classifies that a single generational businesses can be twofold. In the one instance, it begins when the founder entrepreneur invites other family members of the same generation to share in management or ownership of the business. In the second instance, two or more relatives of the same generation start a business. Jaffe (1991:27) also classifies that a cross-generational family business usually arise later in a business life cycle, when the founding generation has grown the business to a point where it can accommodate the next generation.

For the purpose of this study, the definition of Ibrahim and Ellis (2004:5) was adopted. They defined a family business as follows: at least 51 percent of the business is owned
by a single family; moreover, at least two family members are involved in the management or operational activities in the business; and the transfer of leadership to next generation family members is anticipated.

The South African National Small Business Act (1996) and National Small Business Amendment Bill (29/2004:2) classify micro, very small, small and medium-sized businesses as businesses that employ less than 200 full-time equivalent of paid employees.

The focus of this study was thus small and medium-sized family businesses, as defined above.

2.3 THE UNIQUENESS OF FAMILY BUSINESSES

One gets families, then one gets businesses and then one gets family businesses. These family businesses are unique in the sense that they differ in various extremely important ways from non-family businesses (Ibrahim & Ellis, 2004:44, 45). In numerous family businesses, confusion often exists between what is family and what is business (Emens & Wolper, 2000:3).

2.3.1 Characteristics of successful family businesses

Since family dynamics are often the main reason for several business problems it has an incredible impact on the family business. In order to understand family dynamics it is important to differentiate between the characteristics of the business and that of the family. Successful family business decision-makers should therefore maintain a fine balance between business- and family characteristics. These different characteristics are summarised in Table 2.1.
Table 2.1: Differences between the business and the family characteristics

<table>
<thead>
<tr>
<th>Business characteristics</th>
<th>Family characteristics</th>
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<tbody>
<tr>
<td>• Profit motivated.</td>
<td>• Love motivated.</td>
</tr>
<tr>
<td>• Accomplishment the most important</td>
<td>• Taking care of the most important family issues.</td>
</tr>
<tr>
<td>• Focus on business.</td>
<td>• Focus on feelings.</td>
</tr>
<tr>
<td>• Takes advantage of opportunities.</td>
<td>• Resists change.</td>
</tr>
</tbody>
</table>

Source: Emens and Wolper (2000:3)

As a family business is also a business, the family business decision-makers have to decide whether their business operates to gain profit or whether the primary goal is to take care of family members, by providing them with jobs and incomes. It is, therefore, important for family business decision-makers to realise that operating in order to generate profits must be the major goal, instead of taking care of family members, that should be a mere benefit in pursuing profits (Emens & Wolper, 2000:2).

“Working with the ones you love” (Jaffe, 1991) is “easier said than done” (Lansky, 2004). Families that want to succeed at home and in their businesses have to share certain significant characteristics, as presented in Figure 2.1.
Jaffe (1991:xiv) summarised the characteristics of successful family businesses as follows:

- **Values:** Shared values about people, work and money.
- **Power:** Shared power across generations, between spouses, among siblings.
- **Shared activities for maintaining relationships:** Families that maintain their sense of humour, demonstrate ability to have fun, and play together are putting “relationship currency” into the family bank so there is no reserve to draw upon during times of disagreement.
- **Traditions:** Those traditions that differentiate the family from other families.
- **Willingness to learn and grow:** The family that is open to new ideas and approaches is one that, as a group, can solve any problem.
- **Mutual respect:** Mutual respect is evident in the trust between and among family members that is built on a history of keeping one’s word.
- **Support**: Assist and support one another's especially at times of grief, loss, pain and shame.
- **Privacy**: Respect for one another's individual space and for the private space required in each family unit within the extended family.
- **Well-defined interpersonal boundaries**: To keep individuals from being caught in the middle of the family and the business.

### 2.3.2 Overview of the systems in the family business

Unlike non-family businesses, family businesses are different, for the reason that family businesses comprise out of three interrelated, totally different systems. These interrelated systems are graphically illustrated in Figure 2.2 below.

**Figure 2.2: Overlap of the family, business and ownership systems**

- FB represents family members and business managers
- FO represents family members and owners of the business
- BO represents business managers and owners of the business
- FBO represents family members, business managers and owners of the business

**Source**: Jaffe (1991:54)

Jaffe (1991:53) viewed these three interlocking circles as possible reasons for many unsolved problems inside family businesses. The area in the middle, that is labelled FBO, represents people who are family, business managers and owners of the
business. It is often that family members in this group may be very confused if the boundaries between family, management and ownership decisions, may be unclear.

Emens and Wolper (2000:3) argue that when several family members participate in a business, overlap occurs between family and business characteristics, which are evident in Figure 2.2 on the previous page. Although Emens and Wolper (2000:3) desire these overlaps, they warn that too much overlap will cause harm for both family and business. The importance of the three different sub-systems in family businesses will therefore need more discussion.

Ibrahim and Ellis (2004:45) and Jaffe (1991:53) distinguish the following differences between the three systems. The family system is emotionally based, it focus on loyalty, care, welfare, unity and the nurturing of family members. The business system is task-based and focuses on the operational effectiveness of the business. The ownership system is interested in the performance, the return on investment and the viability of the business.

Family members can be part of any one, two or all three of these systems, as these systems are interrelated and they support each other to a certain degree. It is however evident that problems will arise when it is unclear which system takes precedence (Jaffe, 1991:53). Possible solutions for these problems are found in the systems approach, which is an effective long-term treatment for family problems (Bork, Jaffe, Lane, Dashew & Heisler, 1993:23).

The area labelled FB represents family members who work in the business, but don't own shares in the business. They may be sons, daughters, nephews, nieces or in-laws who expect to become owners in the future.

The area labelled FO represents family members who own shares, but they do not work in the business. They may be passive shareholders, children or spouses who inherit part of the business.
The area labelled BO may represent a mixture of family members and non-family members, if considering the definition of family businesses (refer to paragraph 2.2). Non-family members may own up to 49% of the shares in a family business (Ibrahim & Ellis, 2004:5). Both family- and non-family members can thus own shares and also take part in managing the business.

If one considers all four the abovementioned interlocking areas of the family, business and ownership systems, it is evident that individuals situated on different segments will and must have totally different experiences and expectations from the same family business (Voeller, Fairburn & Thompson, 2002:19). Thus, one can summarise that the expectations of FBO is unequal to the expectations of FB which is unequal to the expectations of BO which is unequal to the expectations of FO.

One of the key characteristics of family businesses is the overlap between these three simultaneous roles of the family, business and ownership system (Ibrahim & Ellis, 2004:45). The key success factor is how the family manages this overlap of the three systems.

2.3.3 Separating the business and the family

All members of a family business, active or inactive, form an integral part of the family dynamics. These dynamics make a family business unique. The following dynamics must be carefully managed in order to ensure a healthy, long-term sustainable family business (Swart, 2005:31). Several approaches are available to separate the business from the family. These approaches will now be discussed to draw a conclusion on which approach will be the best suitable approach to obtain family harmony and thus ensuring the future continuity of the business.
2.3.3.1 The “family first” approach

The outcome of the “family first” approach is illustrated in Figure 2.3 below.

Figure 2.3: Off-balance, “family first”

Overemphasis on the family erodes:

- Business communication.
- Business relations.
- Performance appraisals.
- Decision-making.
- Strategy making.

Source: Carlock and Ward (2001:6)

Aronoff and Ward (1996:7) argue that some business leaders put the “family first” and operate on the premise that family members have a right to be heard under any circumstance, no matter how disruptive to the business their self-expression may be. Aronoff and Ward (1996:7) also proceed on the assumption that family members’ ideas always should be taken seriously and that business leaders should report back to the family. In this line of thinking, the business should compromise to avoid potential family conflict and assure family harmony.

Ibrahim and Ellis (2004:109) are of the opinion that a “family first” view can distract and drain management and undermine the competitiveness of the business and sharply increase the potential of conflict between managers and shareholders. Thus, when the family system is paramount, business issues and needs are neglected. Family businesses can also over-emphasize their thinking about matters at home to the disadvantage of their business concerns. A desire to make everyone happy can result in...
unqualified family employees entering the business, threatening effective next generation leadership (Carlock & Ward, 2001:6). The business that places the family first often neglects making objective performance appraisals and leadership development plans for family members.

2.3.3.2 The “business first” approach

The outcome of the “business first” approach is illustrated in Figure 2.4 below.

Figure 2.4: Off-balance, “business first”

Overemphasis on the business erodes:
- Family communication.
- Family identification.
- Family loyalty.
- Family time.
- Family emotions.

Source: Carlock and Ward (2001:6)

Aronoff and Ward (1996:7) highlight that the “business first” approach is characterised when some family business leaders are discriminating against other family members regarding:

- A lack of some necessary skills in the business.
- Insufficient knowledge of certain aspects in the business.
- A lack of proven experience in the business.
- When some family members make inappropriate comments that may disrupt management of the business.
Carlock and Ward (2001:6) suggested the following possible outcome of this approach:

- Neglecting to pay attention to family issues and needs.
- Passivity of shareholders.
- Annoying clashes between family members that can threaten the future of the business.
- Family members that do not relate to each other.
- Family members that are psychologically in competition with the business itself.

### 2.3.3.3 Balancing family and business interests

The family system involves emotional acceptance and the business system involves rationality and results (Bork et al., 1993:23). The interaction between the two systems can lead to role conflict and confusion, which could cause stress to relationships and effective communication. The family and the business are concerned about different goals, which are illustrated in Figure 2.5 below.

**Figure 2.5: Conflicting goals between the family and the business system**

Source: Carlock and Ward (2001:7)
The family system is concerned about emotions, they focus inward and generally they resist change. The business system must take the opposite approach if the business wants to survive. Accomplishing tasks, focusing outward on the external environment, and looking for ways to exploit change are the key success factors for the business system (Swart, 2005:31; Emens & Wolper, 2000:2).

Shanker (2000:4) argues that balancing family and business interest often requires compromise between family and business perspectives. In the best of situations, dynamic tensions create new “win-win” solutions that compromise neither the business nor the family.

The principle of parallel focus on the interest of the family and the business has been proven to be the best and most enduring strategy for successful family businesses (Aronoff & Ward, 1996:9).

The family and the business are equally important and require mutual respect and the same care (Aronoff & Ward, 1996:9). Family members have to earn their voice in the business government by showing and developing qualifications that convey the right to be heard. The business in turn needs to be accountable to the family (Carlock & Ward, 2001:146).

Aronoff and Ward (1996:9) illustrate that setting up separate governance processes for the business and the family is the best way to ensure effective management of the family business. Carlock and Ward (2001:146) also indicate that owners need a sound understanding of the business and family concepts. The successful balancing of the family and the business is illustrated in Figure 2.6 on the following page.

It is obvious that both the “family-first” (refer to paragraph 2.3.3.1) and the “business-first” (refer to paragraph 2.3.3.2) have certain disadvantages for both the business and the family. These disadvantages will definitely challenge family harmony.
businesses who wish to obtain family harmony should thus rather apply a balanced approach to ensuring the future continuity of their businesses.

Figure 2.6: Successfully balancing the family and business systems

![Balanced business and family systems](image)

Balanced business and family systems create:
- Trust.
- Commitment.
- Business effectiveness.
- Family harmony.

Source: Carlock and Ward (2001:6)

2.4 ADVANTAGES AND DISADVANTAGES OF FAMILY BUSINESSES

By bringing family members together in the same working or business environment, many small business owners believe that this is the answer to create a harmonious collection of employees (Leach & Bogod, 1999:5). This itself offer specific advantages, but surely also implies definite disadvantages. The advantages and disadvantages of family businesses are thoroughly discussed by other researchers such as Robberts (2006:24-32); Swart (2005:23-27); Ibrahim and Ellis (2004:5); Shanker (2000:4); Leach and Bogod (1999:5); Kets de Vries (1996:23); amongst others. For the purpose of this study, no further discussion on this topic will be made and the advantages and disadvantages from previous studies are summarised and presented in Table 2.2 on the following page.
Table 2.2: Advantages and disadvantages of family businesses

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Shared values, beliefs and vision</td>
<td>• Family infighting</td>
</tr>
<tr>
<td>• Strong commitment</td>
<td>• Generational issues</td>
</tr>
<tr>
<td>• Sharing common goals and mission</td>
<td>• Role confusion</td>
</tr>
<tr>
<td>• Economic independence</td>
<td>• Lack of objectivity</td>
</tr>
<tr>
<td>• Flexibility in work, time and money</td>
<td>• Nepotism</td>
</tr>
<tr>
<td>• Strong perception of the family name</td>
<td>• The problem of succession of the business to a younger generation</td>
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<tr>
<td>• Extensive business expertise</td>
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2.5 FAMILY HARMONY IN FAMILY BUSINESSES

The South African Concise Oxford Dictionary (2002:528) explains the meaning of harmony as:

- An environment free from conflict.
- A state of agreement or concord between different parties involved.

Researchers in the past have repeatedly underestimated the significant role that family harmony can play to ensure the prolonged existence of family businesses (refer to paragraph 1.3). The purpose of this study is thus to determine and evaluate the critical important factors that could influence family harmony and therefore ensure the long-term sustainability of family businesses. One of the main objectives of this study is to assess the determinants' (independent variables) contribution in obtaining family harmony (dependent variable). This objective (obtaining family harmony) is of fundamental importance to ensure the long-term sustainability of family businesses, since the question of family businesses' longevity is a major concern for most family businesses (Van der Merwe & Ellis, 2007:2).

Astrachan and MacMillan (2003:1) warn that the history is filled with examples of family businesses that failed to survive to the next generation. Ibrahim and Ellis (2004:15) and
Astrachan and MacMillan (2003:21, 53) also confirmed that two-thirds of family-run businesses never make it past the first generation and only twelve percent of them hand over the reins to the third generation, just a mere three percent ever continue to the fourth generation and beyond. The above-mentioned statements in this paragraph emphasises the fact that many family businesses are operated without family harmony amongst family members, otherwise the history will not be filled with family businesses that failed to survive through out many generations.

According to Leach and Bogod (1999:30), harmony amongst family members (active and inactive) requires the correct balance between the overlap of the family and family business. To be able to effectively manage the overlap needs special awareness, careful communication and an extreme effort. The correct degree of balance between the family and the business are obtained only through effective management and could therefore result in family harmony.

Ward (1987:50) claims that, although the cost of maintaining family harmony is high, a family can only claim to be in harmony if they are working together in a work environment that is harmonious (Picard 1999:5). The characteristics of harmonious family relationships in this study are as follows:

- A situation where family members appreciate each other's differences (Astrachan & McMillian, 2003:1).
- A situation where family members get along with other family members, inside and outside the working environment (Carlock & Ward, 2001:73).
- A situation where family members acknowledge each other's achievements (Neubauer & Lank, 1998:142).
- A situation where family members are emotionally attached and close to each other (Neubauer & Lank, 1998:142).
- A situation where family members support each other (Neubauer & Lank, 1998:142).
- A situation where family members care for each other's welfare (Neubauer & Lank, 1998:142).
• A situation where family members are having fun, therefore encouraging each other in order to increase their efforts (Swart, 2005:73).

• A situation where family members cooperate rather than compete with each other, since competition amongst family members can negatively affect the business, which in turn can negatively affect the family (Voeller et al., 2002:30).

Family members could thus promote family harmony amongst each other through; creating high levels of trust, mutual support, care about each other’s well-being, closeness and willingness to acknowledge each other’s achievements (Van der Merwe & Ellis, 2007; Venter, 2003; Neubauer & Lank, 1998:142; Seymore, 1993:268; Handler, 1989:213). By applying these simple prerequisites for family harmony they could ensure the long-term sustainability of the family business, without even knowing it. This construct, referred to as family harmony, will be considered as the dependent variable in this study.

2.6 THE DETERMINANTS OF FAMILY HARMONY

For the purpose of this study all the thirteen determinants or constructs (independent variables) (Farrington 2009, Venter 2003 & Sharma 1997) of family harmony (dependent variable) will be defined by using a neutral source such as The South African Oxford Dictionary. This neutral source is used to get a fair understanding of each topic that will be discussed. Each determinant or construct (independent variable) will then be discussed in detail, by using the following sequence:

• Introduction of the construct.
• Definition(s) for the construct.
• Promotion of each construct in the business and amongst family members.
• Contribution of the constructs in obtaining family harmony amongst family members.

The model for family harmony, see Figure 2.7, is used to graphically illustrate how each construct can contribute towards obtaining family harmony, thus ensuring the future
continuity (refer to the discussion in paragraph 2.7) of the family business. Please note the direction of the arrows is from the constructs towards obtaining harmonious family relationships and then towards future continuity and not the other way round.

Figure 2.7: Model for family harmony
2.6.1 Open communication

Communication is not a “soft” subject. Good communication does more than just keeping families and businesses going; it is the essence of all relationships. Communication makes relationships meaningful, fun and in the long run, it helps make life worthwhile (Aronoff & Ward, 2001:53).

2.6.1.1 Definitions for open communication

According to the South African Concise Oxford Dictionary (2002:233), the meaning of open is:

- Accessible to new ideas.
- Receptive.
- Freely available or accessible.
- To become more communicative or confiding.
- A lack of concealment or secrecy.
- Admitting no doubt or dispute.
- Straightforwardness.

The South African Concise Oxford Dictionary (2002:233) explains the meaning of communication as:

- Share or exchange information or ideas.
- To convey an emotion or a feeling in a non-verbal way.
- The act of sending and receiving a message, information or news to others.
2.6.1.2 Promoting open communication between family members

To promote open communication between family members the following pitfalls to communication should be avoided (Astrachan & McMillan 2003:1):

- Fear that communication will make things worse.
- Life crisis points, such as marriage, birth and death.
- Family patterns of communication and conflict cycles.
- Being locked in a role.
- Misinterpreting what someone else says.
- Multiple levels of communication: verbal, body language and parallel conversations.
- Fear that others in the family are too fragile to discuss tough issues.
- Hidden personal issues, such as need for parental love or to be a dull-fledged family member.
- Fear of an emotional response.
- Hostility, anger and superiority.

Ward (2004:115) highlights that successful family businesses address communication by putting in place meetings, forums, systems or structures to promote, facilitate and assure effective, ongoing sharing of information, ideas, opinions, attitudes and feelings. Family forums can serve as a means of sharing experiences, acculturating new family members, such as in-laws, discussing the family’s welfare, and sharing the joys and spirit of family philanthropy (Ward, 2004:114).

Furthermore, if family members desire open and honest communication between all parties involved, they should try the following techniques (Voeller et al., 2002:30):

- Organise neutral family councils.
- Organise facilitated family retreats.
- Develop and implement written codes of conduct.
- Attend communication skills courses.
The above-mentioned methods can be transformed by means of frequent informal get-togethers where family businesses provide a relaxed atmosphere that permits family members to openly express their feelings, communicate their point of view, discuss work and personal related matters and resolve personal issues. Many family businesses set aside time to discuss problems, resolve disputes and defuse tension and conflict up front (Friedman, 1998:33).

Poor communication is a common problem in many family businesses (Ibrahim & Ellis, 2004:164) and the absence of adequate channels of communication is a thoughtful source of family conflict (Friedman, 1998:33).

2.6.1.3 Open communication’s contribution towards family harmony

Communication is critical to long-term family harmony and overall business success; therefore many family businesses' unique and most difficult problems arise due to a lack of communication. This causes lost opportunities, misunderstandings, distrust, lack of involvement and may also cause incomplete planning (Shanker, 2000:14). These are all potential causes for conflict amongst family members and should be avoided.

Open communication does more than keeping families and business going (Astrachan & McMillan, 2003:54). It is the essence of all relationships; it creates trust amongst family members (Cohn, 1992:21, 22). Openness and inclusion of all family members in the communication process create trust and family trust creates family harmony (Aronoff et al., 2002:299).

Communication is a prevalent problem in family businesses. Subsequently, the importance of effective communication channels in family businesses should not be ignored (Ibrahim & Ellis, 2004:131). Shanker (2000:14) argues that many families mistakenly feel that the best way to promote harmony is to avoid discussion on upsetting topics; this is in fact the total opposite of the purpose of open communication, which is to have the ability to be able to discuss these upsetting topics and to solve the problems.
regarding them as soon as possible. Even though, good communication does not eliminate conflict, it certainly contributes to managing a business effectively and to ensure it does not become toxicated, over emotional and destructive (Astrachan & McMillan, 2003:2). Without solving it there could be no harmony between family members. It is also known that nothing frustrates a family business and its members as much as the inability of family members to communicate satisfactory with each other (Astrachan & McMillan, 2003:1).

The essence of the entire communication process is the creation of trust amongst family members (Aronoff et al., 2002:299). Family trust can only be created by means of openness and inclusion, family trust in turn leads to family harmony (Astrachan & McMillan, 2003:24).

Effective communication provides the basis for harmony in the family. Family members should thus be receptive to the status of communications and the degree of conflict amongst family members (Maas et al., 2005:119). A culture of open family communication, armoured by structured processes, forms an integral precondition for harmonious family business relationships (Aronoff et al., 2002:299).

2.6.2 Mutual trust and respect

Mutual trust and respect needs to be earned, it cannot be demanded. It is also evident that a lifetime of trust and respect can easily be destroyed by acting different that individuals usually behave (Astrachan & McMillan, 2003:25). Mutual trust and respect is indispensable to people who need one another in order to stay in business. When it breaks down, the only alternative to ending the relationship is to rebuild it “brick by brick” (Kaye, 2005:109).
2.6.2.1 Definitions for mutual trust and respect

According to the South African Concise Oxford Dictionary (2002:769), the meaning of mutual is:

- Having the same specified relationship to each other.
- Held in common by two or more parties.
- The dependence of all parties involved is necessary for the social well-being.
- Beneficial outcomes for all parties involved.

The South African Concise Oxford Dictionary (2002:1 261) defines trust as:

- A firm belief in something or someone.
- Acceptance of the truth of a statement without evidence or investigation.
- The state of being responsible for someone of something.
- To have the confidence to allow someone to have, or look after.
- A characteristic or a predictable of someone to act in a specific way.

According to the South African Concise Oxford Dictionary (2002:995), the meaning of respect is:

- A feeling of deep admiration for someone elicited by their qualities or achievements.
- Due regard for the feelings or rights of others.
- Avoid harming or interfering with others.
- Agree to recognize and abide by others.

2.6.2.2 Promoting mutual trust and respect between family members

Too often family business leaders take trust for granted, but Shanker (2000:13) urges family business leaders to view trust in the same way as they view capital, both can be accumulated and depleted. When trust is high, certain actions can be accepted, but
under conditions when trust is low, the same actions would be forbidden (Shanker, 2000:13).

Shanker (2000:13) listed five components that could promote trust between family members:

- **Integrity**: Having a reputation for honesty and truthfulness.
- **Competence**: Possessing technical knowledge and interpersonal skills required to get the job done.
- **Openness**: Give recognition to a job well done, for example, praise in public, but punish in privacy.
- **Loyalty**: Willingness to protect, support and encourage.
- **Consistency**: Acting with reliability, predictability and good judgement.

Astrachan and McMillan (2003:25) also suggest additional ways that mutual trust and respect can be promoted in the family business:

- Keep family members and employees informed by means of explaining policies and decisions as well as providing honest feedback.
- Good business sense, confidence, professionalism and technical ability will enhance credibility and competence.
- Give credit and recognition in-time when deserved and ensure that all performance appraisals and evaluations are objective and impartial.
- Portray consistent and predictable behaviour in daily affairs and adhere to expressed and implied promises.
- Delegation in the form of real decision-making authority is one of the most important expressions of managerial respect and empowerment is not possible without respect.
- Provide help, advice, coaching and support for family members and their ideas.
2.6.2.3 Mutual trust and respect's contribution towards family harmony

Kaye (2005:109) argues that nothing in life works without trust, especially in a family business. The whole process of creating an enterprise that will survive its founder means to entrust it to others; and often one of the reasons owners bring family members into their business in the first place is because they believe it will be easier to trust kin than non-kin. Kaye (2005:109) also differentiates between three different kinds of trust and respect: One has to do with honesty, another with intentions and the lastly with competence. If the members of a family adhere to these components it will lead to the enhancement of trust. If a business culture emphasise these values, it could also reinforce trust. Family businesses can create trust between members of the family if they work according to a plan in order to solve problems (Carlock & Ward, 2001: 10).

Haynes (2005:34) warns that family relationships that are not built upon trust are risky and will harm relationships and could eventually destroy the family business. Mutual trust is the one thing that underlies the competitive advantage and distinctiveness of a family business (Carlock & Ward, 2001:11). Trust also provides a powerful advantage to the family business, as it is a source of long-term perspectives, the family effect, loyalty, commitment, stewardship and family harmony (Shanker, 2000:13).

As shown in paragraph 2.6.1.2 above, the essence of the entire communication process is the creation of trust amongst family members (Aronoff et al., 2002:299). Family trust can only be created by means of openness and inclusion, family trust in turn leads to family harmony (Astrachan & McMillan, 2003:24). Mutual trust and respect amongst family members is a special and unique form of business capital that is crucial to all organisational relationships (Carlock & Ward, 2001:11). These crucial organisational relationships are critically essential to obtain family harmony and ensuring the future continuity of the business.
2.6.3 Conflict between family members

Many family businesses fail to survive a transition in leadership from one generation to the next. This failing characteristic of family businesses can often be attributed to unresolved conflict between family members (Friedman, 1998:1). Conflict is foreseeable in any family business, it can often be healthy for the family business, but it surely has the potential to poison the family and the business (Aronoff et al., 2002:384).

2.6.3.1 Definitions of conflict

According to the South African Concise Oxford Dictionary (2002:242), the meaning of conflict is:

- A serious disagreement or argument that can develop in a prolonged struggle.
- An incompatibility between opinions or principles.

2.6.3.2 The symptoms of conflict in family businesses

Cohn (1992:49) highlights that family members frequently fight about deeper issues than the ones they claim to be upset about. Cohn (1992:49) also argues that family grudges can often idle years before they erupt. Jaffe (1991:41) listed the following as symptoms of conflict between family members:

- Communication difficulties due to serious differences of opinion.
- Frequent rivalries between family members.
- Frustration due to differences of individual opinions concerning work and personal related issues.

By recognising these symptoms as early as possible and dealing with the issues that are causing the agony can prevent grudges from developing towards eruption.
2.6.3.3 The causes of conflict in family businesses

The potential for conflict in family businesses can be far greater than for non-family businesses (Swart, 2005:53). The reason for this heightened potential for conflict is the overlap between the family and business systems (Astrachan & McMillan, 2003:53; Cohn, 1992:49) (refer to Figure 2.2).

The following issues are obvious causes of conflict in family businesses and should be managed effectively to attain family harmony:

- The absence of adequate communication channels is a profound source of family conflict (Friedman, 1998:33).
- Overlaps between the family and business system (Maas et al., 2005:103).
- The absence of clarity regarding roles and responsibilities (Maas et al., 2005:103).
- The dominating presence of family with absolute power (Maas et al., 2005:103).
- The interference of inactive family members (Maas et al., 2005:103).

2.6.3.4 The reality of conflict in family businesses

Many families think they have no conflict because the conflict is so dormant (Astrachan & McMillan, 2003:5). Conflict can be controversial and it can be defined as wars, struggles or battles, but conflict in a family business is often much more subtle and quiet (Astrachan & McMillan, 2003:5). It may be so undetectable that people inside and outside the family don’t recognise it even subsist and it always plaster-up deeper matters (Astrachan & McMillan, 2003:5).

The following realities of conflict exist in family businesses:

- Conflict in family businesses is usually more intense than in other relationships due to the spill-over into personal lives (Cohn, 1992:46).
• Healthy families and family businesses must manage conflict by developing mechanisms to resolve disputes (Cohn, 1992:46).
• Family businesses are exposed to bigger problems because they work so closely together (Carlock & Ward, 2001:73).
• Conflict must be seen as a constructive management tool to challenge or even as a positive driver for change (Robberts, 2006:35).
• Nothing distresses a family business and its members as much as conflict (Astrachan & McMillan, 2003:1).

Table 2.3 below presents three available strategic options for parties involved in conflict. The degree of long-term effectiveness in resolution of major conflict situations is least effective on the left, but by moving to the right, it is getting more effective. Conflict avoidance and the imposition of a solution by the owner can result in negative outcomes for all parties involved (Ibrahim et al., 2008:101).

Table 2.3: Conflict management strategies

<table>
<thead>
<tr>
<th>Avoidance</th>
<th>Referral</th>
<th>Confrontation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ignorance</td>
<td>Arbitration</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>Triangulation</td>
<td>Problem-solving</td>
</tr>
<tr>
<td>Denial</td>
<td>Fate</td>
<td>Dialogue</td>
</tr>
</tbody>
</table>

Families who want to effectively resolve conflict between parties, therefore, need to adopt the confrontation strategy in order to actively deal with conflict as soon as possible.

2.6.3.5 The management of conflict between family members

Effective conflict management is an important skill in family business management (Ibrahim & Ellis, 2004:137). People are under a misperception that healthy and successful family businesses are free from conflict (Bork, 1993:41). It is however normal
for families to have internal conflict (Pickard, 1999:153). The family’s maturity and emotional health on the other side is determined by the way how they are able to manage and resolve the conflict.

It is very important for family member to know and understand the different stages of conflict, in order for them to be able to manage conflict more effectively when it may arise between them. This could be achieved by referring to the schematic illustration of the cycle of conflict, as shown below in Figure 2.8 (Ibrahim & Ellis, 2004:135).

Figure 2.8: Cycle of conflict

Source: Ibrahim and Ellis (2004:135)

It is important for family businesses to develop a sound understanding of the symptoms, causes, realities and management strategies of conflict and by adhering to this, the
family could take effective preventative action to solve the existing conflict promptly and constructively (Maas et al., 2005:103).

2.6.3.6 Conflict management’s contribution towards family harmony

Effective conflict management is not only essential for the smooth management of any family business, but it also underlies the happiness of all the family members who work for the family business (Dyer, 1986:88). Functional conflict and open communication stimulates innovation, motivation, creativity and energy in the business, and ultimately enhances the performance and competitive advantage of the business (Ibrahim & Ellis, 2004:113). The success of a family business depends on the ability of family members to manage conflict in the interest of family harmony (Ward, 1987:49). Families must consider how to minimise the destructive effects of conflict to enable them to spend more time on productive endeavours such as growing their business and enjoying life (Friedman, 1998:75).

It is evident that by adopting a positive approach concerning conflict management family businesses could obtain family harmony amongst members of the family and therefore ensuring long-term sustainability of their business.

2.6.4 Family commitment

Commitment of the family members towards family harmony and ultimately towards the continuity of the business is a priority discussion for the family as it supports the development of the shared future vision of the family and the family business continuity plan (Carlock & Ward, 2001:54). The family commitment plan clarifies the family’s expectation from, and obligations to, the business (Carlock & Ward, 2001:54). According to Carlock and Ward (2001:54), aligned family commitment usually requires a series of other critical issues like; the core values of the family, the family business philosophy and the family vision.
2.6.4.1 Definitions for family commitment

The South African Concise Oxford Dictionary (2002:232) defines commitment as follows:

- The state or quality of being dedicated to a cause or policy.
- A pledge or undertaking to serve an organisation.
- An engagement or obligation that restricts freedom of action.

Coetsee (2002:28) expands the meaning of commitment as follows:

- To have a shared vision regarding the goals, values and involvement in the family business.
- To be part of and willing to buy-into the shared values of the family business.
- Long-term enthusiasm, responsibility and accountability of all family members.
- Being passionately attached or involved in the future existence of the business.
- Internalisation of vision, goals and values.
- To co-create the future existence of the business.

Coetsee (2002:29) states further, that by linking alignment with commitment it becomes aligned-commitment and the meaning thereof imply that:

- All members of a work team are “in line” in their commitment towards the organisation values and goals.
- All members of an organisation are endeavouring to attain the same goals and are committed to achieve them. Like all the rowers in a boat rowing together in the same direction.
- All members are focussed on the same goal and are committed to it.
- All members do their work according to certain behavioural guidelines or values.
Family commitment is the heart of the family business, if the family cannot develop shared commitment between all members, the time is right to sell or liquidate the family business (Carlock & Ward, 2001:51).

2.6.4.2 Promoting family commitment between family members

The lack of continuity in family business is a major concern because of the primary contributing role that family businesses play in the world economy (Lansberg, 1999:1). Carlock and Ward (2001:31) promote an idea that family business continuity can be ensured through a parallel strategic planning process (that is, strategic business planning and strategic family planning). For the purpose of this study, however, the focus will only be on strategic family planning. The first stage of the strategic planning process is strategic thinking. The goal of this stage is to identify planning options that are appropriate for both the family and the business (Carlock & Ward, 2001:31). The family explore their core values, family business philosophies and family vision. The aim of a family's strategic planning process is to generate a family vision and to determine family member commitment (Carlock & Ward, 2001:31).

The generation of a family vision incorporate the important decision of family members whether to continue with the business in the future or not (Voeller et al., 2002:30). This basic decision whether to continue with the family ownership is extremely difficult to discuss and is typically avoided (Lansberg, 1998:56). Active and inactive family members should be involved in the vision generation process (Ward, 2005:47) so that they can share their dreams, expectations and needs with each other (Lansberg, 1998:56). Without a clear vision of the future role of the family in the business, it is doubtful that continuity of the family business can be sustained (Lansberg, 1998:57). It is the family vision that determines what will eventually be accomplished and what motivates family members to achieve their goals (Ward, 1987:145).

Lansberg (1998:57) furthers that the family vision is more than just an imagination of various future alternatives: it also involves family members to define their hopes and
dreams that they share for the business. Lansberg (1999:57) reinforces that family members must share their individual needs, fears and dreams in order to decide whether or not it makes sense to further pursue their dream in the family business. Family members need to learn to talk openly about their needs, fears and dreams, since it is crucial that families clearly envision their future role in the family business. Sharing their personal dreams, fears and needs with each other will also provide the family members with the feeling that they have control over their destiny and they will thus be able to support and encourage each other (Ward, 2004:20-22).

The second stage of the strategic family planning process, strategy formulation, is the development of a family business continuity plan. The family business continuity plan include detail such as: family and business activities, tactics and programs designed to meet their goals and to support the achievement of the shared value vision. The third stage of the strategic family planning process is the implementation of the strategy stage (Carlock & Ward, 2001:31). This study will, however, only focus on the first stage of the strategic family planning process, the generation of the family vision.

Family commitment is at the heart of the family business. The issue of who is committed to keep the business in the family is probably one of the most important questions facing the individual family members (Carlock & Ward, 2001:51). The senior generation family member owners-managers will, therefore, need to involve family members of the younger generation who are committed to the vision of the family business as a legacy for future generations (Jaffe, 1991:138)

Commitment between family members is demonstrated by true caring for all family members, especially when difficulty arises. This is when senior generation family leaders must have the ability and courage to make suitable decisions on behalf of the family business and all its family members (Swart, 2005:52).
Senior generation family member owners-managers must rethink to employ a family member, if those people have the following issues:

- Siblings or any other family members who only want to please them, or that they feel that they have no other career choice. Unfortunately this happens too often in family businesses and the result entails that the new generation of family business leaders run the business half heartedly or they are very emotionally, since they never had the opportunity to follow their own dreams (Voeller et al., 2002:48).
- Family members who feel that they are forced into entering the family business.
- Family members with no other options are available for them.

It could be frustrating for both parents and children once an unwilling family member (as indicated above) enters the family business. Normally a natural commitment from these people would be lacking and it is very difficult to change their negativity.

Senior generation family member owners-managers must rather cultivate a natural commitment in their sibling through the following:

- Parents should rather start from the early childhood stages of their offspring to either promote possible careers inside the family business.
- If parents notice that their siblings are not really interested in joining the family business they must rather discuss other career possibilities outside the family business.
- Only employ those siblings who indicate their own willingness to join the family business and not because they are forced, or no other options are available for them.

Without commitment of all family members (both senior- and younger generation) there can be no parallel planning for the future continuity of the business. If a family cannot develop shared commitment amongst themselves, it is time to sell or liquidate the family business (Carlock & Ward, 2001:51). Thus without the commitment of all family
members, it is impossible for them to obtain family harmony, which can have a negative influence on the longevity of the family business.

2.6.4.3 Family commitment's contribution towards family harmony

Carlock and Ward (2001:51) emphasize that assessing the family's commitment to the business and its willingness to work together is necessary for a harmonious family relationship and individual satisfaction. Thus without the commitment of all family members, it is impossible for them to obtain a harmonious family relationship.

According to Aronoff and Ward (1996:7), building a lasting family business means that family members are more likely to put in extra hours and effort needed to make the family business a success. This statement is also supported by Shanker (2000:4), because family members will do what is needed to make the business work when things are getting tough. Thus, hiring family members means hiring people who are more committed to the success of the business than non-family employees. Barker, Rimler, Moreno and Kaplan (2004:291) confirm that older workers are more committed to their firms than younger employees. They also illustrate that there is a strong linear relationship between age and commitment.

Since family members fulfil the duties of employees, managers and owners, they are connected with a social bond in the family (Ibrahim & Ellis 2004:5). This creates a feeling of family enthusiasm, which creates added commitment and loyalty from non-family employees. All employees will therefore care more for each other, since they feel that they belong to a team, all contributing towards a common purpose, thus stimulating a harmonious family relationship (Leach & Bogod, 1999:5).
Mowday, Porter and Steers (1982) suggested the following ways how commitment can influence family harmony:

- Family members must believe in group goals.
- Family members must have the intent to stay with the family business well into the future.
- Family members must be willing to make personal sacrifices to work for group goals, which include the success of the business.
- Family members must be willing and dedicated to put in a great deal of effort beyond what is normally expected from them in order to help the organisation to be successful and ensuring the long-term survival.

Emens and Wolper (2000:110) suggest that family commitment is a combined effort from both senior generation and younger generation family members, since:

- Senior generation family members must have confidence in younger generation family members to successfully manage the family business in the future.
- Younger generation family members must have the aspiration to take over the family business in the future.
- Younger generation family members must have the willingness to make significant sacrifices to make the family business a success.

The commitment of all family members in the family business is, therefore, crucially important for obtaining family harmony. Should this be the case the future continuity of the business can be guaranteed, but the inverse is also evident, that no family business will be able to be prolonged into the future without the commitment of all family members.
2.6.5 Personal needs alignment

The individual or personal efforts of each family member towards family harmony and ultimately towards the continuity of the business is also a priority discussion, just as family commitment (refer to paragraph 2.6.4). The reason for this is that individuals must share and align their personal needs with the needs of both the family and the business (Lansberg, 1999:57). Personal needs alignment like aligned family commitment is the heart of the family business. If individuals are unwillingly forced into positions, the highway towards a disastrous end is widely tarred (Carlock & Ward, 2001:51).

2.6.5.1 Definitions for personal needs alignment

The South African Concise Oxford Dictionary (2002:870) explains the meaning of the word personal as:

- Involving the presence or action of a particular individual.
- A person’s private rather than professional life.

According to the South African Concise Oxford Dictionary (2002:778), the meaning of need is:

- To require something because it is essential or very important, rather than just desirable.
- Expressing necessity as an obligation.
- A thing that is wanted or required.

It is evident from the various definitions of personal needs alignment that it must actively come from the person inner-self, if the person is unwillingly forced to be involved in the family business, the outcomes can have disastrous effects on family harmony and ultimately on the prolonged existence of the business.
2.6.5.2 Promoting personal needs alignment between family members

All individual family members’ involvement in the family business must be aligned with their personal goals, vision and values and to that of the family business, in order for the family and the business to remain a close unit (Maas et al., 2005:19). Thus individuals need to understand that working in the family business must be out of their own choice, not because they are forced to, or that they can not get another job outside the family business. They must subsequently prefer to work in the family business even if luring career opportunities exist outside the family business.

Aronoff and Ward (1997:53) suggest that individual family members must buy-into the “what can I do for the business” and not into “what can the business do for me” approach, and they listed the following issues regarding this approach:

- Family members must educate themselves and give themselves experience that will promote the skills and insights that can contribute and advance the business. This can be translated to career needs that must be aligned to existing opportunities within the family business.
- Family members must control their lifestyle so that their demands on the business will not devour the financial resources it needs to grow.
- Family members must foster credibility and support for the business among all family members and share recognition. This can promote a feeling of fulfillment of individual’s ambitions by being involved in a successful family business.
- Family members must view the business as a mechanism through which they can understand the needs and desires of the marketplace and the family, to achieve individual and group goals that satisfy all.
- Family members must encourage each other and the business to challenge the status quo, or have ability to influence or affect change within the family business in achieving long-term job security for all family members involved.
The essence of the personal needs alignment construct is that, when individuals do not have a formal personal vision, needs, goals or value system, they do not know when they achieve any success (personal- or career-wise) in life. If this is the case, how can individuals align their vision, needs, goals or value system with that of the family and the family business? The answer is quite simple. When starting a family business the original owner have a clear need, idea, vision or dream of what the business should be or do, including his or her vision regarding the continuity of the business of a family business in the future (Voeller et al., 2002:30). It is the obligation of the owner (manager-leader) to cultivate the same clear need, idea, vision or dream, of what the business should be or do, onwards towards family peers, to adopt the same principles. By doing this the manager-leader can create a motivating climate inside the family business environment.

A motivating climate can be described as an environment in which family members wish to align and commit themselves towards the needs, ideas, visions or dreams to that of the family business (Coetsee, 2002:96). The effect of setting a motivating climate in the family business can create a common feeling amongst family members of: “I do what I do because of how much I like what happens to me when I do it” (Coetsee, 2002:96).

Coetsee (2002:24) highlights the prerequisites (inputs) of a motivating climate as follows:

- **Effective management-leadership**: manager-leaders who are able to lead while focused on a vision, aligning and obtaining individuals’ and family members’ commitment to the vision.
- **A shared value system**: commitment to a set of principles guiding and directing work behaviour.
- **Sound work ethics**: enthusiasm and commitment to work effectively and with honesty and integrity.
In order to sustain family harmony and ultimately ensuring the longevity of the family business each individual family member need to align his or her personal needs with that of the business. Thus without the alignment of all individual family members’ personal needs with those of the family business’ needs there could be no sustainable family harmony and ultimately no perceived future continuity of the family business.

2.6.5.3 Personal needs alignment’s contribution towards family harmony

Coetsee (2002:24) lists the outcomes of a motivating climate for a business as:

- **Aligned commitment of all manager-leaders and employees**: family members are focussed on shared values and they are committed to these goals and values.
- **Effectiveness and efficiency**: an effective and efficient family business consists of individual family members and non-family members and teams (combination of family members and non-family members) who are aligned and committed to family business goals and values and who are able and motivated to willingly perform and out-perform their work.
- **Job satisfaction**: family members and non-family employees who experience their work as meaningful and for the performance of which, they receive rewards and recognition which they experience as equitable.

Personal needs alignment for individuals' involvement in the family business usually entails a series of critical prerequisites like:

- Realising personal goals and ambitions through involvement in the business.
- Realising that involvement in the family business is out of own choices.
- Involvement in the business is preferred above luring outside opportunities.
- Career needs are aligned with opportunities in the family business.
- Involvement in the business provides job security.
- Involvement in the business is fulfilling.
- Involvement enable family members to influence or effect change in it.
Once a motivating climate is cultivated inside a family business the individuals will automatically adopt or buy into the abovementioned critical prerequisite and start working as a team, not only will this stimulate family harmony, but it could also increase productivity and the overall profitability of the business. If individual family members and the family as a whole do have a formal personal vision, needs, goals or value system, they would certainly know by now that they did achieve success in both their personal lives and careers. This will even reinforce family harmony even further and ensuring the long-term sustainability of the family business.

2.6.6 Fairness

Aronoff and Ward (1993:59) bold-out the growing importance of family employee compensation as more second and third generation heirs enter the family business. Questions about remunerating family employees can, therefore, become increasingly complex and unmanageable as a family business grows and passes from generation to generation.

Voeller et al. (2002:73), furthermore, emphasised that family businesses should have a performance management system to ensure fair employment for all employees, including family member employees.

2.6.6.1 Definitions for fairness

The South African Concise Oxford Dictionary (2002:499) declares the meaning of fairness as:

- The act of treating different people equally, just or appropriate under different circumstances.
- Honestly and straightforwardly.
- That the treatment is reasonable or acceptable.
2.6.6.2 Promoting fairness between family members

The construct of fairness must be divided in two categories; compensation and work performance (refer to Van der Merwe, 2008a:1). This construct will subsequently also be discussed in this manner.

2.6.6.2.1 Fairness in family employee compensation

A major issue regarding fairness in family businesses is that of achieving a balanced compensation system between family employees (Spector, 2001:9). Family business compensation practises often creates problems when family members are compensated according to age and / or gender (Buchholz, Crane & Nager, 2000:262).

Aronoff, Astrachan and Ward (2002:425), believe that a compensation policy has no foundation unless job descriptions indication the work roles and responsibilities have been prepared in sufficient detail to serve as a means of structuring wage classifications and of rating performance (refer to paragraph 2.6.6.2.2, to follow).

Fair and market related compensation of employees is a touchy issue in any business (Spector, 2001:7). In family-owned businesses this issue is even touchier, since most families lack a rational compensation system (Aronoff et al., 2002:137). If a compensation policy exists, it must be preferably in writing, this could safe a great deal of trouble for the business (Van der Merwe & Venter, 2005:39).

A good and fair compensation policy will lead to all family employee involved in the family business, working for what is best for all (Aronoff & Ward, 1993:59). Such a compensation plan can result in family business owners to achieve their primary goals, which are (Aronoff & Ward, 1993:59):

- A philosophy of compensation that conveys positive values such as stewardship of assets.
• Personal initiative from employees.
• Teamwork.
• High ethical standards.
• Good business practises.

When compensation policies achieve this balance, all stakeholders are served in positive ways (Spector, 2001:51). Thus creating a feeling of credibility and trust amongst both internal and external stakeholders (Aronoff & Ward, 1993:60). Buccholz et al. (2000:262) supported this statement in that the remuneration strategy must be consistent, fair and open, if not it can end up in resentment and conflict if these attributes are missing.

A well-planned and carefully structured compensation system for all employees, including family members, must be formulated that include their job descriptions, work roles and responsibilities, so that applicable wages and performance ratings could be achieved without any unnecessary grievances by other family members and non-family employees (Astrachan & Ward, 2002:425).

All employees, including family employees, should be paid a competitive market related salary for the effort (Barrett, 2001:19). If a family employee receives a benefit just because he or she is a family member it must be stated so. Family members, in addition to being paid money on which to live, need recognition as a benchmark of achievement (Barrett, 2001:19).

Recognition must be given to all employees (family and non-family) who out perform the norm. Different forms of recognition exists which can support and challenge good performance of employees are (Barrett, 2001:19):

• Pay: salary and total cash compensation.
• Promotion: advancement to positions of greater responsibility.
• Perquisites: company car, club memberships, financial incentives, and advice.
• **Participation**: inclusion in decision-making.
• **Autonomy**: freedom to act on one’s own without supervision.
• **Resources**: staff, budget and time to do the job.
• **Respect and credibility**: having one’s priorities and opinions considered and valued.
• **Faith**: family members must believe in one another’s ability and responsibility to complete duties given to them.

Cash is only one form of recognition, and market value is only one form of achievement measurement. Compensation, to be truly effective, should include more than money alone. Extra money may be available through incentive schemes, bonus programs and the like (Barrett, 2001:19).

Problems regarding family employee compensation could be resolved if the compensation strategy complies with the following criteria:

- Fairness (Spector, 2001:7).
- Based on merit (Koenig, 2000:37)
- Linked to actual work performance (Brockhaus, 2001:23).
- Linked to value-adding to the business (Brockhaus, 2001:23).
- Linked to the amount of responsibility (Brockhaus, 2001:23).
- Put in writing (Van der Merwe & Venter, 2005:39).
- Well-communicated to all stakeholders (Buchholz *et al.*, 2000:262).

### 2.6.6.2.2 Fairness in family employee work performance

No family business should feel obliged to hire incompetent relatives (Buchholz *et al.*, 2000:277). Voeller *et al.* (2002:73) recommended that performance expectations must be drawn up to help ensure that all family employees meet the same standards and receive the same support. This will remove any legitimate grievances on the part of their
peers and the frustration that comes from being held to a higher standard than anyone else.

Voeller et al. (2002:73) recommended that family businesses must have a performance measurement system in place to ensure that all employees meet the same standards and support from family business management. This could minimise the possibility of grievances between frustrated peers regarding unjustified performance appraisals to incompetent employees, especially for family members.

By linking performance and compensation all employees have reason to work at an optimal level, especially family members. Performance standards evaluation measurements should also be developed and stipulated out to all employees when they commence their duties in the family business. They should be aware that they oblige themselves towards the family businesses disciplinary policy, should they not meet the performance standards set out to them during the recruitment process (Loeb, 2001:60).

Jaffe (1991:199) emphasized the following advantages if performance standards are uniformly applied:

- Stronger employee morale.
- Productivity increase.
- Minimise strained family relationships.

Jaffe (1991:199) and Jonovic (1997:xxiii) argue that performance should be assessed by means of a formal process of performance evaluation in both the family and in the business, in achieving effective business management.

The performance of family members needs to be assessed on a regular basis and adequate feedback needs to be given, so that family members can improve on previous unsatisfactory performance. Family members and non-family employees must also use
the clearly defined, formal reporting lines to relevant parties in the family business (Jonovic, 1997:xxiii).

If a family employee, like any other non-family employee, is found guilty on misconduct like low work performance, unsatisfactory behaviour, or whatever the scenario may be, there must be some relevant action taken against the family employee. This action or punishment given to the employee must be in the light of the offence committed by the employee (Loeb, 2001:59). Matters such as this could either be resolved within the family, or in worst case scenarios, by outside professionals (Buchholz et al., 2000:276).

Although a disciplinary procedure against a family employee can be an emotional issue, it can be avoided if there are clear rules and procedures in place for the family employees to comply with (Sander & Bordone, 2006). Actions taken against family employees could include (Buchholz et al., 2000:27):

- Transferring the family employee to a more appropriate job.
- To provide the family employee with additional training.
- Dismissing the family employee in severe cases.

The dismissal of any employee who is found guilty of any low-performance related issue in the workplace, may be necessary for the overall well-being of the family business and, ultimately for the family owners. If this action is not taken, it could discourage other high performers and could also delay the overall productivity of the business (Loeb, 2001:60).

Feedback and measurement of family employees’ work performance is very important to obtain family harmony and eventually ensure the long term success of family businesses.

2.6.6.3 Fairness’ contribution towards family harmony

Family businesses must apply fair business practices when employing family members and dealing with all external stakeholders, other wise it may result in frustration,
relationships that crumbles, bitterness amongst all parties involved. Remedies for unfairly treated family members may include litigation or damaging media campaigns against family members or even the family business itself (Aronoff & Ward, 1996:3). Family businesses should realise the fundamental role of fairness in their business activities.

From the discussion in paragraph 2.6.6.2.1 and 2.6.6.2.2 it is evident that family harmony can be promoted through the construct of fairness, since all employees understand that they:

- Must do their fair share of work according to their salary.
- Must do their fair share of work for their salary (It is not a “birth-right”).
- Are offered to work in an equitable working environment.
- Are remunerated fairly for their work performance.
- Are treated equally by external stakeholders.
- Are compensated according to their contribution, and not according to their age and / or gender.

2.6.7 Leadership

Family business leaders must create a sense of shared urgency in the family business. The goal is to have everyone, from the owners to those carrying out tasks, thinking and acting like competitors (Timmons & Spinelli, 2007:573). Families are traditionally and systematically hierarchical in nature: parent to child, older to younger siblings, male to female, and family businesses often embody these hierarchies in their leadership models (Timmons & Spinelli, 2007:573). A trans-generational commitment requires moving beyond the “great leader” model towards the “great group” model. Family business leaders who strive to turn their families into a team based upon the great group philosophy can overcome many of the negative connotations often associated with family business leadership and empower the family and the family business to be enterprising (Timmons & Spinelli, 2007:573).
2.6.7.1 Definitions for leadership

The South African Concise Oxford Dictionary (2002:658) defines a leader as:

- The person who leads a business.
- The person that commands a business.
- The person that precedes a group of people in a business.
- The person officially responsible for initiating business in the business.

Cummings and Worley (2005:155 - 166) and Robbins (1996:413) continues and summarise the key characteristics of leadership in a business as:

- The ability to create a vision between members of the team.
- The ability to construct the envisioned future.
- The ability to create support.
- Motivating and creating readiness for change and transition in a business.
- Propagating and overcoming resistance to change.
- Motivating participation and involvement.
- The ability to influence a group towards the achievement of goals and expectations.
- People who are passionately committed to their teams, and the vision and goals of the business.
- Enforcing empathy and support.

2.6.7.2 Promoting effective leadership between family members

Leadership in the family business requires knowledge regarding operational activities; it also requires experience, good judgement, interpersonal skills and credibility as they relate to the business and business decisions (Aronoff & Baskin, 2005:4). Family members are in a family business not because of their last name, nor who their predecessors were, but because they have prepared themselves to be there, because they are motivated to be there and because they contribute specific skills and talents.
which represents specific disciplines within their world of business (Aronoff & Baskin, 2005:4). Thus without these family leaders it is impossible for possible successors or other subordinate family members to become active learners in order to develop a learning attitude that is important for their success.

Aronoff and Baskin (2005:4) stipulate that effective family business leader need to possess the following components of good leadership:

- Credibility and ability to consider all employees’ opinions regarding work related issues before making important decisions.
- To motivate, encourage and to encourage loyalty of all the others working for the family business.
- Knowledgeable of the industry to make effective decisions.
- Possess technical and business skills to be able to correct any problems, thus ensuring credibility amongst subordinates.
- Taking responsibility for the business and decisions taken.
- Self-awareness of actions taken.

When considering the discussion on the constructs of family commitment and personal needs alignment (refer to paragraph 2.6.4 and 2.6.5, respectively), it is clear that family businesses that wants to obtain family harmony to ensure longevity need to move away from traditional approaches of distinction between managers and leaders and transform to a more modern manager-leader approach.

Successful family businesses need to adopt the approach of the modern manager-leader to continue to effectively lead their businesses and sustain a successful empire. Family commitment (refer to paragraph 2.6.4.2) and personal needs alignment (refer to paragraph 2.5.5.2) depend on, and can only be initiated through effective leadership (van der Merwe, 2008b:6, 7). Family businesses that yearn for success need these two crucial inputs (family commitment and personal needs alignment) from their members, and it can only be established through effective leadership.
Coetsee (2002:61) summarises the differences between these two approaches (refer to Table 2.4).

Table 2.4: Differences in the traditional and manager-leader approach

<table>
<thead>
<tr>
<th>The traditional approach</th>
<th>The modern manager-leader approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Manages people.</td>
<td>• Facilitates relationships</td>
</tr>
<tr>
<td>• Plans, organises, directs and controls.</td>
<td>• Creates a motivating climate.</td>
</tr>
<tr>
<td>• Is reactive and focus on execution.</td>
<td>• Proactive, focus on vision and values.</td>
</tr>
<tr>
<td>• Problem-orientated.</td>
<td>• Opportunity-orientated</td>
</tr>
<tr>
<td>• Short-term view, works from a plan.</td>
<td>• Long-term view, leads according to a dream, a perspective.</td>
</tr>
<tr>
<td>• Accept and maintain the status quo</td>
<td>• Question and challenge the status quo</td>
</tr>
<tr>
<td>• Uses policy, regulations, methods, systems and structures to get work done.</td>
<td>• Transfers a vision, creates expectations, enthusiasm and a motivating climate.</td>
</tr>
<tr>
<td>• Diminish uncertainty and control.</td>
<td>• Encouraging people to find better ways.</td>
</tr>
<tr>
<td>• Uses power, expects compliance and loyalty.</td>
<td>• Empowers, creates loyalty, respect and dedication.</td>
</tr>
<tr>
<td>• Accepts responsibility.</td>
<td>• Delegates responsibility, but accepts accountability.</td>
</tr>
<tr>
<td>• Have subordinates or a group</td>
<td>• Have followers or a team.</td>
</tr>
<tr>
<td>• Occupies a position.</td>
<td>• Perform a function or a service.</td>
</tr>
<tr>
<td>• Get people to do things.</td>
<td>• Creates an environment in which people want to do things.</td>
</tr>
<tr>
<td>• Does thing right (is efficient).</td>
<td>• Does the right things right (is effective).</td>
</tr>
</tbody>
</table>

Source: Coetsee (2002:61)
The family itself can provide many opportunities for leadership, due to various talents from an extensive family, with members that want to be linked to the business but not necessary involved in the day-to-day activities of the business (Aronoff & Baskin, 2005:5). However, if there is a real lack of leadership potential within the family itself, they must not hesitate to employ a suitable outsider to perform the function of this crucial determinant of family harmony, since lacking good leadership has proven to be disastrous for numerous family businesses in the past.

2.6.7.3 Effective leadership’s contribution towards family harmony

The success of a family business can never depend upon the leadership of a single person. Such a course freezes out the family and inevitably leads to bitterness. The business can rise to new heights only with the consensus on family values, vision and through cooperative effort of all family members (Davis & Taguiri, 1989:19).

Family leaders that are able to convince all employees to become more involved in the business will move forward as a cohesive unit, to give the family and the business the vital support that both need (Aronoff & Baskin, 2005:5). This can lead to an increase in employee loyalty, responsibility and effort, and ultimately to an increase in the effectiveness of the business, resulting in both family harmony and employee harmony (Harris, Reid & McAdam, 2004:1 427).

Families may have disputes and disagreements, but these differences are part of the inherent challenge in running a family business, it is therefore the duty of family leaders to build family harmony or unity by nurturing healthy relationships amongst all employees inside the family business (Aronoff & Baskin, 2005:4).

As the family moves into second, third and fourth generations, family leaders often articulate the shared values of the family, therefore they can create opportunities to build and display the family’s culture, philanthropy and commitment to do well in the community. They are also responsible to resolve conflicts, family predicaments and
therefore contribute in achieving family harmony, thus ensuring the longevity of the business (Aronoff & Baskin, 2005:4).

2.6.8 Governance

Family business governance is a system of processes and structures that are put in place at the highest level of the business, where the family and the ownership can make the best possible decisions regarding the direction of the business to assure the accountability and control of the family business (Neubauer & Lank, 1998:60).

2.6.8.1 Definitions for governance

According to the South African Concise Oxford Dictionary (2002:499), the meaning of governance is:

- To conduct the policy and affairs of the business.
- To control or have influence over the business.
- To constitute a rule, standard, or a principle for the business.
- To serve or decide over legal matters concerning the business.
- The action or the manner of governing a business.

Neubauer and Lank (1998:60) furthermore explain that the meaning of governance is derived from the Latin verb gubernare, and it means steer or direct. Governance is thus “a system of processes and structures to plan, control and account for the business at the highest levels (Neubauer & Lank, 1998:60).

Directing the family business should not be confused with everyday involvement in the management thereof, but rather with activities such as (Neubauer & Lank, 1998:60):

- Shaping the strategic direction of the firm in the long term.
- Involvement in decisions that is far-reaching in nature.
• Involvement in the allocation or reallocation of the significant financial resources as well as other resources such as the appointment of the chief executive officer.
• Involvement in decisions that are precedent setting and/or are difficult to reverse.

Controlling means the oversight of management performance and monitoring the progress towards objectives (Neubauer & Lank, 1998:60).

Accounting for means the responsibility towards all the stakeholders, which legitimately demand accountability from the business (Neubauer & Lank, 1998:60). As in family-controlled businesses the issue of equitable treatment of all family members (active and inactive), frequently plays a major role, so clear accounting and clear responsibilities for accountability are of critical importance. Business leaders must also respect the right of the family members to be informed about the business and to guide certain overarching dimension of its functioning (Aronoff & Ward, 1996:9). It also means that major business decisions are guided by the family’s goals for the business on such issues as family employment or shareholder liquidity (Aronoff & Ward, 1996:9).

Family business governance structures include the following (Neubauer & Lank, 1998:67):

• The family itself and its institutions, such as the family meeting or forum, the family council and shareholder’s committee.
• The board of directors.
• Top management of the family business (including non-family members)

Each of the different family business governance structures need to work closely together to deliver satisfactory results for the long term success of the family business.
6.8.2 Promoting governance between family members

Many business-owing families drift unconsciously into haphazard patterns of decision making and communication that can threaten and even destroy those shared interests (Aronoff & Ward, 1996:1).

A family business that is well-governed is free to work toward the highest and best objectives of business – maximising profit, improving strategy, creating jobs, fostering employee development and serving all stakeholders, including shareholders, employees, customers, suppliers and the community (Aronoff & Ward, 1996:1). Although governance is an abstract concept, the goals of good family business governance - smooth decision making, cohesiveness, effective conflict resolution and freedom from political warfare – are necessary foundation stones to sustain a healthy family and healthy business (Aronoff & Ward, 1996:53).

Many business owners dismiss the consequences of failed governance - shareholder battles and defections, conflicts between managers and family members, or the destruction of the family by the business or vice versa – as a result of human failings or normal family business tensions (Aronoff & Ward, 1996:53). These problems could, however, be eased or averted through affective governance.

Good governance means establishing two distinct and separate points of focus – one on the family, and one on the business. The 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 go beyond their individual interests in the business. This include the family policy or rules that govern member's behaviour and decision making, family organisation, education, communication, the family's philosophy of doing business, family goals for the business, family civic, political and philanthropic activities, and family fun (Aronoff & Ward, 1996:53). The best suitable way to fulfil these roles is by holding family meetings, family council or other family associations.
The focus of business governance should be to serve shareholders and other stakeholders and to meet the goals set for it by shareholders and management. The best way to achieve this is to establish an active board which include a majority of qualified and experienced outside directors. Such a board can provide advice and counselling to the chief executive office, help monitoring business performance, planning, aid succession planning and help to improve the quality of the strategy. Directors can also support family shareholders, assist in family education, monitoring family policies and help to build shareholder trust and confidence in the business (Aronoff & Ward, 1996:53).

A well organised family board must also manage the overlapping concerns in the business (refer to Figure 2.2). Other policies that must be included are, the entry and exit policy (employment policy for both family and non-family employees), job descriptions, compensation policies, the dividend policy, shareholder redemption policy, director search and evaluation, business goals and ethics, and succession are amongst the matters that warrant both the family and board consideration (Aronoff & Ward, 1996:54).

As the family business passes from the entrepreneurial stage through the second and third generations of family ownership and beyond, the family organisation may evolve from informal talks over the dinner table to a family assembly guided by a governing body such as a family council (Aronoff & Ward, 1996:53). Similarly, the board may evolve from a single panel to a holding-company board with subsidiary boards overseeing various units of the family business portfolio.

Every family business is unique and embracing systematic governance processes can help family business to achieve goals shared by virtually all (Aronoff & Ward, 1996:53). The family and the business can obtain advantages from orderly decision making, peaceful continuity and the freedom to decisions based on the highest and best purposes.
Family businesses, furthermore, should adopt the following fair labour practice policies into their governance policies to guide their actions and decisions (Bendix, 2004:745 - 830):

- The basic conditions of employment act (Act 75 of 1997).
- The labour relations act (Act 66 of 1995)
- The occupational health and safety act (Act 85 of 1993).
- The unemployment insurance act (Act 30 of 1966).
- The compensation for occupational injuries and diseases act (Act 130 of 1993).
- Sectoral education and training authorities.
- Grievance procedure with a grievance form.
- Disciplinary code and procedure with a warning or a breach of the disciplinary code and a final written warning.
- Code of good practice on the handling of sexual harassment cases.
- Handling a work stoppage or strike.
- Picketing policy and procedure.
- Workers rights.

These fair labour practices can also serve as a standing agreement on how to address any issues that may arise within the business. Written copies of these should be available and disposed in the workplace where all employees can take notice of all these policies. It is also important that these policies must be communicated to all the employees.

2.6.8.3 Effective governance’s contribution towards family harmony

A business that is well governed is open towards the highest and best objectives of the business. The main goal of business governance should be to serve shareholders and other stakeholders in order to meet or exceed the goals set for the business by the shareholders and management (Aronoff & Ward, 1996:53).
The goal for family governance, however, should be to find consent on matters where owners' wishes matter most, as well as to provide family members with a shared sense of identity and mission that outshine their individual interest in the business. Other benefits of effective governance policies include: transparency, clarity and trust which will lead to a more successful business and family. Although good governance is not easy, it is well worth the expense, time and effort (Aronoff & Ward, 1996:54).

Aronoff and Ward (1996:11) summarise the benefits of family institutions, such as family meeting or forum, the family council and shareholder' committee as follows:

- Building stronger families.
- Building stronger business.
- Planning for future ownership.
- Planning for family participation.
- Managing the inherited wealth of the family.
- Opening up the success process.
- Preserving family tradition and history.
- Professionalizing the business.
- Managing relations between the family and the board.
- Recognising and resolving conflict.

Unfortunately very few families have effective family meetings, thus very few can benefit from the benefits from holding family meetings.

Aronoff and Ward (1996:12) summarise the benefits of an active family board or a board of directors as follows:

- Providing in-house experience and expertise.
- Encouraging self-discipline and accountability in management.
- Providing a sounding board to aid in evaluating business owners' ideas.
• Offering honest, objective opinions on performance, strategy, compensation and other business matters.
• Assisting in strategic planning and monitoring implementation.
• Offering insight to key people.
• Asking challenging and penetrating questions.
• Giving confidential and empathetic counsel.
• Aiding creative thinking and decision making.
• Enhancing cooperative relations with constituents including employees, suppliers, customers and the community at large.

It is evident that all the abovementioned benefits from the various family institutions and family board could ensure family harmony between family members. Family businesses that experience family harmony has an especially powerful motivation to govern them well (Aronoff & Ward, 1996:1). They hold shared interests that are vast and profound, often including a large capital investment, prospects for future employment of themselves and their siblings, and the larger-than-life image of a family business in its community.

2.6.9 Division of labour

The basic rules for employment in a family business should be established before family members are allowed to enter the family business as an employee (Murak, 2001:12). Jaffe (1991:199) stated that when any family member enters a family business, a specific job position should be clearly described. Using job descriptions in recruiting and measuring the performance of family employees suggests that positions will be rewarded and compensated on merit and accomplishments, not family membership (Loeb, 2001:59).

The job description must clearly identify key duties, responsibilities and demarcated spans of authority in the family business (Brooks, 2001:37). The job description is by no means complete, since casual tasks and informal expectations are constantly introduced...
and deleted by supervisors and peers alike. The job description, however, must be sufficiently detailed, preferably in writing, to allow knowledgeable parties to value the core job elements and to establish a score that reflects the job’s value to the business (Brooks, 2001:37). Acknowledgement of the parties concerning the job description of an employee should also preferably be in writing, so that the parties can agree on each others roles, responsibilities and positions inside the business (Brooks, 2001:37).

Roles and responsibilities of all employees, including family members involved in a family business may sometimes be unclear or not defined at all (Kets de Vries, 1996:23). In most family businesses, multiple roles and responsibilities, that overlap, are issued to a single person. This may cause role confusion to the individual, which may lead to inefficient communication and poor decision-making by the family member (Ibrahim & Ellis, 2004:7). It is thus important to specify and communicate the clearly defined roles and responsibilities to all employees in the family business, so that they understand it and agreed on it as soon as they commence their employment in the business. It is therefore important for both current and prospective employees to have a clear understanding of the roles and responsibilities of the position they fill inside the family business.

2.6.9.3 Division of labour’s contribution towards family harmony

Family members should not regard employment in the family business as a right (Neubauer & Lank, 1998:153). The decision of a family business to permit incompetent family members into the business without the person adding sufficient value to the business does not make business sense at all (Neubauer & Lank, 1998:153). Actions like this can threaten family harmony and ultimately the sustainability of the family business (Van der Merwe, 2008a:4).

Since there is a mixture of family and non-family employees in family businesses it often creates tension, aggressiveness and jealousy amongst employees if the labour force of the family business is not properly managed. Poor labour relations leadership and
management of businesses is a touchy issue and caused the "suffocation" of many family businesses and will still cause many future "suffocations" (Jaffe, 1991:195). It is therefore extremely important for family businesses management to find the optimal mix of competent, willing and committed employees to fulfil the core objective of the business, which is to do profitable business.

Aronoff and Ward (1996:10) suggest additional ways how the labour force can contribute towards business success and therefore sustaining harmonious family relationships:

- Literacy in business language and operational activities creates accountability of individuals, and could ease the communication between employees.
- Excellence requires hard work, high performance standards, expertise in operational activities of the business and proper education, through which respect could be earned amongst all employees.
- Flexibility requires the ability and desire to listen to other's opinions and to have the ability to emphasize and understand that one is not always right. It also creates open-mindedness that reduces defensiveness amongst employees.
- Preparedness implies that all employees must willingly perform there duties and understand their roles in the business.
- Trust amongst employees creates teamwork that eases necessary changes, risks to be taken, innovation which are necessary to run a successful business.

Jaffe (1991:245) argues that family businesses that want to be successful over the long-term need to adjust their traditional approach of treating family employees and non-family employees differently from each other. Since they all work in the family business, "non family employees are family too", and they should be treated equally. This will cause renewing the family business for the future and could simplify harmonious family relationships, and ensuring longevity.
2.6.10 Inactive family members

When it comes to working for a family business one must keep in mind that although it often seems like a fairy tale story, it is far from the truth (Kets de Vries, 1996:15). Family feuds often occur amongst inactive rival spouses, siblings, cousins and in-laws. This causes that active family members, non-family members and other employees are forced to choose sides between different rival factions. This can lead to competent, trustworthy and loyal employees beginning to leave the business, continuing in a decrease in productivity and regular customers can also stop buying. The end-result can often cause a family business to go from “riches to rags” within a single generation (Kets de Vries, 1996:15).

Family members often see working for the family business as a “birthright”, but the ones who are not able to enforce this “birthright” in becoming an employee for the family business, are often the ones that cause a tremendous burden on many family businesses day-to-day activities and relationships between family members at home (Kenyon-Rouvinez & Ward, 2005:24).

These non-active family members often interfere in family business matters through conflict instigation, taking part in decision making matters, direct interference in day-to-day operational activities and they often play active family members off against each other (Kets de Vries, 1996:15). Possible reasons for this infectious disruptive behaviour may include; jealousy, boredom and other psychological disorders (Kets de Vries, 1996:16).

2.6.10.1 Inactive family member’s contribution towards family harmony

Factional infighting amongst rivalries in family businesses may become exceptionally violent and often become to fistfights and wrangling lawsuits (Kets de Vries, 1996:15). Family harmony is not encouraged by this type of conspiratorial activities, but it is rather destroyed. Since inactive family members are often the catalyst for family feuds, they
must rather spent their time and energy on matters outside the family business. They should rather support their spouses and leave business matters to those who are actively involved in the day-to-day operational activities and decision making tasks of the family business. This will have a strengthening effect on family harmony and ultimately the long-term sustainability of the business.

2.6.11 Non-family members

It often happens that when family businesses are very small or when the family is very large that the family business is overwhelmed by non-family member employees working in the business (Syms, 1992:191). The amount of non-family members present in most family businesses stresses the importance of a good working relationship between them and family members, should they want to maintain a competitive advantage over others in the same business sector (Maas et al., 2005:138).

Aronoff and Ward (2000:5) suggested the following reasons why non-family employees want to work for family businesses:

- Being close to the seat of power can be more fun than being in the seat of power.
- A family business may offer more responsibility and more opportunity to make a difference.
- Admiration and respect for the family’s values and culture.
- Commitment to the family business’s exciting mission.
- Opportunities to work in a non-bureaucratic environment.
- Opportunity to build wealth for oneself.
- Family-friendly attitude toward employees.

It often happens that family members do not have the required skills needed in decision making, operational or managerial activities of the business. The only option then is to outsource the job to suitable non-family employees to join the business. Non-family employees are an important source of intellectual capital for the business (Maas et al.,
The family should therefore make an effort to appoint competent non-family employees to supplement the shortcomings of the family and who can add significant value to the success of the business (Maas et al., 2005:134).

Appointing a competent non-family employee, however, is not as easy as it seems and many ambitious non-family members are often unwilling to join family businesses due to aspects like the following:

- Unnecessary tension between family members and non-family employees.
- Family members often limit non-family employee’s chances for promotions.
- Non-family employees have a high turnover rate in family businesses.
- Non-family members are sometimes not recognised for their value offered towards the family business.
- Family members are normally resistant towards change in the business.
- Unfairness in the workload and remuneration between family members and non-family employees (Maas et al., 2005:138).

If an outsider is appointed, he or she should be aware of the employment policy enforced by the business. The family business should, however, enforce only one employment policy for both family and non-family employees (Maas et al., 2005:134). Non-family employees should be encouraged to do further training, development and studies, to equip themselves better for further utilisation in the business. Loyal non-family employees can therefore become part of the future management team of the business and may even take part in planning and decision-making activities. Senior generation family members should delegate some decision making and other responsibilities to them (Maas et al., 2005:134). Recognition and remuneration of non-family employees should also be linked to the responsibilities that they bear.

Roles and responsibilities of non-family member employees should be clear and they must know exactly what the business expect of them. Their job descriptions and specifications should be clear and it should correspond with their actual responsibilities.
and objectives (Maas et al., 2005:135). A specific job title, responsibility and authority or power must, furthermore, be earned through proper training, experience, skills, commitment and work performance and not to whom they are related to (Maas et al., 2005:135). Work performance of non-family members should be regularly evaluated and adequate feedback should be given to them. Non-family members who are guilty of misconduct or who do not perform according to required performance measurement system should also be treated according to the same disciplinary procedures as family members (Maas et al., 2005:135).

Maas et al. (2005:138) indicate that family member’s business decisions should be made in such a way that it does not benefit the family at the cost of non-family employees in the business, since non-family member are an important asset in most family businesses.

2.6.11.1 Non family member’s contribution towards family harmony

Aronoff and Ward (2000:5, 6) suggested ways how non-family managers / employees can contribute towards a more successful business which could lead towards family harmony:

- **Serving as an alter ego to the founder / CEO.** In this role the non-family manager / employee embraces the family and its culture and values as if they were his or her own. They can also promote the family culture to other non-family employees and assure them that the family is trustworthy, solid and strong.

- **Serving as strategic planners and implementers.** Non-family managers / employees can use their own creative genius minds to support and supplement family executive’s inability to be creative and making wrong decisions.

- **Supporting the succession process in a variety of ways.** Non-family employees can assist in mentoring the next generation and helping them to prepare them for taking over the leadership, or they can serve as a bridge between generations when
an heir is not available or ready to take over. They can sometimes even catalyze the process.

- **Being an insurance policy.** Non-family managers can act as a temporary replacement, should the chief executive become seriously ill, be in an accident or be on holiday.

- **Serving as an “adoptive” son or daughter.** When no children are available to take over the reins of the family business, a non-family manager could be appointed to take over. This will lead to a very constructive and special relationship between a family business owner and a non-family manager.

Aronoff and Ward (2000:55) also suggested other reasons why non-family manager / employees can contribute towards a better business which will lead towards family harmony. These reasons could be:

- With their high competence and skills level they can serve as advisors for a business and also pull back low-performing employees (family and non-family) to acceptable levels of performance.
- They regard the business as their own; therefore, they could give assistance and direction for the business and to other employees.
- They could help professionalize the family business with their managing skills, which can create trust and openness towards other family employees.
- They take the role as teacher seriously and could, therefore, support employees who do not understand certain aspects of their job.
- They don’t get involve in family disputes, so they can focus on the business.
- They put emphasis on teamwork; they also work in the team and thus promote productivity in the workplace.
- They support the succession process and can supplement any family shortages in management skills, strategic thinking and decision-making.
- They listen with their heart, but they will not take sides in family conflicts, so conflicts do not interfere with their work performance.
- They work hard in order to obtain the trust of fellow employees and family members.
The presence of non-family members in executive positions carries several advantages for both the family and the business (Kets de Vries, 1996:258). As outsiders, the non-family members have not to be indoctrinated with the family myths from early childhood on and are thus better able to view the business with fresh eyes. Non-family members take the role of official representatives of the business, with all the attention focussed on them, while the family quietly pulls the strings from behind (Kets de Vries, 1996:258). Non-family members are likely to have a more neutral view than relatives concerning decision making about family affairs, especially in difficult situations. Non-family members can also act as a mediator between family members in moments of conflict (Kets de Vries, 1996:258).

The beneficial impact that non-family members can have on family members to make sound, well-reasoned decisions can have particular significance for family businesses and could, therefore, have a positive influence on family harmony and overall business that could ensure the long-term sustainability of the business (Kets de Vries, 1996:258).

2.6.12 Senior generation of family members

Many family entrepreneurs, particularly senior generation entrepreneurs, accept the myth that any formalisation will confine their entrepreneurial behaviour. Nothing could be further from the truth. With informed perception, disciplined processes, clear financial benchmarks, and organisational accountability, family teams can generate higher potential ventures and get the odds in their favour for trans-generational entrepreneurship and wealth creation (Timmons & Spinelli, 2007:566).

Founders of family businesses usually have a strong sense of attachment to the business. They sometimes experience stress, withdrawal symptoms and a general sense of loss during a process of relinquishing control of the family business, due to there decreased responsibility (Ibrahim & Ellis, 2004:212). They unfortunately have to make peace with the fact that they are aging and show their willingness to hand over the authority and to relinquish control to a capable successor. A prerequisite for this is that
senior generation family members must share important information concerning the business to the suitable successor and show confidence in his or her ability to manage the business once he or she retires.

Retirement is often a reminder to many senior generation family leaders that they are aging and that death is not so far away. Owners often tend to think that they can hang around forever (Ibrahim & Ellis, 2004:212).

2.6.12.1 Senior generation family member’s contribution towards family harmony

Once a senior generation family member retires, that person needs to let go of all authority and control to the successor, if not, it can create tension and conflict within the family business. The younger generation successor will percept a feeling of distrust in their ability to manage the future of the business, this will eventually decrease their morale, intuition and family harmony could at the end suffer.

The best way thus for senior generation family members to contribute towards family harmony is to let go of authority and control of the business once they are retired. They can still, however, frequently visit the business to give advice, but not interfering, nor undermining the successors’ ability to manage the business, since it could erodes family harmony and eventually has a negative impact on the longevity of the business.

A lack of sharing information due to mistrust or a perception of inability to manage the business will also deteriorate family harmony, since the new successor needs to know everything he or she is in for in their new responsibilities within the business.

Insufficient financial retirement provision for the retiring senior generation family members could create tension between younger generation family members (Aronoff et al., 2002:95). This will diminish family harmony, since siblings have to argue amongst each other concerning taking care for their poor retired parents.
2.6.13 Financial performance

When people hear the term family business, they seldom experience images of billionaire entrepreneurs. They rather anticipate a small mom-and-pop business that only aims to serve local markets in order to sustain the family’s lifestyle or providing jobs to family members (Timmons & Spinelli, 2007:562). Although there are many family businesses with such narrow vision, these images are far from reality. As was mentioned in par. 1.1 in chapter 1, family businesses play an important role in wealth creation in the world.

The tension amongst generations in families can often revolve around the aggressive younger family executives seeking to explore new and exciting deals in contrast with the older executives who seek to move forward on the pathway that created the family’s fortune (Timmons & Spinelli, 2007:561). Families sometimes have special knowledge, experience and resources that often bring them competitive advantage over other competitors. Enterprising families generate new economic activities and build long-term value across generations. Timmons and Spinelli (2007:563) and Brigham and Ehrhardt (2005:480) summarise that the essence of any business’ financial performance is measured with the following criteria:

- Experiencing growth in income or turnover; thus increase sales and establish ways to minimise expenses thus ensuring profit maximisation.
- Constant positive ratios can ensure the future financial security of the business.

An increase in employee numbers is, however, inevitable to administrate the growth in turnover, without overloading the existing employees’ workload and causing a decrease in the work performance.

Libby, Libby and Short (2004:710) summarise that a business’ financial success and future financial security is measured with four different groups of tests; each test group will be mentioned with various important ratios.
Tests of profitability include: return on invest, return on assets, financial leverage percentage, profit margin and fixed asset turnover, earnings per share and quality of income.

Tests of liquidity include: the cash ratio, current ratio, quick ratio, receivable turnover and inventory turnover.

Tests of solvency include: the times interest earned, cash coverage and debt-to-equity.

Market tests include: the price / earnings ratio and the dividend yield.

Each of the abovementioned ratios could be applied to a family business over the past five to ten years to determine the real financial performance.

2.6.13.1 Financial performance’s contribution towards family harmony

The financial performance of the business can contribute significantly towards achieving family harmony, once the criteria as discussed in paragraph 2.6.13 is met. The criteria is summarised as follows:

- If the family business experienced constant growth in turnover for at least the last two years.
- If the family business experienced constant growth in profitability over the past two years.
- If the family business is financially successful (refer to the various ratios in paragraph 2.6.13).
- If the financial well-being of the family business is secure for the future.

Only if the criteria is met the family members can have peace of mind that their business’s financial wellbeing is secure and this can contribute towards family harmony and ultimately towards the long-term continuity of the business.
2.7 PERCEIVED FUTURE CONTINUITY

The original founder of family businesses normally have his or her idea, vision or dream of what the should be or do, including his or her vision of what the continuity of the business a family business should be in the future (Voeller et al., 2002:30). Ward (2005:44) argues that there should be a parallel business and family strategic planning process regarding the future continuity of family businesses. This parallel strategic planning must unify family and business planning to assure the alignment of family and business strategy for the future. This process starts with the family who explores their business philosophy and core values. Ward (2005:47) suggests the following steps how it should be done.

Family meetings should be held, but this should not be business meetings. The family must involve all family members to be actively involved to generate a family vision. With this the family should reach consent about the family view regarding to management and commitment amongst themselves whether or not they want to remain active and engage in the family business for future generations to come.

Without such a clear consensus amongst family members regarding the vision of the future role of family members in the business is unclear and the continuity of the business is unsecured (Lansberg, 1998:57). It is this vision of a family that motivates them to accomplish their dreams and goals regarding topics like; the family business continuing into the future, handing the family legacy and wealth over to future generations of family members, therefore create the opportunity for future generations to be employed by the family business.

The commitment of the family to the future continuity of the business is a priority discussion for the family as it supports the development of the shared future vision and the family business continuity plan (Carlock & Ward, 2001:54). As individual family members are working for themselves and the family business as such all of these family
members need to be committed and willing to work together as individuals as a team to ensure family harmony and individual satisfaction (Carlock & Ward, 2001:54).

There are a few things as compelling as the legacies of the families ancestors and the future of their children. Given their background, family executives see themselves as caretakers and crusaders. The onus on them is prominent, since the future continuity of a family business has distinct past and future components. The past taken the form of a proven legacy handed over from the previous generation towards the next generation be respected and treasured for the future generations to come (Miller & Le Breton-Miller, 2005:37).

The future component of continuity is a family’s commitment to nurture the business to support subsequent future generations with both employment and financial assistance (Miller & Le Breton-Miller, 2005:38). This commitment therefore urges family members to conserve financial and other resources and build for the years to come. Since the families made immense sacrifices and substantial investments, often living with penniless dividends and ploughing back practically all profits into the business, it is necessary for family harmony that all family members are committed towards the future continuity of the business (Miller & Le Breton-Miller, 2005:38). The reason for this is not to destroy the blood-sweat of their ancestors’ efforts in building the family legacy.

2.8 SUMMARY

The main purpose of this chapter was to discuss the different constructs (independent variables) towards achieving harmonious family relationships (dependent variable) amongst family members (active and inactive) and non-family employees. Other topics that were discussed in this chapter include definitions of family businesses and the uniqueness of family businesses.

Family businesses have a major influence on the economies throughout the world. It can range from tightly held private operations to publicly traded global corporations. Family
businesses are also increasingly recognised as a potential driver of economic growth and wealth creation over the globe. No other type of business has driven economic development in the same way. In almost every country, family businesses are responsible for more than half of the Gross National Product and employment.

Family businesses in South Africa have been making a positive contribution to the South African economy for over the past 300 years and could still for the next 300 years to come. Current South African political and economic issues like crime, affirmative action, black economic empowerment, poor education systems and high unemployment figures have forced and/or lured many entrepreneurial people to start new business ventures. These new business ventures definitely contributed to more family businesses starting-up, which on its side are of vital importance for future local and global economic growth.

It is therefore important to ensure the long-term sustainability of family businesses in South Africa for their contribution towards the current and future economic growth of our country. The long-term sustainability of family businesses, however, depends on the ability of family businesses to obtain and maintain long-term harmonious family relationships amongst all active and inactive family members in the family business. "Working with the ones you love", however, is "easier said than done" and family members must understand the simple approach of "united they will stand, but if divided they will fall". For family businesses to obtain a harmonious family relationship or a united alliance they need to consider and adhere to the following identified constructs of family harmony.

Family businesses need to promote an open communication system to solve unique and difficult problems when it arises. The absence of open communication in family businesses may cause lost opportunities, misunderstandings, distrust, lack of family members' involvement and conflict amongst family members. Possible solutions to re-install open communication include the establishment of neutral family councils, having organised and facilitated family retreats, compile written codes of conduct and to attend communication skills courses.

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Mutual trust and respect requires that all family members need to act with integrity, have competence in the working environment, openly recognise other family members when they perform well, loyalty and consistency in performing duties.

Effective conflict prevention, -management and -resolution strategies are essential for family businesses to deal with conflict as soon as it arises. Functional conflict can stimulate innovation, creativity, energy and it can improve the performance of the business and therefore stimulation family harmony, if dealt with correctly. Unsolved conflict, however, have caused many family businesses to split up in the past.

Family commitment entails the willingness of all family members to buy-into the goals, shared values and shared vision of the family business. It also request long-term enthusiasm, responsibility and accountability of all family members. They need to be passionately attached to the business and co-creating the future existence of the business. The creation of a motivation climate by family leaders could improve commitment of all family members, thus ensuring harmonious family relationships amongst family members.

Personal needs alignment required that family members must align their personal needs subjective to that of the family business and adopting the “what can I do for the business” and not into “what can the business do for me” approach.

Fairness’ contribution towards a harmonious family relationship includes topics like, market related compensation to all employees, personal initiative from employees, teamwork, high ethical standards and good business practises.

Leadership in family businesses is a very complex issue since both the family and the business itself needs leaders. Thus for a family business to move forward as a cohesive unit and to obtain family harmony leaders must have the ability to create a motivation climate amongst family members.
The history of family business is full of disastrous examples what can happen in the absence of effective governance. The effect of a pensive and effective governance policy could lead to clarity within the family, between the family and the board as well as to a stronger family and a stronger business. A systematic governance policy could enhance the ability of the family business to orderly make decisions regarding both the family and the family business; it can result in effective conflict resolution remedies, a peaceful atmosphere for all employees to perceive the future continuity of the business. This could in-turn result in harmonious family relationships amongst family members.

The division of labour in family business contains a mixture of family employees and non-family employees and it is critical for the well being of the family business that they treat all employees equally. Some authors even go so far as that all employees should be regarded as family members. Division of labour have therefore a fundamental obligation in achieving a harmonious family relationship.

Inactive family members are often the catalyst for family feuds that can turn violent and often become into fistfights or wrangling lawsuits. Their interference in family business matters through conflict instigation, or by taking part in decision making matters, or in the day-to-day operational activities often cause active family members and other loyal non-family employees to leave the family business. Possible reasons for this infectious disruptive behaviour may include; jealousy, boredom and other psychological disorders. Inactive family members must rather spent their time and energy on matters outside the family business, rather support their spouses and leave business matters to those who are actively involved in the day-to-day operational activities of the family business. This will have a strengthening effect on family harmony.

Non-family members can contribute immensely towards the success of a family business, especially when a family a small and lacking in certain skills. Non-family members’ new ideas can stimulate innovation, creativity, energy and it can improve the performance of the business and therefore stimulation family harmony. Family

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businesses should however take special care not to discourage non-family members to join the family business due to family infighting.

Senior generation family members who are aging and close to retirement must accept that they can not hang around the family business forever. They have to make way for a suitable successor to take over the reins and continue the family business legacy in a rapid changing environment. Adequate financial provision for the elderly family members must be secured, in order for them to sustain a proper lifestyle once they retire. This could create a feeling of relief to all other family members, thus creating family harmony in the sense that siblings do not have to fight amongst each other regarding taking care of retired parents.

The financial performance of the family business can contribute towards achieving a harmonious family relationship once all parties involved are comfortable about the current and future financial performance of the family business, regarding different stakeholders “wants and needs”.

Perceived future continuity of the family business entails a clear consensus amongst family members regarding the vision of the future role of family members in the business. If it is unclear, the continuity of the business is unsecured. It is this vision of a family that motivates them to accomplish their dreams and goals regarding topics like; the family business continuing into the future, handing the family legacy and wealth over to future generations of family members, therefore create the opportunity for future generations to be employed by the family business. Once family members have peacefully sorted out these futuristic issues they can claim to obtain family harmony.

It is evident that family businesses who perceive their future continuity and contribution towards the economic growth of a country needs to comprehend and pay attention to all the construct of family harmony, other wise their family legacies are doomed for failure.