## Integrative Business Research Project

# Critical Success Factors for Indian Family Owned Businesses in Kenya

**Sheetal Shah**

A research report submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

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## ABSTRACT

The objective of this report was to establish the strategies and factors responsible for successful family businesses and in particular the reasons for success for Indian family-owned businesses in Kenya, determining if these are indicators to increased profitability and growth. This understanding could lead to informed decision making by the management in family businesses and an increased survival rate for Indian family businesses in Kenya. The researcher's objectives were to confirm the 8 different propositions that were identified.

On examination of the literature on family-owned businesses, several factors were identified as common to most family businesses and critical to success. Of these the most frequent 8 factors were narrowed down for the research . The questionnaire was then designed based on theses 8 factors and propositions. The Kenya-based research, used the questionnaires to target second or third generation members of family businesses for its data collection. The researcher collected 123 usable questionnaires from Indian family businesses entrepreneurs in Kenya, which was then used determine their responses to the identified propositions and if those factors identified made Indian family businesses successful in Kenya.

Various quantitative statistical techniques were used to collect and analyse the data. Regression analysis was used to investigate the data collected from the sample. The research found that despite all the literature written about the factors that affect family businesses, not all these factors apply to Indian family businesses in Kenya. This paper identifies which factors do not relate to these businesses and which ones play an important role for family business success.

**DECLARATION**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

Sheetal Shah

14th November 2006

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**TABLE OF CONTENTS**

**ABSTRACT** II

**DECLARATION** III

**ACKNOWLEDGMENTS** IV

**LIST OF FIGURES** VIII

**LIST OF TABLES** IX

**1. DEFINITION OF THE PROBLEM** 1

1.1. INTRODUCTION 1

1.2. MOTIVATION FOR RESEARCH 2

1.3. THE RESEARCH PROBLEM 4

1.4. HISTORY OF INDIANS IN KENYA 5

**2. THEORY AND LITERATURE REVIEW** 8

2.1. THE FAMILY BUSINESS DILEMMA 8

2.2. CHARACTERISTICS OF FAMILY OWNED BUSINESSES 10

2.3. CRITICAL SUCCESS FACTORS 11

*2.3.1. Personal and Family Relationships* 13

*2.3.2. Management and strategic planning* 14

*2.3.3. Succession planning* 15

*2.3.4. Ownership and Organisational Structure* 18

*2.3.5. Generational changes in family business* 21

*2.3.6. Conflict management* 23

*2.3.7. Culture and Values* 25

*2.3.8. Governance* 28

2.4. FAMILY OWNED BUSINESSES IN INDIA 29

2.5. FAMILY OWNED BUSINESSES IN KENYA 30

2.6. LITERATURE CONCLUSION 30

**3. PROPOSITIONS** 32

**4. RESEARCH METHODOLOGY 34**

4.1. RESEARCH DESIGN .... 34
4.2. POPULATION .... 35
4.3. SAMPLING .... 36
4.4. QUESTIONNAIRE .... 37
4.5. DATA COLLECTION .... 38
4.6. DATA ANALYSIS .... 40
4.7. LIMITATIONS OF RESEARCH .... 40

**5. RESULTS 42**

5.1. INTRODUCTION .... 42
5.2. DEMOGRAPHICS OF SAMPLE .... 42
5.3. PERSONAL AND FAMILY RELATIONSHIPS .... 48
5.4. MANAGEMENT AND STRATEGIC PLANNING .... 48
5.5. SUCCESSION PLANNING .... 50
5.6. OWNERSHIP AND ORGANISATIONAL STRUCTURE .... 51
5.7. GENERATIONAL ISSUES .... 52
5.8. CONFLICT IN THE BUSINESS .... 53
5.9. CULTURE AND VALUES .... 54
5.10. GOVERNANCE .... 55

**6. DISCUSSION OF RESULTS 57**

6.1. INTRODUCTION .... 57
6.2. FINDINGS OF THE RESEARCH QUESTIONS .... 57

*6.2.1. Proposition 1: Family businesses have strong family ties, are hard working and manage both personal and business relationships for family business success. 58*

*6.2.2. Proposition 2: Management and Strategic planning is critical for future success of the family business. 61*

*6.2.3. Proposition 3: Succession planning in family owned businesses is a critical driver for success. 64*

*6.2.4. Proposition 4: Clear organisational and ownership structure is critical for successful family businesses.* *68*

*6.2.5. Proposition 5: For family businesses to be successful successors must be willing to take over the business and all generational clashes need to be managed.* *71*

*6.2.6. Proposition 6: Family businesses need to manage conflict within family members for smooth operation and success.* *74*

*6.2.7. Proposition 7: Culture and values play an important role in defining family business success.* *77*

*6.2.8. Proposition 8: Good governance within the family business is critical to success.* *80*

**7. CONCLUDING REMARKS 84**

7.1. RECOMMENDATIONS ........ 85

7.2. FUTURE RESEARCH IDEAS ........ 87

7.3. CONCLUSION ........ 88

**8. REFERENCES 89**

**9. APPENDIX A: THE QUESTIONNAIRE 97**

# LIST OF FIGURES

FIGURE 1: THE ANALYSIS OF INDIAN FAMILY BUSINESSES (WARD, 2000) 8

FIGURE 2: THE FAMILY BUSINESS DILEMMA (KENYON-ROUVINEZ AND WARD, 2005) 19

FIGURE 3: THE THREE CIRCLES MODEL (TAGIURI AND DAVIS, 1992) 19

FIGURE 4: GROWTH VS. PERSONAL AND FAMILY RELATIONSHIPS 59

FIGURE 5: PROFITABILITY VS. PERSONAL AND FAMILY RELATIONSHIPS 60

FIGURE 6: GROWTH VS. MANAGEMENT AND STRATEGIC PLANNING 62

FIGURE 7: PROFITABILITY VS. MANAGEMENT AND STRATEGIC PLANNING 63

FIGURE 8: IMPORTANCE OF WORK EXPERIENCE 64

FIGURE 9: SUCCESSION PLANS 65

FIGURE 10: GROWTH VS. SUCCESSION PLANNING 66

FIGURE 11: PROFITABILITY VS. SUCCESSION PLANNING 67

FIGURE 12: GROWTH VS. OWNERSHIP AND ORGANISATIONAL STRUCTURE 69

FIGURE 13: PROFITABILITY VS. OWNERSHIP AND ORGANISATIONAL STRUCTURE 70

FIGURE 14: GROWTH VS. GENERATIONAL ISSUES 72

FIGURE 15: PROFITABILITY VS. GENERATIONAL ISSUES 73

FIGURE 16: GROWTH VS. CONFLICT 75

FIGURE 17: PROFITABILITY VS. CONFLICT 76

FIGURE 18: GROWTH VS. CULTURE AND VALUES 78

FIGURE 19: PROFITABILITY VS. CULTURE AND VALUES 79

FIGURE 20: GROWTH VS. GOVERNANCE 81

FIGURE 21: PROFITABILITY VS. GOVERNANCE 82

## LIST OF TABLES

TABLE 1: LITERATURE REVIEW SUMMARY 12

TABLE 2: AGE OF BUSINESS 43

TABLE 3: JOB TITLE 43

TABLE 4: INDUSTRY TYPE 43

TABLE 5: GENERATIONS 44

TABLE 6: NO OF GENERATIONS SINCE INCEPTION 44

TABLE 7: NO OF GENERATIONS IN THE BUSINESS TODAY 45

TABLE 8: STARTING JOB LEVEL 45

TABLE 9: WORK EXPERIENCE IN THE FAMILY BUSINESS 45

TABLE 10: REASON TO JOIN BUSINESS 46

TABLE 11: INFORMATION GATHERED TO RUN BUSINESS 46

TABLE 12: FAMILY MEETING FREQUENCY 47

TABLE 13: RELATIONSHIPS IN BUSINESS 47

TABLE 14: PERSONAL AND FAMILY RELATIONSHIPS 48

TABLE 15: MANAGEMENT AND STRATEGIC PLANNING 49

TABLE 16: SUCCESSION PLANNING 50

TABLE 17: OWNERSHIP AND ORGANISATIONAL STRUCTURE 51

TABLE 18: GENERATIONAL ISSUES 52

TABLE 19: CONFLICT IN THE BUSINESS 53

TABLE 20: CULTURE AND VALUES 54

TABLE 21: GOVERNANCE 55

**1.**

# 1. DEFINITION OF THE PROBLEM

## 1.1. INTRODUCTION

Family business is the most prevalent and pervasive form of business through all of history (Keynon-Rouvinez and Ward, 2005). One third of the companies listed in Fortune 500 are family businesses (Lee, 2004). They are found in every sector of the economy and range from "mom and pop" enterprises to giants like Levi Strauss, Ford, M&M Mars and Wal-Mart. As a group, family businesses have consistently outperformed the Standard & Poors 500 (Moscetello, 1990). However, it is not clearly understood why this performance advantage exists. Rosenblatt, de Mik, Anderson and Johnson (1985), define the family business as any business where the majority ownership is controlled by the family, decisions about management are influenced by the family, and two or more family members are employed and actively participate in the management of the firm.

Merriden (1998) suggests that enduring family businesses are much less common today. In the 21st century, family businesses in all areas of the world face significant challenges and plentiful opportunities. The growth and survival of family firms depends on their ability to address these challenges, capitalise on their strengths, and take advantage of the opportunities facing them (Davis , Pitts and Cormier, 2000).

Family firms normally have centralised control and the rules governing the family are also applicable to the business (Handler, 1990). These rules cover various issues including money, loyalty, togetherness, image, conflict, and roles (Hollander and Bukowitz, 1990). Family businesses have their own language, which allows them to

communicate more efficiently and exchange more information with greater privacy (Tagiuri and Davis, 1996). In terms of motivation, loyalty, and trust, family relationships generate unusual motivation, cement loyalties, and increase trust (Tagiuri and Davis, 1996). Family businesses also have a more trustworthy reputation and a lower overall transaction cost (Aronoff and Ward, 1995; Tagiuri and Davis, 1996). In addition, family businesses tend to be more creative, pay more attention to research and development and seem to have more capacity for self-analysis. (Pervin, 1997; Ward, 1997). They tend to be known for their integrity and commitment to relationships (Lyman, 1991). Compared to non-family businesses, family firms have lower recruitment and human resource costs and are more effective than other companies in labour-intensive businesses (Levring & Moskowitz, 1993). They depend less on the economic environment and are therefore less susceptible to negative downturns (Donckels and Frohlich, 1991). Family businesses are better able to see the big picture and are more patient in waiting for a long-term outcome.

## 1.2. MOTIVATION FOR RESEARCH

The field of small and medium enterprises, including family owned businesses, attracts substantial attention globally from the banking industry, government and media. This is particularly evident in Kenya where entrepreneurship has been identified as a priority growth area by the Government of Kenya. Many resources and much time and effort have been put into creating new markets and opportunities for this sector. Between 75% and 90% of all businesses in Kenya are family owned. They employ around 75% of all workers and represent the fastest growing segment of the corporate world (Whitehead, 2005).

While all family businesses are unique in many ways, they all face similar problems and dilemmas. In order to survive, they must address the special challenges of succession, business viability, family harmony and a responsible and unified ownership of the firm. (Kenyon-Rouvinez and Ward, 2005)

Although research in this field is extensive, there is little evidence of what actually makes or breaks a family-owned business. Furthermore, Kenyan research into the success factors of Indian family-owned businesses is very limited.

This paper will explore the critical success factors for Indian family-owned businesses in Kenya. In particular, the research will highlight relevant issues facing Indian owned firms, which do not challenge other businesses in Kenya.

This paper will:

- explore what factors affect the family relationships between all family members and within the business
- identify the most important factors for the management and strategic planning of Indian family businesses
- question whether succession planning is an important factor of business success within Kenya
- assess how ownership and organisational structure play an important role in making business decisions
- determine whether family-owned businesses over the last three generations have impacted the existing business and establish the changes that have led to successful transition and sustainability
- assess whether conflict within the family business is healthy

- examine how culture and values play an important role in developing the family and the business
- Establish the role of governance in maintaining business sustainability and harmony.

## 1.3. THE RESEARCH PROBLEM

This study therefore sets out to identify the factors that are critical to making family businesses a success and whether these are relevant to the Indian family businesses in Kenya. In order to define success, levels of profitability and growth of the company over the last 5 years will be considered versus critical factors affecting the family business.

The research will:

- Establish the factors affecting sustainability and success of family businesses from the literature and prior research
- Establish whether these are true for family businesses in Kenya through questionnaires
- Examine profitability levels of the family business over the last 5 years
- Examine growth levels of the family business over the last 5 years
- Establish if profitability and growth are positively correlated to critical success factors of the family business.

In essence this study will examine the strategies and factors responsible for successful family businesses, discuss the reasons for success for Indian family-owned businesses in Kenya, linking these to increased profitability and growth.

## 1.4. HISTORY OF INDIANS IN KENYA

Like other African countries, the British administered Kenya as its colony. Some 70 years later the population of Kenya has grown to 29 million and its people – from a number of ethnicities – have learned to live together as a community. There are more than 40 ethnic groups in Kenya. They belong to Bantu, Nilotes, Cushites, Indians, Europeans, Swahili and others. The Bantu, Nilotes and Cushites are the dominant groups and have been living in Kenya longest. Indian, European and Swahili people form the minority groups (Mirara, 2000).

The first influx of Asian came to Kenya in the 1890s, the early days of British rule. At that time Kenya and Uganda were British protectorates. The British also ruled India. Starting with a dhow-load of 350 men in 1896, the British shipped to Kenya more than 30,000 Indians – mainly Punjabis – to work as labourers, artisans, and clerical staff on the railway (Salvadori, 1983). They built what would later be called the British East African Railroad, which spanned from the port of Mombasa in Kenya, to Kampala, the capital of Uganda (Janjuha-Jivraj and Woods, 2002).

Construction of the railway started in 1896 in Mombasa and by 1901, it had reached Fort Florence (Kisumu) in Kenya. The construction of the railway in Kenya and Uganda required skilled labourers but there were none. The British government turned to other countries to other parts of the British empire to obtain people with the skills they needed. India was the nearest source of labour and consequently the British brought them to Kenya. Indians settled in various towns established along the railway line. Many of them were involved in the railway's construction, while others became farmers, businessmen and carpenters. Upon completion of the railway a vast number of

labourers returned to India while some chose to stay on. These labourers were later joined in Kenya by hundreds of independent immigrants – mainly Gujaratis and some Goans – who set themselves up in business as shop keepers, artisans and professionals.

The histories of many Asian communities in Kenya can be traced to these few immigrants who moved to Kenya. Once successful, they sent word back to India for members of their own families and communities to join them. At this time, Indians were forbidden, by law, from owning farmland. They settled in the townships and facilitated the development of community associations and services. Each major community built their own schools, businesses and places of worship – making them entirely self-sufficient socially and spiritually and extremely successful economically.

As they settled in Kenya, new opportunities arose for convenience stores offering goods sourced from the Indian subcontinent. The proliferation of the '*dukawallahs*' (small shops) were the roots of Asian economic giants in East Africa as commerce was in its infancy and Asians benefited from the first entrant advantage. This was not viewed as a threat to other ethnic groups as Asians were seen as a powerless middle class (Janjuha-Jivraj and Woods, 2002). However under colonial rule and with no access to political power, commerce was a means to strengthen their economic position.

There is little doubt that the Asian population has been a powerful force behind Kenya's economy (Himbara, 1994). The government actively encourages its people to start family-owned businesses to support economic growth. For example, the '*jua kali*' initiative promotes local artisans to develop and start their own family businesses. Since those early days, Indians in Kenya have progressed into retailing, manufacturing

and other industry. At independence in 1963, Asians withdrew from commerce and trading and quickly moved into other industries e.g. manufacturing and construction. At the time it was estimated that Asians comprised 2.5% of the population in Kenya.

In East Africa, there was growing resentment from the locals towards the Asians who at this point were successful businessmen and owned a disproportionate share of the national wealth. As a result, religious ethnic communities became even more significant in the lives of the Asians for business, welfare and social support. Family members became a crucial source of employment, and family firms developed into a strong force and focal point for many Asian communities (Janjuha-Jivraj and Woods, 2002)

Currently Asians are estimated to constitute 0.3% of the Kenyan population yet control 70% of the monetised economy (Bhushan, 1998).

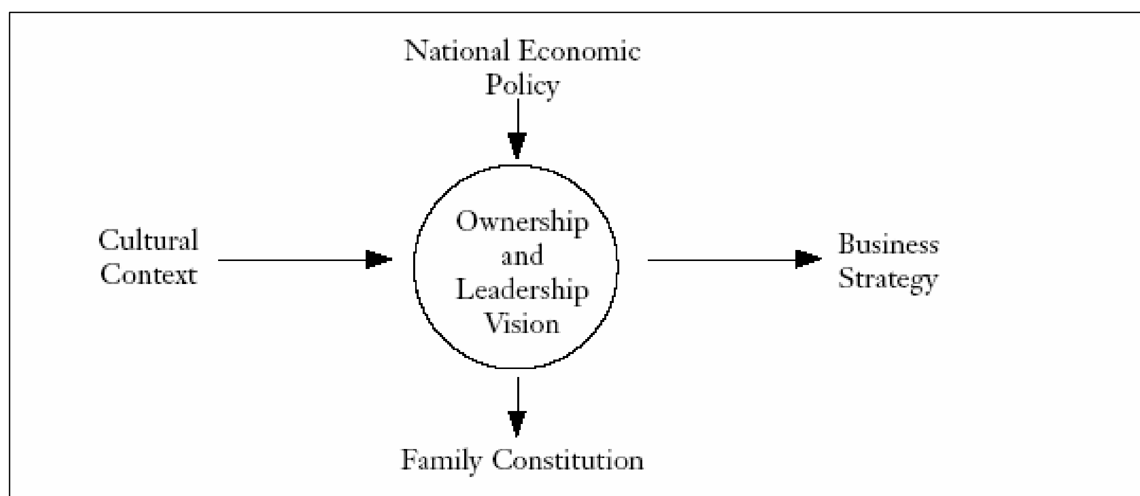
# 2. THEORY AND LITERATURE REVIEW

Extensive research has been conducted internationally on family owned and managed businesses, highlighting key issues affecting success and empire building. The headings of the research report and some of the literature under these headings are set out in this section.

## 2.1. THE FAMILY BUSINESS DILEMMA

The economic and cultural context of a nation significantly influences the strategic decisions and family policy decisions of family firms. These factors also reflect themselves in how the business family forges its vision of its family ownership structure and the form of its business leadership (Ward, 2000). Figure 1 (below) provides is a useful way to organise the analysis of the family businesses.

**Figure 1: The analysis of Indian family businesses (Ward, 2000)**



Continued growth is difficult for all long-established firms, family owned or not, because of maturing markets, intensifying competition, and changing technology (Ward, 1997). The family business vision is influenced and shaped by the different interpretations and experiences of the family. Understanding how the business environment affects the family's planning and the planning of the business is crucial. The number of children, their interests, and capabilities can have a huge impact on the choice of business strategy.

Family business owners know that family problems pose a real threat to their futures. Disparate goals and values are the most serious potential threats, followed by interpersonal sibling conflict. Wise family business leaders invest substantial energies to nurture and strengthen family member harmony, trust, and satisfaction (Ward,1997). As families expand and acquire in-laws, the diversity of personal goals and values makes it unlikely that there can be consensus for business decision-making and common commitment to business ownership. Building a shared vision for the future and reconciling inevitable conflicts become increasingly difficult, if not impossible (Ward, 1997).

Many families are remarkably successful at balancing and adapting the relationship between their business interests and the ownership needs. Each family and business does so in its own unique way, which becomes a collective expression of both history and culture. The ability to maintain this relationship through many changes and across long periods of time is probably the most important element of family business success. It is what allows the families and their businesses to go continually forward and meet the demands of their common future together (Carlock and Ward, 2005).

More often than not, the majority of business owners neglect to plan for their own succession. The reasons for this are psychological. Entrepreneurs do not like thinking about mortality. Some so closely identify with their ventures that they cannot imagine their children continuing without them. Others are too busy to plan for the day they will no longer be around and consequently put off succession planning until tomorrow (www.sba.gov, 1996).

## 2.2. CHARACTERISTICS OF FAMILY OWNED BUSINESSES

Family businesses are different compared to other businesses. They share some of the characteristics of the corporate world, yet they have many traits that are not present in the corporate arena.

Research on family business characteristics, especially ethnic ones, is sparse. Indian family businesses appear to be similar to Korean or Chinese family businesses. Bates (1997) suggests that similarities include having a succession plan, kinship relationships, business continuity and hiring of family members. Wong (1992) found that Chinese family businesses had strong kinship, created a more harmonious business environment, kept ownership of family firms in the nuclear family, extended preference of hiring to family members and relatives and had little or no desire for continuity of business across generations. Dean (1992), found that African-American family businesses owners had written business plans and guidelines; reported relatively little conflict and ambiguity about family business; had no succession plan; and highlighted special racial and ethnicity concerns.

Family businesses possess distinguishing characteristics that set them apart from other companies. The ability to move quickly is a cardinal principle in running a family business. Porter (1990) argues that family businesses provide a competitive advantage through sustained commitment to the firm and provide greater flexibility. This means being able to make decisions and handle complaints quickly. As a result, they are able to take immediate steps to rebuild relationships with customers when things go wrong.

Relationships are the heart and soul of a successful family business. In family businesses, employees and suppliers alike are treated like customers, while customers are treated like they were the most important people in the businessman's life. As a result, there exists an intense sense of loyalty to the company. Family members are always at hand watching over the business and available to handle complaints, or any difficult problems. The members of a family business have a lot of freedom to determine how much time they spend in the business and the flexibility to dedicate their time to other interests such as, charitable institutions (Davis *et al*, 2000)

### 2.3. CRITICAL SUCCESS FACTORS

The business environment is changing dramatically on many fronts – technologically, socially, legally and financially. While some of these forces generally affect all companies, other forces, like, increasing longevity and changing gender roles affect family firms in distinctive ways. Numerous factors determine whether a family business will succeed and continue to grow over successive generations. On examination of the literature on family-owned businesses, several factors were identified as common to most family businesses and critical to success. Table 1 below outlines various authors

and their findings on family businesses and helps determine the most critical factors to family businesses.

**Table 1: Literature Review Summary**

| | Morris, Williams & Nel (1996) | Lea (2005) | Nam & Herbert (1999) | Klein (2000) | Janjuha-Jivraj & Woods (2002) | Davis & Harveston (1999) | Dunemann & Barrett (2004) | Bachkaniwala, Wright & Ram (2001) | Sorenson (1999) | Stafford, Duncan, Dane & Winter (1999) | Davies, Pitts & Cormier (2000) | Ramachandran (2005) | Lambrecht (2005) | Davis (2001) | Sonfield & Lussier (2004) | Rowe & Hong (2000) | Feltham, Feltham & Barnett (2005) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Communication** | | | ✓ | | ✓ | | ✓ | ✓ | | | ✓ | | | | | | |
| **Conflict management** | ✓ | ✓ | ✓ | | | ✓ | | | ✓ | ✓ | | ✓ | | ✓ | ✓ | | ✓ |
| **Culture & Values** | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | |
| **Estate Planning** | ✓ | | ✓ | | | | | | | | | ✓ | | | | | |
| **Ethnic Business** | | ✓ | ✓ | | ✓ | | | ✓ | | ✓ | | ✓ | | | | | |
| **Generational issues** | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | | |
| **Governance** | | | | ✓ | | | ✓ | | | | | ✓ | ✓ | ✓ | | | ✓ |
| **Management & Strategic Planning** | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | |
| **Ownership & Organisational Structure** | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| **Personal and Family Relationships** | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| **Succession Planning** | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| **Taxes and Liability** | ✓ | | | | | | | | | | | | | | | | |
| **Women in the family business** | | | | | | | ✓ | | | | ✓ | | | | | ✓ | |
| **Trust** | | | | | | | | ✓ | | | | | | ✓ | | | |
| **Compensation** | | | | | | | | | | | | ✓ | | ✓ | | | |
| **Induction & grooming** | | | | | | | | | | | | ✓ | ✓ | | | | |

### 2.3.1. Personal and Family Relationships

Business operates within a web of institutional and personal relationships. This is especially true for family businesses where the proximity of all those involved and the multiple roles they fulfil increases the difficulty of successfully understanding and managing the numerous relationships found within any family business context (Dunemann and Barrett, 2004). Trust is a cornerstone of any business relationship, and Indian entrepreneurs have traditionally included only family and close friends as business partners.

Good relationships between family members are crucial in maintaining business harmony as well as achieving successful transition. Family members work hard and help maintain unity within the organisation (Bachkaniwala, Wright and Ram, 2001). When family members are involved in the family business, issues important to the immediate family and in some cases the extended kin, need to be accommodated to maintain family relationships (Sorenson, 1999). The quality of the relationship between the family members in general, whether they have a direct involvement in the business or not, is vital and working on improving these relationships positively influences the working environment in the business.

Families are united through the generations by their vision, values and emotional bondage (Ramachandran, 2005). Prominent in all the literature are two key individuals and the relationship existing between them - the leadership incumbent and the leadership successor. If these two get along well, then managing the business and negotiating all the pitfalls becomes easier. Fox, Nilakant and Hamilton (1996) stress the significance of the relationship between the business itself and the principal individuals

involved. Many incumbents feel an intense association with their business. Understanding this and discovering healthy ways for them to adjust the relationship with their business greatly assists in being successful. Clarifying the various family members' attitudes toward the family business, both individually and collectively, will assist in understanding the dynamics of the business.

Recognition of the entwinement of family and business in family firms has led to a definition of high performing family firms that takes into consideration performance on both family and business dimensions.

#### 2.3.2. Management and strategic planning

One of the most prevalent types of planning that occurs within family businesses is strategic planning. Strategic planning improves the performance and longevity of all types of firms. Various studies generally found that family-owned businesses that engage in planning are likely to perform better than those that do not engage in planning (Blumentritt, 2006).

One of the important areas of research that theorists have found lacking is the field of strategic management related specifically to family business (Wortman, 1994; Ward, 1988). Researchers have repeatedly argued that strategic planning processes and the resulting strategies of family businesses differ significantly from the strategies and processes of non-family firms because of the contradictions that arise between the family system and the business system (Ward, 1988; Harris, Martinez and Ward, 1994). Families tend to be emotional, while businesses are objective. Families are

protective of their members and grant acceptance unconditionally, while businesses grant it according to one's contribution.

It is argued that a general lack of strategic planning in family businesses has contributed to the high failure rate among family businesses as they attempt to survive from one generation to the next (Ward, 1988). The underlying problem in family owned businesses appears to be an overall lack of strategic management, beginning with an inability to plan a strategy to reach the customer and ending with a failure to develop a system of controls to keep track of performance (Lussier, 1995). Business and family strategic planning promotes continuity in family businesses, yet few companies do this. The lack of strategic planning puts into question these firms' long-term success and survival (Nam and Herbert, 1999).

### 2.3.3. Succession planning

The ability to pass leadership and ownership of a firm from one generation to the next is at the heart of family businesses. As such, many aspects of succession, both as an event and as a process have received a great deal of attention in the family business literature (Blumentritt, 2006). Succession planning is "the deliberate and formal process that facilitates the transfer of management control from one family member to another" (Sharma, Chrisman, and Chua, 2003). The two family members may be part of the nuclear or extended family and may not belong to the same generation. Succession also refers to the transfer of the management and/or the control of a business.

Lansberg (1999) suggests that the succession process is fraught with troubles and very few family businesses survive beyond the first generation, but if they do then the

incidence of survival diminishes with each attempted transfer. Research suggests that of businesses involved in family succession, only 30% are expected to survive the first generation, around 15% are expected to survive to the third generation, and less than 3% are expected to survive to the fourth generation (Kets de Vries, 1993; Ward, 1987). The problems encountered in family business succession are generally human ones. Kets de Vries (1993) noted that the lack of consideration of the successor's capabilities is one of the primary causes of succession failure.

Consequently, the difficulties that must be overcome when family businesses plan for succession mostly revolve around relationships, individual attitudes and experiences, business and family cultures, values and aspirations. Therefore it is unlikely that any single model or approach to family business succession planning can be applied in all situations. Dunemann and Barrett (2004) identified common themes that emerge from various studies of the family business succession planning literature and the suggested models.

- Required successor attributes need to be identified and appropriate processes for selecting and nurturing a suitable successor determined.
- The timing and manner of any handover needs to be matched to the existing circumstances.
- The roles and needs of all the important participants should be acknowledged.
- Future business planning and a family business vision shared by all should be established.
- Ownership and inheritance issues must be addressed.
- Maintain good relationships and open communication processes.
- The future of the incumbent business leader must be clearly determined and managed.

More than just a back up plan for qualified successors, a succession strategy is a valuable tool used by best practice companies to grow their own leaders and to ensure continuous development within a shifting global economy. Success by succession planning is an investment that business leaders are recognising as an important strategy in achieving the long-term vision of their organisation (Ritter, 2003).

In other situations, no heir is interested or qualified to be the business leader. Besides motivation, successors need a special set of skills to manage a particular strategy at a precise time in the development of the business, the environment and the organisation (Ward, 1997).

Historically, daughters in family businesses have not been considered for succession into management positions in the family business. Research shows that that gender was the main factor when determining a successor, with males being preferred. (Keating & Little, 1997).

Stavrou (1999) also found that daughters, even first born, are not often considered for leadership roles in the family business, with some owners preferring to sell the business rather than putting the daughter in a leadership role. Daughters were primarily brought into the family business to do lower-level tasks. They may not be considered for management positions in the family business because parents feel a need to protect their daughters (more so than their sons) by not putting them in the position of having to deal with the problems associated with managing a business (Hollander & Bukowitz, 1990).

Barnes (1988) found that because of family hierarchies - where younger sons and daughters rank in lower positions - daughters and younger sons have to confront

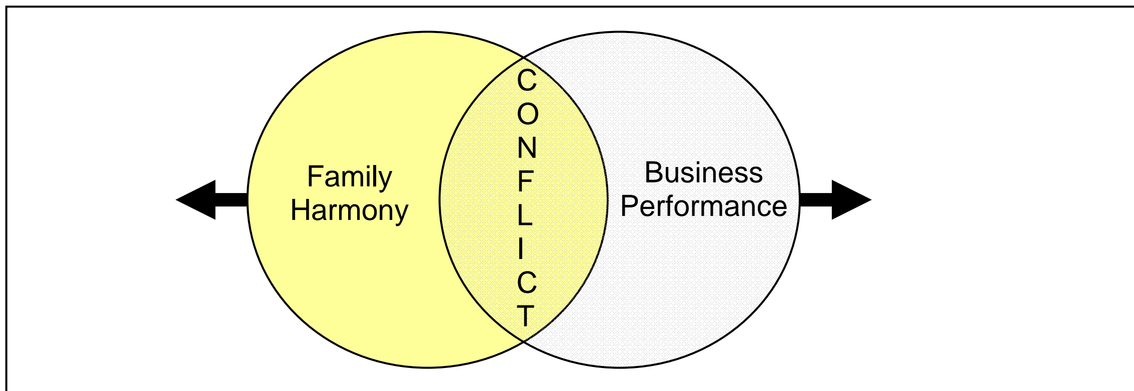
unique challenges when trying to participate in the family business. If the daughter receives a higher title inside the firm than a male sibling, this can be incongruent with the family hierarchy. Studying gender issues in family firms, Nelton (1998) stated that daughters and wives are rising to leadership positions in family firms more frequently than in the past and that the occurrence of daughters taking over businesses in traditionally male-dominated industries is increasing rapidly.

However, Vera and Dean (2005) found that women today are starting successful businesses and daughters are increasingly being considered as possible successors of family firms. Recent data shows that the proportion of women in control of family businesses is still quite low relative to men but that there has been an upward trend in recent years. It suggests that sons are still preferred over daughters in terms of family business succession (Keating & Little, 1997; Rosenblatt *et al.*, 1985; Stavrou, 1999). The findings also suggest that women are capable of running businesses early in their careers yet their families do not tend to appoint them to leadership positions until later in their careers.

### 2.3.4. Ownership and Organisational Structure

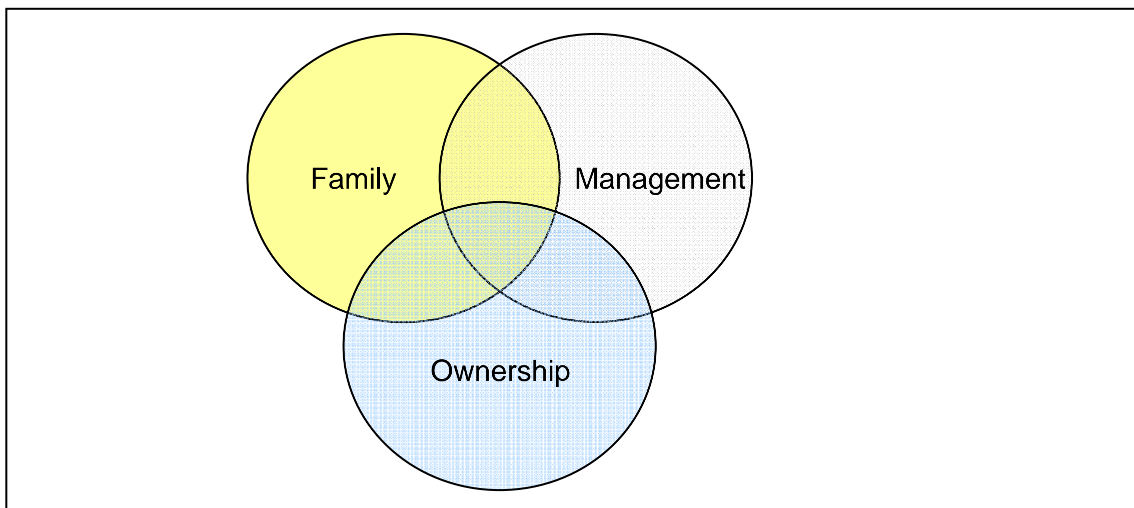
Family businesses are different from other businesses because they combine business and family. Families are governed by equality, inclusiveness and a duty of care. Businesses, on the other hand, are governed by meritocracy, selectivity, and critical analysis. It is these differences that create conflict in decision making in the family business.

**Figure 2: The family business dilemma (Kenyon-Rouvinez and Ward, 2005)**




Davies of Harvard University introduced the Three Circles Framework, the most universal model of thinking in this field. Its essential sub-systems are the family system, the management system and the ownership system (Kenyon-Rouvinez and Ward, 2005).

**Figure 3: The Three Circles Model (Tagiuri and Davis, 1992)**




Tagiuri and Davis (1992) provided the three circles model which assured that each element of a decision or problem is considered. A fourth circle - and perspective - can also be added: the individual. This ensures that the individual's needs and interests are balanced with the needs and interests of the collective family community (Keynon-

Rouvinez and Ward, 2005). This model shows that each perspective is important in order to understand the total family business system. It also shows that within each family system, people will have different view points. Family members may have issues working for each other, reporting to each other, or giving performance reviews to other family managers.

For these different family business participants, Kenyon-Rouvinez and Ward (2005) proposed the three stages of ownership for the family business – the controlling owner, the sibling partnership and the cousin confederation.

The controlling owner – usually the founder of the business - has effective personal power over ownership decisions and the prerogative to make unilateral decisions on almost everything that affects the business. The owner then decides who will carry on the business and transfers voting power to his/her offspring, a small next-generation team. This is referred to as a Sibling Partnership. It is in effect an oligopoly of power where decisions are made by the partnership. Over the generations, ownership becomes dispersed over third or fourth generation cousins. In this case, cousins need to collaborate over decisions and no-one has absolute control. Cousin confederations require the development of processes and rules to make them efficient.

As family firms grow, they do not necessarily have to be privately owned. Opportunities and needs for broadening ownership may arise. The family may not be able, or may not choose to provide sufficient management or financial resources for growth. Ownership beyond the family can resolve this situation. McConaughy (1994) found that 20% of the Business Week 1000 firms were family controlled, while Weber and Lavelle (2003) reported that one third of S&P 500 companies had founding families involved in management.

Ward (2000) observed that family-governed enterprises rotate the incoming family generation among several divisions of the business to provide them with breadth of experience and to avoid individuals feeling proprietary about any one division. As they become ready for general management, they move into overseeing governing positions. They do not become president of an operating company. Instead, along with their other siblings or cousins, they become full-time observers of all of their businesses and counsellors to all of their presidents. They also set corporate strategy as a team and together recruit excellent non-family leaders for the individual operating companies. As a result, such families avoid fiefdoms, distinguish themselves by their strong sense of family and develop their foresight to anticipate the business issues that may lead to family fractiousness and business partitions (Ward, 2000).

#### 2.3.5. Generational changes in family business

The challenge of passing family control to the next generation is the most enduring. Succession is a major struggle for family firms where there is a lack of competent or interested successors, or the older generation resists letting go (Davis *et al*, 2000). Many family businesses do not survive to the second generation because, although the business is sound, the first generation cannot make the hand-off of power. Typically, there is a lack of planning for succession, a great resistance to let go on the part of the senior generation and an inadequate preparation of the younger generation (Davis *et al*, 2000; Ramachandran, 2005; Davis and Harveston, 1999).

Long term sustenance of family business depends on its smooth survival across generations. Families that successfully survive three or four generations have a complex web of structured agreements, councils and forms of accountability to manage

their wealth (Jaffe and Lane, 2004). Families are united over generations by their vision, values and emotional bondage. While perpetuating family business is accepted as possible and worthwhile in the interest of all the stakeholders, and planning tools are available (Carlock and Ward, 2001; Lansberg, 1999), not much is known about the dynamics of sustaining family businesses in different socio-cultural and developmental contexts. Given that the family and business systems remain two different phenomena, it is important to understand the functioning and performance of family and business systems that have successfully reached fourth generation.

Dyer (1988) found that 80% of first generational family firms had a paternalistic management culture and style, but that in succeeding generations, more than two-thirds of these firms adapted a professional style of management. Paternalistic is characterised by hierarchical relationships, top management control of power and authority, close supervision and distrust of outsiders. Professional management involves the inclusion, and sometimes the predominance, of non-family managers in the firm, more time engaged in strategic management activities and the use of more sophisticated financial management tools. (Sonfield and Lussier, 2004).

In a multi-generational family firm, a shadow, shed by the founder, may be cast over the organisation and the critical processes within it. In this case, succession may be considered incomplete and have a negative effect on the firm. However, this shadow may also have a positive impact, providing a clear set of values, direction, and standards for subsequent firms' managers (Sonfield and Lussier, 2004).

The odds of personal failure and the inevitability of disappointing others deeply affects the next-generation leader's style and decision making. Often, the result is a reluctance

to take risks. Without risk-taking, however, the prospects for business growth wane (Ward, 1997).

McConaughy and Phillips (1999) suggest that first generation family members are entrepreneurs with the special technical and business backgrounds necessary for the creation of the business. Founders' descendants however, face different challenges – to maintain and enhance the business. These tasks may often be better performed and in a more professional manner by non-family members.

### 2.3.6. Conflict management

Nearly half of all business owners expect to pass on leadership and ownership skills to two or more of their offspring. The challenges facing sibling partnership teams are unique. Relationships among siblings are often intense and if serious conflict occurs it frequently is fatal to the existing ownership structure (Ward, 1997). Approximately half of all sibling partnerships result in a split-up (Ward and Aronoff, 1992), which not only disrupts the management process and business climate, but usually consumes tremendous capital and growth potential as one or more partners are bought out by the other(s). The survival and success of the sibling partnership team comes largely from the interpersonal skills the siblings learn as youngsters at home.

Conflict management systems should outline the process for the identification and management of conflicts within the family business. By recognising potential conflicts and developing guidelines in advance, families may be able to resolve conflicts before they occur (Astrachan and Stider in Keynon-Rouvinez and Ward, 2005)

A common way in which business families attempt to minimise conflict was to have each son responsible for his own business. However, such an approach frequently led to strong conflicts and the eventual division of the group into different, independent businesses owned separately and wholly by each son. This is the 'partitioning of fiefdoms' phenomenon (Ward, 2000). For example, take a situation where brothers perform differently in their businesses and take different amounts of money out of their businesses to live differing lifestyles (in the absence of the Hindu joint family system). As some sons become wealthier than others, they obtain greater ownership stakes with which to wield positions of power and to provide a level of wealth for themselves. They will want their sons in their own business. The result is often to partition the business and destroy family harmony.

Ward (2000) found that sibling break-ups in families known culturally for their family orientation and unexpressed conflict were frequent and intense because there was a lack of transparency in salaries and finances, there were repressed emotions and each sibling wanting to take care of their own male offspring.

The number of businesses that practice communication skills and actively seek to improve communication is growing. Misperceptions about effective family relations are built into the very fabric of the family business (Astrachan and Stider, in Keynon-Rouvinez and Ward, 2005). Differences in age, power plays, experience and family history all play a strong role in members of the family not perceiving the actual message. These issues can be resolved with family meetings. In larger families, a family council represents the entire family and reports on a regular basis. Having a system in place for detection and management of conflict works well for many families.

Interpersonal dynamics, including conflict and disagreement among family members, has been a major focus of family research. Conflict can exist in first generation family firms where siblings, spouses, or other relatives participate in management and/or ownership, and conflict can also arise between members of different generations involved in the firm (Sonfield and Lussier, 2004). Davis and Harveston (1999) also concluded that family member conflict increased only moderately as firms moved into second generation stage, but there was a more sizable increase from second to third generation.

Today, the privilege of sons in the Indian family is threatened. Sisters are increasingly well educated and accepted into the business and ownership. Even sons-in-law are becoming more involved and important. Sons, especially eldest sons, are pressing for their historic entitlements. Conflict among siblings is increasing (Ward, 2000). The most senior generation increasingly despairs over the decline of unquestioned authority and the changes in traditional family structure and roles. Where once they felt relatively unthreatened turning over business responsibility, even control, to the younger generation, now some play more powerful, disruptive roles behind the scenes (Ward, 2000).

### 2.3.7. Culture and Values

Family values and other social considerations have a demonstrable influence over the conduct of family businesses. In family businesses, the founder's influence extends to the culture and processes of the firm as well as to the nature of the interaction among its team. They are constantly in a process of transmitting values and aspirations, both

personal and business, to the next generation as a part of both their business and personal conduct (Kets de Vries and Miller, 1986).

The Indian family business system was historically, reinforced by the cultural mores of the times. Simply put, most Indians lived in Hindu joint families where three generations - parents, adult children, spouses, and grandchildren - lived together in one home. All resources and income were shared equally (Ward, 2000).

Daughters left their families of origin when they married into their new families through arranged marriages to husbands of equal means. Oldest sons assumed family leadership responsibility and maintained a posture of full respect for their parents. Culture kept family conflicts unspoken and unaddressed. When a daughter did, albeit rarely, go into the business, it was due to the absence of any sons. Daughters-in-law would manage the family's charitable interests – sometimes supervising significant schools or hospitals (Ward, 2000).

These traditions changed very quickly during the 1990s. Over the past 10 to 15 years, significantly fewer prosperous families live together in one home. In addition, daughters are less likely to leave their family of origin and more often become employees and owners of the business. As a result, the emotional differences among siblings are more public and numerous groups end up in court to address their sibling conflicts (Ward, 2000).

Janjuha-Jivraj and Woods (2002) argue that cultural and traditional beliefs, as well as migratory experiences, are important factors for successful businesses. Within Tanzania and Kenya, religious ethnic communities became significant within the lives of Asians for business, welfare and social support during the immediate post-colonial

period. Family members became a crucial source of employment and family firms developed into a strong force and focal point for many Asian communities. From the basic childhood experiences to those that follow with more specific connection to the family business, successors, for good or ill, are shaped by the culture and formative influences surrounding them.

Shared cultural values and traditions are affected considerably among the ethnic minority and lead to the long-term survival of the business. To preserve shared values and culture, much depends on how the offspring are groomed by the parents (Bachkaniwala *et al*, 2001). Cultural theory suggests that both the cultural and psychological characteristics of groups predispose members to select business ownership as a means of achievement (Stafford, Duncan, Dane and Winter, 1999).

In their research, Davis *et al* (2000) found that senior leaders of many Gulf family corporations seem more interested in supporting their families, protecting their families' image and being generous to their communities and employees, than managing sophisticated, performance-driven companies. Dyer (1998) investigated culture and continuity in family firms and the need for firm founders to understand the effects of a firm's culture and how it can either constrain or facilitate successful family succession. Feigener and Prince (1994) compared successor planning and development in family and non-family firms and found that family firms favour more personal relationship-oriented forms of successor development, while non-family firms utilise more formal and task-oriented methods.

Family firms frequently pride themselves on their loyalty to employees and their strong culture and traditions (Dyer, Jr., 1988).

### 2.3.8. Governance

Family business governance is a system of processes and structures put in place at the highest level of the business to make the best possible decisions regarding its direction and assurance of accountability and control. Sound governance enables the family to have a clear understanding of the business and of its role in it. Good governance fosters shareholder commitment, promotes better marketplace performance and facilitates transparency and trust. These are key ingredients for the long-term sustainability of any family business (Gallo and Kenyon-Rouvinez, 2005).

Families who establish a good governance system achieve a respectful co-operation between shareholders and the business as well as between the business and family. The complexity of simultaneously addressing business, family and ownership matters probably explains why only a small percentage of families around the world have adopted formal governance systems for both family and business. Good governance leads to clarity within the family, between the family and the board and therefore a stronger family and stronger business (Gallo and Kenyon-Rouvinez, 2005).

Gallo and Kenyon-Rouvinez (2005) proposed three governance structures for family owned businesses:

- the family council for family governance
- the board of directors for management oversight
- the shareholders assembly and shareholder agreement for ownership rights and responsibilities

There are various alternatives to utilising strategic planning and a team of board members. Instead of planning, managers may choose to make decisions based on intuition or simply continue on the path set out for the business in previous years. A board may not be formed or ignored once in place, and family businesses may choose to rely only on informal interactions with family members for the advice and aid provided by boards at other firms (Blumentritt, 2006).

The primary roles of boards in business have been identified as governance and provision of resources. Through these roles, boards contribute to their firms' performance (Hillman & Dalziel, 2003).

## 2.4. FAMILY OWNED BUSINESSES IN INDIA

Family business groups have dominated the private sector of Indian industry since the country's independence from Britain in 1947 (Manikutty, 2000). Dutta (1997) reported that about 70% of the largest firms in India were family businesses. Reflecting its developing nature, the Indian economy had grown as a result of the remarkable impetus provided by an investor class of individual families. These groups have continuously expanded their presence by moving from one segment of the economy to another, creating a web of conglomerates. The role of family business in the economy is particularly significant.

As an ethnic group, Indian family owners rate blood and family relationships quite high. Compared with family firms in the West, Indian family firms demonstrate a far more collective culture and complete surrender of individuality to the general welfare of the family (Dutta, 1997).

## 2.5. FAMILY OWNED BUSINESSES IN KENYA

No published research report could be found in Kenya that considers the key issues faced by Indian family owned businesses in Kenya. This study is intended to address this void.

## 2.6. LITERATURE CONCLUSION

The purpose of the literature was to build a foundation on and around the various factors that make family businesses successful and in particular look for literature that reflect Indian business. Most of the literature on family businesses takes a succession point of view and has gaps in terms of recognising some of the success factors as critical. There are few authors who have identified other issues.

The literature review identifies how culture and national economic policy affect the family business strategy, its planning and the family constitution. Depending on the experiences and different interpretations of the family, this shapes the vision and strengthens family member harmony, trust and satisfaction levels (Ward, 1997). The research identifies the characteristics of the family business and how its features set it apart from other businesses.

Some of the main themes emerging from the literature review are:

- Family business sustainability depends on its smooth survival across generations.
- Future business planning and a shared family business vision will lead to success.

- Business and family strategic planning promotes continuity.
- The Indian family business system is reinforced by its cultural values.
- When family members are involved in the family business, issues important to the immediate family and extended kin need to be accommodated to and maintain relationships and avoid conflict.

# 3. PROPOSITIONS

The purpose of this research is to explore the critical success factors for Indian family owned businesses in Kenya. The research will identify the factors based on the literature and prior research that are critical drivers to making family owned businesses successful.

This study therefore sets out to identify the factors that are critical to making family businesses a success and question whether these are relevant to Indian family businesses in Kenya. In addition, to define success, levels of profitability and growth of the company over the last 5 years will be considered versus the identified critical factors affecting the family business.

The research will:

- Establish the factors affecting the success of family businesses.
- Establish whether these are true for Indian family businesses in Kenya through questionnaires.
- Examine profitability levels of the family business over the last 5 years.
- Examine growth levels of the family business over the last 5 years.
- Establish if profitability and growth are positively correlated and whether there exists as relationship to the critical success factors of the family business.

This study will therefore establish what strategies and factors contribute to successful family businesses, the reasons for success for Indian family businesses in Kenya and whether these are a driver to increased profitability and growth.

The following propositions have been derived from the literature and they will be tested to see if they apply in Indian family owned businesses in Kenya.

- **Proposition 1**: Family businesses have strong family ties are hard working, and manage both personal and business relationships for family business success.
- **Proposition 2**: Management and Strategic planning is critical for future success of the family business.
- **Proposition 3**: Succession planning in family owned businesses is a critical driver for success.
- **Proposition 4**: Clear organisational and ownership structure is critical for successful family businesses.
- **Proposition 5**: For family businesses to be successful successors must be willing to take over the business and all generational clashes need to be managed.
- **Proposition 6**: Family businesses need to manage conflict within family members for smooth operation and success.
- **Proposition 7**: Culture and values play an important role in defining family business success.
- **Proposition 8**: Good governance within the family business is critical to success.

# 4. RESEARCH METHODOLOGY

## 4.1. RESEARCH DESIGN

Kenya was chosen as the setting for this study for a variety of reasons. Kenya's economy is classified as emergent or developing, thus placing it in a category of countries that contrast with research contexts such as the United States, United Kingdom and Japan, where most of the prior research on family businesses has focused.

Kenya's economy is characterised by extremely large, family-controlled conglomerates that hold more than two-thirds of total assets in the corporate sector (Whitehead, 2005). This type of family business network, although similar to the *keiretsus* of Japan and the *chaebols* of Korea, does not have parallels in most of the developed western economies (Veliyath and Ramaswamy, 2000). Therefore, using Kenya as a research site offers the opportunity to determine the critical success factors for Indian family businesses in the African continent.

Brockhaus (1994), in his research on entrepreneurship and family business noted a prevalence of inadequate research designs and major limitations in terms of statistical analysis and results. Most research pertaining to family business is qualitative, case oriented and/or anecdotal. Leading reasons for this include the fact that family businesses evolve over potentially long periods of time, their dynamics can be quite complex, information regarding family relationships can be highly sensitive and the key players may no longer be available (Morris, Williams and Nel, 1996).

This research was therefore designed to identify the critical success factors for Indian family owned businesses, focusing specifically on Indian families based in Kenya. Kruger and Welman, (2005) identified different types of quantitative research that can be used. For this paper, quantitative analysis was the most appropriate means/ method to anaylse and interpret the research (Saunders, Lewis and Thornhill, 2003). Quantitative analysis is a scientific approach to managerial decision making where data is manipulated and processed into information that is valuable and useful to the people making decisions for the business (Render and Stair, 2000).

This study could have been vast and varied, but to simplify the findings and remain more pertinent (or relevant), a closed ended questionnaire was used to narrow down the responses and gain clarity about the success factors identified. The questionnaire was pre-tested to determine its relevance, accuracy and interpretability of the survey results. Pre-testing was critical for identifying questionnaire problems that could have led to loss of vital information (Scheuren, 2004).

## 4.2. POPULATION

The population of relevance comprised all Indian family-owned businesses in Kenya. Kenyon-Rouvinez and Ward (2005) defined family owned businesses as:

- three or more family members all in active business; or
- two or more generations of family control; or
- Current family owners who intend to pass on control to another generation of the family.

In addition, all generations identified above have to be involved in the family business on a daily basis. The exact size of the sample is a hundred and twenty three companies based in Kenya. Two-thirds of the respondents were based in Nairobi and about a third of the respondents in Mombasa.

### 4.3. SAMPLING

The sample was chosen by emailing all the Indian contacts in the Kenya Association of Manufacturing directory and the directory for the Oshwal community in Kenya. Potential respondents were also identified through a snowball sampling method by asking a respondent for further contacts and names of other people they may know who fit the criteria.

The sample in this research was described as a 'non probability purposive sample' or a 'convenience sample'. Purposive sampling can be very useful for situations where a targeted sample is needed quickly and where sampling for proportionality is not the primary concern (Struwig and Stead, 2001). This methodology is consistent with that of other family business researchers, who have been constrained by a lack of a national database of family firms (Sonfield and Lussier, 2004). This was also found to be true In Kenya as there is no national database of family-controlled businesses.

The sample was selected based on a quota sampling method, using a non probability method. Quota sampling allows for the respondents to be selected based on their characteristics, and has to comply with certain criteria before qualifying for inclusion in the sample (Struwig and Stead, 2001). To mitigate any risk while collecting the quota sample, the criteria for the specific characteristics was also identified.

In addition, an element of snowball sampling was used to identify additional companies who met the criteria for inclusion in this study. Snowball sampling refers to a variety of procedures in which initial respondents are selected by probability methods, but in which additional respondents are then obtained from information provided by the initial respondents. This technique is used to locate members of rare populations by referrals (Struwig and Stead, 2001). Respondents who qualified were asked to recommend others who they may know, who also met the criteria. Although this led to representative samples, it was useful when trying to reach a specific population Trochim (2002).

### 4.4. QUESTIONNAIRE

The questionnaire was designed after thorough examination of existing literature regarding family owned businesses. Various factors affecting family businesses were identified and later compressed into eight critical success factors using Table 1. Based on the literature review for these eight factors, a questionnaire was designed to identify if these were in fact the critical success factors for family businesses in Kenya.

The questionnaire and covering introduction letter was pre-tested in a pilot trial. This helped to refine the questionnaire and make it easier for respondents to provide answers. The questionnaire was pre-tested to determine its accuracy and the validity of the questions. It was also used to determine the likely reliability of data and interpretability of the survey results (Welman and Kruger, 2001). Pre-testing was critical for identifying questionnaire problems that could have led to loss of vital information (Scheuren, 2004).

The pilot respondents were asked to consider the clarity of the introduction letter and the questionnaire and the time it took to complete the questionnaire. It was assumed that if the questionnaire required more than 15 to 20 minutes' attention, the respondent might not take the time to complete it. Feedback from the pilot group enables revisions to be made to the questionnaire before the final version was emailed and handed out.

The questionnaire asked heads of the family business to reflect on various factors affecting their family business. Divided in to two parts, Section A gathered information about the business and family relationships pertaining to the business, while Section B was divided into eight parts and consisted of a series of statements pertaining to the operations and running of the business. Through a six-point Likert scale, respondents were required to indicate from a scale of 'strongly agree' to 'strongly disagree', how those statements were applicable to their family and business.

### 4.5. DATA COLLECTION

Once identified for inclusion in the research, a questionnaire was either emailed or hand delivered by the researcher to selected companies in Kenya. These questionnaires, along with cover letters were addressed to the Chief Executive Officers (CEOs) of these companies with the instruction that the addressee complete the survey, but only if they were the owner and if they viewed their company as a family business based on identified criteria. This covering letter also explained the questionnaire and provided instructions for its completion (Appendix A). The questionnaire was written in English and clarifications, if necessary, were made by the researcher in Gujarati or Hindi. The shared culture with the researcher facilitated this

interaction, leading to ease of conversation. Furthermore, face-to-face meetings between the researcher and the businesses ensured a good questionnaire return rate.

A total of 298 questionnaires were emailed or hand delivered. Of these, 28 were no longer at the email address provided or did not qualify as a family business. A total of 123 usable questionnaires were returned completed, providing a final return response rate of 41%. The questionnaire is presented in Appendix A.

Data collection through the questionnaire was primarily quantitative. The demographic questions covered type of business, type of ownership, age of business, number of employees, educational levels, gender, and generation. The remaining questions were divided into a likert scale with statements and closed ended questions.

Closed-ended questions delved into eight areas (a) ten items focused on personal and family relationships (b) eight on management and strategic planning (c) fourteen on succession planning (d) ten on ownership and organisational structure (e) five on generational issues (f) seven on conflict in the business (g) eleven on culture and values, and (h) seven on governance. The data was collected during the period between 10th July and 3rd August, 2006.

Furthermore, due to the sensitive nature of the subject material, expressing emotions and discussing family relationships, it required the researcher to create an environment of trust and confidentiality with the respondent.

## 4.6. DATA ANALYSIS

The Kenya-based research, used questionnaires to target second or third generation members of family businesses. Within this sample of companies, the research identified trends, methodology and clear examples of where successful strategies had been implemented and what the critical factors for this were. The data focussed on the success factors of Indian family-owned businesses in Kenya. Examples of data collected is the age of the business, the number of years a director had been involved in the business, the presence of active succession planning, delegation of responsibilities, operations strategy and financial strategy.

Once the data had been collected, some descriptive statistics were drawn to understand each business and its own success factors. This would be followed by a frequency, correlation and regression analysis to determine how many of the identified factors of success related to the respondents company. Linear regression estimates a linear equation that describes the relationship, whereas correlation measures the strength of that linear relationship (Berk and Carey, 2000). This would eventually culminate in determining whether there were direct correlations with profitability and growth for those companies who identified more success factors.

## 4.7. LIMITATIONS OF RESEARCH

The research conducted in this paper had, inter alia, the following limitations:

- Family owned businesses by their nature are very private and do not always appreciate outside scrutiny of their business. The outcome of the research was

dependant on the information given to the researcher by the various businesses.

- The study focuses on a limited number of Indian family businesses. Two-thirds of the respondents were based in Nairobi and about a third of the respondents in Mombasa.
- Alternative interpretations of this study's observations are possible as it does not completely control all the factors that relate to family businesses.
- Using a quantitative research method, responses to closed ended questions tend to be superficial as respondents could not express themselves verbally.
- The measures of dependence in this report reflect the perceptions of the family business owner. These perceptions may be biased. The results might have differed if the successor generation or other stakeholders had been asked the same questions.
- Replication of this research to other countries will differ as cultural or national differences in business practices will limit the generalisation of the results.

The dynamics of family business evolution occur over years and years and generations, and it is difficult to capture this in one snapshot.

# 5. RESULTS

## 5.1. INTRODUCTION

The sample used for this research is a non probability purposive sample of Indian entrepreneurs who own family businesses in Kenya. A total of 298 questionnaires were emailed or hand delivered accompanied by a covering letter. A total of 123 usable questionnaires were returned completed, providing a final return response rate of 41%. This data was then input in an excel spreadsheet, sorted according to the responses by the sample and converted to percentages.

Content analysis was done to ensure that all the data was relevant and useful. Outliers were identified and separated within the data. The data was then sorted according to demographics and the various headings of the propositions. Section A covered biographical information regarding the respondent and their business while Section B covered the eight factors that were identified from the literature review for success of an Indian family business. Critical success factors of Indian family businesses were examined using a variety of statistical techniques including frequencies, correlation analysis, and regression.

## 5.2. DEMOGRAPHICS OF SAMPLE

After the data was gathered, some basic demographic analysis was done from the responses to Section A.

**Table 2: Age of Business**

| Age of Business | Frequency | Percentage |
|---|---|---|
| 0-5 | 9 | 7% |
| 5-15 | 16 | 13% |
| 15-25 | 29 | 24% |
| 25-35 | 32 | 26% |
| 35+ | 33 | 27% |
| Other | 4 | 3% |

The data shows that 7% of the sample is companies under 5 years old, 13% are between 5 years and 15 years old, while 77% of the companies that responded are over 15 years old. The oldest company in the data is over 71 years and spans across 4 generations of family business.

**Table 3: Job title**

| Current Job Title | Frequency | Percentage |
|---|---|---|
| Director | 64 | 52% |
| MD/CEO | 38 | 31% |
| Gen. Manager | 5 | 4% |
| Chairman | 5 | 4% |
| Finance | 3 | 2% |
| Manager | 4 | 3% |
| Sales & Marketing | 4 | 3% |

The data showed that the respondents who answered the questionnaire are mostly Directors and Chief Executive Officers (CEOs), consisting 83% of the total sample. This is in line with the criteria set out for this research.

**Table 4: Industry Type**

| Industry | Frequency | Percentage |
|---|---|---|
| Product Manufacturing | 57 | 46% |
| Retail Business | 33 | 27% |
| Professional Services | 4 | 3% |
| Wholesaling | 19 | 15% |
| Other | 10 | 8% |

From the data it was established that 46% of the sample are in the product manufacturing industry, 27% in retail, 15% in wholesaling and 3% in professional Services. 8% of the sample did not respond to the question.

**Table 5: Generations**

| Current Generation | Frequency | Percentage |
|---|---|---|
| Founder | 36 | 29% |
| 1st Gen | 39 | 32% |
| 2nd Gen | 35 | 28% |
| 3rd Gen | 11 | 9% |
| Other | 2 | 2% |

The data also shows that only 29% are the Founders of the company, while 32% and 28% of the sample are 1$^{st}$ and 2$^{nd}$ generations respectively. 9% of the sample belonged to the 3$^{rd}$ generation.

**Table 6: No of generations since inception**

| No of Generations Since Inception | Frequency | Percentage |
|---|---|---|
| One | 34 | 28% |
| Two | 62 | 50% |
| Three | 23 | 19% |
| Four | 2 | 2% |
| Other | 2 | 2% |

On further investigation, the data shows 28% of the companies have had one generation working in the business since inception, 50% have had at least 2 generations working in the family business since its inception, while 19% have had 3 generations. Only 2% have had 4 generations who have worked in the business.

**Table 7: No of generations in the business today**

| No of Generations in Business Currently | Frequency | Percentage |
|---|---|---|
| One | 39 | 32% |
| Two | 78 | 63% |
| Three | 6 | 5% |

We also find that currently, 32% of the companies have one generation working in the business while 63% have 2 generations working in the business. Only 5% have 3 generations working in the business.

**Table 8: Starting job level**

| Level where first joined family business | Frequency | Percentage |
|---|---|---|
| Clerical | 12 | 10% |
| Middle Mgmt | 38 | 31% |
| Senior Mgmt | 22 | 18% |
| Director | 48 | 39% |
| Other | 2 | 2% |

The data shows that 10% of the sample started working in the family business in a clerical position, 31% started in a middle management position, 18% started working in a senior management position while 39% started as Directors or founders of the business.

**Table 9: Work experience in the family business**

| Years Spent Working in Family Business | Frequency | Percentage |
|---|---|---|
| 0-1 year | 0 | 0% |
| 1-2 years | 2 | 2% |
| 2-3 years | 4 | 3% |
| 3-5 years | 14 | 11% |
| 5-10 years | 30 | 24% |
| Over 10 years | 73 | 59% |

The data shows that 83% of the sample has over 5 years work experience in the family business and 59% of the sample has over 10 years of experience in the family business. 11% have between 3-5 years of experience while 5% have had less than 3 years of experience in the family business.

**Table 10: Reason to join business**

| Reason for joining family business | Frequency | Percentage |
|---|---|---|
| Loyalty | 27 | 16% |
| Out of Guilt | 1 | 1% |
| Obligation | 16 | 9% |
| Grow the Business | 86 | 50% |
| Resposibility | 37 | 22% |
| Other | 4 | 2% |

On asking the respondents their reasons for joining the family business, 50% joined the family business in order to grow the business, 22% of the respondents joined the business because they saw it as their responsibility, 16% joined out of loyalty to the family and the business, 9% joined out of obligation to the family and 1% joined the business out of guilt.

**Table 11: Information gathered to run business**

| Information to run business | Frequency | Percentage |
|---|---|---|
| Family Networks | 46 | 23% |
| Friends | 27 | 13% |
| Customers | 69 | 34% |
| Newspapers and Media | 38 | 19% |
| Other | 23 | 11% |

The family business is run efficiently from the information it gathers in the market. From the data gathered, family businesses get 34% of its information from customers, 13% from friends, 19% from newspapers and media and 23% from family networks.

**Table 12: Family meeting frequency**

| Frequency of Family Meetings to Discuss Business | Frequency | Percentage |
|---|---|---|
| Once a week | 31 | 26% |
| Once a month | 39 | 32% |
| Once in 3 months | 12 | 10% |
| Once in 6 months | 5 | 4% |
| Once a year | 8 | 7% |
| None | 16 | 13% |
| Other | 10 | 8% |

The data from the sample shows that 58% of the respondents conduct family meetings to discuss business at least once a month, 10% have meetings once in 3 months and 7% have meetings only once a year. 13% do not have family meetings at all.

**Table 13: Relationships in business**

| | | Frequency | Percentage |
|---|---|---|---|
| Blood Brothers and Sisters in Firm | Yes | 62 | 50% |
| | No | 61 | 50% |
| Cousins working in firm | Yes | 39 | 32% |
| | No | 84 | 68% |
| Children working in firm | Yes | 23 | 19% |
| | No | 100 | 81% |

The data shows that of the companies that responded, 50% work with their siblings in the family business. 32% of the respondents have cousins working in the business while 68% do not work with cousins. And only 19% have children working in the family business with them.

Section B of the questionnaire was split in terms of the 8 propositions identified from the literature.

## 5.3. PERSONAL AND FAMILY RELATIONSHIPS

Statements 31 to 33 cover how the respondents feel about family members pulling together as a team and about their working relationships within the family.

**Table 14: Personal and Family Relationships**

| | Personal and Family Relationships | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 31 | I feel that I promote good working relationships within my family members | 50% | 33% | 14% | 4% | 0% | 0% |
| 32 | Family members work hard and maintain unity within the organisation | 51% | 31% | 15% | 2% | 0% | 1% |
| 33 | All the family members involved in the business pull their wieght and work hard | 46% | 29% | 16% | 7% | 1% | 2% |

From the data collected we find that 83% of the sample feels that they promote good working relationships within the family members in the business. 82% also feel that family members work hard and maintained unity with the family while 75% agree that family members involved in the business pull their weight in the family business.

## 5.4. MANAGEMENT AND STRATEGIC PLANNING

Statements 34 to 43 cover how the respondents feel about the management and running of the business, how strategic planning is done within their respective organisations and how it affects the business.

**Table 15: Management and Strategic Planning**

| | Management and Strategic Planning | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 34 | Performance of each family member is clearly tracked and monitored | 21% | 15% | 20% | 20% | 13% | 11% |
| 35 | Business and family strategic planning promotes continuity in the family business | 48% | 24% | 20% | 4% | 2% | 2% |
| 36 | My company has a written mission statement | 26% | 11% | 13% | 12% | 12% | 26% |
| 37 | The family members working in the business actively took part in deciding the mission statement for the company | 17% | 20% | 14% | 8% | 10% | 32% |
| 38 | My company had growth objectives for the next 12 months | 45% | 23% | 14% | 11% | 4% | 4% |
| 39 | My company has growth objectives for the next 3-5 years. | 33% | 20% | 18% | 11% | 9% | 10% |
| 40 | I feel that the objectives are clearly communicated to the family members working in the company | 42% | 20% | 17% | 14% | 3% | 4% |
| 41 | The family members working in the business actively took part in deciding the objectives for the company | 41% | 21% | 20% | 10% | 5% | 3% |
| 42 | I feel that the top management team are more focussed on strategic direction than day to day operational detail | 22% | 24% | 19% | 17% | 10% | 8% |
| 43 | I believe that the business objectives and methods of the founder still influence current top management style | 33% | 27% | 13% | 9% | 7% | 11% |

The data shows that 44% of the sample do not track and monitor the performance for each family member, while 72% of the sample feels that business and family strategic planning is useful to promote continuity in the family business. In terms of growth objectives, 66% of the sample companies have short term objectives while 53% of the companies have long term objectives (3-5 years). 62% have clearly communicated these objectives to the family members working in the business. 62% of the family members working in the business took part in deciding the objectives of the company. We also see that 48% of the sample feels that top management are more involved in the strategic planning and direction of the business rather than day to day operations. 60% of the sample believes that the business objectives and the methods of the founder still influence their top management style. This also reinforces that fact that 61% of the sample is either the founders or the first generation of the business.

## 5.5. SUCCESSION PLANNING

Statements 44 to 56 also cover how the respondents feel about planning future succession within the business, identification of successors and motivation for successors to join the business.

**Table 16: Succession Planning**

| | Succession Planning | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 44 | I believe it is important to have a formal, written succession plan | 58% | 25% | 12% | 2% | 2% | 1% |
| 45 | Inheritance issues and plans have been clearly addressed within the family | 40% | 18% | 15% | 11% | 7% | 9% |
| 46 | Our company has a written succesion plan | 21% | 12% | 18% | 9% | 11% | 29% |
| 47 | I believe it is important to have formalised criteria for choosing a successor | 46% | 26% | 20% | 2% | 4% | 2% |
| 48 | The company has formal criteria for choosing a successor | 15% | 10% | 19% | 15% | 14% | 28% |
| 49 | Is the successor required to work outside the organisation before joining the family business? | 27% | 13% | 14% | 12% | 9% | 25% |
| 50 | Formal education is a pre-requisite for entering the family business | 28% | 12% | 17% | 7% | 7% | 28% |
| 51 | I feel it is imporant that the successor has worked outside the organisation before joining the business | 46% | 14% | 15% | 6% | 7% | 11% |
| 52 | There is an entry level position for each family member joining the business | 24% | 15% | 16% | 12% | 10% | 24% |
| 53 | I believe there is a clear motivation for why the successor should join the family business | 30% | 24% | 26% | 7% | 7% | 7% |
| 54 | I feel that there is a cleat commitment from the successors to the business | 33% | 31% | 17% | 5% | 7% | 7% |
| 55 | I believe that there exists sibling rivalry within the family business | 7% | 17% | 13% | 14% | 10% | 39% |
| 56 | There is currently a clearly identified successor for the business | 15% | 16% | 14% | 11% | 9% | 34% |

83% of the sample believes it is important to have a formal written succession plan, but when asked whether their company has a written succession plan, only 33% of the companies agree. Similarly, 72% of the sample agrees that it is important to have formalised criteria for choosing a successor for the business, but when asked if their company has any formal criteria for choosing a successor, only 25% of the sample agree that they currently have any formal criteria.

58% of the sample confirms that inheritance issues and plan have been clearly addressed within the family, whilst only 38% of the sample is aware of the succession plan in the family business. 35% of the sample thinks that formal education is not a pre-requisite for entering the family business, although 60% also believe that it is important for the successor to have worked outside the organisation before joining the family business. 39% of the sample has an entry level position for each family member joining the business, while 34% of the sample does not.

54% of the sample believes there is a clear motivation for the successor should join the business. From the demographics established in Section A, Table 10 shows 38% of the respondents joined the business out of loyalty to the family and responsibility. 64% of the sample feels there is clear commitment from the successors to the business. 43% of the sample confirms that there is no clearly identified successor for their business.

## 5.6. OWNERSHIP AND ORGANISATIONAL STRUCTURE

Statements 57 to 64 cover how the respondents feel about the way the business is structured and how management decisions within the organisation are made.

**Table 17: Ownership and Organisational Structure**

| | Ownership & Organisational Structure | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 57 | I feel the business is well structured and every member of the fmaily knows what is expected of him/her | 41% | 26% | 19% | 8% | 5% | 2% |
| 58 | Key management decisions are made after involving most or all of the family members | 41% | 29% | 11% | 8% | 6% | 5% |
| 59 | I feel that the other family members in the oganisation care about me | 63% | 20% | 13% | 3% | 0% | 1% |
| 60 | I feel that family members are comfortable reporting to other family members | 46% | 26% | 18% | 7% | 2% | 2% |
| 61 | The controlling owner has effective personal power over decisions | 40% | 27% | 15% | 4% | 3% | 11% |
| 62 | I feel all cousins in the business collaborate over decisions | 24% | 14% | 20% | 10% | 8% | 25% |
| 63 | There are unspoken rules within the organisation | 28% | 32% | 12% | 8% | 3% | 17% |
| 64 | There are clear written rules and job descriptions for each family member in the firm | 11% | 14% | 24% | 12% | 11% | 28% |

The data shows that 67% of the sample feels that the business is well structured and every member of the family knows what is expected of him/her. 70% also confirm that key management decisions are only made after involving most or all of the family members. 83% feel that the other family members in the organisation care about them and 72% are comfortable reporting to other family members. Despite this, 67% also confirm that the controlling owner has effective personal power over all decisions.

The data shows that 38% of the sample feels that all cousins in the family collaborate over decisions, while 33% of cousins do not collaborate over decisions. 60% felt there are unspoken rules within the organisation. 39% also confirm that there are no written rules and job descriptions for family members working in the business.

## 5.7. GENERATIONAL ISSUES

Statements 65 to 69 cover how the respondents feel about the generational gap within the family business. This section covers the preparation and smooth handing over of family businesses to the next generation and the effects of resistance to let go of the business by the previous generation.

**Table 18: Generational Issues**

| | Generational Issues | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 65 | There exists great resistance to let go of the business by the senior generation | 16% | 15% | 20% | 11% | 9% | 28% |
| 66 | Families are united over generations by their vision, values and emotional bondage | 34% | 29% | 22% | 7% | 5% | 3% |
| 67 | I believe the next generation in my family ready to take on the business | 21% | 12% | 20% | 12% | 14% | 21% |
| 68 | I feel that the previous generation have comfortably been able to let go of the business | 29% | 15% | 20% | 13% | 11% | 12% |
| 69 | I feel that there is adequate preparation made to allow the next generation to take over the business smoothly | 22% | 18% | 30% | 7% | 15% | 9% |

The data shows that 37% of the sample confirms that there is no resistance to let go of the business by the senior generation, while 31% still resist letting go. 63% also believe that families are united over generations by their vision, values and emotional bondage. 33% of the sample agrees that the next generation of their family is ready to take on the family business, while 36% is not. 44% also believe that the previous generation has comfortably let go of the business. 40% agree there is adequate preparation to enable the next generation of their family to take over the business smoothly.

## 5.8. CONFLICT IN THE BUSINESS

Statements 70 to 76 covers how the respondents feel about how conflicts arise within the family, if this conflict is reflected within the management of the business and if there are procedures laid out to clearly deal with this problem. It also identifies how conflict is resolved within the business.

**Table 19: Conflict in the business**

| | Conflict in the business | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 70 | I believe open communication is encouraged in the business | 62% | 23% | 12% | 3% | 0% | 0% |
| 71 | Family members are never in conflict or disagree with management decisions | 16% | 17% | 21% | 15% | 15% | 15% |
| 72 | There no conflict or disagreement between family members | 16% | 22% | 21% | 15% | 9% | 16% |
| 73 | The company has a formalised disciplinary and grievance process applicable to family members | 11% | 5% | 20% | 11% | 14% | 40% |
| 74 | I believe we actively communicate what is happening in the business with the rest of the family | 31% | 15% | 25% | 14% | 7% | 7% |
| 75 | The oldest person in the family resolves all business and family conflicts | 21% | 14% | 19% | 16% | 15% | 15% |
| 76 | I feel that one person is in charge of maintaining the family harmony | 31% | 23% | 23% | 8% | 6% | 10% |

The data shows that 85% of the sample believe open communication is encouraged in the business. 33% of the sample believes family members are never in conflict or disagree with management decisions while 48% believe there is no conflict or

disagreement with management decisions. 54% of the sample does not have any formal disciplinary and grievance process that was applicable to family members.

The data shows that 46% of the sample believes they actively communicate what is happening in the business to the rest of the family. While 35% of the sample says the oldest person in the family resolves all business and family conflicts, 30% also disagree with that statement. 54% agree and feel that there is one person in charge of maintaining the family harmony.

## 5.9. CULTURE AND VALUES

Statements 77 to 88 cover how the respondents feel about family relationships and the importance of culture and vales to the members of the family. It also tries to identify whether culture and values play a strong role in the family and whether this is also reflected in the business.

**Table 20: Culture and Values**

| | Culture and Values | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 77 | I believe that there is trust between the family members of the business | 68% | 20% | 6% | 4% | 1% | 1% |
| 78 | I am shaped by my cultural and traditional beliefs | 52% | 24% | 15% | 4% | 0% | 4% |
| 79 | I am more interested in protecting the family image and being generous in the community than managing a sophisticated performance driven company | 37% | 12% | 23% | 4% | 11% | 14% |
| 80 | All members of the family share the same values and traditions. | 22% | 26% | 25% | 9% | 13% | 5% |
| 81 | All family members work together as a team | 46% | 24% | 20% | 5% | 2% | 2% |
| 82 | All family members trust one another | 55% | 28% | 11% | 3% | 2% | 1% |
| 83 | I feel that there is considerable sibling rivalry among heirs | 4% | 11% | 15% | 7% | 15% | 48% |
| 84 | I feel other family members are resentful of my position in the firm | 6% | 11% | 15% | 3% | 9% | 55% |
| 85 | I believe family members treat each other as significant | 48% | 22% | 24% | 2% | 3% | 1% |
| 86 | I feel loyalty to the family business | 79% | 15% | 5% | 2% | 0% | 0% |
| 87 | There exists rivalry or hostility within members of the family in business | 4% | 13% | 12% | 5% | 17% | 49% |
| 88 | I feel that my culture makes it easy for me to do business in this country. | 41% | 19% | 15% | 9% | 7% | 8% |

The data shows that 88% of the sample believes there is trust between the members of the family in the business. 76% also believe they are shaped by their cultural and traditional beliefs. 48% of the sample confirms that all members of their family share the same values and traditions. 49% of the sample is more interested in protecting the family image and being generous in the community than in running a sophisticated performance driven company.

The data shows that 70% of the sample agrees that all family members work together as a team and 83% agree that family members trust one another. The data shows that 63% of the sample feels there is no sibling rivalry in among the heirs of the business. 64% of the sample feels that family members are not resentful of their position in the business and they treat one another as significant. 94% of the sample feels loyalty to the family business and 60% of the sample feels that their culture makes it easy for them to do business in Kenya.

## 5.10. GOVERNANCE

Statements 89 to 91 explore whether there exists transparency within the organisation and if ownership rights and shareholder agreements have been clearly identified and accepted by the both the organisation and the family.

**Table 21: Governance**

| | Governance | Strongly Agree | Agree | Somewhat Agree | Somewhat disagree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|---|
| 89 | Ownership rights and shareholder agreements are clearly laid out for members of the family | 49% | 20% | 16% | 3% | 4% | 8% |
| 90 | I believe there is transparency and clarity with all organisational decisions | 57% | 24% | 13% | 3% | 1% | 2% |
| 91 | I feel there is respectful cooperation within family members and the business | 53% | 31% | 13% | 2% | 1% | 0% |

From the data collected in Section A, 59% of the sample confirms their company has a board of directors. 69% of the sample confirms that ownership rights and shareholder agreements are clearly laid out for all family members. 77% also believe there is transparency and clarity with all the organisational decisions being made. 84% of the sample feels there is respectful cooperation within the family members in the business.

# 6. DISCUSSION OF RESULTS

## 6.1. INTRODUCTION

This study attempts determine the critical success factors for Indian family owned businesses in Kenya. The literature review in this field is vast and varied. This study relates the findings back to the literature, where applicable. To enable this study to be focused, the researcher short listed eight different parameters that were most common in the literature review. These eight parameters then formed the basis of the propositions suggested in this paper.

The researcher collected 123 usable questionnaires from Indian family business entrepreneurs in Kenya. The questionnaires were then used to determine what their response to the identified propositions was and if the critical factors identified made Indian family businesses successful in Kenya. In addition to the basic demographic data, a regression analysis was done to validate the propositions suggested in this paper.

## 6.2. FINDINGS OF THE RESEARCH QUESTIONS

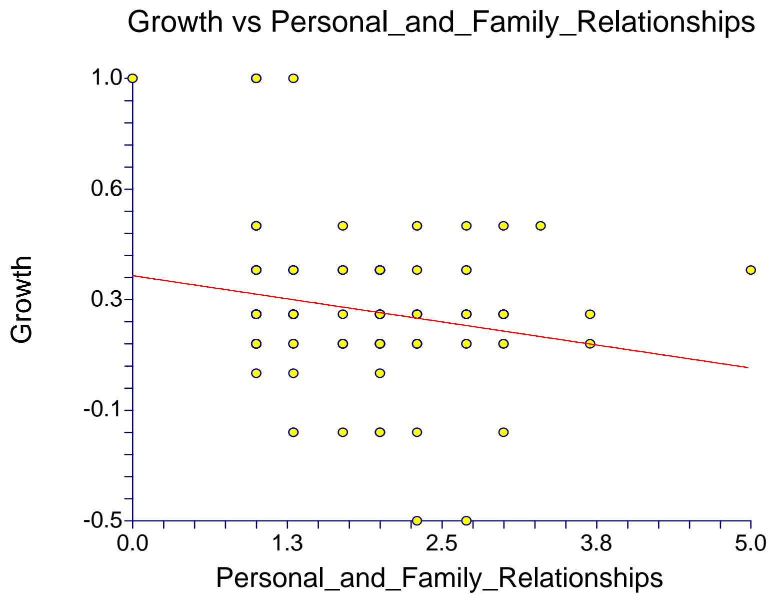
Eight propositions were proposed by the researcher. The purpose of this section is to ascertain whether this research paper had effectively answered the research propositions and whether it supported or challenged the information in the literature review. This paper attempts to estimate the relationship between the eight factors identified and success factors for family businesses in terms of growth and profitability.

The data was input into the Number Cruncher Statistical System (NCSS) programme and a Linear Regression analysis was run. Linear regression is used to estimate the relationship between the dependant variable (8 factors identified) and the independent variables (growth and profitability). All the regression analysis in this paper is done at a 95% confidence level. Each proposition is discussed in further detail below:

#### 6.2.1. Proposition 1: Family businesses have strong family ties, are hard working and manage both personal and business relationships for family business success.

Fox *et al* (1996) stress the significance of the relationship between the business itself and the principal individuals involved. They validate that understanding and discovering healthy ways to adjust the relationship with their business greatly assists in being successful. The literature also states that good relationships between family members are crucial to maintaining business harmony and unity within the organisation. The data in Table 14 also confirms that family businesses in Kenya felt it was important to maintain family unity and promote good working relationships for business success.

**Figure 4: Growth vs. Personal and Family Relationships**



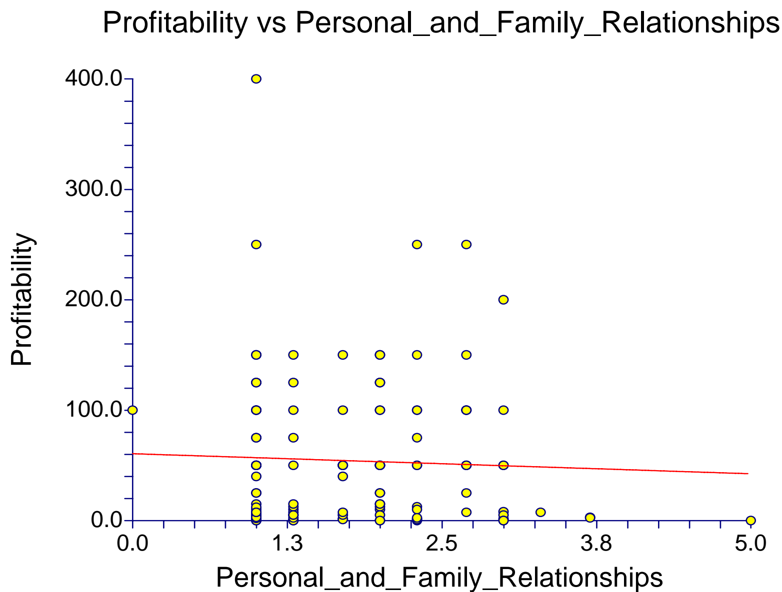

The null hypothesis ($H_0$) is that Growth is independent of Personal and Family Relationships, therefore the slope of the regression line is zero.

The equation of the straight line relating to Growth and Personal and Family Relationships is estimated as: Growth = (0.3310) + (-0.0626) Personal and Family Relationships, using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Personal and Family Relationships is zero, is 0.3310 with a standard error of 0.0544. The slope, the estimated change in Growth per unit change in Personal and Family Relationships, is -0.0626 with a standard error of 0.0280. The value of R-Squared, the proportion of the variation in Growth that can be accounted for by variation in Personal and Family Relationships, is 0.0396 and the correlation between Growth and Personal and Family Relationships is -0.1991.

A significance test that the slope is zero resulted in a t-value of -2.2348. The significance level of this t-test is 0.0273. Since $0.0273 < 0.0500$, the hypothesis that the

slope is zero, and therefore Growth is independent of Personal and Family Relationships, is rejected.

**Figure 5: Profitability vs. Personal and Family Relationships**




Comparing the regression of personal and family relationships to profitability, it is found that the equation of the straight line relating Profitability and Personal and Family Relationships is estimated as: Profitability = (60.6123) + (-3.6324) Personal and Family Relationships using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Personal and Family Relationships, is 0.0019.

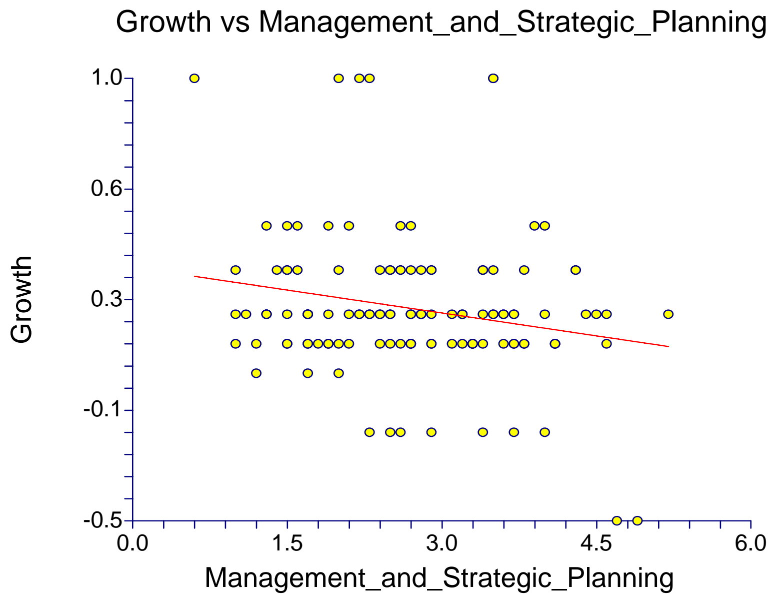
Based on the significance levels of the regression analysis, we reject the null hypothesis and accept the alternative hypothesis that there exists a relationship between Growth and Personal and Family Relationships. The regression confirms a small 3% r-squared value to growth, but none to profitability. This means that family relationships are important to the growth of the business, but not necessarily to

profitability in Kenya. Families who therefore have strong family ties, hard working individuals and an ability to manage personal and business relationships, have successful family businesses.

### 6.2.2. Proposition 2: Management and Strategic planning is critical for future success of the family business.

Blumentritt (2006) found that family businesses that engage in planning are likely to perform better than those who do not. Ward (1988) argued that the lack of strategic planning in family businesses contributed to a high failure rate among family businesses as they try to survive from one generation to the next. While business and family strategic planning promotes continuity in the business, a lack of strategic planning questions the long term success and survival of the family business. The data collected in Table 15 shows that although the respondents agree that strategic planning promotes continuity in the business, almost 50% of the sample do not measure performance for each family member and do not have a written mission statement for the business. The research found that Indian family businesses in Kenya do have both short term and long-term growth objectives. These are clearly communicated and largely, family members actively take part in deciding these. Statement 42 also confirms that the sample was largely focused on strategic planning rather than day to day operational detail.

**Figure 6: Growth vs. Management and Strategic Planning**

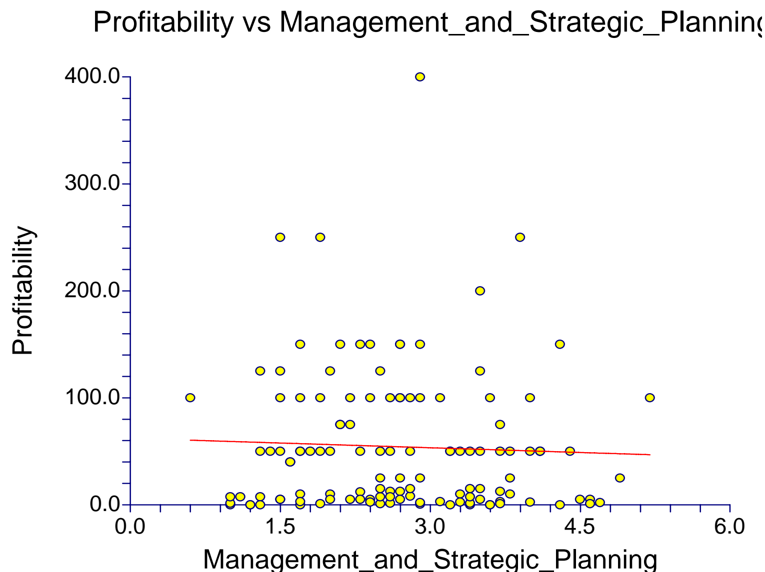



The null hypothesis ($H_0$) is that Growth is independent of Management and Strategic Planning, therefore the slope of the regression line is zero.

The equation of the straight line relating Growth and Management and Strategic Planning is estimated as: Growth = (0.3600) + (-0.0517) Management and Strategic Planning using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Management and Strategic Planning is zero, is 0.3600 with a standard error of 0.0644. The slope, the estimated change in Growth per unit change in Management and Strategic Planning, is -0.0517 with a standard error of 0.0223. The value of R-Squared, the proportion of the variation in Growth that can be accounted for by variation in Management and Strategic Planning, is 0.0425 and the correlation between Growth and Management and Strategic Planning is -0.2062.

A significance test that the slope is zero resulted in a t-value of -2.3177. The significance level of this t-test is 0.0221. Since 0.0221 < 0.0500, the hypothesis that the slope is zero is rejected.

**Figure 7: Profitability vs. Management and Strategic Planning**




Comparing the regression of management and strategic planning to profitability, the research found that the equation of the straight line relating Profitability and Management and Strategic Planning is estimated as: Profitability = (62.1396) + (-2.9464) Management and Strategic Planning using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Management and Strategic Planning, is 0.0020.

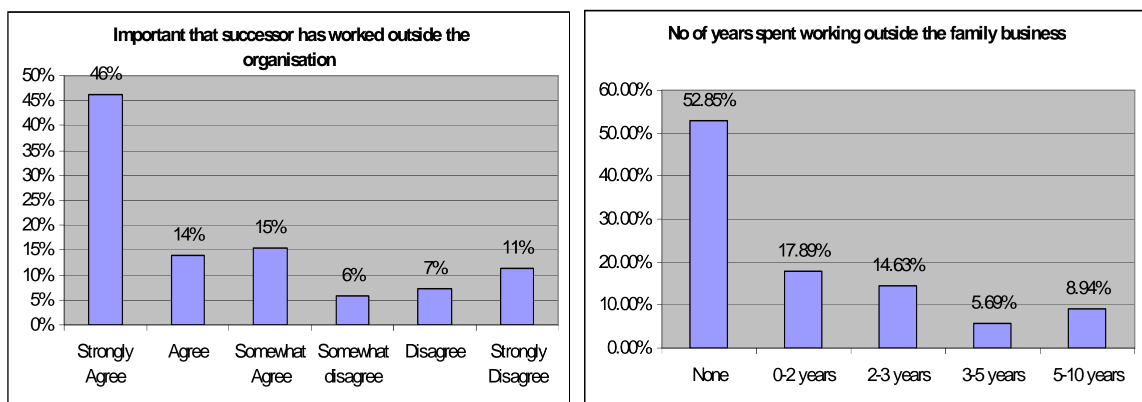
Based on the significance levels of the regression, the null hypothesis is rejected and the alternative hypothesis that there exists a relationship between Growth and Management and Strategic Planning is accepted. The regression also confirms a small 4.2% r- squared value to growth, but none to profitability. This means that management

and family relationships are important to the growth of the business but not necessarily to profitability in Kenya. It is also found that growth is negatively correlated to management and strategic planning. Therefore, the proposition that management and strategic planning is critical for future success of the family business is accepted.

#### 6.2.3. Proposition 3: Succession planning in family owned businesses is a critical driver for success.

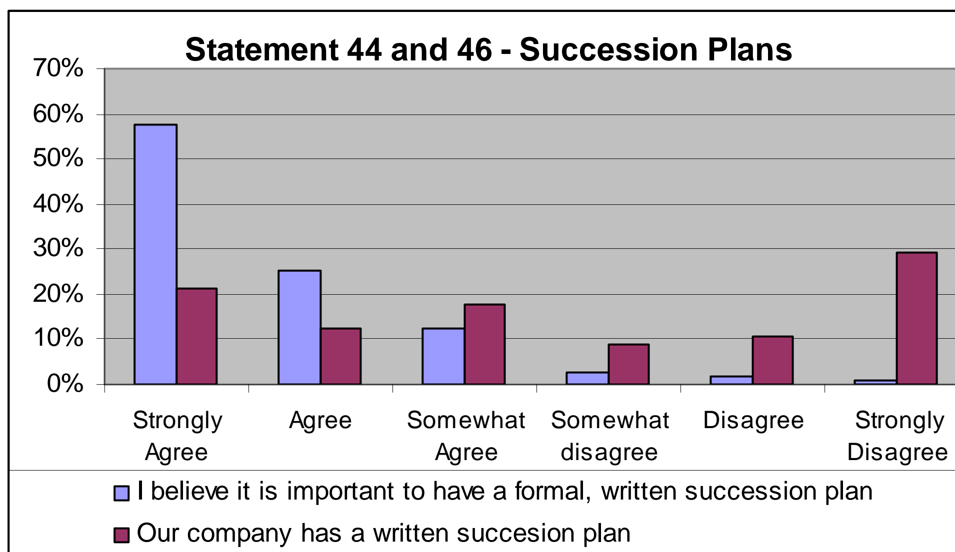
Kets de Vries (1993) suggests that of businesses involved in family succession, only 30% are expected to survive the first generation, around 15% are expected to survive to the third generation, and less than 3% are expected to survive to the fourth generation. He also suggests that the lack of consideration of the successor's capabilities could also lead to succession failure. More than just a back up plan for qualified successors, a succession strategy is a valuable tool used by companies to grow their leaders and to ensure continuous development within the economy and achieving the long-term vision of the organisation (Ritter, 2003).

**Figure 8: Importance of work experience**



To establish the successor's capability for the family business, the sample was asked if they had previous work experience outside the business. From the data collected, it was found that 53% of the sample has never worked outside the family business while 18% of the sample did not have more than 2 years of work experience outside the family business. When asked whether it was important that the successor had worked outside the organisation before joining the business in Statement 51, 59% of the sample agreed with this statement. This is probably due to the fact that the respondents who are primarily founders and first generation family business owners have themselves not got a chance to work outside the family business and have seen merit in their successors getting work experience outside the family business and being able to bring these work practices back to the family business.

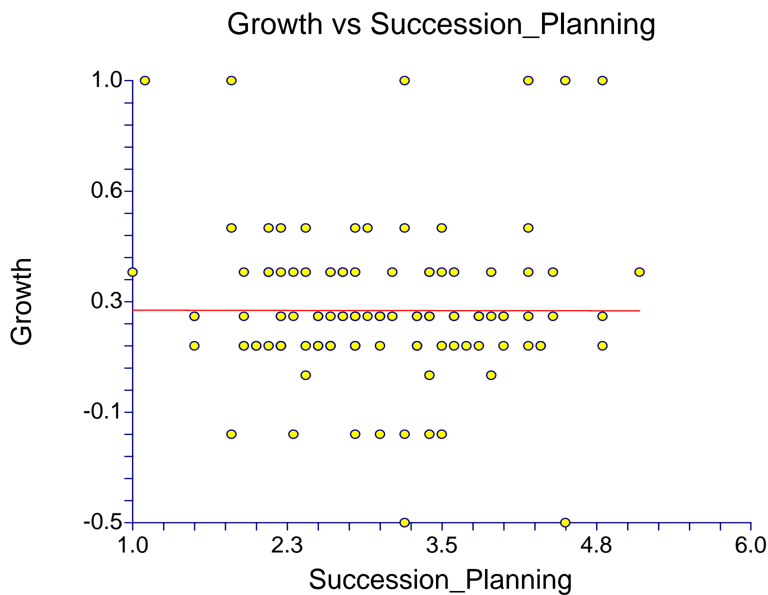
**Figure 9: Succession Plans**




The sample believes it is important for the company to have a written succession plan, but on asking whether the company actually had one, over 40% of the responses were negative. There is also no formalised criteria for choosing a successor for the business. From the data in Table 16 it is apparent that there is clear motivation and commitment from successors as to why they should join the business. The data from Figure 12 also

shows that 50% of the sample joined the family business in order to grow the business, 22% of the respondents joined only because they saw it as their responsibility and 16% joined out of loyalty to the family and the business. Hence, family business growth is important to family business owners.

**Figure 10: Growth vs. Succession Planning**



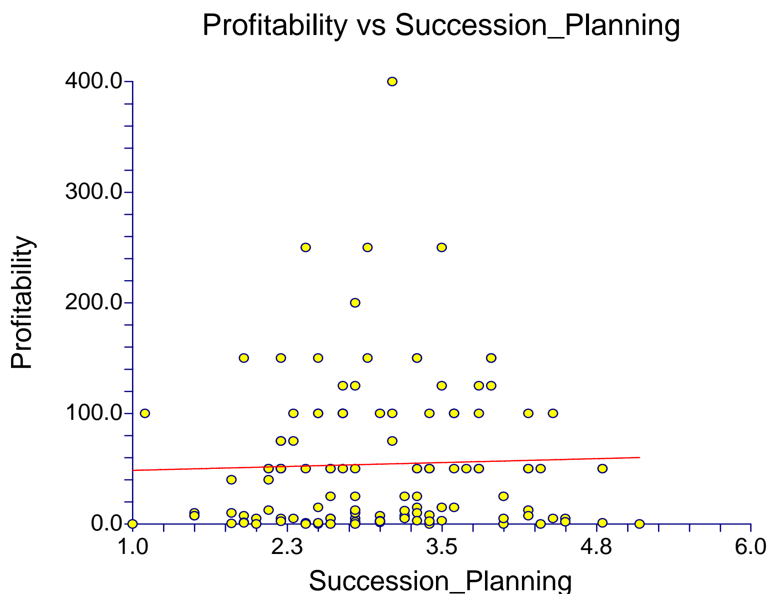

The null hypothesis ($H_0$) is that Growth is independent of Succession Planning; therefore the slope of the regression line is zero.

The equation of the straight line relating Growth and Succession Planning is estimated as: Growth = (0.2215) + (-0.0005) Succession Planning using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Succession Planning is zero, is 0.2215 with a standard error of 0.0843. The slope, the estimated change in Growth per unit change in Succession Planning, is -0.0005 with a standard error of 0.0271. The value of R-Squared, the proportion of the variation in Growth that can be

accounted for by variation in Succession Planning, is 0.0000 and the correlation between Growth and Succession Planning is -0.0017.

A significance test that the slope is zero resulted in a t-value of -0.0189. The significance level of this t-test is 0.9850. Since 0.9850 > 0.0500, the hypothesis that the slope is zero is not rejected.

**Figure 11: Profitability vs. Succession Planning**




Comparing the regression of succession planning to profitability, it is found that the equation of the straight line relating Profitability and Succession Planning is estimated as: Profitability = (45.6899) + (2.8227) Succession Planning using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Succession Planning, is 0.0013.

Based on the significance levels of the regression, we fail to reject the null hypothesis and reject the alternative hypothesis that there exists a relationship between Growth

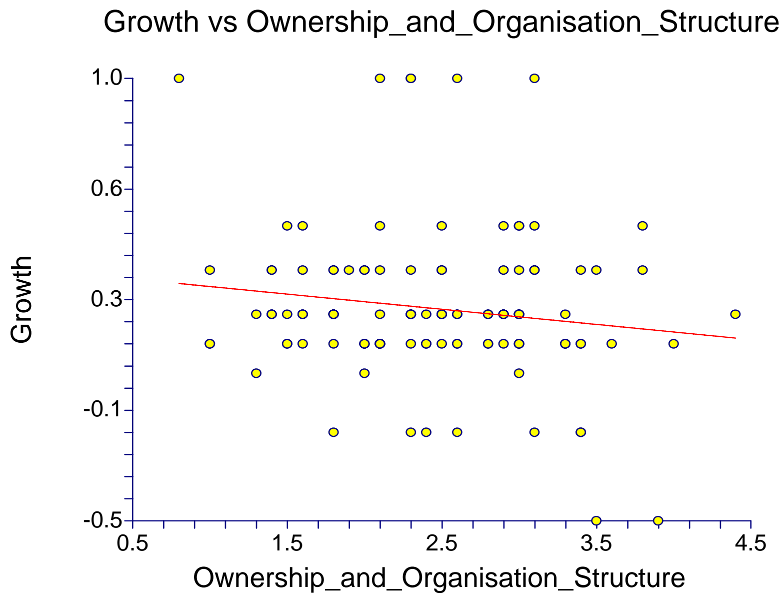
and Succession Planning. From the regression, it is found that there is almost no correlation between the growth rates and succession planning and with a 0% r – squared value both for growth rate and profitability. This means that succession planning in not a critical factor when it comes to determining growth or profitability in Indian family businesses in Kenya. Therefore, we reject the proposition that succession planning in family owned businesses is a critical driver for success in Kenya.

#### 6.2.4. Proposition 4: Clear organisational and ownership structure is critical for successful family businesses.

Family businesses are governed by equality, inclusiveness and a duty of care towards each other. Kenyon–Rouvinez and Ward (2005) proposed the 3 stages of ownership in the family business – the controlling owner, the sibling partnership and the cousin confederation. They found that the controlling owner has effective personal power over decisions, the sibling partnership is an oligopoly of power and decisions are made in partnership and the cousin confederate has no absolute power. They require the development of processes and rules to make them efficient.

In the data collected Table 13 shows that 50% of the sample was working in a sibling partnership and only 32% of the sample was in a cousin confederate. From the data in Table 17, Statement 61 also confirmed that 62% of the sample believed the controlling owner did in fact have personal power over decisions. Statement 62 also confirmed that 46% of the cousin working together did not agree over decisions made in the organisation. We therefore deduce that Indian family businesses behave in line with what the literature suggests.

**Figure 12: Growth vs. Ownership and Organisational Structure**

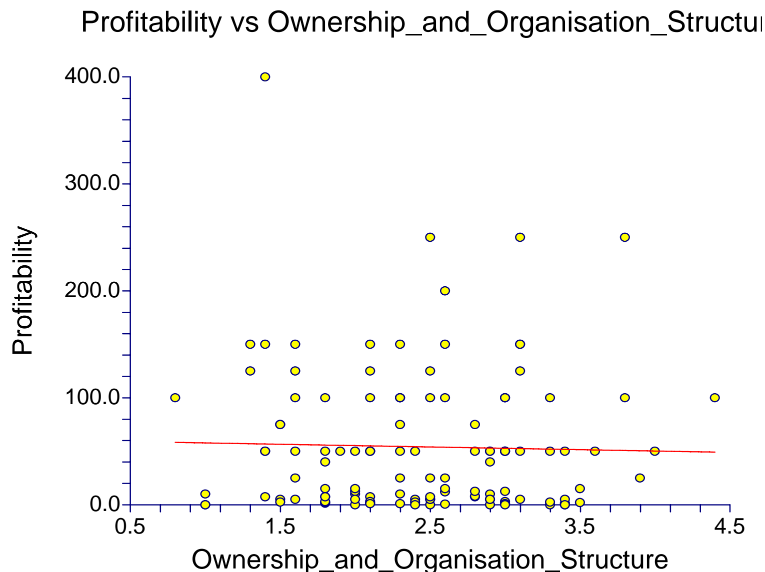



The null hypothesis ($H_0$) is that Growth is independent of Ownership and Organisational Structure; therefore the slope of the regression line is zero.

The equation of the straight line relating Growth and Ownership and Organisation Structure is estimated as: Growth = (0.3457) + (-0.0514) Ownership and Organisation Structure using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Ownership and Organisation Structure is zero, is 0.3457 with a standard error of 0.0796. The slope, the estimated change in Growth per unit change in Ownership and Organisation Structure, is -0.0514 with a standard error of 0.0312. The value of R-Squared, the proportion of the variation in Growth that can be accounted for by variation in Ownership and Organisation Structure, is 0.0219 and the correlation between Growth and Ownership and Organisation Structure is -0.1481.

A significance test that the slope is zero resulted in a t-value of -1.6474. The significance level of this t-test is 0.1021. Since 0.1021 > 0.0500, the hypothesis that the slope is zero is not rejected.

**Figure 13: Profitability vs. Ownership and Organisational Structure**




Comparing the regression of ownership and organisation structure to profitability, it is found that the equation of the straight line relating Ownership and Organisation Structure and Profitability is estimated as: Profitability = (60.3466) + (-2.5253) Ownership and Organisation Structure using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Ownership and Organisation Structure is 0.0008.

Based on the significance levels of the regression, we fail to reject the null hypothesis and reject the alternative hypothesis that there exists a relationship between Growth and Ownership and Organisational Structure. From the regression and data collected, it is found that there exists a negative correlation of -0.1481 between the growth rates

and ownership and organisation structure and a r-squared on 2.1%. The data also confirm that while there is a relationship between ownership and organisational structure and growth, it is not related to profitability. This means that ownership and organisational structure could have a relationship to growth, but the significance levels do not allow for the hypothesis to be accepted hence, ownership and organisational structure is not critical when determining growth and profitability of an Indian family business in Kenya. Therefore, we reject the proposition that clear organisational and ownership structure is critical for successful family businesses.

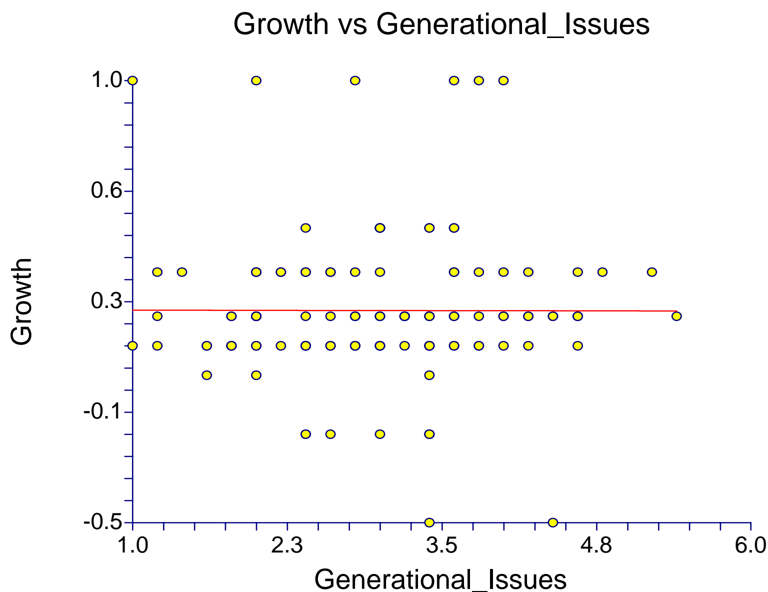
### 6.2.5. Proposition 5: For family businesses to be successful successors must be willing to take over the business and all generational clashes need to be managed.

One of the fundamental missions of a family business is to pass on the business to subsequent generations (Davis, 1968). Where the older generation resists in letting go of the business, succession is a major struggle for that family. Many businesses do not survive a second generation because the first generation cannot make the hand-off of power or there is inadequate preparation of the younger generation (Davies *et al*, 2000). The long term sustenance of a family business depends on its smooth survival across generations and families being united over generations by their vision, values and emotional bondage. The older generations are also responsible for providing a clear set of values, direction and standards for the successors (Sonfield and Lussier, 2004).

From Table 18, the responses to Statement 68 show 58% of the sample felt that the previous generation had comfortably let go off the business, 66% had made adequate

preparations for the next generation to take over the business smoothly, but 36% still did not believe that the next generation was ready to take on the family business. 51% of the sample also felt that there was great resistance to let go of the business by the senior generation.

**Figure 14: Growth vs. Generational Issues**



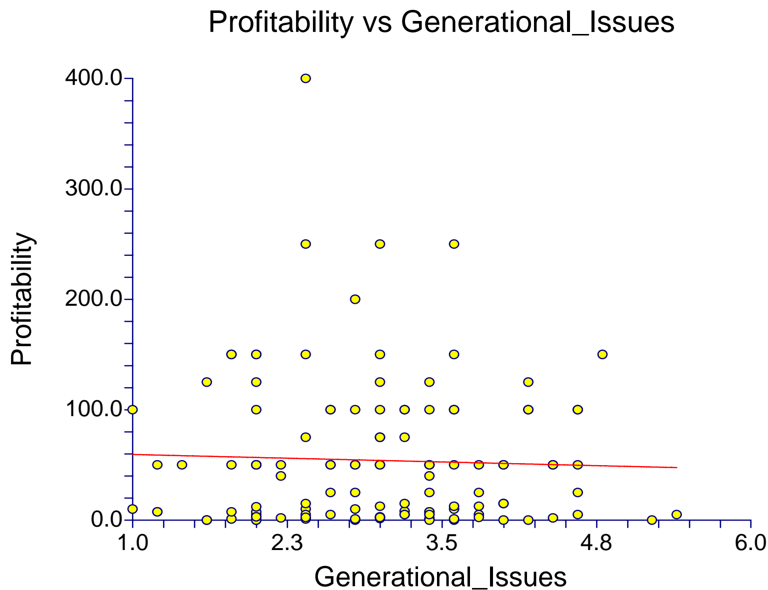

The null hypothesis ($H_0$) is that Growth is independent of Generational issues; therefore the slope of the regression line is zero.

The equation of the straight line relating Growth and Generational Issues is estimated as: Growth = (0.2217) + (-0.0006) Generational Issues using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Generational Issues is zero, is 0.2217 with a standard error of 0.0755. The slope, the estimated change in Growth per unit change in Generational Issues, is -0.0006 with a standard error of 0.0242. The value of R-Squared, the proportion of the variation in Growth that can be

accounted for by variation in Generational Issues, is 0.0000 and the correlation between Growth and Generational Issues is -0.0022.

A significance test that the slope is zero resulted in a t-value of -0.0247. The significance level of this t-test is 0.9803. Since 0.9803 > 0.0500, the hypothesis that the slope is zero is not rejected.

**Figure 15: Profitability vs. Generational Issues**




Comparing the regression of generational issues to profitability, it is found that the equation of the straight line relating Profitability and Generational Issues is estimated as: Profitability = (62.1714) + (-2.6974) Generational Issues using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Generational Issues, is 0.0015. The correlation between Profitability and Generational Issues is -0.0385.

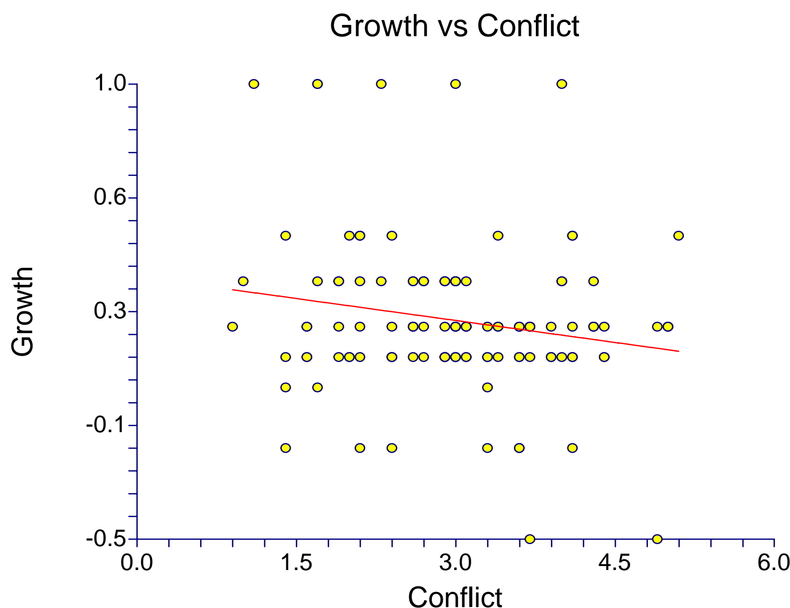
Based on the significance levels of the regression, we fail to reject the null hypothesis and reject the alternative hypothesis that there exists a relationship between Growth and Generational Issues. From the regression and data collected, it is found that there does not exist a correlation between the growth rates and generational issues in Indian family businesses in Kenya. The data also confirm that while there is no r- squared relationship between generational issues and growth and profitability, there is a negative correlation of -0.0385 between generational issues and profitability. We therefore, reject the proposition that for family businesses to be successful, successors must be willing to take over the business and all generational clashes need to be managed.

#### 6.2.6. Proposition 6: Family businesses need to manage conflict within family members for smooth operation and success.

The challenges facing family businesses with regards to relationships can cause serious conflict if not managed. Sibling partnerships and cousin confederates often split up disrupting the management process, consume a lot of capital and are detrimental to family business growth (Ward, 1997). Ward (2000) also found that sibling break-ups in families known culturally for their family orientation and unexpressed conflict were frequent and intense because there was a lack of transparency in salaries and finances, there were repressed emotions and each sibling wanting to take care of their own male offspring. Davis and Harveston (1999) also concluded that family member conflict increased only moderately as firms moved into second generation stage, but there was a more sizable increase from second to third generation.

From the data collected in Table 19, although respondents believed there was open communication in the business, 45% of the sample agreed there was conflict and disagreement with management choices and family members. Although family members actively communicated to the rest of the family what was happening in the business, there was no formalised disciplinary and grievance process that was applicable to family members.

**Figure 16: Growth vs. Conflict**



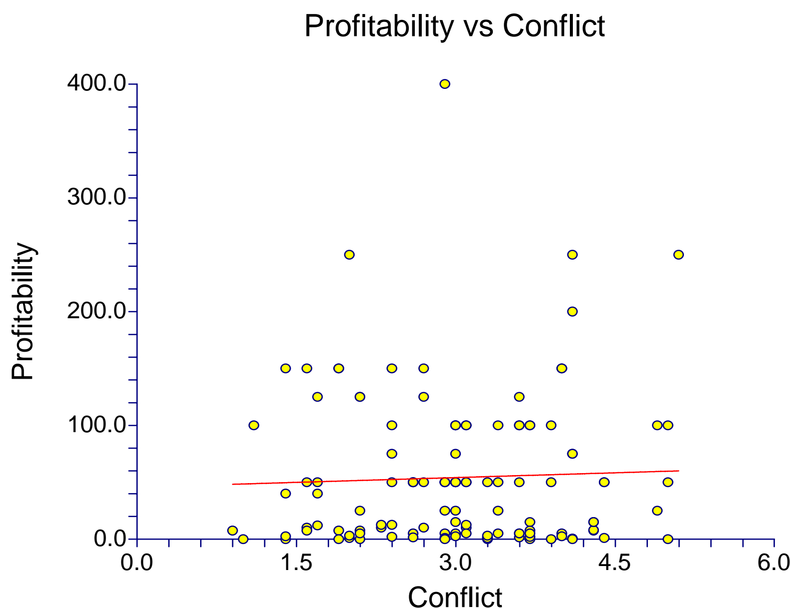

The null hypothesis ($H_0$) is that Growth is independent of Conflict; therefore the slope of the regression line is zero.

The equation of the straight line relating Growth a Conflict is estimated as: Growth = (0.3655) + (-0.0482) Conflict using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Conflict is zero, is 0.3655 with a standard error of 0.0741. The slope, the estimated change in Growth per unit change in Conflict, is -0.0482 with a standard error of 0.0234. The value of R-Squared, the

proportion of the variation in Growth that can be accounted for by variation in Conflict, is 0.0339 and the correlation between Growth and Conflict is -0.1841.

A significance test that the slope is zero resulted in a t-value of -2.0602. The significance level of this t-test is 0.0415. Since 0.0415 < 0.0500, the hypothesis that the slope is zero is rejected.

**Figure 17: Profitability vs. Conflict**




Comparing the regression of conflict to profitability, it is found that the equation of the straight line relating Profitability and Conflict is estimated as: Profitability = (45.7112) + (2.8012) Conflict using the 123 observations in this dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Conflict, is 0.0017.

Based on the significance levels of the regression analysis, we reject the null hypothesis and accept the alternative hypothesis that there exists a relationship

between Growth and Conflict. The regression and data collected confirms that there exists a negative correlation -0.1841 between the growth rates and conflict in the business, and a r-squared of 3.3%. The data also confirms that while there is a relationship between conflict and growth, it is not necessarily related to profitability. This means that lower conflict levels in family businesses can lead to higher growth of the business, but does not necessarily translate into profitability. Therefore, we accept the proposition that family businesses need to manage conflict within family members for smooth operation and business success.

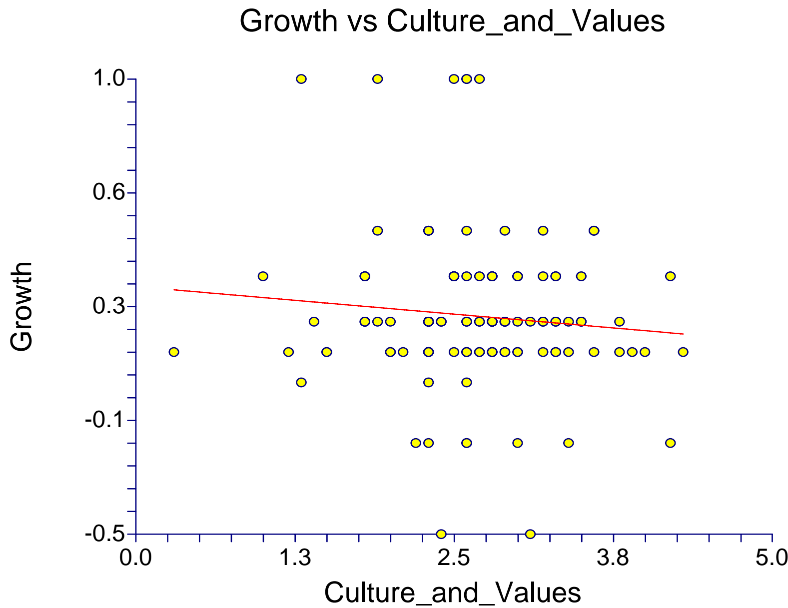
#### 6.2.7. Proposition 7: Culture and values play an important role in defining family business success.

In family businesses, the founder's influence extends to the culture and processes of the firm as well as to the nature of the interaction among its team. They are constantly in a process of transmitting values and aspirations, both personal and business, to the next generation as a part of both their business and personal conduct. Janjuha-Jivraj and Woods (2002) argue that cultural and traditional beliefs are important factors for successful businesses. Shared values and culture preservation depends on how the off spring is groomed by the parents. Shared values and traditions are affected considerably among the ethnic minority and leads to long-term success of the business (Bachkaniwala *et al*, 2001).

From the data collected in Table 20, we find that the sample believed there was trust within the family members. 48% of the sample confirmed that all members of their family shared the same cultural values and traditional beliefs. 49% of the sample was more interested in protecting the family image and being generous in the community

than in running a sophisticated performance driven company. Family members felt loyalty to the family business and 60% claimed the Indian culture made it easy for them to do business in Kenya.

**Figure 18: Growth vs. Culture and Values**

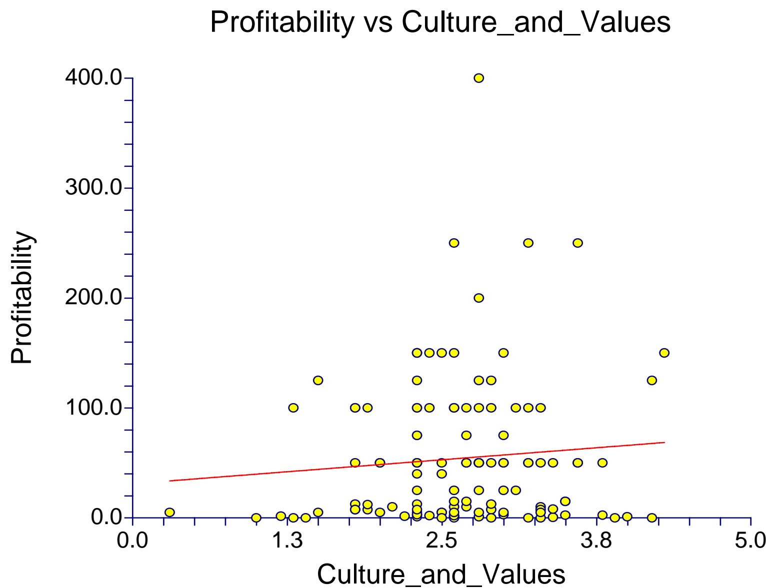



The null hypothesis ($H_0$) is that Growth is independent of Culture and Values; therefore the slope of the regression line is zero.

The equation of the straight line relating Growth and Culture and Values is estimated as: Growth = (0.3162) + (-0.0364) Culture and Values using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Culture and Values is zero, is 0.3162 with a standard error of 0.0921. The slope, the estimated change in Growth per unit change in Culture and Values, is -0.0364 with a standard error of 0.0337. The value of R-Squared, the proportion of the variation in Growth that can be accounted for by variation in Culture and Values, is 0.0095 and the correlation between Growth and Culture and Values is -0.0975.

A significance test that the slope is zero resulted in a t-value of -1.0775. The significance level of this t-test is 0.2834. Since 0.2834 > 0.0500, the hypothesis that the slope is zero is not rejected.

**Figure 19: Profitability vs. Culture and Values**




Comparing the regression of culture and values to profitability, it is found that the equation of the straight line relating Profitability and Culture and Values is estimated as: Profitability = (31.0675) + (8.7245) Culture and Values using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Culture and Values, is 0.0079.

Based on the significance levels of the regression, we fail to reject the null hypothesis and reject the alternative hypothesis that there exists a relationship between Growth and Culture and Values. From the regression and data collected, it is found that there does not exist a correlation between the growth rates and culture and values in Indian family businesses in Kenya. This could to a large extent be explained by our finding

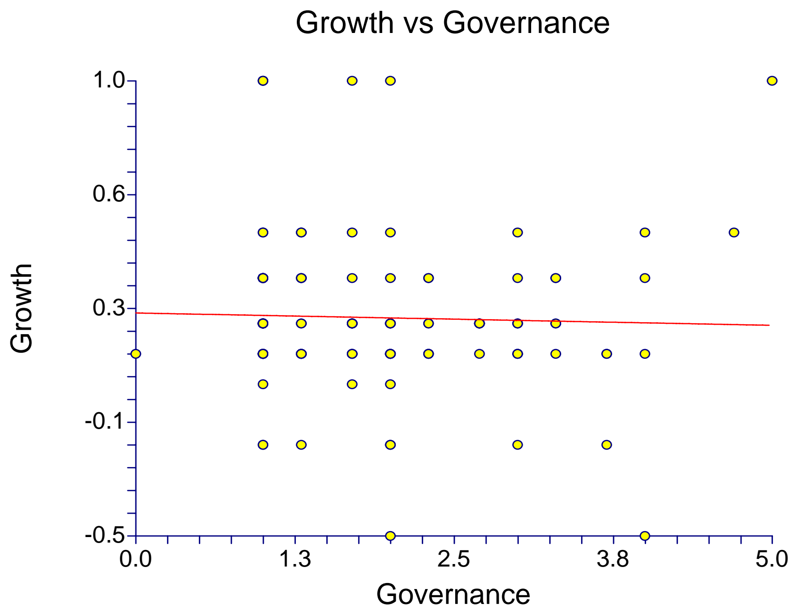
that over 49% of the sample was more interested in protecting the family image and being generous in the community than managing a sophisticated performance driven company. The data also confirm that while there is no r- squared relationship between generational issues and growth and profitability. There is however, a negative correlation of -0.0975 between culture and values and growth. This means there is a very minute relationship between the two variables, but not enough to affect growth and profitability. We therefore, reject the proposition that culture and values play an important role in defining family business success.

### 6.2.8. Proposition 8: Good governance within the family business is critical to success.

Good governance in terms of a system of processes and structures enables the family to have a clear understanding of the business and its role (Gallo and Kenyon-Rouvinez, 2005). Families who establish a good governance system achieve a respectful co-operation between shareholders and the business as well as the business and the family. Family businesses may choose to rely on informal interactions with family members instead of a team of board members (Blumentritt, 2006). The primary roles of boards in business have been identified as governance and provision of resources (Hillman and Dalziel, 2003).

From the data collected in Table 21, it was found that there was respectful cooperation within family members and ownership rights and shareholder agreement were also clearly laid out. There was also transparency in the organisational decisions made. This is in line with what the literature recommends family businesses should achieve.

**Figure 20: Growth vs. Governance**

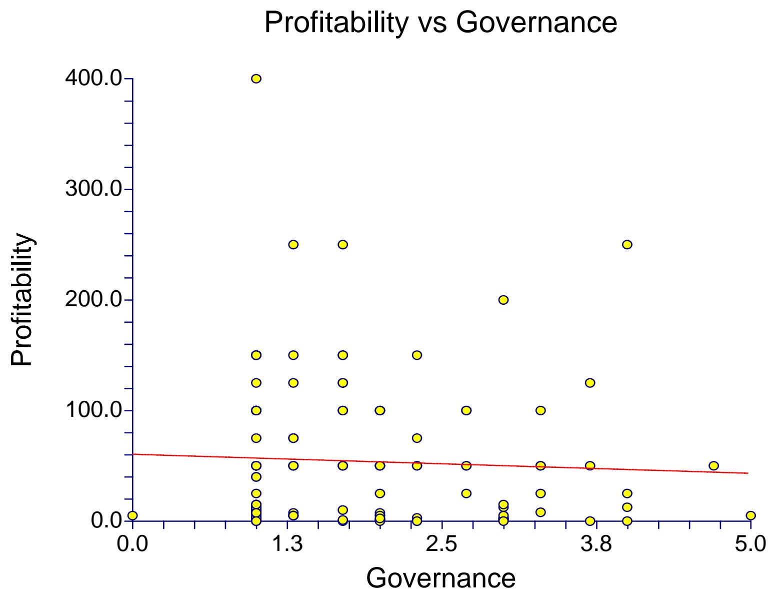



The null hypothesis ($H_0$) is that Growth is independent of Governance; therefore the slope of the regression line is zero.

The equation of the straight line relating Growth and Governance is estimated as: Growth = (0.2350) + (-0.0081) Governance using the 123 observations in this dataset. The y-intercept, the estimated value of Growth when Governance is zero, is 0.2350 with a standard error of 0.0489. The slope, the estimated change in Growth per unit change in Governance, is -0.0081 with a standard error of 0.0234. The value of R-Squared, the proportion of the variation in Growth that can be accounted for by variation in Governance, is 0.0010 and the correlation between Growth and Governance is -0.0315.

A significance test that the slope is zero resulted in a t-value of -0.3471. The significance level of this t-test is 0.7291. Since 0.7291 > 0.0500, the hypothesis that the slope is zero is not rejected.

**Figure 21: Profitability vs. Governance**




Comparing the regression of Governance to profitability, it is found that the equation of the straight line relating Profitability and Governance is estimated as: Profitability = (60.5338) + (-3.4431) Governance using the same dataset. The value of R-Squared, the proportion of the variation in Profitability that can be accounted for by variation in Governance, is 0.0026. The correlation between Profitability and Governance is -0.0508.

Based on the significance levels of the regression, we fail to reject the null hypothesis and reject the alternative hypothesis that there exists a relationship between Growth and Governance. From the regression and data collected, it is found that there does not exist a R-squared relationship between the growth rates and Governance in Indian family businesses in Kenya. The data also confirm that while there is no r- squared relationship between Governance and growth and profitability, there is however, a negative correlation of -0.0315 between Governance and growth. This means there is a

very minute relationship between the two variables, but not enough to affect growth and profitability. We therefore, reject the proposition that good governance within the family business is critical to success.

## 7. CONCLUDING REMARKS

Family businesses face many special challenges. They must bring together both the family and the business needs. Maintaining this relationship over time is challenging and requires tying together both shareholder and business interests. Through this research into family business success factors, the researcher tried to understand the factors that affect family business success in Kenya. From the data collected and the analysis, it has become clear that many variables influence this process. Not all the factors and processes identified in the family business literature will apply in every case, although asking the right questions and understanding the business practices will allow a better understanding of what makes these businesses so distinctive.

This paper set off to identify the critical success factors for Indian family businesses in Kenya. The research short listed the 8 most common factors and set to establish whether these factors made Indian family businesses in Kenya successful in terms of growth and profitability. From the data collected and analysis, it was found that not all 8 factors were associated with family business success.

The research concluded that the factors which had a relationship with growth and profitability were personal and family relationships, conflict and management and strategic planning. We find that the research agreed with the literature in this regard. If family relationships are positively maintained, there seems less chance of conflict as well. The research found that these three factors have a positive effect on the growth of the business. The research also found that strategic planning played an important role in terms of growing the business. As long as the company has both long and short term objectives – written down or not, this has a positive effect on growth and profitability.

Family businesses are complex to understand. Despite what the literature suggests, the data researched in Kenya shows that succession planning, ownership and organisational structure, generational issues, culture and values and governance do not play an important role for family business success. This could be because most of these areas a difficult to measure and there is an overlap with some of the successful factors above as well. From the data collected, the respondents rated these issues quite highly, indicating that they regard them as being important to the success of the family business. However, it would seem that there is no direct relationship between these factors and growth and profitability. Further research and investigation into these issues individually will assist in shedding light as to why this is so.

From the regression analysis, the spread of the values of the dataset when comparing the factors affecting family business growth and profitability indicates that family businesses are a unique blend of individual and business experiences where every family business will need its own tailored approach to success.

## 7.1. RECOMMENDATIONS

The recommendations suggested here are for academic research, management and consultants of Indian family businesses. The basic criteria for any family business to succeed are as follows:

- Personal and family relationships need to be carefully managed and quality time needs to be set out for family meetings and reunions to build this bond.
- Leadership skills, and the quantity of management talent required have to be dictated by an overall organisational strategy

- Strategic planning of the vision, goals, objectives and mission statement laid out clearly can lead to business success.
- Conflict management systems need to be set up to avoid any grievances within family members.

This research focused primarily on growth and profitability as the success factor for family businesses. However, the research also identified instances where these may not be the only criteria to judge family business success. For instance, it was revealed from the research that over 49% of the sample was more focused on protecting the family image and being generous in the community than managing a sophisticated, performance driven company.

The researcher therefore suggests that the rest of the factors not be dismissed and the following recommendations be noted:

- Succession management is to be made a part of an overall drive to develop all managers at all levels and formal, written succession plans should be developed.
- Clearly define specific behaviours, skills and cultural values that leaders need in order for them to succeed in the organisation.
- In businesses where there are more than 2 generations working together, there needs to be complete clarity the individual shareholding, and a board of directors needs to be in place to help regulate the operations.

## 7.2. FUTURE RESEARCH IDEAS

This research identified the characteristics and key success factors for Indian family owned businesses in Kenya. While the report has covered a lot of ground, the findings also provide direction for further research in the following areas:

- Women's role in family businesses,
- The family values of the Indian family business,
- The role of governance in the family business,
- Business capital formation in the family business,
- Linkage between Indian family businesses in Kenya and other ethnic entrepreneurial groups in Kenya like the Kikuyu,
- Linkage between Indian family business in Kenya and Indian family businesses in other African countries, like South Africa.
- A key question concerns the issue of transition smoothness. The relationship between the smoothness of transition and subsequent business performance is not all that strong, suggesting a more complex linkage.
- The norms at which family businesses fall out of family hands as they progress from generation to generation?
- Do family businesses experience different rates of success over say 5, 10 or 20 years compared to non-family controlled firms in the same industry?
- Given the complexities of family relationships, the dynamics of different interactions should be considered, such as potential successors, the founder and members who work within the family business.

Further work on questions such as these will not only serve to improve our understanding of the family business sector, but may enable us to discover ways in which they can be made to evolve in a more strategic manner.

### 7.3. CONCLUSION

The researcher undertook this research to better understand the strategies and factors responsible for successful family businesses and in particular the reasons for success for Indian family-owned businesses in Kenya. It is hoped that this information was uncovered and better understood. It was also the intention of the researcher that this paper would contribute to the knowledge base for Indian family business in Kenya and help future management make informed decisions about their businesses.

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# 9. APPENDIX A: TH

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

**Introduction**

The aim of this questionnaire is to assist me to develop an understanding of the Critical Success factors for Indian Family Owned Businesses in Kenya for my final year research towards my MBA studies at the Gordon Institute of Business Science in Johannesburg, South Africa.

**Target audience**
This questionnaire is designed to be completed by Indian family businesses that have:
(1) Two or more family members all active in the business; or
(2) Two or more generations of family are in the business;
(3) Currently owned by family members who intend to pass on control to another generation of family.

To maintain consistency, this questionnaire needs to be completed by a Director of the Family Business or the Chief Executive Officer.

Kindly answer the questionnaire as honestly as possible. Your honesty and frankness in answering these questions will contribute significantly to the validity and relevance of this research. The questionnaire will take no more than 20/25 minutes of your time.

All the responses will be treated with full confidentiality and not disclosed to any other party

**How to Complete the Questionnaire**
We have produced this questionnaire with a simple scoring framework. Please indicate your answer by circling/highlighting the relevant score that represents your view.

The questionnaire is split into 2 parts:

1) Part 1 gathers information about the business and family relationships pertaining to the business.
2) Part 2 consists of statements pertaining to the operations and running of the business and you are required to indicate whether these statements are applicable in your business.

Please complete both Part 1 and 2 as thoroughly and honestly as possible.

In order to complete this questionnaire, you need to:

1. Complete the questionnaire electronically and email it back to Sheetal@polka.co.za

Kindly return the questionnaire to me as soon as you can and latest by the **19th August 2006.**

Thank you for taking part – your help will be appreciated. If you would like to receive a copy of the final research, kindly tick the box below and provide the email address where it can be mailed.

Sheetal Shah

| | I would like to receive a copy of the final research. |
|---|---|
| e-mail address: | |

**Biographical Information**

| Question | Options | |
|---|---|---|
| **Name** | | |
| **Company Name** | | |
| **What industry are you currently in?** | a. Product Manufacturing<br>b. Retail Business<br>c. Professional Services | e. Wholesaling<br>f. Other - Please specify |
| **When was your company founded?** | | |
| **How many shareholders does your company have?** | | |
| **What generation of the family business do you belong to?** | a. Founder<br>b. 1st Generation<br>c. 2nd Generation | d. 3rd Generation<br>e. Other - Please specify |
| **Since the business started, how many generations of the family have been involved in the operations of the firm?** | a. One<br>b. Two<br>c. Three | d. Four<br>e. Other – Please specify |
| **How many generations of the family are currently involved in the business?** | a. One<br>b. Two<br>c. Three | d. Other – Please specify |
| **What is your title and role in the business** | | |
| **What is your highest educational qualification?** | a. Primary School<br>b. Secondary/High School<br>c. Diploma | d. Bachelors Degree<br>e. Masters Degree<br>f. Other - Please specify |
| **Is your educational background relevant to your core family business?** | a. Yes<br>b. No | |
| **How many years have you spent working in companies outside the family business?** | a. None<br>b. 0 – 2 years<br>c. 2 – 3 years<br>d. 3 – 5 years | e. 5 – 10 years<br>f. Other – Please specify |
| **How many years have you spent working in the family business?** | a. 0 – 1 year<br>b. 1 – 2 years<br>c. 2 – 3 years<br>d. 3 – 5 years | e. 5 – 10 years<br>f. Other – Please specify |
| **At what level did you first join the family business on a full time basis?** | a. Clerical<br>b. Middle Management<br>c. Senior Management<br>d. Director | e. Other - Please specify |
| **How many years did you spend in the family business before taking control?** | a. None<br>b. 0 - 2 years<br>c. 2 - 3 years<br>d. 3 - 5 years | e. 5 – 10 years<br>f. Other – please specify |
| **In your opinion, family members are motivated to join and contribute to the business because of:** | a. Loyalty<br>b. Out of guilt<br>c. Obligation<br>d. Grow the business | e. Responsibility<br>f. Other – Please specify |
| **What was the approximate sales revenue/ turnover of your business for the year 2005?** | a. Kshs 0 – 10m<br>b. Kshs 10m – 20m<br>c. Kshs 20m – 50m<br>d. Kshs 50m – 100m | e. Kshs 100m – 500m<br>f. Greater than 500m<br>g. Other – Please specify |
| **What was the average increase / decrease in revenue per annum for your company between 2000 - 2005?** | a. Growth 1%–10% per year<br>b. Growth 10%-20% per year<br>c. Growth 20%-35% per year<br>d. Growth 35% - 50% per year | e. Growth in excess of 50% per year<br>f. Decline 1% - 20% per year<br>g. Decline 20% - 50%<br>h. Other – Please Specify |

| | | |
|---|---|---|
| **What was the approximate net profit margin/mark up that your business operates on?** | a. 0% - 5%<br>b. 5% - 10%<br>c. 10% - 15%<br>d. 15% - 25% | e. 25% - 40%<br>f. 40% - 60%<br>g. Greater than 60%<br>h. Less than 0%<br>i. Other – Please specify |
| **How many people does your company currently employ?** | a. 1 – 10<br>b. 10 – 20<br>c. 20 – 50<br>d. 50 - 100 | e. 100 – 300<br>f. Other – please specify |
| **Where do you get important information to run the business?** | a. Family Networks<br>b. Friends<br>c. Customers<br>d. Newspapers and Media | e. Other - Please specify |
| **How often do you hold family meetings to discuss the business?** | a. Once a week<br>b. Once a month<br>c. Once in 3 months<br>d. Once in 6 months | e. Once a year<br>f. None<br>g. Other – Please Specify |
| **How many members (both family and others) are on the highest management team?** | | |
| **Of this, how many are family members?** | | |
| **Of the family members involved in the operations of the firm, how many are men and women?** | Men – | Women – |
| **Do you have cousins working in the firm?** | a. Yes | b. No |
| **Do you have blood brothers and sisters working in the firm?** | a. Yes | b. No |
| **Do you have children working in the firm?** | a. Yes | b. No |
| **Does your company have a board of directors?** | a. Yes | b. No |
| **What types of professions are represented in the board?** | | |

The statements in the following pages can be answered using a scale. Please put a cross in the box that most expresses your opinion.

The scale has been reproduced on the top of each page for your convenience.

| | Strongly Agree | | | | | Strongly Disagre |
|---|---|---|---|---|---|---|
| **Personal and Family Relationships** | | | | | | |
| I feel that I promote good working relationships within my family members. | 1 | 2 | 3 | 4 | 5 | 6 |
| Family members work hard and maintain unity within the organisation. | 1 | 2 | 3 | 4 | 5 | 6 |
| All the family members involved in the business pull their weight and work hard | 1 | 2 | 3 | 4 | 5 | 6 |
| **Management and Strategic Planning** | | | | | | |
| Performance of each family member is clearly tracked and monitored. | 1 | 2 | 3 | 4 | 5 | 6 |
| Business and family strategic planning promotes continuity in the family business. | 1 | 2 | 3 | 4 | 5 | 6 |
| My company has a written mission statement | 1 | 2 | 3 | 4 | 5 | 6 |
| The family members working in the business actively took part in deciding the mission statement for the company | 1 | 2 | 3 | 4 | 5 | 6 |
| My company has growth objectives for the next 12 months | 1 | 2 | 3 | 4 | 5 | 6 |
| My company has growth objectives for the next 3-5 years | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that the objectives are clearly communicated to the family members working in the company | 1 | 2 | 3 | 4 | 5 | 6 |
| The family members working in the business actively took part in deciding the objectives for the company | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that the top management team are more focussed on strategic direction than day to day operational detail | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe that the business objectives and methods of the founder still influence the current top management style | 1 | 2 | 3 | 4 | 5 | 6 |
| **Succession Planning** | | | | | | |
| I believe it is important to have a formal, written succession plan | 1 | 2 | 3 | 4 | 5 | 6 |
| Inheritance issues and plans have been clearly addressed within the family | 1 | 2 | 3 | 4 | 5 | 6 |
| Our company has a written succession plan | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe it is important to have formalised criteria for choosing a successor | 1 | 2 | 3 | 4 | 5 | 6 |
| The company has formal criteria for choosing a successor | 1 | 2 | 3 | 4 | 5 | 6 |
| All the family members working in the company are aware of the succession plan | 1 | 2 | 3 | 4 | 5 | 6 |
| Formal education is a pre-requisite for entering the family business. | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel it is important that the successor has worked outside the organisation before joining the business | 1 | 2 | 3 | 4 | 5 | 6 |
| There is an entry level position for each family member joining the business. | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe there is a clear motivation for why the successor should join the family business | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that there is a clear commitment from the successors to the business | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe that there exists sibling rivalry within the family business | 1 | 2 | 3 | 4 | 5 | 6 |
| There is currently a clearly identified successor for the business | 1 | 2 | 3 | 4 | 5 | 6 |
| **Ownership & Organisational Structure** | | | | | | |
| I feel the business is well structured and every member of the family knows what is expected of him/her. | 1 | 2 | 3 | 4 | 5 | 6 |
| Key management decisions are made after involving most or all of the family members | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that the other family members in the organisation care about me | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that family members are comfortable reporting to other family members. | 1 | 2 | 3 | 4 | 5 | 6 |
| The controlling owner has effective personal power over decisions | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel all cousins in the business collaborate over decisions | 1 | 2 | 3 | 4 | 5 | 6 |

| There are unspoken rules within the | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| | Strongly Agree | | | | | Strongly Disagre |
| There are clear written rules and job descriptions for each family member in the firm | 1 | 2 | 3 | 4 | 5 | 6 |
| **Generational Issues** | | | | | | |
| There exits great resistance to let go of the business by the senior generation | 1 | 2 | 3 | 4 | 5 | 6 |
| Families are united over generations by their vision, values and emotional bondage | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe the next generation in my family is ready to take on the business | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that the previous generation have comfortably been able to let go of the business | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that there is adequate preparation made to allow the next generation to take over the business smoothly | 1 | 2 | 3 | 4 | 5 | 6 |
| **Conflict in the business** | | | | | | |
| I believe open communication is encouraged in the business | 1 | 2 | 3 | 4 | 5 | 6 |
| Family members are never in conflict or disagree with management decisions | 1 | 2 | 3 | 4 | 5 | 6 |
| There is no conflict or disagreement between family members | 1 | 2 | 3 | 4 | 5 | 6 |
| The company has a formalised disciplinary and grievance process applicable to family members | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe we actively communicate what is happening in the business with the rest of the family | 1 | 2 | 3 | 4 | 5 | 6 |
| The oldest person in the family resolves all business and family conflicts | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that one person is in charge of maintaining the family harmony | 1 | 2 | 3 | 4 | 5 | 6 |
| **Culture and Values** | | | | | | |
| I believe that there is trust between the family members of the business | 1 | 2 | 3 | 4 | 5 | 6 |
| I am shaped by my cultural and traditional beliefs | 1 | 2 | 3 | 4 | 5 | 6 |
| I am more interested in protecting the family image and being generous in the community than managing a sophisticated performance driven company | 1 | 2 | 3 | 4 | 5 | 6 |
| All members of the family share the same values and traditions | 1 | 2 | 3 | 4 | 5 | 6 |
| All family members work together as a team | 1 | 2 | 3 | 4 | 5 | 6 |
| All family members trust one another | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that there is considerable sibling rivalry among heirs | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel other family members are resentful of my position in the firm | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe family members treat each other as significant | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel loyalty to the family business | 1 | 2 | 3 | 4 | 5 | 6 |
| There exists rivalry or hostility within members of the family in business | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel that my culture makes it easy for me to do business in this country | 1 | 2 | 3 | 4 | 5 | 6 |
| **Governance** | | | | | | |
| Ownership rights and shareholder agreements are clearly laid out for all members of the family | 1 | 2 | 3 | 4 | 5 | 6 |
| I believe there is transparency and clarity with all organisational decisions made. | 1 | 2 | 3 | 4 | 5 | 6 |
| I feel there is respectful cooperation within family members and the business | 1 | 2 | 3 | 4 | 5 | 6 |

Thank you for taking the time to fill in this questionnaire. Your time and help is highly appreciated.