



GORDON INSTITUTE
OF BUSINESS SCIENCE

University of Pretoria

Critical successor attributes in Indian family owned businesses in South Africa

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

13 November 2008

ABSTRACT

The purpose of this research paper was to identify and understand critical successor attributes in Indian family owned businesses in South Africa. The understanding of these attributes may inform management's selection criteria in choosing an appropriate successor. Succession is crucial in terms of the survival of Indian family owned businesses in South Africa.

A literature review on the topic of succession in family owned businesses was done. From the literature, 30 critical successor attributes were identified. The research question was formulated after discovering that there have not been any South African studies on the topic of critical successor attributes. Interviewees were asked to list and discuss critical successor attributes as part of the open ended questions during the interview and then later presented and asked to rate the importance of the 30 successor attributes identified from two previous studies. Eight Indian family owned businesses were identified through purposive sampling where the predecessor/potential predecessor and the successor/potential successor were interviewed.

The open ended questions in the interview provided rich descriptive data and highlighted critical successor attributes according to this sample. The most critical successor attributes identified were financial and accounting skills; education; and business acumen. When presented with the 30 attributes identified from the previous two studies, "integrity" and "commitment to business" were identified as the two most important successor attributes from this list.



DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master 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. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Jatheen Desai

Date

ACKNOWLEDGEMENTS

I wish to thank the following people for their assistance and support during my research journey. Without their contributions this study would have not been possible.

- My supervisor, Sarah Babb, for her guidance and support

- To Dr Margie Sutherland, for her support and guidance and making this experience pleasurable

- To the businessman who participated in my interviews, your insight, wisdom, experience and successes was the most beneficial part of my learning.

- To my family and friends for their prayers and support during my MBA, thank you.

- And lastly to my darling wife Meena, this would have not been possible without you. Thanks for believing in me and guiding me through the research and sacrificing your time and energy. You picked me up when I was down and provided me with the energy to fulfil this milestone. Thanks for being my pillar of support and inspiration.

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CHAPTER 1 INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Research Title

Critical successor attributes in Indian family owned businesses in South Africa.

1.2 Introduction

Family businesses across various sectors form the backbone of many economies around the world. The majority of these businesses internationally are small to medium sized with family businesses having consistently outperformed the Standard Poors 500 (Moscatello, 1990).

Up to 80% of South African businesses and up to 60% of companies listed on the Johannesburg Securities Exchange (JSE) are family businesses. An important characteristic of family businesses is the ability to generate substantial wealth and jobs on a much larger scale than any other type of business (Adendorff, Boshoff, Court and Radloff, 2005).

A unique strategic issue shared by family firms is succession – the transference of leadership from one generation to the next. Venter, Boshoff and Maas (2005, p. 284) state that “It has been estimated that, internationally, only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation”. Thus longevity is a concern for family businesses

and the strategic issue of succession is essential for the survival of these businesses.

1.3 Research Problem

The topic of succession in family businesses has received much attention in the literature (Chrisman, Chua & Sharma, 1998). Even though there is extensive literature on the topic, knowledge on how family businesses are passed down from one generation to the next is still relatively vague and undefined. As a result there is no theoretical framework or guidelines available for how the succession process should take place or what the universal critical successor attributes are.

Venter, Boshoff & Maas (2005, p. 284), say that: “According to several authors and consultants, one of the main reasons (if not the single most important reason) for the high failure rate among first- and second- generation family businesses is their inability to manage the complex and highly emotional process of ownership and management succession from one generation to the next.” They go on to support that although a number of factors influencing succession have been suggested, the literature is “highly fragmented” and more supportive studies are needed. For instance, uncertainty still reigns on the critical factors influencing succession.

One of the key components of the succession planning process is the ability to select a suitable successor. This can only be done if the predecessor

understands what attributes are critical for a successor to have. In this regard two major studies have been conducted concerning critical successor attributes in Canada and India. Dyer and Sanchez (1998) encourage us to conduct cross cultural research to ensure that the theories are widely applicable and not culturally bound.

One of the most recent studies on the succession process in South Africa is that done by Venter *et al.* (2005) on “The Influence of successor-related factors on the succession process in small and medium sized family businesses”. Their recommendation for future research was that “given the homogeneous nature of the demographic characteristics of the respondents in this study, particularly with regard to gender and ethnicity, the impact of demographic factors on both the perceived success of the succession process and those factors that influence the process should be further investigated”.

1.4 Research Scope

The scope of the research will include small and medium Indian family owned businesses in South Africa. The definition of Indian family owned business for the purpose of this study will adopt that of Kenyon-Rouvinez and Ward (2005), who 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.

The research will focus on Indian family owned businesses in South Africa in which the succession process has already successfully taken place as well as business where the succession process needs to take place.

1.5 Research aim

The aim of the intended research is to identify and determine critical successor attributes by conducting face to face interviews with the key role players of eight prominent Indian family owned businesses in South Africa. Four of these companies would have completed a successful succession and four will be planning for a succession. Successful succession will be defined as ensuring the business continues to operate successfully and the successor having the ability to ensure sustainable growth and financial security after the succession process (Goldberg, 1996).

The research data will then be collated and compared to find common themes and trends. These will be sequentially and logically integrated to determine a comprehensive list of perceived critical successor attributes according to significant role players of Indian family owned businesses in South Africa and compared to the two studies conducted in Canada and Indian regarding successor attributes.

CHAPTER 2 THEORY AND LITERATURE REVIEW

2.1 Family businesses

2.1.1 Introduction

Family businesses are among the most important contributors to wealth and employment creation in virtually every country of the world. (Venter *et al*, 2005). This may be the case in point for South Africa, as according to Adendorff *et al*. (2005) approximately 80% of South African businesses are family owned as mentioned above.

According to Chrisman, Chua & Sharma in De Massis, Chua & Chrisman (2008, p 188), a family business is defined as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.”

Davis (1982) in Brockhaus (2004) suggested that family businesses tend to have a relatively high degree of intentionality of commitment to achievement and perseverance that derives from individual pride, family pride, and family tradition.

2.1.2 Family businesses dynamics

Family businesses are complex, dynamic and unique in many ways. Ward (2000, Figure 1) analyses Family Businesses as follows:

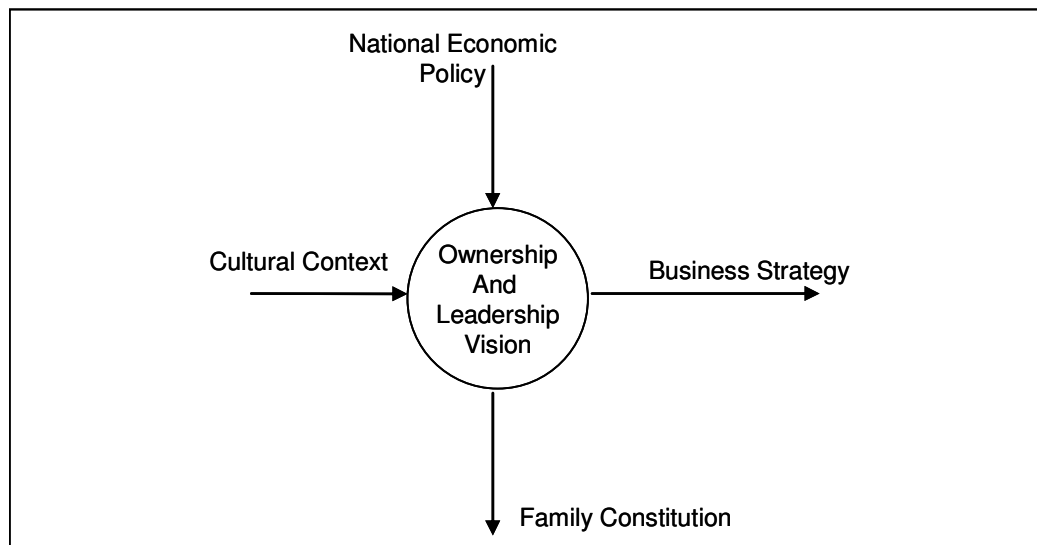


Figure 1: The analysis of Indian family businesses

In figure 1 above, Ward says that the national economic policy and cultural context are critical factors that influence the family business dynamic. These factors determine the family businesses strategy and family ownership structure.

A key aspect of the family business dynamic is the culture and ethos of the family business. Denison, Lief and Ward (2004) say that the founder of the business plays a dominant role in the entrepreneurial and successive periods of the business. As a result the personal values and motivation of the owner are powerful determinants of the businesses overall culture. Denison, *et al.* goes

on further to state that: “This cultural uniqueness, if understood and nurtured, can be one of a corporation’s greatest advantages”.

Allio (2004) explores various criteria that contribute to the success of the family business. These are:

- Focus: successful family businesses are usually exceptionally focused on their core business or markets
- Speed: family businesses are usually able to respond quickly when making decisions and responding to crises
- Deep pockets for growth: Family businesses have quick access to considerable financial resources
- Follow through: Family businesses often pride themselves in their ability to follow through as this becomes a question of both professionalism and family honour

Even though there are many advantages inherent in family businesses there are also some disadvantages. Ward (1997) explains that family businesses know that family problems pose a real threat to their futures. Disparate goals and values are the most serious 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).

Craig and Moores (2005) say that family businesses largely practice values-based management. Litz (1997) in Craig and Moores (2005) says that family

businesses often function in confusing and clandestine ways that are not evident in non family businesses.

In short, family businesses play an important role in most world economies. Family businesses are complex, multi-layered and often unconventional in their operation and culture thus affording these businesses unique strengths and leverages.

2.1.3 Indian Family owned businesses in India

Indian family owned businesses are qualitatively different to western family owned businesses in that they have a more collectivist culture and complete surrender of individuality for the welfare of the family (Dutta, 1997). Gupta (1991) in Sharma and Rao (2000) observes that despite considerable sub cultural differences that prevail in different parts of India, the basic value systems that business families throughout the country follow are surprisingly similar.

Ward (2000) says that: “The family business groups are the backbone of the economy, making up most of the GDP and nearly all of the industrial economy in India”. The family culture and the economic and strategic environment in India have changed dramatically creating tougher competition for family businesses (Ward, 2000). Added to this, Ward (2000, p. 274) states that: “the privilege of sons is being threatened.” Daughters of business owners are

becoming more educated and it is becoming more socially acceptable for them to be actively involved in the business.

2.1.4 Indian family owned businesses in South Africa

The cultural and social milieu of South Africa resembles that of India in that South Africa's Indian population consists of a variety of religious, cultural and lingual 'groups, i.e. Hindu, Muslim, Christian, Buddhist, etc. This is definitely a factor to consider when examining succession within this population group. In a comparative study done by Sharma and Rao (2000) it was noted that Indian family firm managers attribute more importance to family relationships as compared to western cultures, with the following attributes being valued the most by Indian family business owners: being trusted by family members, ability to get along with family members, blood relation and willingness to take risks.

According to Adendorff, *et al.* (2005), South Africa has experienced strong economic and entrepreneurial growth since opening its doors internationally. This has been largely driven by the growth in the family business component of the South African economy (Venter, 2002).

In order to accurately understand the functioning of Indian family owned businesses in South Africa, it is valuable to view the historical path of this group. Bawa (2006) chronicles the history of South African Indian-Owned Family businesses as follows:

- The first Indians came to South Africa in 1860 as indentured labourers to work in the sugar, tea and wattle plantations of Natal.
- Almost a decade later a second group of immigrants, known as passenger Indians came to South Africa in search of trading opportunities.
- Most of this Indian population settled in Natal (now Kwa-Zulu Natal), particularly Durban and Pietermaritzburg. However the discovery of gold in the 19th century led many Indians to Transvaal (now Gauteng) in search of better opportunities.
- The Indian business communities in both Natal and Transvaal were successful. According to Bhana and Brain (1990) in Bawa (2006), the advantages of the extended family system were drawn upon.
- Part of the success of this group of businesses was attributed to the fact that Indians were prepared to work hard and for long hours, selling their goods at a far lower cost thus eliminating the competition.
- The apartheid era posed considerable restrictions on Indian family owned businesses as they were restricted to the “Indian” areas only.
- “Despite the limited property and economic rights held by Indian businessmen, this group of businesses has not only survived but prospered, thanks to its “consistent creativity” and “sheer determination” (Patel, 1989 in Bawa 2006).
- Currently the South African Indian owned businesses face new challenges due to political changes like the implementation of black economic empowerment and the affirmative-action like policy.

- Southall (2004) in Bawa (2006) states that new business opportunities have emerged for those in the business sector that are politically connected with the new political dispensation. Such connections often date back to the liberation struggle days and result in what Southall describes as “crony capitalism”.

Thus, it is against this ever changing political and economic background that South African Indian family owned businesses must function to prosper.

2.2 Succession

2.2.1 Introduction

Brun de Pontet, Wrosch & Gagne, (2007) argue that complete family business succession involves the transfer of both management and ownership control from one generation to the next. They go on to further say that movement through the succession process may affect both the management of the business and eventual succession outcomes.

According to Cadieux (2007) succession is a complex process spread over four different phases – initiation, integration, joint reign, and withdrawal – with the ultimate goal of ensuring the firms survival.

The complex process of succession can be differentiated into the following areas to better understand the topic, i.e. succession planning; the succession

process; successor development and successor attributes. These topics will be discussed briefly in the next section.

2.2.2 Succession planning

“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, p. 25). Due to the complex and emotionally fraught process of succession and the unique characteristics of different family businesses it is unlikely that a single model of family business succession planning can be applied to all family businesses.

Handler (1989) says that the lack of succession planning is the main reason for the high failure of family businesses. The reluctance of the founder to hand over the business may be attributed to many factors. Seymour (1993) and Handler (1990) found that the founder’s strong sense of attachment to the business, fear of retirement and death, and lack of other interests are amongst these factors.

According to Cadieux (2007), of the three models of succession planning reviewed, the model of Handler (1989) stands out because of its perspective concerning the roles of the players. “This model shows that during the transfer process, the predecessor plays four successive roles – sole operator, king, supervisor and consultant – and the successor three (assistant, manager, and leader). The last of these roles can be assumed only by the two players when

there has been full transfer of know how, responsibility, leadership, and authority.” (Cadieux, 2007, p. 96).

Ibrahim, Soufani and Lam (2001, p. 256) make an important statement by saying that: “Succession should not be seen as an event that occurs as a result of the sudden death of the founder”. Instead, effective succession is the result of proper planning and is an intricate process requiring a sequence of steps that should be initiated early in the potential successor’s life to prepare him or her for the leadership role.

2.2.3 Succession process

The succession process in most family business literature includes three specific steps according to Ibrahim *et al.* (2001). These are:

- To prepare the offspring for leadership roles at an early age before joining the family business
- To integrate the offspring into the family business
- To assume the leadership role in the family business

Many authors like Longenecker and Schoen (1978) and Handler (1990) have found that the succession process is a long one, beginning in childhood and is a multistage process. According to Barnes (1988) and Correll (1989) in Brockhaus (2004 p. 167): “experience outside the company helps the successor develop an identity and prepare for a wider range of problems that may confront the organisation.”

Morris, Williams, Allen, & Avila (1997) in Fahed-Sreih & Djoundourian (2006) identify several factors that lead to the breakdown of the succession process, these include, problems among family members, unprepared heirs, and issues related to planning and control activities.

For the succession process to be successful all the involved stakeholders must be satisfied with the succession process and its outcomes. The successor should be able to ensure the sustainability and financial security of the family business (Venter *et al*, 2005).

2.2.4 Successor Attributes

The article by Chrisman, Chua and Sharma (1998) on “Important Attributes of Successors in Family Businesses: An Exploratory Study” will be used as a key reference for this section. Successor attributes is the central focus of this study and the study by Chrisman *et al.* (1998) was later replicated by Sharma and Rao (2000) within an Indian context. These studies used large samples and these provided valuable information as the initial study used 485 Canadian families and the second 43 Indian families. The initial article by Chrisman *et al.* (1998) identified thirty desirable successor attributes which were divided into six broad categories as follows:

1. Successor’s relationship with the incumbent;
2. Relationships with family members;
3. Family standing;

4. Competence,
5. Personality traits; and
6. Current involvement in the family business.

An extensive literature review by Chrisman *et al.* (1998) derived the thirty attributes. This was added to the replication study done by Sharma and Rao (2000). These findings will be discussed briefly in the next sections. Thereafter a comparative review of the findings of these two studies follows in Table 1 focussing on the differences between Canadian (western) and Indian (eastern) family firms. Where applicable, other references will also be included in the review.

2.2.4.1 Successor's relationship with the incumbent

The following three successor attributes belong to the above category:

- Age
- Compatibility of goals with current Chief executive officer (CEO)
- Personal relationship with current CEO

Chrisman, *et al.* (1998) found that the relationship between the successor and the incumbent is extremely important in the succession process and this determines the nature of the process, timing and effectiveness of the actual succession.

Davis's and Tagiuri's (1989) research indicated that the lifecycle stage of the potential successor relative to that of the incumbent affects the quality of the father son work relationship. Lansberg (1988) in Sharma & Rao (2000, p. 314) says that: "a good personal relationship between the successor and the incumbent leader is considered important in that it enhances the working relationship between the two individuals and aids in an effective leadership transition"

Dutta (1997) in Sharma & Rao (2000) discusses the father son relationship in India and found the following: (a) the relationship is usually formal and compromises are necessary; (b) sons rarely openly challenge their fathers due to respect, formality and obedience and therefore (c) the relationship is more formalised and less spontaneous in India compared to the west.

2.2.4.2 Relationships with family members

The following four attributes belong to the above category:

- Ability to get along with family members
- Respected by actively involved family members
- Respected by non-involved family members
- Trusted by family members

Churchill and Hatten (1987) in Chrisman *et al.* (2000) state that family harmony is important in family businesses. Davis and Tagiuri (1989) go on to support this as he mentions that personal relations are more important than making money.

Respect and trust by both family members involved in the business and those that are not involved are equally important according to Barnes & Hershon (1976) in Christman *et al.* (2000).

“Family is the centre of Indian social identity. The Indian value system is based on the complete surrender of individuality of family members to the welfare of the family and its activities.” (Sharma and Rao, 2000, p. 315).

2.2.4.3 Family standing

The following three attributes belong to family standing:

- Birth order
- Blood relation
- Gender

According to Dumas (1989) the long standing tradition of primogeniture has been very popular in transferring power in family businesses. However Kaye (1992) in Chrisman *et al.* (1998) acknowledges that this is changing whereby the eldest son may not be preferred over his sons and that daughters may be more suitable for the job.

In terms of choosing “in-laws” as successors, opposing views in the literature suggested that they may or may not be included. Syms (1994) study found that they are not normally selected whereas Fiegenger & Prince’s (1994), view is that they may be short listed as successors.

Even though there is an increasing prevalence of gender neutrality in western firms, Indian family firms still primarily follow the tradition of primogeniture. It has been repeatedly demonstrated that Indian women who are actively involved in their family businesses will always place a higher priority on their family responsibilities, with the business coming second. As a result, gender of the successor plays a more important role in Indian family owned businesses (Sharma and Rao, 2000).

2.2.4.4 Competence

The following ten attributes comprise this section:

- Education level
- Experience in the business
- External management experience
- Track record, past performance
- Financial skills/experience
- Marketing and sales skills/experience
- Interpersonal skills
- Technical skills/experience
- Strategic planning skills/experience
- Decision making abilities/experience

Competence is expected in all leaders including a variety of skills. “Education level” according to Fiegner and Prince (1994) describes an individuals

knowledge, skills and problem solving abilities. Whereas “experience in the business” according to Lansberg and Astrachan (1994) in Chrisman *et al.* (1998) enables the successor to understand the culture and develop key relationships within the company. Lansberg and Astrachan (1994) found that “External management experience” allows the successor to prepare for wider range of problems which may be experienced within the family business. Chrisman *et al.* (1998) included a list of six skills to determine which were considered important.

Knowledge can be differentiated into a number of different types, including general, technical, and experiential knowledge (Royer, Simmon, Boyd, Rafferty, 2008, p. 18). Royer *et al.*, further explain that transforming a successor requires an understanding of all stakeholder relationships and internal firm processes. To acquire this distinctly unique knowledge the successor needs time, but work and industry specific experience could accelerate this process.

However, Dutta (1997) in Sharma and Rao (2000) says that: “the business community continues to consider excessive education ostentatious”. Thus education is considered less important by Indian family owned businesses. Sharma and Rao (2000) go on to further say that all young male members of Indian family owned businesses are expected to spend time in the business from a young age thus valuing experience and time spent in the business more than academic knowledge.

2.2.4.5 Personality traits

After an extensive literature review Chrisman *et al.* (1998) came up with the following personality traits that are desirable in successors:

- Aggressiveness
- Integrity
- Intelligence
- Creativity
- Willingness to take risk
- Independence
- Self-confidence

Out of the six attribute groups mentioned above, Sharma and Rao (2000, p. 318) found that “personality traits of the successor were rated as the most important in both the studies”. From the seven personality traits, integrity and commitment to business were the highest ranked critical attributes. Due to the cohesive and inclusive nature of Indian family businesses where the greater good of the whole family is the main concern, family members work for the collective rather than individual good. As such, the attributes of independence and aggressiveness are not encouraged.

2.2.4.6 Current involvement in the family business

The last section of current involvement in the family businesses included the following three attributes:

- Current ownership share in business
- Commitment to business
- Respected by employees

Chrisman *et al.*(1998) and Sharma and Rao (2000) both agree that ownership and the potential successors share in the business plays a vital role in their involvement and commitment to the business. In both the Canadian and Indian studies, successor's commitment to business was considered one of the most important attributes with current ownership share in business; and respect by employees ranking lower.

2.2.4.7 Survey results of both studies

The two studies means and ranking of six attribute categories will be listed below:

Table 1: Comparative results of Canadian and Indian study

No	CATEGORIES	Canadian Study (1998)	Indian Study (2000) - India
1. Successor's relationship with the incumbent;			
1	Age	For the Canadian sample, the group was ranked fifth (5th) in order of importance with "Compatibility of goals with current CEO", ranking the highest attribute.	This group also ranked fifth (5th) in the Indian sample with "Personal relationship with CEO" ranking the highest attribute.
2	Compatibility of goals with current CEO		
3	Personal relationship with current CEO		
2. Relationships with family members;			
4	Ability to get along with family members	This group of attributes ranked second (2nd) with "Respected by actively involved family members" ranking as the most important attribute in the group.	This group ranked second (2nd) with "Trusted by family members" being the highest ranked attribute.
5	Respected by actively involved family members		
6	Respected by non-involved family members		
7	Trusted by family members		
3. Family standing;			
8	Birth order	This group ranked (6th) with "Blood relation" also ranking as the most important	This group ranked sixth (6th) with "Blood relation" ranking as the most important attribute.
9	Blood relation		
10	Gender		
4. Competence,			
11	Education level	This group ranked third (3rd) "Decision making abilities and experience" ranking as the most important attribute,	This group ranked fourth (4th) with "Decision making abilities and experience" ranking as the most important.
12	Experience in the business		
13	External management experience		
14	Track record, past performance		
15	Financial skills/experience		
16	Marketing and sales skills/experience		
17	Interpersonal skills		
18	Technical skills/experience		
19	Strategic planning skills/experience		
20	Decision making abilities/experience		
5. Personality traits; and			
21	Aggressiveness	This group ranked first (1st) with Integrity being ranked as the overall most important successor attribute.	This group also ranked first (1st) with Integrity being ranked as the overall most important successor attribute.
22	Integrity		
23	Intelligence		
24	Creativity		
25	Willingness to take risk		
26	Independence		
27	Self-confidence		
6. Current involvement in the family business.			
28	Current ownership share in business	This group ranked fourth (4th) with "Commitment to business being the second highest ranked individual successor attribute.	This group ranked third (3rd) with "Commitment to business" being the second highest ranked individual successor attribute.
29	Commitment to business		
30	Respected by employees		

Canadian Study: Important Attributes of Successors in Family Businesses: An Exploratory Study
By: Chrisman J, Chua J and Sharma P (1998)

Indian Study: Successor Attributes in Indian and Canadian Family Firms: A comparative study
By: Sharma P and Rao S (2000)

2.3 Conclusion

The purpose of the literature review was to describe and consolidate the various aspects of succession in family businesses. Some of the main themes emerging from the literature review are:

- Family businesses play an essential role in wealth creation in most economies around the world
- Family businesses are characterized by speed, focus, access to capital and follow through (Allio, 2004)
- Indian family owned businesses are qualitatively different to western family owned businesses in that they have a more collectivist culture and complete surrender of individuality for the welfare of the family (Dutta, 1997).
- Succession planning is an essential component for the survival of the family business beyond the first generation, however this is given little thought;
- The succession process is a long and complex one with a dependency on the ability to recognize and select a successor with critical successor attributes;
- One of the key components of selecting a successor is knowing which successor attributes are important and valuable within small Indian family owned business context;
- This has been explored in some depth in two previous studies (Chrisman *et al*, 1998 and Sharma and Rao, 2000). One of the main contributions of

these two studies has been a comprehensive list of thirty successor attributes considered to be critical in Indian family owned businesses;

- Both articles reviewed on successor attributes found that “integrity” and “commitment to business” were the two most important attributes of potential successors in both western and Indian businesses and leaders did not care about age, birth order, or gender.

CHAPTER 3 RESEARCH PROPOSITIONS

The purpose of this research paper is to identify and describe critical successor attributes in Indian family owned businesses in South Africa. The topic of succession has been popular and well researched. Many South African researchers have focused on the specifics of the succession process and family factors affecting the succession process, but few have focused on the successor attributes considered critical.

It has been documented that in many family businesses, succession is not well planned and often not considered in due time. As a result, many family owned businesses do not last past the third generation (Venter *et al.* 2005). It has been established that critical successor attributes are important for the incumbent to be aware of and to consider when selecting a potential successor.

As mentioned previously, thirty critical successor attributes have been identified in two previous studies. It is the researcher's intent to measure the importance and value placed on these previously identified attributes within the South African context. In this regard the thirty successor attributes were grouped in six categories and the respondents were asked to rank the importance of each attribute and select the most important attribute per category.

The researcher realised that these thirty successor attributes may not fully encompass the South African view of critical successor attributes and the succession process. In order to gain unique South African insights and in depth

knowledge about succession and successor attributes, the open ended questions in the interview were used.

The research will have three broad areas of enquiry. These are company and interviewee information, descriptive information from the open ended questions in the interview and prioritised ranking of the thirty successor attributes from the questionnaire. The central research question is:

Research question 1

What attributes are considered critical for potential successors in Indian family owned businesses in South Africa?

CHAPTER 4 RESEARCH METHODOLOGY

4.1 Research design

“Most of the studies on family businesses are qualitative, case oriented and/or anecdotal. The main reasons for these are that family businesses evolve over potentially long time periods, their dynamics can be quite complex, information pertinent to family relationships may be sensitive and the key players may no longer be available” according to Morris, Williams and Nel, (1996) in Hoosen (2007).

The research problem required primarily qualitative research methods as it was the researcher’s intention to dig deep and obtain an in-depth, descriptive view of critical successor attributes and why these attributes were considered important. A questionnaire from the Chrisman *et al.* (1998) study, on Important Attributes of Successors in Family Businesses that was conducted in Canada, was included in last section of the interview used for this study. This section of the data gathering process was analysed quantitatively to determine the most important successor attribute in each category.

Leedy & Ormrod (2001) suggested that qualitative research methods are focussed on phenomena that occur in natural settings, involving the study of these phenomena in all their complexity. Leedy & Ormrod (2001) went on further to state that to answer some research questions, it is not possible to skim along the surface, the research has to dig deep. Qualitative research

compared to quantitative research allows interaction with interviewees and the opportunity to ask probing in-depth questions to fully understand the research problem.

Partington (2002, p. 109) suggests that qualitative research is “...associated with research questions and phenomena of interest that require exploration of detailed in-depth data, aimed at description, comparison or prescription.”

Quantitative analysis according to Render and Stair (2000) is a scientific approach to decision making where data is manipulated and processed to assist in business decisions. The questionnaire included in the interview in the last section was used to do a comparative analysis between the Canadian, Indian and South African studies.

This study is descriptive in nature and focuses on understanding perceived critical successor attributes in Indian family owned businesses in South Africa. Zikmund (2003, p. 55) states “Descriptive research seeks to determine the answers to who, what, when, where, and how questions”.

Due to the complex and sensitive nature of succession planning, face to face interviews were conducted to gather the raw data. The research question was formulated after an extensive literature review. The interview schedule in Appendix B was informed by the research question. The company and interviewee information followed by the open ended questions were asked first to understand the interviewees’ position’s on what critical successor attributes

are and were not guided by the interviewee so as to not influence the interviewee's answers and reasoning. Once this section was completed in full the second part of the interview which included the questionnaire was presented.

The interview schedule questions were formulated so that they are open ended and allow for unique detail and description by the interviewee thus expanding the understanding of the subject. The open ended questions and semi structured nature of the interviews eliminated bias on the part of the researcher and allowed for total freedom of expression from the interviewees. The information gathered was used to understand critical successor attributes in Indian family owned businesses in South Africa.

4.2 Population of relevance

The population of relevance consists of small and medium sized Indian family owned businesses in Gauteng, South Africa. Zikmund (2003) defines population as any complete group of people or companies, or the like that share some set of characteristics.

According to the national small businesses act No.102 of 1996, a small business is defined as "a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned

in column I of the Schedule (see Appendices C) and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule”.

In addition to Kenyon-Rouvinez & Ward’s (2005) definition of family businesses cited above in chapter one, the following characteristics were used to define the population of relevance:

- Indian family owned businesses where the current owner was nearing retirement and considering succession, and/or,
- Second generation Indian family owned businesses where the current owner had experienced the succession process and the predecessor was still available, and/or,
- Indian family owned businesses where both the predecessor/potential predecessor and successor/potential successor were available for the interview

4.3 Sampling method and size

According to Zikmund (2003) the following decisions must be taken by researchers before a sample is taken. See Figure 2:

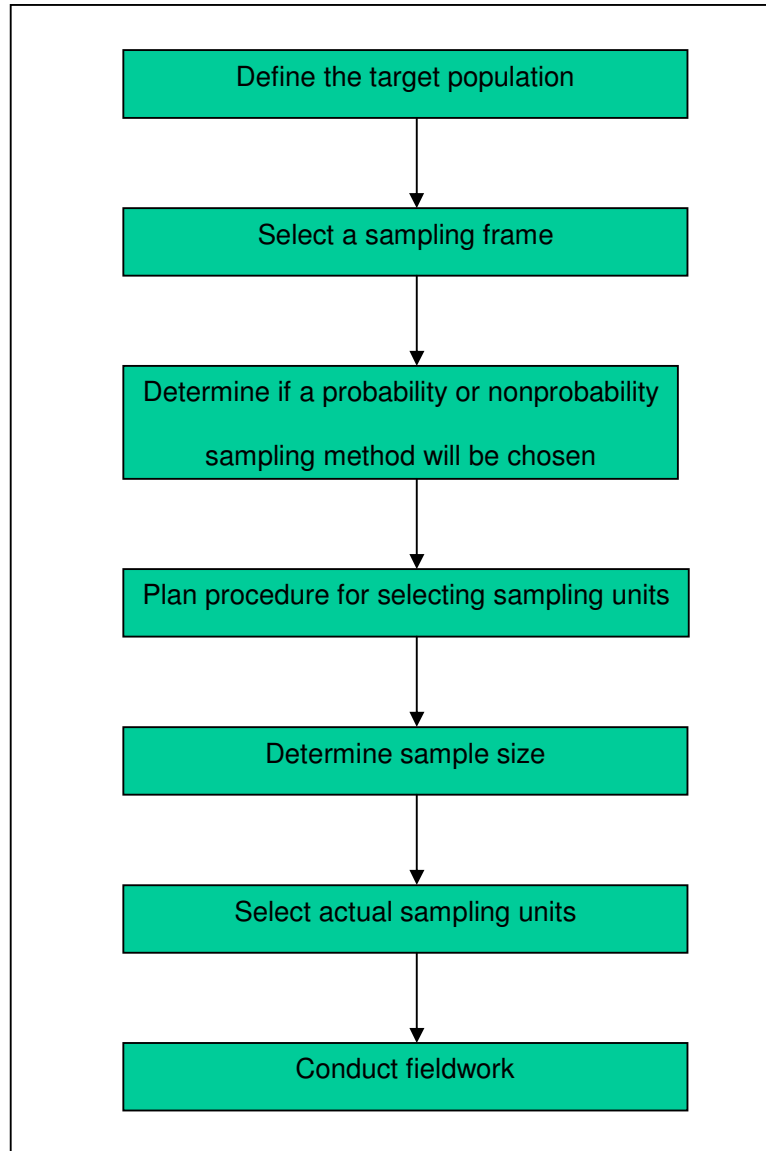


Figure 2: Sampling method and size

The target population is defined in section 4.2 above. A search for a Gauteng or South African family business directory proved unsatisfactory. Previous research conducted on Indian family owned businesses at The Gordon Institute of Business Science also concluded that no official directory of Indian family owned businesses in South Africa was available. As a result, non probability sampling was used.

According to Zikmund (2003) “non probability sampling is a technique in which units of the sample are selected on the basis of personal judgement or convenience”. The sample was selected by purposive sampling methods. Zikmund (2003, p. 382) states that: “purposive sampling is a non probability sampling technique in which an experienced individual selects the sample based on his or her judgment about some appropriate characteristic required of the sample members. The researcher selects the sample to serve a specific purpose.” The power of purposive sampling lies in the selection of data rich cases pertaining to the research problem (Shaw, 1999).

In this study, the main distinguishing characteristic of the sample was that these businesses had to have already undergone the succession process or preparing for it in the near future. As such, these businesses could provide meaningful information from personal experience.

The sample size comprised of eight Indian family businesses from Gauteng where the potential predecessor/predecessor, potential successor/successor were interviewed. Four of these companies had completed the succession process and four still need to complete the process. In total, sixteen interviews were conducted. As this was a probing, in-depth, descriptive study, the sample was small.

The interviewee was familiar with the Indian community within Gauteng and used his personal and family networks to identify Indian family businesses

where a succession had taken place or was going to take place in the near future. A telephone screening instrument was used to confirm that the business met the requirements necessary to conduct the interview. Therefore the main purpose of the sample was that the succession process and critical successor attributes were relevant and being currently experienced by the sample group.

4.4 Interview schedule

The interview schedule was defined by taking the research problem and research question into account. The interview comprised of the following three sections:

- Company/Interviewee data;
- Open ended questions; and
- Questionnaire/attributes table

The company/interviewee data and questionnaire/attributes tables were replicated from two previous studies in Canada and India conducted by Chrisman *et al.* (1998) and Sharma and Rao (2000). The questionnaire listed thirty attributes which were split into the six sections as per the literature review with a seven point likert scale. The questionnaire attributes table was adapted to add a section for rating the most important attribute per category. As the sample was small, calculating the most important attribute per category using a mean calculation would not have been the most accurate and reliable way of determining the most important attribute per category. As a result the researcher included a section for the interviewee to indicate which attribute they

thought was the most important in each category. See appendix B for detailed interview schedule.

The interview was pre-tested with the researcher's family members who operated a family business. The information, flow and interview technique was critiqued with the feedback being used to make improvements to the interview format and questions. This exercise contributed to the reliability and validity of data being collected.

4.5 Data collection

The method of data collection was face to face interviews conducted with current predecessor/potential predecessor and successor/potential successor of the identified Indian family owned businesses. The interview process followed the semi structured interview schedule as outlined in appendix B. The researcher explained the structure and flow of the interview questions. The researcher tried to create a trustable, friendly and relaxed atmosphere by asking general questions about the interviewee's family or business before starting the formal interview processes and provided assurance of anonymity.

Interviews were done privately and separately within a secluded area in the respective business environments to ensure the researcher had the full attention of the interviewee without any interruptions. Separate interviews were also conducted to allow unique and personal responses and to prevent

discussions by both interviewees and them trying to arrive to an agreed response and thus preventing bias.

The following points outline the data collection process:

- Raw data during the interview was captured by means of audio recorder as per the interviewee's consent,
- The interview included a section which required the interviewee to list critical successor attributes and then rank them according to importance,
- In some instances the researcher noted the points for the interviewees who were not keen on writing the points themselves,
- All audio recorded material was transcribed after the interview process,
- All the attributes listed were captured on a table with the frequency of similar or common attributes being noted,
- A questionnaire was included at the end of the interview as part of the statistical comparative analysis,
- The questionnaire required the interviewee to rate the importance of a particular successor attribute within a category,

The data was collected between 3rd September and 8th October 2008.

4.6 Data analysis

The following data analysis methods were used:

1. Content analysis
2. Inductive reasoning

3. Statistical analysis

Zikmund, (2003) says that content analysis studies the message itself. This includes a detailed and in-depth examination of the contents of the data to discover patterns, trends and correlations. Inductive reasoning is described as a logical process of establishing a general proposition on the basis of observation of an individual case (Zikmund, 2003).

A statistical analysis was done on the questionnaire section of the interview to calculate the mean scores for the ratings on the thirty successor attributes. This was necessary for the comparative analysis with the two previous studies completed.

Due to the qualitative and quantitative nature of the data collected and the multi-faceted nature of the concepts uncovered, content analysis, inductive reasoning and statistical analysis provided the most useful way to analyse the data meaningfully.

4.7 Data reliability and validity

Reliability refers to the extent to which similar outcomes would be obtained if the same study was conducted again by a later investigator (Yin, 2003). It is unlikely that this study could be easily replicated due to the personal, sensitive, descriptive nature of the data gathered. The questionnaire/attributes table

section of the interview should have a higher reliability than the open ended questions.

Validity, according to Zikmund (2003, p. 302) is defined as “the ability of a scale or measuring instrument to measure what it is intended to measure.” In this research paper, the measuring instrument namely, open ended questions in the interview and the questionnaire were both valid measuring tools as they have accurately measured critical successor attributes. The interview schedule and questionnaire was pre-tested and the necessary changes were made. This added to the validity of the measuring instrument.

4.8 Potential research limitations

The research may have the following limitations:

1. Interviews were conducted with eight Indian family owned businesses in South Africa and will therefore not be representative of all Indian family owned businesses;
2. All the businesses interviewed were in the Gauteng region and therefore not a representation of all Indian family owned businesses in South Africa;
3. Within the population group defined as Indian family owned businesses, a variety of religious and cultural groups exist and the sample only consists of one cultural group and therefore the results are not representative of the total population studied;

4. Only small and medium sized Indian family owned businesses in South Africa were used and thus large companies were excluded.

CHAPTER 5 RESEARCH RESULTS

5.1 Introduction

The sample used for the research was purposive sampling of Indian family owned businesses in Gauteng. Sixteen interviews were conducted at eight companies where the predecessor/future predecessor and the successor/potential successor were interviewed.

A prequalification test was done telephonically whereby the businesses identified were contacted to confirm if they would be willing to participate in the study and to ensure that the business met the minimum criteria, i.e. being a family business with two or more family members active in the business.

The data was collected and captured on an excel spreadsheet. The data was then organised in tables and converted into percentages where applicable. The data was separated into four sections, namely:

- Company data
- Interviewee data
- Open ended questions on succession and successor attributes
- Questionnaire response

5.2 Company data

The first section of the interview concentrated on the company information.

Table 2: Industry Type

Industry Type	Frequency	Percentage
Gift and Novelty Wholesaler	1	12.5%
Retail	2	25.0%
Kitchen Manufacturing	2	25.0%
Printing	2	25.0%
Clothing Manufacturing	1	12.5%

The data in Table 2 shows that 12.5% of the sample comprised of the gift and novelty industry, 25% each in retail, kitchen manufacturing and printing and 12.5% in clothing manufacturing. The sample included businesses in various sectors to give a fair representation of Indian family owned businesses.

Table 3: Business Age

Age of Business	Frequency	Percentage
0-15	1	12.5%
16-25	3	37.5%
26-35	1	12.5%
36-50	2	25.0%
50+	1	12.5%

The data shows that 12.5% of the sample has been in business for less than 15 years, 37.5% between 16 and 25 years in business, 12.5% between 26 and 35 years in business, 25% between 36 and 50 years in business and 12.5% of the companies being in business for more than 50 years. The youngest business in the sample is 16 years old and the oldest business is 59 years old.

The older businesses are valuable in this study as they have completed one or two processes of succession. These successions may be considered as successful successions as all businesses in the study are currently highly profitable and operational. The oldest business of 59 years has completed two successions and is currently planning the third.

Table 4: Number of full time employees in business

Number of Employees	Frequency	Percentage
1-10	1	12.5%
11-20	5	62.5%
21-30	0	0.0%
31-50	1	12.5%
50+	1	12.5%

The data shows that 12.5% of the sample has between 1 and 10 full time employees, 62.5% has between 11 and 20 full time employees, 12.5% between 31 and 50 full time employees and 12.5% has above 50 full time employees. The highest number of full time employees in the sample is 54 and the lowest 6. The majority of the sample has between 11-20 employees which will be analysed further in terms of the competencies required to run this size of business compared to much smaller and larger businesses.

Table 5: Number of family members in business

Number of Family Members	Frequency	Percentage
1-3	5	62.5%
4-6	3	37.5%

The data showed that the majority of the sample had between 1 and 3 family members within the business and 37.5% of the businesses had between 4 and 6 family members in the business. With fewer family members in the business,

the options in choosing successors are limited and probably pose as an advantage or disadvantage.

Table 6: Number of non family managers in business

Number of Non Family Managers	Frequency	Percentage
0	3	37.5%
1-3	4	50.0%
4-6	1	12.5%

The number of non family managers according to the data shows that 37.5% of businesses in the sample have no non family managers, 50% have between 1 and 3 non family managers and only 12.5% have between 4 and 6 non family managers.

Table 7: Family ownership of business

Family Ownership of Business	Frequency	Percentage
0-50%	0	0.0%
51-100%	0	0.0%
100%	8	100.0%

All the companies within the sample owned 100% of the business within the family. The ownership of all the businesses being 100% family owned is significant and will be analysed further in the next chapter to understand the reason for this.

Table 8: Number of Generations within the family business

No of Generations within business	Frequency	Percentage
1st Generation	0	0.0%
1st and 2nd Generation	7	87.5%
2nd Generation	0	0.0%
2nd and 3rd Generation	0	0.0%
3rd Generation	1	12.5%

The data shows that 87.5% of the businesses within the sample have the first and second generations present within the business. 12.5% of the sample has only the third generation within it and is appropriately the oldest business within the sample.

Table 9: Persons who have potential to be successors

Persons who have potential to be successors	Frequency	Percentage
Family		
Male	12	75.0%
Female	3	18.8%
Non Family		
Male	1	6.3%
Female	0	0.0%

The data shows that 93.8% of potential successors identified are family members with 75% being male and only 18.8% being female. This data will be further analysed as even though there are a significant number of interviewees choosing male family member's as their successors the results in table 22 shows that gender is not a critical factor in choosing a successor.

The other key point is that 5 out of 8 businesses had non family managers however only one business considered them as a potential successor. Many

interviewees stated that trust was the main reason for not choosing a non family member as their businesses did not have all the controls in place to ensure that it would be run honestly.

5.3 Interviewee Data

The second section of the interview was around the personal information of the interviewees.

Table 10: Interviewee Age

Interviewee Age	Frequency	Percentage
18-30	1	6.3%
31-40	5	31.3%
41-50	2	12.5%
51-60	4	25.0%
61-70	1	6.3%
70+	3	18.8%

The data on the interviewee's age show that 6.3% are between 18 and 30 years old, 31.3% between 31 and 40 years old, 12.5% between 41 and 50 years old, 25% between 51 and 60 years old, 6.3% between 61 and 70 years old and 18.8% above the age of 70. The youngest participant was 30 years old and the oldest 80 years old.

The researcher found that the older interviewees had great wisdom and experience to share on the topic and even though they may have not had formal educations, their knowledge of business and critical successor attributes was valuable and thought provoking.

Table 11: Interviewee Gender

Interviewee Gender	Frequency	Percentage
Male	16	100.0%
Female	0	0.0%

The data on the interviewee's gender shows that all interviewee's were male, i.e. 100%. The gender bias is significant and poses as a limitation to the study as well as allows one to interpret the findings according to males only.

Table 12: Interviewee Religion

Interviewee Religion	Frequency	Percentage
Hindu	16	100.0%
Muslim	0	0.0%
Christian	0	0.0%

Table 12 indicates that 100% of the interviewee's were Hindus. There were no participants of Muslim, Christian or other religious backgrounds. This may pose as an advantage in that the family values of Hindus will be well captured. However this may also pose as limitation in that the family values and practices may differ according to the different religions. This will be further analysed in the next chapter.

Table 13: Number of Children of Interviewees

Number of Children of Interviewee	Frequency	Percentage
Male		
1	2	11.8%
2	6	35.3%
3	1	5.9%
4-5	1	5.9%
Female		
1	3	17.6%
2	4	23.5%
3	0	0.0%

Table 13 shows that 11.8% had one son, 35.3% had 2 sons and 5.9% had 3 sons as well as 4 to 5 sons. 17.6% had 1 daughter, 23.5% had 2 daughters.

Table 14: Interviewee's Positions

Interviewee Positions	Frequency	Percentage
Owner	2	12.5%
CEO	2	12.5%
MD	3	18.8%
Director	7	43.8%
Financial Manager	1	6.3%
Accountant	1	6.3%

Table 14 shows that the titles varied of the interviewees, with 12.5% as owners (no official title), 12.5% Chief executive officers (CEO), and 18.8% Managing Directors (MD), 43.8% as Directors and 6.3% each as a Financial Manager and Accountant. It is evident that family members hold key strategic positions in the business and this may be one of the benefits of joining a family business. However the issue of nepotism is interesting to analyse as well as whether the new family members entering the business are competent and appropriately placed within the business.

Table 15: Business Founders

Business Founder / Relation to Founder	Frequency	Percentage
Founder	7	43.8%
Son	7	43.8%
Nephew	1	6.3%
Grandson	1	6.3%

The data in Table 15 shows that 43.8% of the interviewees were founders and the remainder were related to the founder as sons, nephews and grandsons. Sons made up 43.8%, nephews and grandsons made up 6.3% each.

Table 16: Education Level

Highest Education Level	Frequency	Percentage
Below Matric (grade 12)	5	31.3%
Matric	3	18.8%
Diploma	3	18.8%
Under graduate Degree	4	25.0%
Post graduate Degree	1	6.3%

In terms of education level, table 16 shows that 31.3% had a high school education but did not complete matric, 18.8% completed matric as well as qualified with diplomas, 25% had under graduate degrees and 6.3% had a post graduate degree. The importance of education as a key successor attribute will be further explored in the next chapter.

Table 17: Working Tenure

Working Tenure	Frequency	Percentage
No of years worked in family business		
1-10 years	2	12.5%
11-20 years	7	43.8%
21 -40 years	6	37.5%
40+	1	6.3%
No of years worked in current position within family business		
1-10 years	5	31.3%
11-20 years	5	31.3%
21 -40 years	5	31.3%
40+	1	6.3%
No of years worked outside family business		
0 years	7	43.8%
1-10 years	4	25.0%
11-20 years	3	18.8%
21 -40 years	2	12.5%
40+	0	0.0%

Table 17 shows three categories of working tenure, i.e. “number of years worked in family business”, “number of years worked in current position within family business” and “number of years worked outside family business”. In the first category, 12.5% worked between 1 and 10 years, 43.8% worked 11-20 years, 37.5% worked between 21 and 40 years and 6.3% worked greater than 40 years within the family business. The highest tenure in the sample is 59 years. Individuals with the longest tenure as mentioned above had valuable experience to share on business practices and lessons in general but more importantly on succession.

In the second category of “number of years worked in current position”, there were 31.3% each in the 1 to 10 years, 11 to 20 years and 21 to 40 years of the sample, and 6.3% in the greater than 40 years.

In the third category of “number of years worked outside the family business”, 43.8% did not work outside the family business, 25% worked between 1 and 10 years, 18.8% worked between 11 and 20 years and 12.5% worked between 21 to 40 years. The majority of the interviewees only worked in their family businesses and this may be insightful to compare their views compared to those who experienced other businesses.

5.4 Open ended questions on successor attributes and succession

The third section of the interview had many open ended questions around the topic of successor attributes and succession. Content analysis was used to capture the data. The data is arranged according to the question numbers as per the interview schedule (see Appendix B).

Table 18 - Question 1: Has a successor/potential successor been identified for the business?

Has Successor/Potential Successor been identified for the business	Frequency	Percentage
Yes	14	87.5%
No	2	12.5%

The data shows that 87.5% of the sample had identified a successor/potential successor for the business and 12.5% had not. This data will be compared to the literature review on the next chapter in terms of whether family businesses take succession planning into account.

Table 19 - Question 2: What are the critical attributes necessary for a potential successor.

No	Critical Attributes	Count
1	People management	9
2	Trust / Honesty	8
3	Hard working	6
4	Experience / Retail experience / Business knowledge	6
5	Ambitious / Motivated / Initiative	6
6	Customer relationship management	5
7	Interest in business / Enjoy work	5
8	Management skills	5
9	Artistic / Creative / Innovative qualities / Vision	5
10	Sales skills	5
11	Financial skills / Accounting skills	5
12	Business acumen	5
13	Interpersonal skills / Communication skills	5
14	Dedication / Commitment	4
15	Education	4
16	Loyalty / Sincerity	3
17	Responsibility / Reliability / Dependable	3
18	Growing the business	2
19	Decision maker	2
20	Manage stress	2
21	Family values / Family dynamics	2
22	Marketing skills	2
23	Leadership qualities	2
24	Product selection	1
25	Entrepreneurial skills	1
26	Patience	1
27	Diligence	1
28	Age	1
29	Technical knowledge	1
30	Common goals with current CEO	1
31	Competitor awareness	1
32	Track record	1
33	Rational thinker	1

The critical attributes for a successor as per the interviewee responses is captured in Table 20 above. Attributes with a similar meaning were grouped together (No 2, 4, 5, 7, 9, 11, 13, 14, 16, 17 and 21). Attributes that were repeated by different interviewees were counted and this is displayed in the “Count” section of the Table 20. Interviewees were asked to list the critical

successor attributes in question 2, however if they later mentioned attributes during the interview it was noted and included in the count.

People Management was the highest count with 9 people selecting this followed by Trust and Honesty as the second highest attribute selected by 8 people. “Hard working”, “Experience/ Retail Experience/ Business Knowledge”, and “Ambitious/ Motivated/ Initiative” has the third highest count with 6 people choosing this.

People management had the highest count however it was not emphasised compared to “hard work” and “interest in business/enjoy work” by the interviewees. They felt very passionately about these attributes during their explanation and stressed that this was a minimum criteria. Trust was also listed many times with it being highly ranked as per question 3, however interviewees expected this as a given.

In total there were 33 attributes (after grouping) selected, with 10 unique attributes and nine interviewees selecting the same attribute, “people management” as the highest and most common critical successor attribute.

Table 20 - Question 3: Prioritise attributes listed as per question 2 from most important to least important.

No	Critical Attributes	Average	Count
1	Financial Skills / Accounting skills	6.2	5
2	Education	6.0	4
3	Business acumen	5.8	5
4	Trust / Honesty	5.4	8
5	Experience / Retail experience / Business Knowledge	5.3	6
6	Artistic / creativity / innovative qualities /vision	5.0	5
7	Interest in business / enjoy work	4.8	5
8	Dedication / commitment	4.3	4
9	Management skills	3.8	5
10	Ambitious / motivated / initiative	3.5	6
11	Customer relationship management	3.4	5
12	Sales skills	3.4	5
13	People management	3.2	9
14	Hard working	3.0	6
15	Interpersonal / Communication skills	2.2	5

Table 21 has arranged the data according to most important attributes ranked in descending order as per their average scores. However 13 attributes were not included as their frequency were less than four and this did not allow for a fair average calculation. In terms of calculating the average scores, the ranking scores were inversely arranged as interviewees selected a score of 1 for the most important attribute and this did not allow for calculating average scores accurately.

The top five attributes as per their average scores were: Financial/Accounting skills with an average score of 6.2; followed by Education at 6; Business acumen with 5.8; Trust/Honesty 5.4 and Experience/Retail experience/Business knowledge with 5.3. From the list of fifteen attributes, Interpersonal/Communication skills scored 2.2 and are the least important according to the average scores.

Question 4 will be discussed in the next chapter.

Table 21 - Question 5: Would you have considered non family members as successors?

Would non family members be considered as successors?	Frequency	Percentage
Yes	11	68.8%
No	5	31.3%

The data shows that 68.8% of the sample responded to “Yes” in terms of considering non family members as successors and 31.3% selected “No”. Question 5 will need to be compared to the data on non family members who had the potential to take over the business.

Question 6: Is there any other information that you would like to discuss?

No additional information was discussed when this question was asked however at the end of the interview after the questionnaire was completed more general information was shared.

5.5 Questionnaire response

Table 22 - Question 7

No	Categories and Attributes	Mean	Most important attribute per Category
1. Successor's relationship with the incumbent			
1	Age	3.88	
2	Compatibility of goals with current CEO	4.75	x
3	Personal relationship with current CEO	4.50	
2. Relationships with family members			
4	Ability to get along with family members	4.75	
5	Respected by actively involved family members	5.00	
6	Respected by non-involved family members	3.31	
7	Trusted by family members	5.25	x
3. Family standing			
8	Birth order	1.44	
9	Blood relation	2.88	x
10	Gender	1.63	
4. Competence			
11	Education level	4.81	
12	Experience in the business	4.94	x
13	External management experience	4.06	
14	Track record, past performance	4.38	
15	Financial skills/experience	5.25	
16	Marketing and sales skills/experience	5.13	
17	Interpersonal skills	5.13	
18	Technical skills/experience	4.44	
19	Strategic planning skills/experience	5.13	
20	Decision making abilities/experience	5.50	
5. Personality traits			
21	Aggressiveness	3.38	
22	Integrity	5.69	x
23	Intelligence	4.94	
24	Creativity	5.00	
25	Willingness to take risk	4.81	
26	Independence	4.63	
27	Self-confidence	5.44	
6. Current involvement in the family business.			
28	Current ownership share in business	5.19	
29	Commitment to business	5.69	x
30	Respected by employees	5.19	

Table 22 is a questionnaire that was used in the exploratory study done in Canada by Chrisman *et al.* (1998). The questionnaire was modified to include an extra column for “Most important attribute per category”. The reason this was included is that the sample size was smaller and therefore the researcher preferred to use this method compared to the highest mean per category as the calculation for the most important attribute.

A count of all 16 responses was done to calculate the “most important attribute”. The “most important attribute” matched the attribute with the highest mean in five categories except for category 4 – “Competence”. The highest mean in this category is attribute number 20, “Decision making abilities/experience” however the attribute with the highest count of being selected as the most important attribute was “Experience in the business”.

A comparative study has been done between the exploratory study in Canada and the replicated study in India. It will be interesting to see how the results from the South African study will compare to these.

CHAPTER 6 DISCUSSION OF RESULTS

6.1 Introduction

This study attempted to understand the critical successor attributes in Indian family owned businesses in South Africa. There is a large amount of literature on family businesses, succession and succession in family businesses. Two studies were previously conducted on the critical successor attributes in family owned businesses. The initial study was conducted in Canada and this was later replicated in India. This study is not a replication of those as this is a qualitative study as the researcher wanted to dig deep by asking in depth open ended questions for a greater understanding on the topic.

This section relates the findings back to the literature reviewed and the research question. The sample included sixteen interviewees in eight different family owned businesses in Gauteng. The predecessor/potential predecessors and successors/potential successors were interviewed in each of the businesses. The findings as related to the research question will be discussed in the following categories:

- Company data
- Interviewee data
- Open ended questions on succession and successor attributes
- Questionnaire response

6.2 Findings on research question

This research centres around one research question being, “What attributes are considered critical for potential successors in Indian family owned businesses in South Africa? Common themes and views were correlated and this was used to answer the central research question in section 6.2.3, however in order to obtain a comprehensive view of the context other pertinent data like company data and interviewee data will be discussed first in 6.2.1 and 6.2.2.

6.2.1 Company data

Non probability purposive sampling was used to ensure that a fair spread of companies from different industries was included in the study. This allowed the views to be non biased and representative of a range of different businesses with their unique environments.

Some of the key findings were:

- Five industries were included in the sample
- The average age of the family businesses was 31 years
- The average number of employees within the business was 22
- The average number of family members actively involved in the business was 3
- The average number of non family managers was 2 (rounded off)
- All the businesses were 100% family owned

- Seven of the businesses included the 1st and 2nd generation in the business with one business having their 3rd generation in the business
- A total of 12 male family members were identified as potential successors and 3 female family members
- Only 1 non family manager was identified as a potential successor.

In two similar studies conducted in Canada and India, namely “Important attributes of successors in family businesses: An exploratory study” by Chrisman *et al.* (1998) and “Successor attributes in Indian and Canadian family firms: A comparative study” by Sharma and Rao (2000) the following were the demographics of the sample used as related to this study:

Table 23: Industry type comparison

No	Industry Type	Canadian	Indian	SA Study
1	Industry			
	Manufacturing	23.0%	67.4%	37.5%
	Service sector	20.0%	18.6%	0.0%
	Wholesale	19.0%	2.3%	12.5%
	Printing			25.0%
	Retail	17.0%	7.0%	25.0%
	Construction	8.0%	2.3%	0.0%
	Other	13.0%	2.3%	0.0%

In this study, the sample consisted of five different industry sectors. As seen in the table above, the predominant industry type is manufacturing and this has also been found in the South African sample. The second largest industry type was the service sector in the previous studies however this was not the case in the South African sample. It is significant that the manufacturing sector is the

largest as this sector has unique core competencies and this would impact the required attributes in a successor.

Table 24: Company data comparison

No	Company Information	Canadian	Indian	SA Study
1	Average age of business	38	29.22	31
2	Average number of employees	221	108	22
3	Business ownership/shareholding			
	Less than 50%	3%	7%	0%
	50 - 99.99%	15%	16.30%	0%
	100%	82%	76.70%	100%
4	Generation managing the business			
	1st	41%	15.90%	37.50%
	2nd	37%	45.5	50%
	3rd	15%	31.80%	12.50%
	4th	5%	6.80%	0
	5+	2%	0	0

From the above table we can see that the South African average age of the business is similar to the Indian study with the Canadian study having the oldest average business age. The average age of the businesses in the South African study indicates that a succession process has already taken place or is currently being planned. As a result this topic was extremely relevant and familiar to the interviewees and allowed rich insightful views. This is supported by Lambrecht (2005) who states that the average life span of family business is twenty four years. This is generally the time which the founder remains at the helm of the business.

The average number of employees was considerably smaller due to this study being focused on small to medium size companies. This will be analysed later

to determine if the size of the company requires different successor attributes, namely the competencies required to run a small versus a large business.

In all three studies, it was found that most of the companies had a 100% share holding. This is on keeping with the literature on family businesses which states that for a business to be classified as a family business, it must have two or more generations of family control or ownership (Kenyon-Rouvinez and Ward, 2005).

The first and second generation managing the family businesses is most prevalent in all three studies. This confirms the sample being applicable to the study as the majority of the businesses have experienced at least one succession process. Most of the literature has found that thirty percent of family businesses are passed on to the second generation and only ten percent make it to the third generation (Lansberg, 1999). This study is extremely important at this time as it has allowed the interviewees to seriously consider the succession process and which attributes are important for their respective businesses. This could mean the difference between their businesses surviving through to the next generation or not.

6.2.2 Interviewee data

A comparative analysis (Canadian, Indian and South African) in terms of interviewee personal information is tabulated below. Literature applicable to this section is included in the discussion of the findings.

Table 25: Interviewee information comparison

No	Interviewee information	Canadian	Indian	SA Study
1	Average age of interviewees	not available	not available	50
2	Gender of interviewees			
	Female	15.0%	0.0%	0.0%
	Male	85.0%	100.0%	100.0%
3	Average number of years respondent has worked in family business	19	14	21
4	Percentage of founders responding	39%	45.5%	43.8%
5	Interviewee positions			
	Chairperson	23%	31.8%	25%
	President	65%	18.2%	not applicable
	Vice President	14%	2.3%	not applicable
	Director	31%	29.5%	62.5%
	Other	not applicable	not applicable	12.5%

The average age of the interviewees was not available for all three studies. The average age of the South African interviewees was 50 years indicating that most of the interviewees had substantial experience in the business and probably understood the critical successor attributes required.

In all three studies the percentage of male interviewees was significantly higher than female interviewees. This was also true for the South African sample. This is supported by Rajadhyaksha and Bhatnagar's (2000) study where it was found that Indian society has given women in the family a status lower than that of men, and Indian culture has served to maintain such an inequality. It is interesting to note that South African Indian businesses are culturally very similar to the Indian roots and have not allowed the western culture to influence their practices. However this may change as a study done by previous student

Hoosen (2007) has shown that women are becoming more influential in South African Indian family owned businesses.

The average number of years worked in the business by the South African interviewees is higher than the number of years worked by the Canadian and Indian interviewees. The additional years of experience of the interviewees in the South African sample has provided a comprehensive understanding of succession planning as a whole, including the critical attributes for running a successful business.

The founders made up approximately 44% of the total respondents in the South African study. This is an indication that both old and new views have been shared in this study as approximately 56% of the interviewees were part of the next generation/s with differing views to the founders. The risk with only having founders thoughts on the topic according to Ward (2000) is that they tend to be set in their views and the danger may be that their views are limited and may classically display the “tunnel-vision” problem.

The common positions in all studies show that the interviewees hold strategic positions within the business. We will analyse the competencies in the next sections as the general positions don't allow much interpretation except that most potential successors are family members who are in senior positions.

6.2.3 Open ended questions on succession and successor attributes

This section will analyse the responses from question one to six in the interview schedule. The data and literature review have been presented in the previous chapters and reference will be made to them where applicable. Direct quotations from interviewees will be used when important points were mentioned during the interviews.

Question 1 discussion

Question one asked if a successor/potential successor had been identified for the business. According to Table 18, 87.5% of the interviewees indicated that they have identified a potential successor. This is contradictory to the literature on the subject as Handler's (1989) research found that the high failure rate among family businesses is mainly due to a lack of succession planning. This is further supported by Davis *et al.*(2000); Ramchandran (2005); and Davis and Harveston (1999) in that 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.

Question 2 discussion

Question two asked "What are the critical attributes necessary for a potential successor?" Table 19 listed 33 attributes identified by the interviewees. Of the 33 identified attributes, 17 (51.5%) attributes matched the 30 attributes (57%

match) listed in the Canadian and Indian study. It is evident that certain critical successor attributes are common across various contexts and environments as the interviewees in the South African sample were not presented with a preconceived list of potential attributes.

The first 17 attributes listed in Table 19 were common and identified as critical successor attributes by 3 or more interviewees in the South African sample while the next 16 attributes were less common and only identified by 2 or less interviewees as being critical. The most common critical successor attributes identified were, People management; Trust/Honesty; Hard working; Experience; and Ambition and motivation.

Question 3 discussion

Question three asked the interviewees to prioritise the attributes they had identified in question two. The results are presented in Table 20 with financial skills, education and business acumen scoring in the top three. This is supported by Chrisman *et al.* (1998) who considers education and financial skills as critical competencies for the potential successor to have. They go on to further state that in the Indian context, education is a subsidiary of family business interests.

Question 4 discussion

In question four the interviewee was asked to explain and elaborate why they had prioritised the attributes in specific order as in question three. This section will describe the top ten ranked attributes in Table 20 as explained by the interviewees.

The attribute that scored the highest priority was financial and accounting skills. This was explained by one of the interviewees as such “*Financial skills are important as one needs to understand how to reinvest the profits of the business to ensure the business is sustainable and continues to grow*”. Other interviewees mentioned the importance of understanding basic accounting as one needs to closely monitor the financial status of the business and ensuring the accountant/financial manager is performing his duties with efficiency and integrity.

Education was ranked as the second most important attribute. Respondents believed that education and basic academic skills like literacy, mathematics and problem solving skills were essential for running a business. It is important to note that many of the older respondents i.e. founders and first generation interviewees, stressed the fact that even though education is important, it definitely is not a prerequisite as a critical successor attribute. This can be directly correlated to the founder’s educational levels as the majority of the founders did not complete their matriculation but proved successful. In fact,

some founders felt strongly that too much education could be detrimental as it limits the entrepreneurial spirit and risk taking behaviour.

Business acumen was ranked as the third most important attribute. Interviewees mentioned that a successor needed to have a general understanding of business. As mentioned by one interviewee, *“Running a business is dynamic. You need to understand the customer's needs, selecting popular products, monitoring your competitors as well as respecting and motivating your employees”*.

Trust and honesty was ranked as the fourth most important successor attribute. Interviewees did not elaborate on the nature of trust and honesty as this is a self explanatory concept and was expected to the point that it was taken for granted.

Experience and business knowledge was ranked high as one interviewee elucidated *“You cannot buy experience. There are some lessons that can not be taught in a classroom, you have to physically experience these things in the business from a young age. It's like trying to learn how to ride a bicycle. You may read all the books about it but it will never prepare one to actually master riding a bicycle”*. This view is supported by Sharma and Rao (2000) when they say that most male members of the younger generation in Indian family owned businesses are encouraged to spend time in the business from a young age.

Creativity, innovation and vision were grouped together and listed as the next important attribute. Creativity and innovation was more critical in the printing

and novelty product businesses as the interviewees mentioned that their businesses have various customers which require a wide variety of products and services. A key component of creativity is being able to create maximum value with limited resources as mentioned by one interviewee. He further elaborated *“It is important to recognise key trends and align your products and services to these trends to keep ahead of your competitors”*.

Founders rated interest in the business and enjoyment of the work as a critically important attribute. They (founders) felt strongly towards this attribute compared to the potential successors as they had built up businesses that they were passionate about and subsequently attached to. The founders believed that interest in the business and a keen passion was what tided them over during the tough times of the business and so thought that this was an indispensable attribute for the successor to have.

Commitment and dedication was an important successor attribute as interviewees mentioned that some businesses are seasonal and may require one to work longer hours during demanding months. This requires commitment, dedication, hard work and perseverance. According to Chrisman *et al.* (1998) the successor’s commitment to business is directly related to the incumbent’s confidence in the successor.

Management skills were ranked ninth out of the top ten attributes. Interviewees explained the importance of a successor having full knowledge of the business to maintain control and make appropriate decisions with authority. Many of the

interviewees emphasised people management skills as a key component of overall management skills as one interviewee mentioned “*You can not do much without good people and you need to motivate your staff to achieve successful results*”. In a study by Lambrecht (2005, p. 277) he found that “before the succeeding generation held a management position, they generally passed through the various departments in the business. In this way, the successors proved themselves, won the confidence of the employees, and discovered the business, the sector, and the customers”.

The tenth ranked critical successor attribute was ambitious/motivated and initiative. Interviewee’s explanation of these attributes varied from showing a keen interest in the business to having a positive and can do attitude. According to Chrisman *et al.* (1998) and Sharma & Rao (2000) a willing successor appears essential for succession success. De Massis *et al.*(2008, p. 186) further stated that “in the Tiverton media corporation the successor’s lack of motivation was a major factor in stopping the succession”.

Question 5 discussion

Question five asked if non family members would be considered as successors. As per Table 21, 68.8% selected that they would consider a non family member. However upon analysing Table 9, the interviewees indicate that 93.8% of potential successors identified are family members. This contradiction between practice and what the interviewees say is interesting to note and as such table 21 should be interpreted with caution. On further probing interviewees to

support their answer, the following were reasons why they were willing to consider a non family successor:

- Good to have a different outlook
- Individual with a credible track record within the business
- Willingness to take ownership and responsibilities
- If a person had the expertise and competence

Two interviewees stressed that the potential successor should be given or sold a shareholding within the business as this will lead them to treat the business as their own, fostering loyalty and passion. This was supported by Chrisman *et al.* (1998) and Sharma and Rao (2000), who both agree that ownership and the potential successor's share in the business plays a vital role in their involvement and commitment to the business.

The interviewees that indicated that they would not choose a non family member as a successor explained the following reasons:

- Trust and honesty were highlighted as key concerns
- Non dedication and commitment
- Sentimental value
- Too much effort to formalise the business with many controls required to prevent fraud and theft

These views were supported by Lambrecht (2005) who found that there were three main reasons why predecessors thought it was important to have family successors. These reasons were the fulfilment of family values; the

preservation of the family name; and the exploitation of the advantages of a family business such as, long term vision and versatility.

Question 6 discussion

Question six asked interviewees to discuss any additional information around the topic. All the interviewees indicated that they did not have anything to add however at the end of the next section which was the end of the interview, interviewees chose to discuss general issues about their businesses and their recipe for success. This information was invaluable and not captured as the findings fell out of the scope of this research paper.

6.2.4 Questionnaire analysis

This section will do a comparative analysis and discussion of the mean scores for the three studies.

Table 26: Successor Attribute - Mean Comparison

No	Categories and Attributes	Canadian Study Mean	Indian Study Mean	SA Study Mean	Most important attribute per Category
1. Successor's relationship with the incumbent					
1	Age	3.14	3.41	3.88	
2	Compatibility of goals with current CEO	4.06	4.07	4.75	x
3	Personal relationship with current CEO	3.78	4.17	4.50	
CATEGORY AVERAGE		3.66	3.88	4.38	
2. Relationships with family members					
4	Ability to get along with family members	4.56	5.00	4.75	
5	Respected by actively involved family members	4.81	4.85	5.00	
6	Respected by non-involved family members	4.37	4.07	3.31	
7	Trusted by family members	4.79	5.09	5.25	x
CATEGORY AVERAGE		4.63	4.75	4.58	
3. Family standing					
8	Birth order	1.10	3.07	1.44	
9	Blood relation	2.58	4.67	2.88	x
10	Gender	1.60	3.53	1.63	
CATEGORY AVERAGE		1.76	3.76	1.98	
4. Competence					
11	Education level	5.18	4.51	4.81	
12	Experience in the business	4.82	4.65	4.94	x
13	External management experience	3.87	3.46	4.06	
14	Track record, past performance	4.81	4.07	4.38	
15	Financial skills/experience	4.53	4.44	5.25	
16	Marketing and sales skills/experience	4.66	4.44	5.13	
17	Interpersonal skills	5.10	4.65	5.13	
18	Technical skills/experience	3.98	3.44	4.44	
19	Strategic planning skills/experience	4.53	4.67	5.13	
20	Decision making abilities/experience	5.12	5.30	5.50	
CATEGORY AVERAGE		4.66	4.36	4.88	
5. Personality traits					
21	Aggressiveness	4.47	4.62	3.38	
22	Integrity	5.54	5.39	5.69	x
23	Intelligence	5.08	5.05	4.94	
24	Creativity	4.87	4.70	5.00	
25	Willingness to take risk	4.43	4.67	4.81	
26	Independence	4.36	4.51	4.63	
27	Self-confidence	5.05	5.12	5.44	
CATEGORY AVERAGE		4.83	4.87	4.84	
6. Current involvement in the family business.					
28	Current ownership share in business	1.91	2.83	5.19	
29	Commitment to business	5.50	5.37	5.69	x
30	Respected by employees	5.18	5.05	5.19	
CATEGORY AVERAGE		4.20	4.42	5.35	

The South African study included an additional question for the questionnaire regarding the most important attribute per section. The previous studies only used the mean calculation to identify the most important attribute per section. The highest mean for each section matched the most popular attribute selected by the interviewees for the South African study except for section four. This proves that calculating the mean for each section and selecting the highest mean as the most important attribute per section is a significantly accurate method of identifying the most important attribute.

As per Table 26 the South African study's most important attribute in section 1, Successor's relationship with the incumbent, was attribute number 2 (Compatibility of goals with CEO). This matched the results of the Canadian study and ranked as the second most important attribute in the Indian study.

In section 2, Relationship with family members, the highest mean and most important attribute was attribute number 7 (Trusted by family members). This was similar to the Indian study with the Canadian study scoring this attribute as the second most important in the group. In section 3, Family standing, all three studies ranked attribute 9 (blood relation) as the most important attribute.

In section 4, Competence, "Experience in business" was selected as the most important attribute but the highest mean for the section was attribute 20 (decision making abilities). If the highest means were compared, the South African and Indian studies were similar with the Canadian study scoring

attribute 12 (Experience in the business) as the second most important attribute.

In section 5, Personality traits, all three studies had “Integrity” as the most important attribute and section 6 had “commitment to business” as the most important attribute.

Table 27: Successor Attributes – Highest Mean Comparison

No	Categories and Attributes	Canadian Study Mean	Categories and Attributes	Indian Study Mean	Categories and Attributes	SA Study Mean
1	Integrity	5.54	Integrity	5.39	Integrity	5.69
2	Commitment to business	5.50	Commitment to business	5.37	Commitment to business	5.69
3	Education level	5.18	Decision making abilities/experience	5.30	Decision making abilities/experience	5.50
4	Respected by employees	5.18	Self-confidence	5.12	Self-confidence	5.44
5	Decision making abilities/experience	5.12	Trusted by family members	5.09	Trusted by family members	5.25

Table 27 shows the amazing similarity between all three studies in that the first two attributes being “Integrity” and “Commitment to business” were ranked the highest two critical successor attributes. It is significant to note that family owned businesses in three completely different contexts share such similar views regarding critical successor attributes. It can be further noted that the top five attributes between the Indian and South African studies are exactly the same. We can thus see that, even though the South African sample consisted mainly of people born in South Africa, these South African Indians share the same thoughts and views on what is essential to run a business successfully and what critical successor attributes are required in a successor.

CHAPTER 7 CONCLUSION

7.1 Concluding remarks

Family businesses are unique, complex, challenging and dynamic. This group of businesses ranges from small, private operations to public global enterprises and are a major component of the world economy. As such it is extremely important that the inner workings of the family business and the succession process be understood and appreciated.

This study intended to determine critical successor attributes in South African Indian family owned businesses. In an effort to gain an in-depth original view on the perceptions of critical successor attributes by potential successors and predecessors, the researcher structured the data gathering process in an open ended qualitative manner as well as a structured quantitative manner using the thirty previously identified desirable successor attributes. The foundation of the quantitative section of this study rested on two previous studies by Chrisman *et al.* (1998) and Sharma & Rao (2000).

The sample consisted of five different industry sectors with the manufacturing sector being the most prevalent sector. All the interviewees were male and one of the key findings was that most of the potential successors identified were male, indicating that even though Indian South Africans are becoming more westernised, most Indian family owned businesses are still very traditional and male dominated.

The most commonly cited critical successor attributes were People Management; Trust and Honesty; Hard Working; Experience; and Ambition and Motivation. Of the attributes identified by the interviewees, Financial Skills; Education; and Business Acumen were ranked the most critical.

In addition, Creativity; Innovation and Vision were identified as important successor attributes. Many of the founders/owners felt that “interest in the business” and “enjoyment” are critical successor attributes as these fuel the successors passion for the business and the products, and ensures continued dedicated effort and work.

In practice, it was found that most of the potential successors already identified were family members. The main reason for this being trust, loyalty, alignment with the family values and the family name. In all three studies, it was found that “integrity” and “commitment to business” were ranked the highest two critical successor attributes suggesting that these two attributes may be considered a minimum criterion in selecting a successor.

7.2 Recommendations

This study has implications for both business research and practice. The most critical successor attributes that would have to be considered for an appropriate successor to be selected are:

- Commitment to the business and integrity;

- Proficiency in basic accountancy and sound financial skills;
- Some formal education but guard against over qualification;
- Business acumen and showing a clear understanding of the business dynamics, product knowledge and target market;
- People management skills, the ability to communicate and motivate staff members and handle conflict;
- The successor should be trustable and display impeccable honesty;
- Hard working and experience in the business;
- Ambition and motivation;
- Interest in the business and enjoying working in the business
- The successor preferably being a family member

-

7.3 Recommendations for future research

This research identified critical successor attributes in Indian family owned businesses in South Africa. This research paper has proven insightful and has laid the ground for further probing into this topic in the following areas:

- Identifying the succession management process in family businesses;
- The transfer of knowledge and skills from the incumbent to the successor in family members;
- The potential for non family members to lead traditionally family owned businesses;
- The changing nature of the succession process over various generations;

- Extending the population sample to include various religious groups in the Indian community in South Africa;
- Extending the population sample to include various ethnic groups in South Africa;
- Contrasting and comparing the succession process and critical successor attributes as applied to businesses in which succession has taken place successfully as well as family businesses in which succession have failed;
- Examining and exploring the subtle and complex, “unwritten” grooming that takes place within the family from the time a potential successor is born;
- Studying and comparing the difference in succession in family owned businesses versus non family owned businesses;
- The link between a successor attribute and the influence it has on business success;

7.4 Final Comments

It can be seen that the succession process, selecting a successor and considering critical successor attributes is a complex, multi-faceted, highly emotional process.

The researcher has endeavoured to determine and understand what attributes were considered critical for potential successors to have in Indian family owned businesses in South Africa. It is hoped that this information was uncovered

and better understood and that this research project will contribute to the knowledge base on Indian Family owned Businesses in South Africa.

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APPENDICES

Appendix A – Interviewee Company List

No	Company Name
1	Allandale Trading
2	City Fashions
3	Fine Art
4	J Furn
5	Laxmi Supermarket
6	Mac Wholesalers
7	Palmin Kitchens
8	Rama Labels

Appendix B – Interview Schedule

COMPANY INFORMATION	
Company Number:	
Industry sector: (i.e. retail, manufacturing, etc)	
Number of years business has been in operation:	
Number of full time employees in business:	
Number of family members in business:	
Number of non family managers in business:	
Family ownership of the business: (i.e. 50%, 100%)	
Which generation of the family is operating the business today? (i.e. 1 st , 2 nd , 3 rd)	
Number of persons who have the potential to assume presidency in the next ten years: (F - Family vs. NF – Non-family members)	F - ____ Male ____ Female NF - ____ Male ____ Female

INTERVIEWEE INFORMATION	
Interviewee age:	
Interviewee gender:	
Interviewee religion: (i.e. Hindu, Muslim, Christian, etc)	
Number of children:	Male ____ Female ____
Your current position in the business:	
Are you the founder of the business?	
Blood relation to current or previous owner: (son, daughter, son-in-law, nephew, etc)	
Your birth order within your immediate family:	
Your highest educational level:	
Years you have been actively involved in the family business:	
Years you have been actively involved in your current position:	
Do you have a shareholding within the family business: (yes, no)	
Years worked outside before joining the family business:	
Does the interviewee have a CV which they are willing to share:	

1. Has a successor/potential successor been identified for the business?



2. What are the critical attributes necessary for a potential successor?

No	Attribute	Ranking
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

3. Can you prioritise the attributes listed above in terms of most important to least important. (List in ranking column above with 1 most important)

4. Please explain why you have prioritised the attributes in the above order?

5. Would you have considered non family members as successors? Please support reasons for yes or no answers.

6. Is there any other information that you would like to discuss?

7. Please complete the table below:



No	Categories and Attributes	Explanation of Attributes (Only provided for attributes that may be unclear)	Importance of successor attributes								Most important attribute per Category
			Not important				Critically important				
			0	1	2	3	4	5	6	6	
1. Successor's relationship with the incumbent											
1	Age	n/a	0	1	2	3	4	5	6		
2	Compatibility of goals with current CEO	n/a	0	1	2	3	4	5	6		
3	Personal relationship with current CEO	n/a	0	1	2	3	4	5	6		
2. Relationships with family members											
4	Ability to get along with family members	n/a	0	1	2	3	4	5	6		
5	Respected by actively involved family members	Actively involved family members are family members working within the family business.	0	1	2	3	4	5	6		
6	Respected by non-involved family members	Respected by family members not within the family business	0	1	2	3	4	5	6		
7	Trusted by family members	n/a	0	1	2	3	4	5	6		
3. Family standing											
8	Birth order	Is the birth order of the successor important or not?	0	1	2	3	4	5	6		
9	Blood relation	Is it important for the family member to belong to the family vs. son-in-laws, daughter-in-laws, etc.	0	1	2	3	4	5	6		
10	Gender	Is it important to have a male or female successor?	0	1	2	3	4	5	6		
4. Competence											
11	Education level	High School, Matric, Diploma, Degree, etc.	0	1	2	3	4	5	6		
12	Experience in the business	Worked within the business to understand and gain knowledge of the business.	0	1	2	3	4	5	6		
13	External management experience	Worked in another business within a management position.	0	1	2	3	4	5	6		
14	Track record, past performance	Having a record of accomplishments from past work experience.	0	1	2	3	4	5	6		
15	Financial skills/experience	Being able to analyse and make sense of financials of the business.	0	1	2	3	4	5	6		
16	Marketing and sales skills/experience	Being able to promote the business or selling skills.	0	1	2	3	4	5	6		
17	Interpersonal skills	Being able to communicate, understand and motivate staff	0	1	2	3	4	5	6		
18	Technical skills/experience	Being able to work with detailed processes within the business.	0	1	2	3	4	5	6		
19	Strategic planning skills/experience	Being able to have a long term business plan and vision.	0	1	2	3	4	5	6		
20	Decision making abilities/experience	Being able to commit and making decisions.	0	1	2	3	4	5	6		
5. Personality traits											
21	Aggressiveness	Being assertive or forceful	0	1	2	3	4	5	6		
22	Integrity	Being honest, truthful and reliable	0	1	2	3	4	5	6		
23	Intelligence	Being clever, having aptitude and brainpower.	0	1	2	3	4	5	6		
24	Creativity	Being imaginative and having a vision	0	1	2	3	4	5	6		
25	Willingness to take risk	Willing to try new ideas and products with a potential to fail or succeed.	0	1	2	3	4	5	6		
26	Independence	Being independent, self sufficient and having self determination.	0	1	2	3	4	5	6		
27	Self-confidence	Being confident	0	1	2	3	4	5	6		
6. Current involvement in the family business.											
28	Current ownership share in business	Having an ownership share in the business.	0	1	2	3	4	5	6		
29	Commitment to business	n/a	0	1	2	3	4	5	6		
30	Respected by employees	n/a	0	1	2	3	4	5	6		



Appendix C – Small Business Act

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
		Less than:	Less than:	Less than:
Agriculture	Medium	100	R4m,	R4 m
	Small	50	R2m	R2 m
	Very Small	10	R0.4m	R0.4 m
	Micro	5	R0.15	R0.1 m
Mining and Quarrying	Medium	100	R30 m	R18 m
	Small	50	R7.5 m	R4.5 m
	Very Small	10	R3 m	R1.8 m
	Micro	5	R0.15 m	R0.1 m
Manufacturing	Medium	100	R40 m	R15 m
	Small	50	R10 m	R3.75 m
	Very Small	10	R4 m	R1.5 m
	Micro	5	R0.15 m	R0.10 m
Electricity, Gas and Water	Medium	100	R40 m	R15 m
	Small	50	R10 m	R3.75 m
	Very Small	10	R4 m	R1.5 m
	Micro	5	R0.15 m	R0.10 m
Construction	Medium	100	R20 m	R4 m
	Small	50	R5 m	R1 m
	Very Small	10	R2 m	R0.4 m
	Micro	5	R0.15 m	R0.1 m
Retail and Motor Trade and Repair Services	Medium	100	R30 m	R5 m
	Small	50	R15 m	R2.5 m
	Very Small	10	R3 m	R0.5 m
	Micro	5	R0.15 m	R0.1 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	R50 m	R8 m
	Small	50	R25 m	R4 m
	Very Small	10	R5 m	R0.5 m
	Micro	5	R0.15 m	R0.1 m
Catering, Accommodation and other Trade	Medium	100	R10 m	R2 m
	Small	50	R5 m	R1 m
	Very Small	10	R1 m	R0.2 m
	Micro	5	R0.15 m	R0.1 m
Transport, Storage, and Communications	Medium	100	R20 m	R5 m
	Small	50	R10 m	R2.5 m
	Very Small	10	R2 m	R0.5 m
	Micro	5	R0.15 m	R0.1 m
Finance and Business Services	Medium	100	R20 m	R4 m
	Small	50	R10 m	R2 m
	Very Small	10	R2 m	R0.4 m
	Micro	5	R0.15 m	R0.1 m
Community, Social and Personal Services	Medium	100	R10 m	R5 m
	Small	50	R5 m	R2.5 m
	Very Small	10	R1 m	R0.5 m
	Micro	5	R0.15 m	R0.1 m