

# What is the so called “family character” of a family business?



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# Introduction

During the Pick n Pay Holdings (Pikwik) AGM, a hot debate followed the criticism of the pyramid-controlled structure of Pikwik

- ◆ Dr Raymond Ackerman's defence:
  - referred to the small number of family business groups left in South Africa
  - that "there's a passion that goes with a family owned business – and that's something that should be encouraged"

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# Though the study of family businesses is only three decades in existence



- ◆ important contributors to the growth of economies world wide
- ◆ dominate world economies, by creating and preserving wealth in emerging markets
- ◆ generate superior returns and profitability
- ◆ higher employment and revenue growth
- ◆ maintain employees during market lows

South Africa:

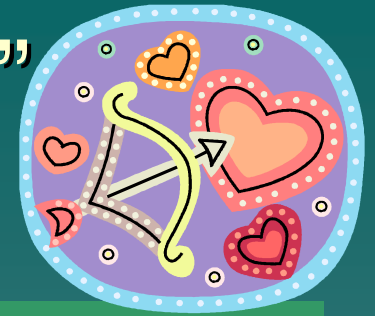
80% businesses and



60 % of the JSE Ltd = family businesses



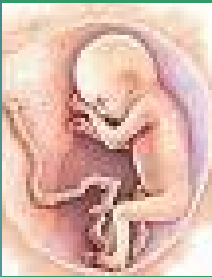
- ◆ The Macsteel family-business group, probably South Africa's largest company in terms of revenue
  - 100 percent owned by the Samson family
  - estimated to generate twice the income of De Beers or Pick n Pay
- ◆ Andrew Golding regards Pam Golding Properties in absolute rand terms, as the most lucrative estate agent in South Africa
- ◆ Altron first business in SA CGA (Corporate Governance Accreditation) gold award, judged on grounds of sound corporate business practices
  - JSE business practises for listed companies and
  - second King's report for corporate management

# What then is this “passion” in a family businesses?

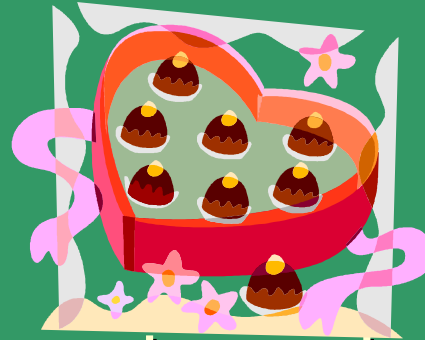


- ◆ Habbershon, coined “familiness”
- ◆ “falling in love” (Gartner)
- ◆ “first love” or “baby” and a failure as “infant mortality” or a “miscarriage” (Cardon et al.)
- ◆ Dr Raymond Ackerman   
exhilarated  - he had to have it

- ◆ Dr Bill Venter: the passion as “an invisible but essential umbilicus” that leads to the synergy and success of family businesses
  - a contagious motivation of a combination of factors that seem to be related to family
    - ◆ respect customer service
    - ◆ healthy relationship with suppliers + stakeholders,
    - ◆ leading to an enhanced work-ethic and loyalty to a family business



# PASSION:



- \* Dr Anton Rupert : a strong trust that is built and nurtured between their family business and other parties
- \* Clüver family : bringing a “soul” into being
- \* Chen family, Mustek: teamwork & treating employees as family members
- \*unique, especially when implementing turnaround strategies (Cater & Schwab)

# Passion

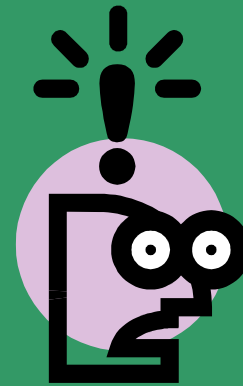
- ◆ Christo Wiese, Pepkor (Peps, Checkers, Shoprite, Lourensford)
- ◆ responsible ownership
- ◆ respect for people
- ◆ legacy of a long-term commitment and dedication to the company



# There is no denial of the negatives of family businesses



- ◆ Low succession (1/3)
- ◆ Resistance to change
- ◆ Family conflict
- ◆ Sibling rivalry



# However

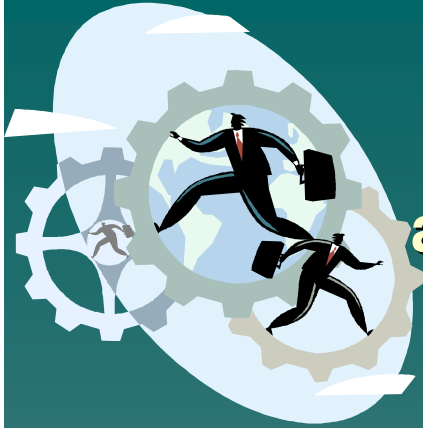
- ◆ evolutionary strength associated with a family business that evolve towards positive cultures of
  - trust,
  - synchrony and
  - entrepreneurial innovation



# Positive Organisational Behaviour



- ◆ **Self-efficacy**, self-confidence in abilities to successfully activate skills and talents to execute tasks;
- ◆ **Hope**, a capacity to energise pathways and goals in motivational behaviour;
- ◆ **Optimism**, a capacity to adopt an orientation of positive explanatory styles when facing adversity; as well as
- ◆ **Resiliency**, a competence to recover, recondition and restore when faced with failure or misfortune



# Self-efficacy

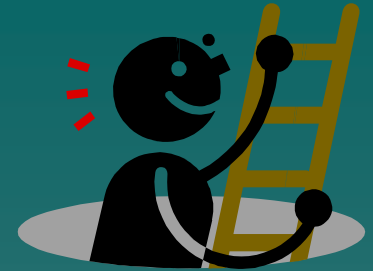
a self-belief of being capable of producing actions in order to accomplish goals

- ◆ strength ties that exist between the family business, its historic achievements and its evolution into the innovative search for future prospects
- ◆ founder legacy
  - regularly serves as guideline for the enterprise over many generations
  - personal commitment of the family and its sincerity towards the business

- ◆ Rupert left a legacy of building, in one generation, a family-controlled multinational company, ranking 125th globally and regarded as among the top three in South Africa
- ◆ Dr Raymond Ackerman describes the legacy that he shall leave for Pick 'n Pay as “something of real value has been built”, that will survive and grow even stronger
- ◆ Four legs of the table principle still serves as the basis on which Pick 'n Pay is run: administration, merchandise, social responsibility and people



# Hope



- ◆ Philanthropic care – under reported
- ◆ Fortune 500 companies report indicates a higher prevalence of social capital policies of family-owned businesses compared to non-family owned firms
- ◆ In a study of 221 family businesses social support, accounted for almost 43 percent of the variation in family business community social responsibility (Niehm, Swinney & Miller, 2008:338)
- ◆ In SA philanthropic care is provided, benefits are ploughed back into society, and dignity is restored to individuals and communities in need



- ◆ Dr Rupert believed that South Africa should not ignore the poverty of their Lesotho neighbours
- ◆ Vukani-Ubuntu, a social responsibility organisation founded by Demos Tekoulas, is dedicated to create and develop opportunities of hope for underprivileged individuals

- ◆ Lubner family founded the organisations: Field band and the Smile foundation, apart from a range other philanthropic activities



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The Smile Foundation provides surgical cranio-facial correction for the disadvantaged South African Children who will not be able to smile without this surgical procedure



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# Optimism

propensity of anticipating positive things to happen



- ◆ Optimism could be enhanced by the high importance placed on customer service by family businesses
  - Customer is king
    - ◆ Venter (2006) study
    - ◆ main policy in Pick 'n Pay
  - 572 small family businesses in the US, indicated that 44.6 percent of these firms saw a positive reputation with their customers as the most important business goal

# Optimism:



competitive & strategic advantage of trust

- ◆ Successful inter-generational handover
- ◆ The strategic relevance of a family-member as successor
  - lifelong as well as general knowledge of the family business
  - having a history of relationships with clients, suppliers, employees and competitors

# Resiliency

continuous process of utilising skills and building competencies when facing adversity and strenuous circumstances



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# Resiliency



- strong affective commitment to knowledge integration capabilities
- ◆ willingly integrate newly accessed knowledge, not withstanding the obstacles of potential relationship conflicts
  - ◆ general altruistic tendency of family businesses not to downsize during market lows



# Kunene Brothers Holdings

KS (Keith) Kunene  
MF (Dudu) Kunene  
MW (Zanosi) Kunene  
NR (Zoli) Kunene  
MB (Menzi) Kunene

3<sup>rd</sup> generation

Vosloorus, during the 1980's  
Coca-Cola and Grintek  
Investment

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# Proposition 1: Self-efficacy

*Self-efficacy in family businesses leads to an inherent strength through historic achievement and future innovative behaviour*

- ◆ Self-efficacy seems to support an inherent strength in family businesses, enhanced by historic achievements and a tendency towards innovative behaviour (Schwass, 2005:46).
- ◆ Founder legacy seems to further strengthen the self-efficacy of a family businesses as well as acquiring acquisitions (Venter & Kruger, 2004:6-7).

# Proposition 2: Hope

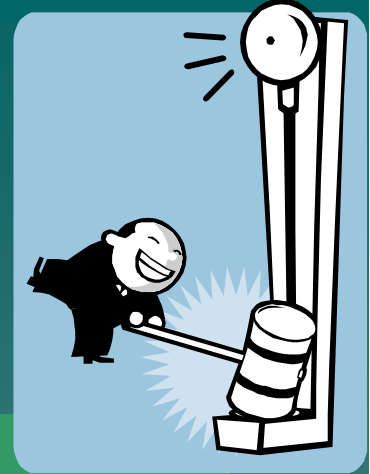


*Family businesses seem to create cultures of hope in the social systems in which they function*

- ◆ Hope in family businesses is demonstrated by the social care in the form of a variety of philanthropic involvements by family businesses
- ◆ Waypower needs to be developed by exploring acceptable pathways for different cultures in South Africa to restore their self-worth and function from an orientation of hopeful expectations



# Proposition 3: Optimism



*A culture of optimism and a propensity to anticipate positivism, exists in family businesses*

- ◆ Optimism in family businesses is nurtured by the high priority set on customer service
- ◆ Optimism could be further advanced by the high form of trust that seems to exist in family businesses, through historical relationships formed with customers, suppliers, employees and competitors
- ◆ The tendency of family firms to stay loyal to their employees in times of market lows and employment growth during prosperous times could further contribute to a climate of optimism.

# Proposition 4: Resiliency



*Family businesses show resilience by continuously showing competencies when confronted with difficult circumstances*

- ◆ Resilience is for instance shown by family businesses, by rather cutting costs during market lows than dismissing staff
- ◆ The Kunene Brothers Holdings have shown strong resilience by developing from humble beginnings to a huge current conglomerate, notwithstanding apartheid
- ◆ Family businesses seem to be committed to integration of knowledge and expertise and utilisation of turnaround strategies when facing crises, which seem to contribute to their resiliency

# Discussion



- ◆ Certain dynamic POB themes in family businesses that could lead to the unique unity that seems to advance family business performance
- ◆ This does not mean that POB does not exist in non-family businesses.
- ◆ More rigorous empirical work needs to be done to investigate the difference

# Limitations of the study

- ◆ Literature study
- ◆ Quantitative studies need to be undertaken
- ◆ It is however proposed that POB is more prevalent in family businesses than non-family businesses, therefore possibly contributing to the passion of family businesses and their reported higher performance.

# Directions for future research



- ◆ POB and its relationship with the concept of familiness in family businesses need to be investigated
- ◆ Comparisons should be done empirically, to weigh the prevalence of POB in family businesses opposed to non-family businesses
- ◆ Different other positive psychological factors need to be investigated in family businesses



# Conclusion



- ◆ It is recommended that the “passion” culture that seems to exist in family businesses in the form of POB is worth pursuing and nurturing in family and non-family businesses.
- ◆ This could not only contribute to superior performance, but also successful perpetuation of the family business