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# Understanding the factors that influence the management succession process in black family-owned businesses

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

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## Abstract

A significant number of businesses operating in South Africa can be categorised as family-owned businesses and contribute substantially to employment creation, poverty eradication and wealth creation. Nonetheless, their longevity through generations remains a major cause for concern for all stakeholders. South African economy is characterised by a history of apartheid, where prior to 1994, the black majority only owned less than 5 percent of the businesses active in the economy. Since then, black majority participation in the economy has increased driven by the Black Economic Empowerment (BEE) legislation. Therefore, the aim of this study is to understand the influence of the incumbent, the successor, the family and the business, on management succession within black family-owned businesses in South Africa.

The study followed an exploratory qualitative approach, using semi-structured interviews. Thirteen black family-owned business incumbents were interviewed with a view to answer the research questions. From the literature, 17 of the most widespread factors that influence management succession in family businesses were derived and formed the basis of the constructs or themes adopted during data analysis. All the interviews were recorded and then transcribed into text. A directed content analysis using ATLAS-ti was used to analyse the data, while constant comparative analysis using a meta-matrix was used to establish common themes to specific groups of respondents.

The key findings showed that incumbent of black family-owned business regard the successor and incumbent-related factors as the predominant drivers of management succession. Commitment and interest of the successor towards the business and the quality of the relationship between the incumbent and the successor have a strong influence on decisions and criteria design across all the stages of the management succession process. From the family perspective, natural succession based on birth order and gender was considered to be the key determinant of the succession pool composition. Support of the successor by the family members through acceptance of the choice and not passing judgement when mistakes are made emerged as the critical family dimension that will influence the overall management succession process. In terms of the business itself, the size and nature of the business and change in market conditions were established to have a major influence on the succession process.

## Keywords

Management, succession, family, business

# 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.

Mqokeleli Gomba

Date

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# Chapter 1 : Introduction to Research Problem

## 1.1 Background

Family-owned businesses are amongst the most significant contributors to wealth and employment creation in essentially every economy in the world (Venter, Boshoff & Maas, 2005). However, the lack of sustainability of these businesses from generation to generation is a major cause for concern for many stakeholders, including the family, owners and government (van der Merwe, 2011). Williams, Zorn, Crook and Combs (2013) substantiated that, current and future economic security of the family will suffer, if the family business fails. According to Williams et al. (2013), nearly 66% of family businesses fail during the transfer to the second generation, with only 15% surviving the third generation transfer.

Globally, family-owned businesses are estimated to account for between 70% to 90% of the gross domestic product (GDP) (Shevel, 2014). In the United States of America (USA), as much as 96% of businesses are family-owned businesses and these businesses account for 49% of the GDP (Poza & Daugherty, 2013). In South Africa approximately 80% of all businesses belong to families (van der Merwe, Venter & Ellis, 2009). Thabetha (2005) as cited in Tanzwani (2010) suggested that these businesses absorb between 50% to 60% of the active labour force and contribute 30% to GDP. According to Van der Merwe et al. (2009), in South Africa most of the family businesses are classified as small-to-medium enterprises (SME's) by virtue of their size. SME's play a vital role in the economic activity as a source of job creation and economic wealth (Venter & Boshoff, 2007) .

Until 1994, South Africa's black majority, which constitute over 70% of the total population owned less than 5 percent of the country's private economy (Nevin, 2006,p.29). With the advent of democracy, there has been a conscious effort by government and business to increase the level of participation of black South African citizens in the country's economy through a variety of initiatives and support structures (Musengi, 2006). By 2006, it was estimated that the number of family-owned businesses in South Africa had surpassed the one million mark, mainly driven by the increased economic participation of black people in the South African economic activity (Africa Investor, 2010).

## 1.2 Problem Statement

Due to their noteworthy contribution to the South African economic activity, family-owned businesses are vital towards job creation, the eradication of poverty and the creation of wealth. However the survival rate of new businesses in South Africa is generally very low (Farrington, 2009) and sustaining a family-owned business proves to be a difficult task for entrepreneurs and families. Van der Merwe et al. (2009) argued that one of the core explanations for the excessive failure rate of first and second generation family-owned businesses is linked to their incapability to effectively manage and execute the process of ownership and management succession from one generation to the next.

Eddleston, Kellermanns, Floyd, Crittenden and Crittenden (2013) postulated that many researchers have identified strategic planning and succession planning as the possible mechanisms that are most likely to improve generational transfer of family businesses by encouraging appropriate investment, which in turn can lead to the growth of the family business. However, current research interest depicts that both methods of business planning are frequently ignored in many of these family businesses. Venter and Boshoff (2007) and Van der Merwe et al. (2009) suggested that notwithstanding the apparent prerequisite of having effective succession planning to ensure continuity and validity of the business, there are only a few entrepreneurs and small business leaders that are prepared to take the necessary steps to strategically plan and implement business succession successfully. In their study, Venter and Boshoff (2007) also established that there was a significant positive relationship between the implementation of management succession planning and the continued profitability of a business.

Similarly Gilding, Gregory and Cosson (2013) contended that, succession planning is central to the continuity of any business. However succession-planning process often involves tension and results in indefinite postponement of this critical issue. According to Finkelstein and Hambrick (1996) as cited in Le Breton-Miller, Steier and Miller (2004), there are insightful challenges that have been identified in guaranteeing effective successions even within non-family owned or public organisations. However, for family-owned businesses, the situation is made more difficult due to smaller talent pools, which limits diversity and choice. They further argued that this problem is further compounded by the emotional factors in the incumbent-successor relationship and the complex family and social ties within the family. As a solution to this trans-generational dilemma for family-owned businesses Sharma (1997) as cited in Venter and Boshoff

(2007) corroborated empirically that succession planning is one of the essential business processes correlated with businesses that have survived the generational transition.

Although the above research studies recognises the significance of succession planning processes to growth and survival of a family business, earlier studies have not extensively examined management succession in fully black family-owned businesses. According to Sharma and Rao (2000, p.313), following an extensive review of articles in the Family Business Review journal, Dyer and Sánchez (1998) encouraged more cross-cultural studies to be conducted to verify that family business theories are broadly applicable and not culturally bound. Prior (2012) asked a vital question in his research: “Why is there an apparent lack of succession in fully black family-owned businesses?”

It is against this background that this research aims to explore the factors that influence management succession decisions in fully black family-owned businesses within the South African economy from the perspective of the current leader or founders of such businesses.

**1.3 Purpose of the Study**

According to Van Buuren (2007), approximately 80% of all businesses in South Africa have family ownership and about 60% of all the listed companies on the Johannesburg Stock Exchange (JSE) had some family involvement, at least during their start-up phase. The reality is that a sizeable proportion of family-owned businesses in South Africa can be classified as small to medium-sized enterprises, with approximately half of them providing employment to 20 people or less per business (Van Buuren, 2007).

In addition, South Africa is also home to some of the most successful families in business, most notably; the Oppenheimer family (De Beers), the Rupert family (Tobacco & Luxury Goods), the Ackerman family (Pick ‘n Pay), the Mouton family (PSG), the Venter family (Altron), Sacco family (Assore) and Motsepe family (African Rainbow Minerals) (Prior, 2012). However even these well-known and successful families have had challenges of succession. A case-in point is De Beers, the Oppenheimer family dominated the world diamond industry after Ernest Oppenheimer became chairman of De Beers in 1927. His grandson, Nicky, was chairman until the family sold their shares after 85 years. Analysts said the family did so because there was no clear successor in the family (Shevel, 2014).

Van der Merwe et al. (2009) argued that the presence of the trusted and well-prepared successor ready to assume the leadership role in the business is an important stage in determining whether a family business is making advancement towards effective succession planning. De Noble, Ehrlich and Singh (2007) indicated that many times family members prefer to avoid the daunting challenge of identifying, developing and selecting the successor from within, due to the often-limited size of available talent pool within the family.

Nevertheless, it is a business imperative that South Africa needs to create more wealth, employment and an environment that is more conducive to entrepreneurial businesses if this country is to achieve the vast number of economic, social and personal objectives as set out in the 2012 national development plan (NDP). Rogerson (1997) as cited in Musengi (2006) suggested that black-owned enterprises are increasingly been recognised as important residual employers, which may improve social welfare and alleviate poverty among South African citizens. However, prior to 1994 the economic and social contribution of black-owned enterprises was limited driven by legislation, which restricted their establishment and development. Consequently few studies to date have been conducted, which focus on black family-owned businesses (Musengi, 2006).

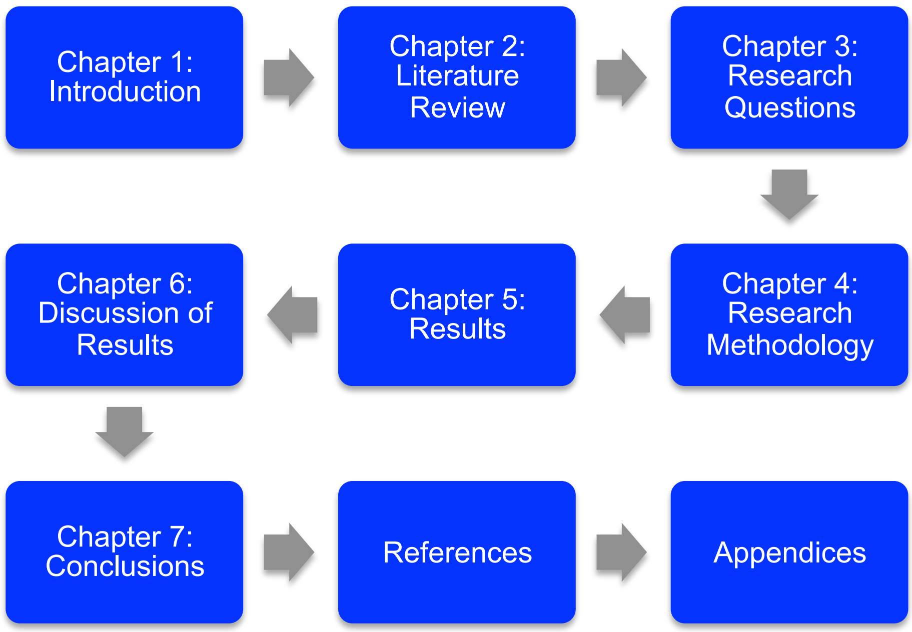
Given the above stated imperative of family-owned businesses, it is critical that all possible efforts are made to assist black family business owners to deal with the wide range of complex challenges they face and specifically with the handover of the business to the next generation (Nelson Mandela Metropolitan University Business School, Family Business Unit, 2013). It is for this reason that this study explores some of the factors that influence decision-making process in management succession among fully black family-owned businesses in South Africa and offer management recommendations that can assist the current black family-owned businesses with knowledge and skills to successfully address and implement their succession plans to the next generation.

**1.4 Research Scope and Structure**

This research study focused on management succession planning process and the factors that influence it, through an exploratory study grounded on interviews with the owners or current management incumbent of the fully black family-owned business in South Africa. The factors that influence the management succession planning process will be explored from the perspective of the current incumbent, potential successors, family and the business environment.

This study is composed of seven chapters as seen in Figure 1-1. It commences with Chapter One, which provides an overview of the research problem and purpose and explains the scope and structure of this study. In Chapter Two, literature relating to family business and succession planning will be reviewed, leading to the identification of the research gap and to develop a theoretical background. Chapter Three will then outline the research questions, which the study seeks to explore. It will then move to the research methodology in Chapter Four, to answer the research aim and questions identified.

**Figure 1-1: Proposed research structure**




Chapter Five and Six will explain the results of the research including the findings and the analysis discovered. Chapter Seven will conclude this study and tie it back to the research purpose and questions. The contribution that this study makes to the body of knowledge about family business succession and the limitations will also be discussed.

### 1.5 Conclusion

This chapter highlights the fact that family businesses contribute to global economies and make up a substantial amount of operating business across the world and in South Africa. However their longevity especially during generational transfer is a major cause for concern for family, owners and government. Many researchers have identified the main problem facing family businesses globally can be attributed to their failure rate as the lack of effective succession. Similarly, South African family businesses are not exempted from this phenomenon, more especially fully black owned businesses. Prior to 1994 approximately 5 percent of businesses active in the South African economy were black-owned mainly due to the apartheid system. As a result not much research was undertaken to understand the specific challenges that fully black family-owned business now face.

# Chapter 2 : Literature Review

## 2.1 Introduction

The previous chapter briefly captured the concept of a family business and their importance to the South African economy. The low survival rate of this type of enterprise through generations was introduced as the main problem, which could potentially impact the South African NDP goals and economic growth. This chapter will provide the theoretical background relating to family business and succession. It begins by studying the concept of a 'family-owned business' in details, followed by a detailed discussion of its economic importance. It will then outline the unique position and challenges that a family-owned business encounters in many economies globally. Finally, this chapter will explore the concept of 'succession planning' and its applicability in a family-owned business. The factors that hinder and/or enable succession within the context of a family-owned business are investigated to create a sounding basis for making recommendations later on in the study.

## 2.2 Family-owned Business

### 2.2.1 Definition of a family-owned business

Literature demonstrates that various scholars in the field of family business research have differing views regarding the concept of a 'family-owned business'. Aronoff (2004) suggested that for years, family-owned businesses have been theorized in terms of the overlap and interaction of three systems, namely: management, ownership and family. Notwithstanding this, to date there is still no universally accepted definition. Farrington (2009) echoed that establishing distinctions between family and non-family-owned businesses still remains one of the most important fields in family business research. Progress has been made over the past decades in this regard. However some differences between the two terms have not been sufficiently explained (Farrington, 2009).

Brockhaus (2004) argued that the definition of 'family-owned business' takes different shapes and forms with some researchers arguing that a family-owned business is any business in which the family members are affected by the business decisions. Others family business scholars argue that for a business to be classified as a family business, it is required that at least two family members are active in the management and/or ownership of the business (Wilson, Wright & Scholes, 2013). Williams et al. (2013)

added that, fundamentally it is the desire of the current incumbent or founder to handover the family business to the next generation family members that defines the core of the family business. Brockhaus (2004) stated that others researchers deem a family-owned business as one where different generations of the family are actively enganged in the management and operation of the business. In circumstances were the business is not entirely owned by one family, at least 51% shareholding of the business must be contolled by one family for the business to be categorized as a family business (Brockhaus, 2004).

In contrast to this view, Venter et al. (2005), expanded the family business definition to include purpose and its intention. Venter et al. (2005, p.284) states that: "a *family business* is one that is owned by members of the same family to shape and/or pursue the formal or implicit vision of the business and where it is the *intention* of the family members to hand the business over to the next generation or where the business has already been handed over to a family member to manage and/or control."

In their recent book, Poza and Daugherty (2013, p.7) presented a holistic view and explains that a family business cannot simply be defined through family involvement and intention to pass the business over to the next generation, rather it is a unique synthesis of the following:

1. "Ownership control (15% or higher) by two or more members of a family or a partnership of families;
2. Strategic influence by family members on the management of the firm, whether by being active in management, by serving as advisors or board members or by being active shareholders;
3. Concern for family relationships;
4. The dream (or possibility) of continuity across generations.

The following characteristics define the essence of the distinctiveness of family businesses:

1. The presence of the family;
2. The overlap of family, management and ownership, with its zero-sum (win-lose) propensities, which in the absence of growth of the firm render family businesses particularly vulnerable during succession;
3. The unique sources of competitive advantage (like a long-term investment horizon) derived from the interaction of family, management and ownership, especially when family unity is high;

4. The owner's dream of keeping the business in the family (the objective being business continuity from generation to generation);
5. The strategic influence of non-economic family goals and values."

From the above definitions and discussion, it is evident that there is general consensus amongst researchers that the involvement of family is the main distinguishing factor between family-owned and non-family-owned businesses. Thus for the purpose of this study, the earlier definition as stated by Venter, Boshoff and Maas (2005) will be adopted because it addresses both the ownership by family and the intention to handover the business to the next generation.

### 2.2.2 Importance and uniqueness of family-owned businesses

Family businesses constitute between 80% to 98% of all businesses in the global free markets and employ between 50% to 75% of the world's working population demographic (Poza & Daugherty, 2013). Globally, it is estimated that there are roughly 115 million families who are involved in the process of either starting a new businesses or operating new or more established organisations (Jennings, Breitkreuz & James, 2013). Klein (2000) as cited in Siebels and Knyphausen-Aufseb (2012) estimated that about 58% of all businesses active in the German economy with a turnover of more than €1million (or R14 million in 2014) per year are family-owned businesses.

In South Africa, a sizeable proportion of family-owned businesses are classified as small-to-medium-sized enterprises (SMEs), with approximately 50% providing employment to less than 20 people per business (Van Buuren, 2007). The significance SMEs in creating employment and generating economic wealth is recognised globally (Venter & Boshoff, 2007). Like in many other developed and developing economies, SMEs in South Africa continue to make a substantial and increasing contribution to economic activity and employment (Farrington, 2009).

Even with such a significant contribution to national economies family businesses must however deal with complex family issues and relationships which sometimes threaten the sustainable existence of this kind of enterprise (Chrisman, Chua, Pearson & Barnett, 2012). Carrigan and Buckley (2008) also indicated that family business research adopts the view that family businesses intrinsically hold several distinctive features, which relate to their governance, ownership, management and vision. Williams et al.(2013) concurred that family businesses are unique and influential in the business sphere and many agree that what makes this enterprise form unique is the interaction of the family with business (Yu, Lumpkin, Sorenson & Brigham, 2012). In contrast to this Bocatto, Gispert and Rialp (2010) argued that it is not the 'family' that makes family-owned businesses unique, but somewhat the formation of "familiness" and its use strategically and operationally to aide business growth.

Wilson et al. (2013) substantiated this view by saying that the unique resources of family businesses are referred to as 'familiness'. According to Lester, Maheshwari and McLain (2013, p.13) 'familiness' refers to the "unique bundle of resources and capabilities that a firm accumulates due to the systemic interactions of the family, which leads to the advancement of the firm or its demise. The components of familiness are as follows:

a) an intention to maintain family control of the dominant coalition;
b) a unique, inseparable and synergistic resources and capabilities arising from family involvement and interactions;
c) a vision held by the family for trans-generational value creation; and
d) A pursuance of such a vision"

Wilson et al. (2013) contended that as family members interact with the business, their alignment with the components of 'familiness' is important to prevent negative social capital that could potentially accumulate.

Unlike non-family businesses, family businesses are greatly affected by family dynamics (Lester et al., 2013). It is for this reason that all members of the family must collectively pursue the components of familiness. Poza and Daugherty (2013) argued that the ability of the family business to exploit its distinctive advantages depends on the quality of the interactions between family and business. However, it is important that family-owned businesses follow the same sound business principles as any other non-family business, while exercising their advantage of having fewer constraints when following these codes (Chrisman, Steier & Chua, 2006).

### 2.2.3 Challenges facing family-owned business

Family-owned businesses are heterogeneous and complex enterprises which experience a challenging spectrum of issues that in recent times have been steadily receiving incrementally expanding scholarly attention (Sharma, Chrisman & Gersick, 2012). The challenges encountered differ significantly based on the size of the business, location of the business, economic climate, technology change as well as governing regulations (Tanzwani, 2010). Ward (2011) commented that maintaining continuity of a family-owned business is perhaps one of the toughest management jobs on the globe because, over and above the normal typical business challenges, family businesses also face challenges of handling the human emotions associated with family power struggles, sibling rivalry and upholding family values (Ward, 2011).

Some of the challenges encountered which can threaten the continuity of the family businesses, these include secrecy, lack of information and low levels of family emotional intelligence (Poza & Daugherty, 2013). Tanzwani (2010) substantiated the appreciation that emotional intelligence of the family members within a family business, which enables decisions to be undertaken with maturity and trust is important in enabling business growth and sustainability. However, Poza and Daugherty (2013) warned that the distorting boundaries between family, management and ownership might expose the family-owned business to a potential problem of slow decision-making.

The sentiments on the difficulty of managing and running the family business are also expressed by Farrington (2009), when she states that family intricacies must be navigated on top of facing the regular business challenges as per non-family-owned businesses. Lee (2006) concurred that as a result of the family and business interaction and their distinct nature family-owned businesses, face additional challenges when compared to non-family-owned businesses. Some of these challenges include family conflict, emotional issues, sibling rivalry, autocratic paternalistic cultures, nepotism, confusing organisation, rigidity in innovation, succession and resistance to change. Lee (2006) further postulated that because of these challenges, succession is probably the biggest challenge encountered by the majority of family-owned businesses, with the succession decision regarding the management or Chief Executive Officer (CEO) position being one of the most contentious issues (Eddleston et al., 2013).

Williams et al. (2013) asserted that in most occasions where family members are involved in a family business, the business does not only serve as the family's main source of income but also a significant source of long-term wealth being both financial and socio-emotional support. Thus, the sustainability and longevity are major challenges facing this kind of an enterprise. Consequently, it is important that all possible effort be made to safeguard the stability and long-term existence of family-owned businesses.

### 2.2.4 Dynamics of family business in South Africa

It has been established that family businesses make a significant contribution towards global economic activity and in South Africa this is no exception. According to Van der Merwe (1998) as cited in Daba (2008) family businesses have been making a positive contribution towards the South African economy for the past 300 years or more. However, it was only until 2011, when the first dedicated unit to deal with family business governance and consulting was established, this unit called the Family Business Association of Southern Africa (FABASA). In South Africa, approximately 80% of all businesses belong to families (Family Business Association of Southern Africa, 2013). FABASA's mandate comprises of several elements which include: providing assistance to family business on corporate governance and adoption of best practices and guidance with ownership and management succession planning (Family Business Association of Southern Africa, 2013).

## 2.3 Theories of family business formation

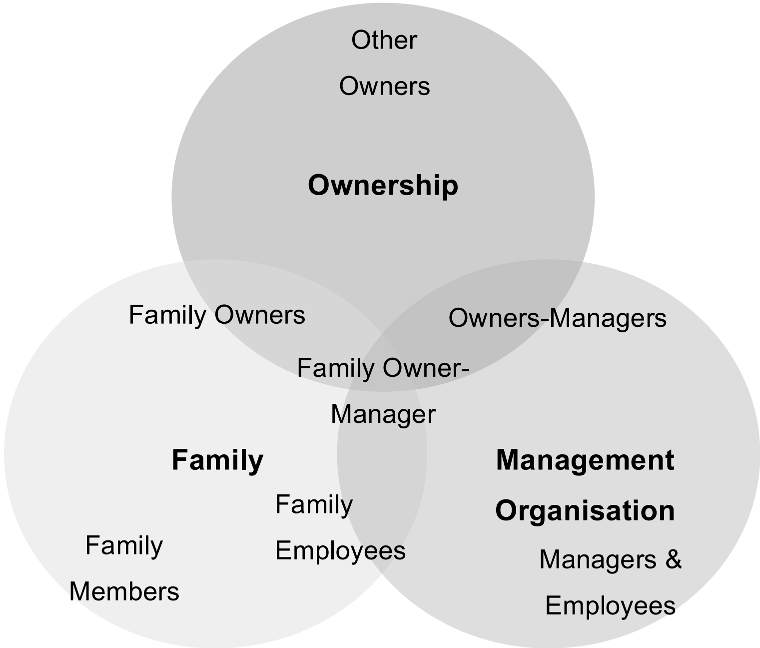
Taking the context and definition of family-owned business discussed in the above sections as a background, attention can now be focused on the theories and frameworks that have surfaced to deal with the intricacies and challenges associated with family businesses. Presented with the deficiency of a widespread theory on family business, many researchers have opted to applying universally acknowledged theoretical frameworks to the field of family business research (Siebels & Knyphausen-Aufseb, 2012). The most important and commonly used theoretical frameworks in family business research are: (i) the systems theory, (ii) the principal–agent theory, (iii) the stewardship theory and (iv) the resource-based view of the firm and these are discussed in detail below (Siebels & Knyphausen-Aufseb, 2012).

### 2.3.1 Systems theory

The systems theory is one of the widely adopted theories in the study of family businesses (Poza & Daugherty, 2013). According to Aronoff (2004), systems theory conceptualizes the family businesses as a system of interaction of management, ownership and family systems to create the necessary business alignment (see Figure 2-1). Each system maintains its boundaries, which is what separates it from the other systems and the overall external environment within which the family business operates (Poza & Daugherty, 2013). A family member can be situated in any of the positions identified in the model presented in Figure 2-1.

As seen in Figure 2-1, a family business can be best viewed as a complex and dynamic social system characterized by the unification of the subsystems towards the common goal of the general system (family business) is achieved through adjustment and counter-adjustment of these subsystems (Prior, 2012). Poza and Daugherty (2013) further argued that understanding the sustainability of family business comes about only when all three interacting systems and their interdependencies are understood and treated as a single system.

**Figure 2-1:Family, ownership and management interaction in a family business**




Source: Poza and Daugherty (2013,p.10)

### 2.3.2 Principal-agent theory

Chua, Chrisman and Sharma (2003) stated that the agency theory is the prevailing theoretical framework for understanding and describing the fundamental relationship between owners and managers in management research. Poza and Daugherty (2013) added that the agency theory suggests that the natural alignment of owners (the principals) and managers (the agents) in a family business reduces the necessity for formal supervision and governance practices and thus reducing the agency costs. Both altruism and nepotism give birth to the complex nature of the agency relationships stated above, however there are high costs associated with managing these relationships (Poza & Daugherty, 2013).

Chua, Chrisman and Sharma (2003) argued that in theory, agency problems occur when principal-agent relationship is expressed by diverging interests, informational asymmetries and bounded rationality. Poza and Daugherty (2013) supported this view by saying that the agency theory captures the idea that the goals and expectations of stakeholders in any organisation may not always be aligned and the resultant costs to the business are normally implicit. As a result family business owners are unable to fully grasp all of the conflicting interests of non-family managers and therefore cannot anticipate whether non-family managers will pursue their own interests at the expense of the family business and thus affecting the management succession decisions (Chua, Chrisman & Sharma, 2003).

### 2.3.3 Stewardship theory

Agency problems detailed above would not occur in the existence of a sole family owner–manager since the owner and manager would be one person (Chrisman, Chua, Kellermanns & Chang, 2007). In contrast, Siebels and Knyphausen-Aufseb (2012) offered that many stewardship theorists advocate that irrespective of ownership, managers will normally be motivated to act in the best interest of their principals or the organisation. Another view of the stewardship theory is proposed by Pierce, Kostova and Dirks (2001) and states that the stewards act informally, in a self-actualizing way and with an approach signifying psychological ownership. Siebels and Knyphausen-Aufseb (2012) postulated that this social and emotional involvement of family and the business helps for the collective good of the business.

In contrast, Poza and Daugherty (2013, p.23) stated that the stewardship perspective of family business holds that founding family members interpret the family business as an extension of themselves and an absolute legacy which is connected to their personal well-being. An extreme sense of pride ranks high amongst their priority goals and may act as an agent for success or imminent failure, as founders struggle to relinquish their influence over the business (Poza & Daugherty, 2013). This view of family business implies that owners fulfill key roles and functions these include: to provide for the next generation of leaders, ensure appreciation of the legacy created, advocate for the going concern and provide strong competency base for business advisory, as a result owner’s or incumbent’s behaviour is vital to the overall succession process (Poza & Daugherty, 2013).

### 2.3.4 Resource-based theory of a firm

The resource-based view illustrates how the unique aspects of a family business may be a source of competitive advantage (Siebels & Knyphausen-Aufseb, 2012). According to Poza and Daugherty (2013) the inherent competitive advantages to family business are best described by the resource based view of organisation. These resources are frequently denoted as organisational competencies, which are entrenched in business internal processes, human resources or other intangible assets (Poza & Daugherty, 2013). Poza and Daugherty (2013) maintained that for a family business these resources might result in the owner-manager-entrepreneurial role overlapping, which may streamline the business and thus create a competitive advantage.

According to Cabrera-Suarez, De Saa-Perez and Garcia-Almeida (2001) members of a family may be far more accommodating of other members and ensure knowledge transfer and skills and that it is this sense of community and inspired longevity which may improve overall business performance. Management succession is a multistage process and not an event, which involves successor development and knowledge transfer between the incumbent, potential successor and the managers is vital to overall process success (Cabrera-Suarez, De Saa-Perez & Garcia-Almeida, 2001)

### 2.4 Succession

In the previous sections, the importance of family-owned businesses and the succession problems it encounters were emphasized. There are many reasons why family-owned businesses fail, but one of the most important reasons is their failure to manage the succession process from one generation to the next (Van der Merwe et al.,2009). However succession is not unique to family business, it is an event that confronts virtually all viable organisations (Dyck, Mauws, Starke & Mischke, 2002). According to Griffeth, Allen and Barrett (2006), the solution to the problem of succession is generally proposed as succession planning.

Succession planning is essential to organisations when preparing for management turnover (Behn, Riley Jr. & Yang, 2005). However, the reality is that despite the conventional wisdom endorsing succession planning as a solution to succession and increased chances of survival, few family businesses adequately prepare for this inevitable change (Chrisman, Chua, Sharma & Yoder, 2009). Steier and Miller (2010) argued that succession is generally regarded as a transition within a business, where an incumbent leader passes on the management and responsibility for the operation of the business to a successor.

#### 2.4.1 Succession planning

Rothwell (2010, p.15) defined succession planning as a “deliberate and systematic effort by an organisation to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future and encourage individual advancement". The core of this definition is that leadership continuity for any business requires an intentional and thoughtful process that has payoffs for the organisation in terms of retaining key employees, along with their intellectual and business acumen (George, 2013).

In the context of a family business White, Krinke and Geller (2004) stated that family business succession planning is basically the process of constructing and implementing a leadership continuity plan for the family business, designed to align the financial and psychological requirements of the owner, the family and its employees with the fundamental needs of the business. Cater III and Justis (2009) contended that succession planning involves the replacement of the owner or the current management with the next generation managers for the business. However, Eddleston, Kellermanns, Floyd, Crittenden and Crittenden (2013) cautioned that succession planning, is not only about replacement of the current leader or management, but it is also about guaranteeing that the valuable business-specific tacit knowledge can be transferred and developed.

Van der Merwe and Ellis (2007) concurred that succession planning is a process during which a family business ownership and/or management is transferred from one generation to the next, which involves identification, preparation and selection of the next generation of the owners or managers and the transition of the leadership or ownership responsibility. In most cases the family business leader who is either an owner or incumbent are normally assumed to originate and control the process of business succession planning (Eddleston, Kellermanns, Floyd, Crittenden & Crittenden, 2013) .

In a contrasting view, Lansberg (1988) as cited in Gilding et al. (2013) argued that succession is a process in which all family members must be involved and that it is simply a process of establishing the necessary measures to ensure family harmony and the continued operation of the business through the next generations. Van der Merwe and Ellis (2007) also maintained that in order to execute the succession planning process successfully there must be engagement and cooperation between the family, non-family members and management team within the business.

It is also very vital to capture that the succession planning process is not a single event but rather a series of particular steps that take place over time, with the goal of ensuring a presence of adequately prepared younger generation successor(s) to take over (van der Merwe, 2011). Cater III & Justis (2009) argued that except when the succession is a sudden or a forced event as a result of unexpected death of the incumbent; the process must be systematically planned.

### 2.4.2 Succession planning in family-owned business

Bocatto et al. (2010) concluded that succession is so pivotal to the existence family-owned business that some authors frequently define this type of enterprise in terms of their potential for succession. Nevertheless, succession remains a challenge for many family-owned businesses. According to Le Breton-Miller et al. (2004) one of the core problems facing family-owned businesses is their inability to ensure competent family leadership across the generation gap. In agreement with this view, Ward (2011) stated that approximately 66% of successful family-owned businesses survive the transfer of the business to the second generation and then only 13% of these survive through to the third generation.

A comprehensive succession plan for a family business normally encompasses the handover of both ownership and management control from the incumbent generation to the next (Brun de Pontet, Wrosch & Gagne, 2007). Ownership succession usually deals with who will assume ownership of the business, when and how will that take place. On the other hand management succession emphasizes on who will run the business, what changes will occur, when will they be accountable for results and how results will be realized (Griffeth et al., 2006, p.491). As stated in Chapter One, this study seeks to explore the concept and process management succession specifically in black family-owned businesses.

Management succession is an important phase in a family business's life cycle and a matter that necessitates scrutiny from the standpoints of both the family and management so as to effectively comprehend the views of all stakeholders (Brockhaus,2004). According to Griffeth et al. (2006, p.492), a successful management succession is defined as a: "continuous process where leadership and power is transferred from one family member to the next, while maintaining positive family relationships and enabling the business to continue to expand and prosper financially".
In the context of family-owned businesses, ensuring the presence of capable management through the generations in some cases might be even more complex than in non-family owned businesses (Bocatto et al., 2010).

Fahed-Sreih and Djoundourian (2006) agreed that to succeed as a family-owned business, family member have to consciously embark on a process of ensuring that there is effective succession planning. This process must also provide transparency and thereby reducing the kind of ambiguity that may ignite conflict within the family and possibly lead to the failure of the business rather than creating a focus on growth (Eddleston et al., 2013).

Generally in any business organisation succession-planning process is characterized by four key components:

(i) management projecting organisational needs,
(ii) assessing the skills inventory of current managers,
(iii) addressing development needs that are established, and
(iv) making the appropriate appointment when time comes (Griffeth et al., 2006).

With respect to family-owned businesses the same components of succession planning are applicable. Dyck, Mauws, Starke and Mischke (2002) proposed a framework for family-owned business succession planning that employs the analogy of a relay race. In this framework the succession planning process is paralleled to a relay race where four key factors, which are: 'sequence', 'timing', 'baton-passing technique' and 'communication' that needs to be dealt with in order to successfully complete the race.

According to Dyck et al. (2002, p.148), these key steps of succession planning can be explained as follows:

- **Sequencing**: at this stage, the most appropriate and specific sequence for the business leadership succession planning process should be determined. This means assessing the business's current status and needs and the future requirements to ensure that a successor with the suitable skills and experience to succeed the incumbent is identified and developed.
- **Timing**: the correct timing for the final handover to the next generation needs to be anticipated upfront. Good timing requires that both the incumbent and the potential successor have taken into account the prevalent business circumstances (i.e. business and family climate) and are properly positioned for a 'baton change' in those conditions.
- **Passing the Baton**: for a smooth transition of management, the appropriate technique to pass the baton between the incumbent and successor should be determined to ensure successful succession. This must detail and be agreed upon, on how the incumbent should let go of the baton and how the successor

should accept the released baton.

- **Communication**: good communication among all stakeholders of the family business is needed to coordinate all succession planning activities and make certain that everyone ‘runs a good race’ and that the baton is not dropped.

Following the work conducted by Dyck, Mauws, Starke and Mischke (2002), Le Breton-Miller et al. (2004) proposed an integrative management succession model, which included important contextual variables, such as the business environment, cultural, social and family norms embedded within the family business. Their model divides the succession process into four main steps:

(i) establishing ground rules for successor identification,

(ii) developing successors,

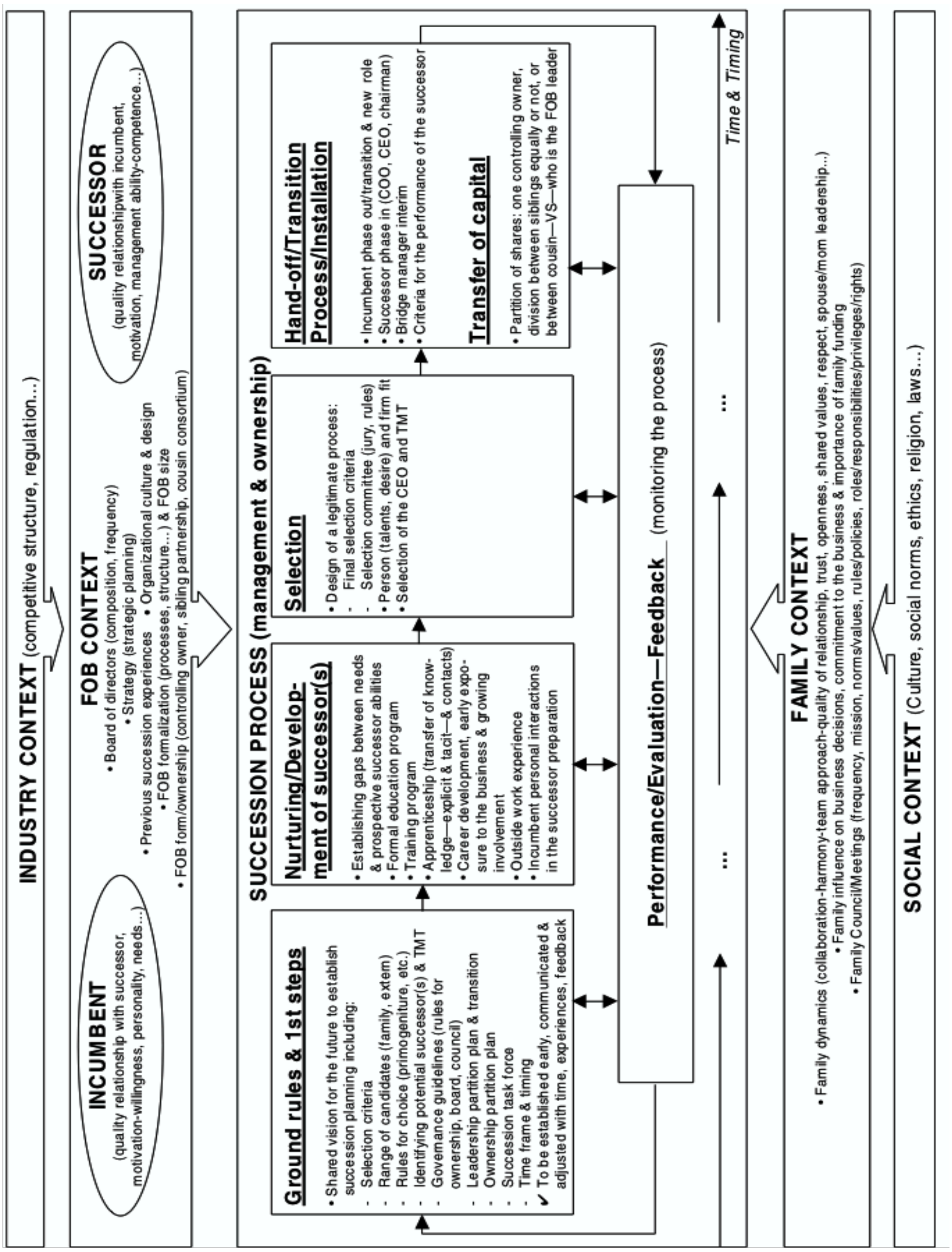
(iii) successor selection, and

(iv) handover or transition (see Figure 2-2).

**Establishing ground rules for successor identification:** Many unsuccessful successions in family-owned businesses have exposed that family disputes arise as a result of confusion about the ground rules of successor identification and selection (Le Breton-Miller et al., 2004). As a minimum, the successor identification rules must incorporate the following requirements: who is to participate in the succession planning process, who are to make the successor choices, based on which criteria, mechanisms for possibilities of appeal, processes and procedures for continual evaluation and selection and what constitute a population of candidates?” (Le Breton-Miller et al., 2004, p.314).

**Developing successors:** This step focuses on nurturing and development of the identified potential successors. One of the critical aspects of successor development, is ascertaining the gaps between the requirements of the different management positions within the business and the abilities of the potential successors (Le Breton-Miller et al., 2004). Fleming (2000) as cited in Le Breton-Miller et al. (2004) argued that such an assessment is necessary in mapping individual development plans for the identified potential successors. Since business needs and the potential successors’ abilities change with time, such development plans must be periodically reviewed to create the necessary alignment (Le Breton-Miller et al., 2004).

**Figure 2-2: Integrative model for successful FOB successions**




Source: Le Breton-Miller et al. (2004)

**Successor Selection:** Le Breton-Miller et al. (2004) concluded that this is a legitimated process, where the rules and criteria for successor selection are clearly understood by all family members, potential successor candidates and other managers involved, best effects the selection of a successor. It is important that there is broad agreement on these criteria well in advance of the succession. According to Le Breton-Miller et al. (2004) some of the potential factors that need to be considered during final successor selection include:

(i) who should be performing the evaluation and selection,
(ii) what criteria they should be using,
(iii) when and how to carry out the assessment, and
(iv) the range of positions available to be filled (Le Breton-Miller et al., 2004).

**Final hand-over to the chosen successor**: For the successor to perform his/her duties successfully, a plan to gradually phase out the incumbent and phase in the successor over a determined period is critical at this stage of the succession process (Le Breton-Miller et al., 2004). Depending on each situation, other family businesses opt for the choice of a 'bridge' manager who will assist the successor in the transition process. It is as this stage of the succession process that the criteria for the performance management of the successor must be agreed upon by all stakeholders (Le Breton-Miller et al., 2004).

### 2.4.3 Succession planning process in family-owned business

Cabrera-Suarez and Martin-Santana (2012) suggested that a successful succession implies ensuring the viability of the business, maintaining the integrity of the family and the satisfaction of the interests of all stakeholders involved. On the other hand, the concept of the success of the succession process must take into account the complex emotional and relational dynamics that occur in this type of enterprise (Cabrera-Suarez & Martin-Santana, 2012). Building on the model proposed by Le Breton-Miller et al. (2004), this study involves a closer look at the identification, development and selection steps in the succession process and how these factors that influence management succession decisions across each step.

#### *2.4.3.1 Successor identification*

One of the early tasks in succession planning is identifying a successor (Van der Merwe et al., 2009). Cater III and Justis (2009) concluded that the sequence of succession planning involves the process of identifying and educating the successors with an expectation of ensuring that they the necessary leadership skills, business acumen and experience to manage the business. The criteria for identifying the potential successors must be developed based on the family goals about the business (Chrisman et al.,2009). Such criteria must cater for a wide pool of talent, which can be developed over time, for instance gender diversity in the identification process will bring about access to the wider pool of human and social capital and thus reducing conflict and create more space to address potential threats to survival of the family business (Wilson et al., 2013).

A clear process of leadership transfer from one generation to another based on a clear criteria allows the current business leader to commence planning for succession and, possibly provides the opportunity to groom a new leader of the family-owned business who has the appropriate knowledge, skills and abilities to successfully manage the business (Behn et al., 2005). Van der Merwe (2011) argued that the entry of the younger generation into the family business should be voluntary and a personal choice for them. However there is still doubt regarding what members of the younger generation desire to do, but the possibility of them being willing and able to join the family business in constructive roles as they grow up remains (Wiklund, Nordqvist, Hellerstedt & Bird, 2013).

#### *2.4.3.2 Successor development*

Development of a capable successor is an important factor in family business succession (Van der Merwe et al., 2009). Failure to impart the potential successor with the essential expertise to take over the management of the business may result in succession not taking place because such underdevelopment possibly will either lead the successor to decline the position or cause the family and business to reject the potential successor (De Massis et al., 2008). However, it is important to note that it can take many years to develop the right successor to enable the existing business owner to walk away from the day-to-day operations (Giarmarco, 2012).

Ward (1987) as cited in Le Breton-Miller et al. (2004) revealed that the successor's development and preparation was one of the fundamental factors in safeguarding successful family-owned businesses succession. Le Breton-Miller et al. (2004) and Venter and Boshoff (2007) postulated that one of the core tasks associated with succession planning is the training of family members to acquire  the knowledge and develop the necessary business capabilities while improving their credibility and legitimacy within the business. However, the development of the potential successor should be tailored for the specific individual needs and should at least be based on a formal leadership and management development plan (van der Merwe, 2011). A precise assessment of the developmental gaps between the skills required for the business and the capabilities of a potential successor is essential in establishing an suitable development plan. If such gaps are not appropriately assessed, the potential successor's grooming process may not be suitable and this could delay the appointment of such a successor (De Massis et al., 2008).

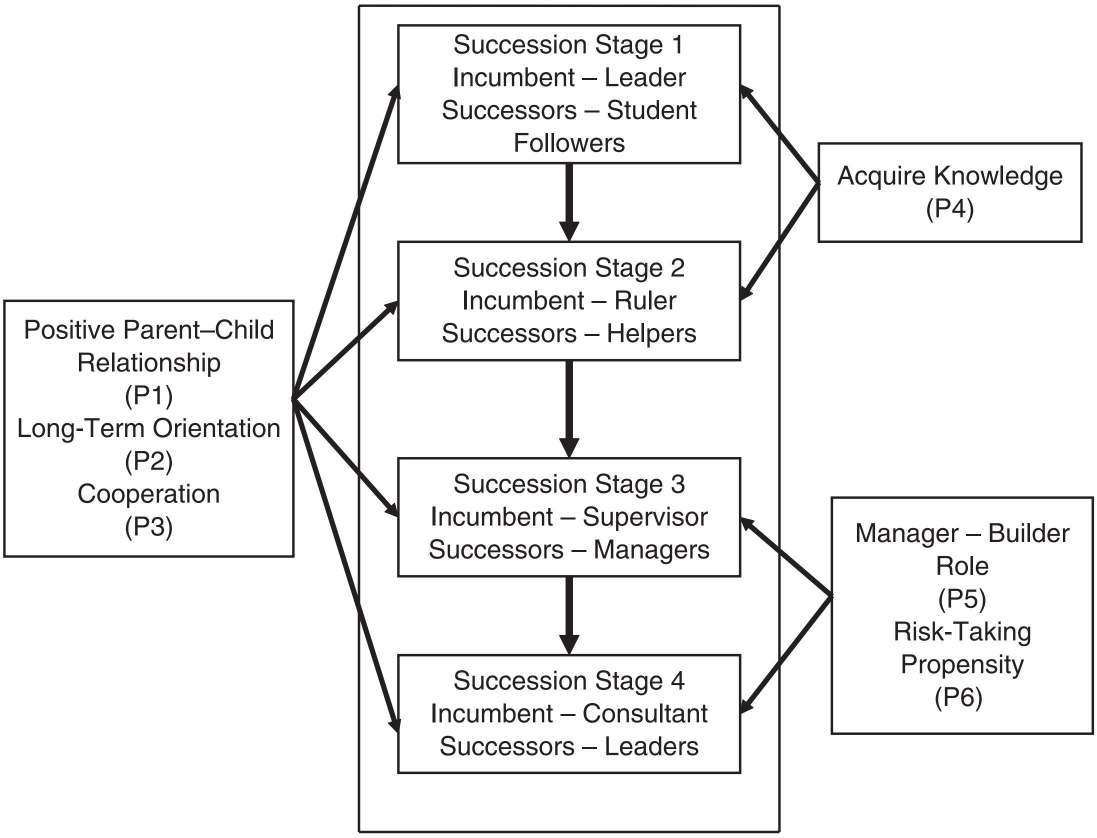
The growth and grooming of the successor within a family business follows a series of actionable steps with an expectation to develop the necessary competencies and commitment that the potential successor requires (Cater III & Justis, 2009). These competencies could be in a form of formal education, on-the-job training, career development and (or) outside work experience (Le Breton-Miller et al., 2004; van der Merwe et al.,2009). According to Barnes (1988) and Correll (1989) as cited in Brockhaus (2004) external experience assists the successor in developing a unique identity and coping mechanisms on dealing with a wider range of problems that may confront the organisation. Such external experience will help the successor acquire an personality and practise for a broader range of difficulties that may potentially face the business (Brockhaus, 2004). Griffeth et al. (2006) added that such outside training and experience would also encourage self-confidence and self-belief and reverse the discouraging aspects of inheritance. Chrisman et al. (2009) further proposed that the next generation leaders can also be developed within the family business, through but not limited to:

(i) involving them at an early age,
(ii) hiring them immediately after they finish their formal education and,
(iii) designing positions within the business that match their interests and skills.

Another view of successor development is provided by Cater III and Justis (2009) who proposed a four-stage framework, which summarises the roles of the incumbent leaders and successors through the process of management succession in the family business (see Figure 2-3). In their study they propose a gradual process of role-reversal between the current incumbent and the potential successor over a period of time. These roles will change as the successor acquires the necessary skills and knowledge to manage the business. Giarmarco (2012) suggested that a gradual transfer of roles and responsibilities between the incumbent and the successor offers the successor time to develop into his/her new position and provides the incumbent with adequate time to become accustomed to his/her diminishing role and increasing confidence in the new leadership/team.

Upon joining the family-owned business, the potential successor first becomes a student of the organisation and in doing so he/she gains the necessary knowledge about the business processes and its stakeholders (Cater III & Justis, 2009). As the potential successor fully grasps the working of the business, they progress into what Cater III and Justis (2009) describe as being 'a helper to the incumbent'. At this stage, generally, the successor will then be equipped with necessary skills and capabilities to move into a lower management position. The incumbent naturally falls back into a supervisory role to guide the successor through day-to-day operations of the business. The last stage of development is when the successor becomes the leader of the business. In most cases the incumbent plays an inactive role of a business consultant (Cater III & Justis, 2009).

**Figure 2-3: Model of the development of successors from followers to leaders in small family businesses**




Source: Cater III and Justis (2009)

#### *2.4.3.3 Successor selection*

*2.4.3.3.1 Selection criteria*

The need for successor selection criteria becoming increasingly, more objective is vital to the succession planning process (Brockhaus, 2004). To ensure such objectivity, Van der Merwe (2011) recommended that a task team which could include the current incumbent, potential successor(s), other key family members, directors and non-family managers must be established to plan for management succession and draft the selection criteria.

According to Chrisman et al. (2009), the criteria for selecting a successor for the family business must be originated from the family's goals and expectations. Van der Merwe et al. (2009) added that difficulties in selecting a successor can be avoided by developing a clear criteria, which must be updated as circumstances or the marketplace changes. It is important to acknowledge that it is rare for potential successor to satisfy all of the family's goals and expectations, therefore trade-offs are often necessary (Chrisman et al.,2009). An example of such trade-offs would be in selecting the eldest son to be the leader; this may preserve family harmony, while selecting the youngest daughter may maximize business growth and profitability (Chrisman et al.,2009).

Nawrocki (2005) proposed that letting the next generation or potential successor know of such criteria early is paramount to avoiding hurt feelings. A well-chosen successor using a well-defined criterion will have the necessary skill set needed to continue the family business activities after the transition (Devany, 2006). In addition to the appropriate successor skills set and abilities, Cabrera-Suarez and Martin-Santana (2012) claimed that commitment is one of the key factors traditionally linked with success in family business succession because committed successors often exhibit willingness to develop a career within the family business and to assume the functions of leadership in the business.

However, Chrisman et al. (2009) argued that for any successor to be committed to the business, he/she must first be interested in the business. The lack of interest on the part of the successor to take over the family business is a commonly cited reason for a problematic succession mainly because a reluctant successor will not be fully committed and may not cooperate in the transition process (van der Merwe, 2011).

*2.4.3.3.2 Selection process*

Venter and Boshoff (2007, p.46) concluded that to address the issue of succession planning within a family business, a formal succession process should be followed, which must be supported by explicit, concise and sensible criteria, which are family specific. Venter and Boshoff (2007) further argued that adherence to such criteria will guarantee that a suitable and competent successor is selected and indicate to family members that the successor selection process is fair. Le Breton-Miller et al. (2004)

suggested that the process of selecting a successor tends not to be a dualistic decision but rather a series of decisions concerning who is in the running and for what position. This approach to the selection process ensures that ambiguity surrounding the management of the selection process is minimised (Venter & Boshoff, 2007). The greater the ambiguity in the selection process the greater the probability that important stakeholders and family members will exhibit the familiar controlling behavior such as parental favouritism or giving sibling position precedence over business acumen and performance (Venter & Boshoff, 2007).

Cabrera-Suarez and Martin-Santana (2012) concluded that a rigorous and systematic selection process would identify the candidate with the correct set of skills and attributes necessary to satisfy the strategic needs of the family business. Le Breton-Miller et al. (2004) argued that the successor selection process should allow for the successor's characteristics and overall family expectations so that the successor role match and future development process can be improved. This will create alignment between the position to be held and the potential successor's characteristics with regards to skills and personality, which will in turn result in improved job satisfaction and business performance (Cabrera-Suarez & Martin-Santana, 2012).

###### *2.4.3.3.3 Family vs. non-family member as a successor(s)*

Steier and Miller (2010) argued that the decision-making during the succession phase is often accompanied by a keen desire to keep management within the family in order to maintain the element of inclusiveness. Ward (1987) as cited in Griffeth et al. (2006, p.492) suggested that family business owners and their family generally favour a family member to take over the business because they believe that the business offers opportunities for the owners children to nurture their creativity, have freedom, autonomy, personal growth and the ability to control their own destiny by developing and maturing at their own individual rate.

Nawrocki (2005, p.36) emphasized the importance of clear criteria when selecting the next leader for the business, by saying that it is paramount that all family members understand timely that they are welcomed to work and have a career within the family business. Nevertheless, it must also be communicated clearly that involvement in the family business will not guarantee them to be the next leader, but rather the best person is going to be there leader of the business and not necessarily a family member Nawrocki (2005). The owner has to set aside the emotional issues of having a son or daughter involved in the business and make sure the business is still run professionally

for it to survive after the generational transition (Nawrocki, 2005).
According to Steier and Miller (2010), competent family members often work well as business successors, because outside managers usually introduce issues of agency; they may not be trusted to run the business honestly or in a manner consistent with family interests and values. Lambrecht and Lievens (2008) cautioned that family involvement increases complexity within the family business. They defined complexity as, “being the number of family members and the kind of relationships established among them, the number of generations alive at a given point in time, and so on” (Lambrecht & Lievens, 2008, p.295). Nawrocki (2005) supported the view of non-family members as a successor when saying it is always good practise to bring in a ‘bridge’ manager, who is normally a non-family member during the transition period if the older generation is ready to retire while the younger generation is still in their twenties and not necessary ready. The bridge manager, will continue to develop the business and develop the next generation leader of the business.

Giarmarco (2012) argued that another important aspect of deciding between a family and a non-family successor for the business is the understanding that many family-owned businesses are reliant on one or two key employees who are important to the overall success of the business. Such employees are often required to assist in the management of the business during the transition period, as result business succession planning must address methods to assure that such employees are retained within the business (Giarmarco, 2012).

*2.4.3.3.4 Timing of the selection*

Succession planning is driven by the biological clock of the current owner-managers of the business and their designated successors (van der Merwe, 2011). Dyck et al. (2002) argued that succession is often referred to as "passing the baton” and therefore, it is critical for the timing to be just right. If the process is too early, the baton is dropped, while if it is too late, the runners may bump into each other (Dyck et al., 2002), and thus resulting in an unsuccessful succession for the business.

Handler (1990) as cited in Le Breton-Miller et al. (2004) contended that the process of selecting a successor is commonly considered as an isolated incident and worse, many businesses avoid successor selection until the subsequent death or forced departure of an owner or current incumbent. The most appropriate time for successor selection is when the successor is prepared and certain of his/her standing in both the business and the family and when the incumbent is emotionally confident and willing to let go

(Chrisman et al., 2009). As noted by Handler (1990) as cited in Le Breton-Miller et al. (2004) successor selection process is more effective when it is deliberate and supervised over many years. Nawrocki (2005) suggested that the owner of a family business must have a plan ready to go a minimum of five years and as many as ten years.

### 2.4.4 Factors influencing succession planning in family-owned businesses

There are many factors entrenched in the family business model that influence the succession planning process. Many succession problems associated with family businesses arise owing to influences that operate at the individual (incumbent and successor), family and business level (De Massis et al., 2008). Recent studies on the factors that influence succession planning have reported positive relationship between succession planning and some of the following factors: the extent of a family's commitment to the business, the readiness of the incumbent to let go, the presence of a competent successor, perceived family harmony and the extent of strategic planning undertaken (Venter & Boshoff, 2007).

Sharma, Chrisman and Chua (1996) as cited in Sharma, Chua and Chrisman, (2000) argued that there are three factors, internal to the family business, which have been consistently identified as influencing succession planning. These are:

(i) the incumbent's propensity to step aside,

(ii) the presence of a competent successor, and

(iii) the presence of an active advisory board.

Sharma, Chua and Chrisman, (2000) added that, other internal factors which influence succession planning are family harmony, the health, stability and potential payoffs of the business, the family's commitment to continue with the business, the complexity of its business and external factors include the competitive industry structure and changing regulatory environment.

#### *2.4.4.1 Incumbent-related factors*

In this study an incumbent refers to the founder or a "person who holds the top management position in a family business and who must relinquish that position before another family member can take over" (De Massis et al., 2008, p.184). Numerous studies have investigated several incumbent's traits as important predictors and variables in effective succession planning (Le Breton-Miller et al., 2004). Ward (1987) as cited in Le Breton-Miller et al. (2004), asserted that the family business incumbent is the most important factor in successful succession. According to Le Breton-Miller et al. (2004) there are three main factors which are associated with the incumbent that affect the succession planning process:

(i) the relationship between the incumbent and successor,
(ii) Incumbent motivation and
(iii) the incumbent personality and needs.

In another study by De Massis, Chua and Chrisman (2008) on incumbent related factors that affect the succession process, the following were identified:

(i) personal sense of attachment of the incumbent with the business,
(ii) unexpected, premature loss of the incumbent and
(iii) incumbent's divorce, remarriage, or new children.

Venter et al. (2005) in their study on the influence of successor-related factors on the succession process in small and medium-sized family businesses they identified three factors that have a direct relationship with succession, these are: the willingness of the successor to take over the business; the preparation level of the successor; and the quality of the relationship between the incumbent and successor.

*2.4.4.1.1 Quality of the relationship between the incumbent and successor*

In both family business and executive succession the relationship between the incumbent and successor serves as a key element of the process, timing, and effectiveness of the succession (Chrisman, Chua & Sharma, 1998). A positive relationship between incumbent and successor is vital to effective succession even prior to the successor becoming part of the family business (Cater III & Justis, 2009). Sharma et al. (2000) argued that a family business that has made a decision to retain management control within the family would find if difficult to attain this without potential successors who are seen a trustworthy by the incumbent and other family members. Sharma et al. (2000) suggested that the building blocks for a sound relationship between the incumbent and the potential successor are mutual respect for and understanding of each other's accumulated knowledge and skills. To avoid conflict, the incumbent and the potential successor must be keen to communicate their views freely and honestly and promote effective information sharing between them (Venter et al., 2005). Hansen (1999) as cited in Bracci and Vagnoni (2011) suggested for effective knowledge exchange to take place the incumbent and the successor should have a strong relationship and that such a relationship should be based on intimacy and trust.

*2.4.4.1.2 Attachment levels of incumbent to the business*

Ibrahim, Soufani and Lam (2001) suggested that majority of the family business succession research attribute the absence of effective succession planning to factors linked to the incumbent, which results into the incumbent's unwillingness to prepare for succession, these are: the incumbent's attachment levels to the business, fear of retirement and death and lack of other personal interests. The phase of the family business life cycle during which transfers of management takes place can be challenging, particularly for the incumbent, for whom the business perhaps embodies a substantial part of their personal, professional and social lives (Cadieux, 2007). Sharma, Chrisman, Pablo and Chua (2001) argued the incumbent's inability to let go at the appropriate time is one of the most cited barriers to effective succession within a family-owned business. De Massis et al. (2008, p.186) concluded that, "if the incumbent is too attached to the business, the potential successor might not be given the opportunity to develop the skills or earn the respect necessary to manage the business".

*2.4.4.1.3 Age of the incumbent*

Vera and Dean (2005) argued that another drawback for family business succession process could be initiated by the lack of age synchrony between the incumbent and successor. Cabrera-Suarez, De Saa-Perez and Garcia-Almeida (2001) also stated that coupled with the quality of the relationship between the incumbent and successor as an important determinant of successful management succession, is the incumbent's and the successor's age. Davis and Tagiuri (1989) as cited in Vera and Dean (2005) recognized that the working relationship between the father and the son and management succession are supplementary compatible, when the father is between the ages of 50–60 years and the son is between ages 23–33 years. It is usually during this period, that the father emphases family philosophies and his management control over the business commences to decline, while the son looks to the father for guidance (Vera & Dean, 2005).

A trigger, normally referred to as "transitional trigger", usually initiates the transition phase within a family business succession. These triggers can be found in many areas, such as in the family (sickness, death of a family member, separation), in management (dismissal of key employees, retirement of incumbent), in the business itself (market collapse, loss of essential cooperation partners), or in ownership (necessary capital increases) (Neubauer, 2003). De Massis, Chua and Chrisman (2008) added that the unforeseen loss of the incumbent during the succession process has a potential to prevent succession from happening because such a loss could transpire at a time when the potential successor does not possess the skills or motivation to take control of the business.

*2.4.4.1.4 Incumbent personality and needs*

Williams et al. (2013) postulated that the current family business leader usually assumes accountability for identifying potential successors, developing the successor, preparing for successor selection and ensuring that the process proceeds effortlessly. Handler (1990) as cited in Le Breton-Miller et al. (2004) substantiated that the ability of the incumbent to delegate and allow the potential successor to make his or her own decisions and mistakes played a critical role during successor's development as a leader. The incumbent's capacity to trust and share knowledge with the successor is key during the management transition process and this will vary depending on the incumbent's personality (Le Breton-Miller et al., 2004). Barach and Gantisky (1995) as cited in Le Breton-Miller et al. (2004) suggested several incumbent traits which affect succession, these are: mentoring abilities, cooperative attitude and openness to new ideas.

***2.4.4.2 Successor-related factors***

In any succession process, the successor is an important stakeholder who must effectively interact with other stakeholders in order to ensure support and understanding. In family business succession, the stakeholders include family members, current incumbent, employees, or any other person who could potentially oppose the succession based on professional or personal reasons (Brun de Pontet et al., 2007), thus successor-related factors and their influence on the succession process must be understood for effective management succession. Chrisman et al. (1998) suggested that the ability of the incumbent to know what to look for and what to develop in a potential successor would assist in ensuring a successful management succession process.

Many researchers on family business have suggested a number successor desirable attributes that are considered important for effective succession planning. However the most comprehensive recent work on successor attributes was conducted by Chrisman et al. (1998). In this study a total of 30 desirable successor attributes were identified and grouped into six main categories:

(i) relationship to the incumbent,
(ii) relationships to other members of the family,
(iii) family standing,

(iv) competence,

(v) personality traits, and

(vi) current involvement in the family business.

This study concluded that integrity and commitment to business were considered the most essential attributes of successors. While gender and birth order were ranked the least important for effective succession outcomes.

*2.4.4.2.1 Commitment and interest of successor towards the business*

Venter et al. (2005) suggested that it is important that successors enter the family business for the correct reasons and that parents do not pressure them into joining the business as employees. They further cautioned that this option should only be provided when and if the offspring are willing, interested and are in possession of the required qualifications and competences to manage the family business. Without commitment and trust, the potential successor will lack the necessary support and mandate from the incumbent and family to design and execute a long-term business strategy (Chrisman et al., 2009). However to be committed, the potential successor must first be interested (Chrisman et al., 2009). Sharma and Irving (2005) suggested that the successor's decision to pursue a career within the family business could be influenced by four distinct mind-sets, which they termed four shades of commitment, these are: affective commitment, normative commitment, calculative commitment and imperative commitment. Within family business research, the typical usage of the term 'commitment' is consistent with the definition of affective commitment which Sharma and Irving (2005, p.18) defines as: "affective commitment is based on a strong belief in and acceptance of the organisation's goals, combined with a desire to contribute to these goals, and the confidence in one's ability to do so. In essence, the successor "wants to" pursue such a career within the family business."

*2.4.4.2.2 Successor willingness to take over the business*

Correspondingly important to the incumbent's willingness to hand over the business to a successor is that the successor must possess the willingness and interest take over the business (Sharma, 2004). Le Breton-Miller et al. (2004) proposed that, with regards to the successor, the major factors associated with successful succession are: successor motivation and successor abilities. Goldberg and Woolridge (1993) as cited in Chrisman et al. (1998) argued that the incumbent's confidence in the successor's willingness to take over the family business as demonstrated by their level of commitment to the business has a positive correlation to the ease with which power and authority are transferred.

*2.4.4.2.3 Successor capability in terms of competence and experience*

The development of a successor is one of the most important phases for any succession process. Such training can either be formal or informal, inside or outside the business, however De Massis et al. (2008) argued that if consideration is not given to formal training, the succession process may be compromised because the successor will be poorly equipped to take over the management of the business. Griffeth et al. (2006) emphasized that the ability of potential successor to prove himself or herself outside the safety net of the family business is an important factor in many successful successions and that such, external experience will build self-confidence and conquer the discouraging aspects of inheritance. In contrast, early exposure to the family business is also vital for the potential successor to establish relationships with the key stakeholders; to build credibility; and to understand the business culture. If this process is delayed until it is too late, these important personal development aspects may be lacking, thus preventing succession from taking place (De Massis et al., 2008). Tatoglu, Kula and Glaister (2008, p.161) concluded that the "succession process is only complete when the successor has gained legitimacy and is widely accepted by the stakeholders".

*2.4.4.2.4 Successor personality traits and needs*

According to Robbins and Judge (2012, p.169), "personality refers to enduring characteristics that describe an individual's behaviour". Early research efforts to identity individual primary personality traits resulted in a long list that was difficult to generalize (Robbins & Judge, 2012). According to Chrisman et al. (1998), there are personality traits that are considered desirable in family business successors such as: aggressiveness, creativity, integrity, intelligence, creativity, willingness to take risk, independence and self-confidence, with integrity being considered the most important attribute according to a follow-up study conducted by Sharma and Rao (2000) on Indian family-owned businesses.

Another successor-related factor linked personality is their motivation or personal needs. By definition motivation refers to "the process that account for an individual's intensity, direction and persistence of effort towards attaining a goal", (Robbins & Judge, 2012,p.236). To ensure effective succession it is important that the successor's personal needs are aligned with that of the business (Venter et al., 2005). The business must meet the needs of the successor's life stage, lifestyle and available alternative sources of employment (Griffeth et al., 2006).

*2.4.4.2.5 Quality of the relationship between the successor and the family members*

Griffeth et al. (2006) concluded that feelings of loyalty to the family and a sense of family responsibility by the potential successor are factors believed to facilitate successful succession within a family business. Brun de Pontet et al. (2007) added that as much as the incumbent may be capable in identifying a successor; nevertheless, this does not guarantee family enthusiasm about the choice, unless the family members have a good relationship with such a successor. To ensure that the potential successor feels accepted and subsequently keen to take over the business, the relationships between the incumbents, successors and other family members must be positive (Chaimahawong & Sakulsriprasert, 2013)

#### *2.4.4.3 Family-related factors*

Most recent work on the family relationship factors that affect the succession planning process within family-owned businesses was conducted by Griffeth et al. (2006). In their study they uncovered 26 family relationship characteristics and their effect on succession planning. From this study, relationship among family members, family harmony, successor's commitment to family, trust or loyalty to the family of the successor, was found to have the most positive effect on the succession process.

*2.4.4.3.1 Quality of the relationship among family members*

As discussed in the previous sections, good relationships between all family business stakeholders fulfill important functions in the succession process. Furthermore to the incumbent-successor relationship described in section 2.4.4.1.1, good relationships within family members are as equally important (Griffeth et al., 2006). Van der Merwe, Venter and Farrington (2012) stated that the greatest threat to the growth and sustainability of a family business is related to the family relationships among family members involved in the business. Van der Merwe et al. (2012, p.17) further contended that relationships within a family business are built on values such as "fairness, trust, respect, honesty, integrity, commitment, openness, peace and harmony among family members". Van der Merwe et al.'s view is supported by Gilding et al. (2013. p.8) when they state that "the fundamental key to family business survival is the establishment and growth of trust". De Massis et al. (2008) suggested that conflicts between family members might inhibit the selection of a willing and able successor or discourage interest for the role.

*2.4.4.3.2 Support of the successor by the family members*

Griffeth et al. (2006) argued that the family business succession process is likely to succeed and be effective executed when the family and the successor are able to work together. De Massis et al. (2008,p.190) substantiated this view by saying, “If family members are not committed to the potential successor, he or she may not be given the opportunity to demonstrate the requisite management abilities nor will he or she be likely to gain the dominant coalition’s confidence”. A successor must be trusted by the family and non-family members in order to be considered a legitimate leader and that increases their chance of being selected to manage the family business (De Massis et al., 2008).

*2.4.4.3.3 Natural Succession*

Many family business scholars argue that in order for a family business system to self-perpetuate, it is paramount that it continues within the family (Williams et al., 2013). Ward (1987) as cited in Griffeth et al. (2006) postulated that in many families the oldest son is often seen as the main candidate for the chief executive officer position, which implies that the daughter is not considered as a possible successor. Stavrou (1999) as cited in Vera and Dean (2005) supported that in many family businesses daughters, even first born, are not usually counted for leadership roles, with some incumbents opting to rather sell the business than appointing the daughter. Expanding from the above argument, Chrisman et al. (2009) concluded that cultural issues inevitably intervene in the succession planning process. In their study Chrisman et al. (2009) presented the apt illustration of one Asian family business in which the elder daughter was initially involved and an integral part of its growth. When her younger brother graduated from university, she was asked to step down to pave the way for the socially preferred male successor. Consequently after building her own separate business, which was successful, the family asked her to sell that business and return to rescue the core family business, which the younger brother had mismanaged.

***2.4.4.4 Business-related factors***

Pfeffer and Salancik (1978) in De Massis et al. (2008) contended that context in which the business operates can influence the succession process since uncertainties within the business operating environment have the potential to disturb the power balance and control within the business.

*2.4.4.4.1 Business strategy*

Strategic planning seems particularly imperative to family businesses because it can promote continuity and family unity, supports creation and maintenance of jobs and ultimately could help the family business circumvent decline and ultimate loss of the family business (Eddleston et al., 2013). Dyck et al. (2002) argued that business strategy is an important factor when putting together the management succession talent pool and selecting appropriate candidates. It is strategy of the family business that should inform the kind of leadership it seeks (Le Breton-Miller et al., 2004).

*2.4.4.4.2 Business operating environment and industry*

The industry that the business operates within also influences the succession planning decisions (Le Breton-Miller et al., 2004). There are conventional industries in which the approach of conducting business has remained unchanged over the years and generations. In such industries, apprenticeship in the family business may translate to an excellent training that will support the business values; so family members developed within the business may be particularly well-suited to become excellent managers (Dyck et al., 2002). Jonovic (1982) as cited in Griffeth et al. (2006) concluded that the successor's lack of interest and knowledge in the industry in which the family business operates will almost certainly undesirably affect the succession planning process.

*2.4.4.4.3 Change in market conditions*

De Massis et al. (2008) suggested that changes in market conditions, which include market growth, slowing, declining and even increased competition possesses potential to notably change the dominant alliance's valuation of the future prospects of the family business and thus trigger it to alter its succession objectives. Such changes in market conditions could also affect the willingness and interest of the potential successor to take over the business (De Massis et al., 2008). Sharma, Chrisman, Pablo and Chua (2001) concluded that an actual or expected decline in business performance lessens the financial attractiveness of the family business and thus may trigger potential successors to pursue other opportunities outside the organisation..

*2.4.4.4.4 Change in size and nature of the business*

Stavrou (1999) as cited in De Massis et al. (2008) identified a positive correlation between business size and the intentions of the next generation to enter the family business. Consequently, Venter et al. (2005) argued that a decrease in size may force the potential successor to leave the business when they are driven by the perception and possibility that future monetary and nonmonetary rewards from the business will be unattractive. Griffeth et al. (2006) substantiated that view by saying that, other business factors that are associated with the family business succession, these are: health of the company and its culture, the complexity of the administrative task as determined by such things as size and diversity.

### 2.5 Summary of the factors affecting management succession

The factors, which have been, uncovered in the literature that influence decisions in management succession within a family business are summarised below:

**Table 2-1: Incumbent-related factors and literature sources**

| Incumbent-related factor | Study or source |
|---|---|
| Quality of the relationship between successor and incumbent | Bracci and Vagnoni (2011), Cater III and Justis (2009), Venter, Boshoff and Mass (2005), Le Breton-Miller et al. (2004), Sharma and Rao (2000), Chrisman et al. (1998). |
| Attachment levels of incumbent to the business | De Massis, Chua and Chrisman (2008), Cadieux (2007), Le Breton-Miller et al. (2004), Chrisman, Pablo and Chua (2001). |
| Age of the incumbent | Cabrera-Suarez and Martin-Santana (2012), Van der Merwe (2011), Vera and Dean (2005), Neubauer (2003) |
| Incumbent personality and needs | Williams et al. (2013), Venter, Boshoff and Mass (2005), Le Breton-Miller et al. (2004), |

**Table 2-2: Successor-related factors and literature sources**

| Successor-related factor | Study or source |
|---|---|
| Successor willingness to take over the business | Wiklund, Nordqvist, Hellerstedt and Bird (2013), Chrisman et al. (2009), Venter et al. (2005), Chrisman et al. (1998). |
| Successor personality traits and needs | Van der Merwe (2011), Venter and Boshoff (2007), Venter et al. (2005), Le Breton-Miller et.al (2004), Chrisman et al. (1998). |
| Successor capability in terms of competence and experience | Van der Merwe et.al (2009), Cater III and Justis (2009), (Brun de Pontet et al., 2007), Venter and Boshoff (2007), Devany (2006), |

| | |
|---|---|
| | Griffeth et al. (2006), Venter, Boshoff and Maas (2005), Sharma et al. (2000), Chrisman et al. (1998). |
| Commitment and interest of successor towards the business | Van der Merwe (2011), Chrisman et al. (2009), Griffeth et al. (2006), Venter et al (2005), Sharma and Irving (2005). |
| Age of the successor | Cabrera-Suarez and Martin-Santana (2012), Van der Merwe (2011), Vera and Dean (2005). |
| Quality of the relationship between successor and the family members | Chaimahawong and Sakulsriprasert (2013), Brun de Pontet et al. (2007), Griffeth et al. (2006), Chrisman et al. (1998). |

**Table 2-3: Family-related factors and literature sources**

| Family-related factor | Study or source |
|---|---|
| Support of the successor by the family members | *Van der Merwe et al. (2012), De Massis et al. (2008), Brun de Pontet et al. (2007), Venter and Boshoff (2007),* |
| Natural Succession | *Williams et al (2013), Steier and Miller (2010) Chrisman et al. (2009). Griffeth et al. (2006) Sharma and Rao (2000).* |
| Quality of the relationship among family members | *Van der Merwe et al. (2012), De Massis et al. (2008), Griffeth et al. (2006)* |

**Table 2-4: Business-related factors and literature sources**

| Business-related factor | Study or source |
|---|---|
| Business operating environment and industry | *De Massis et al. (2008), Vera and Dean (2005), Le Breton-Miller et al. (2004), Dyck et al. (2002).* |
| Business strategy | *Eddleston et al. (2013), Le Breton-Miller et al.* |

| | |
|---|---|
| | *(2004), Dyck et al. (2002).* |
| Change in market conditions | *Van der Merwe et al. (2009), De Massis et al. (2008), Le Breton-Miller et al. (2004), Sharma, Chrisman, Pablo and Chua (2001).* |
| Change in size and nature of the business | *De Massis et al. (2008), Griffeth et al. (2006), Venter et al. (2005)* |

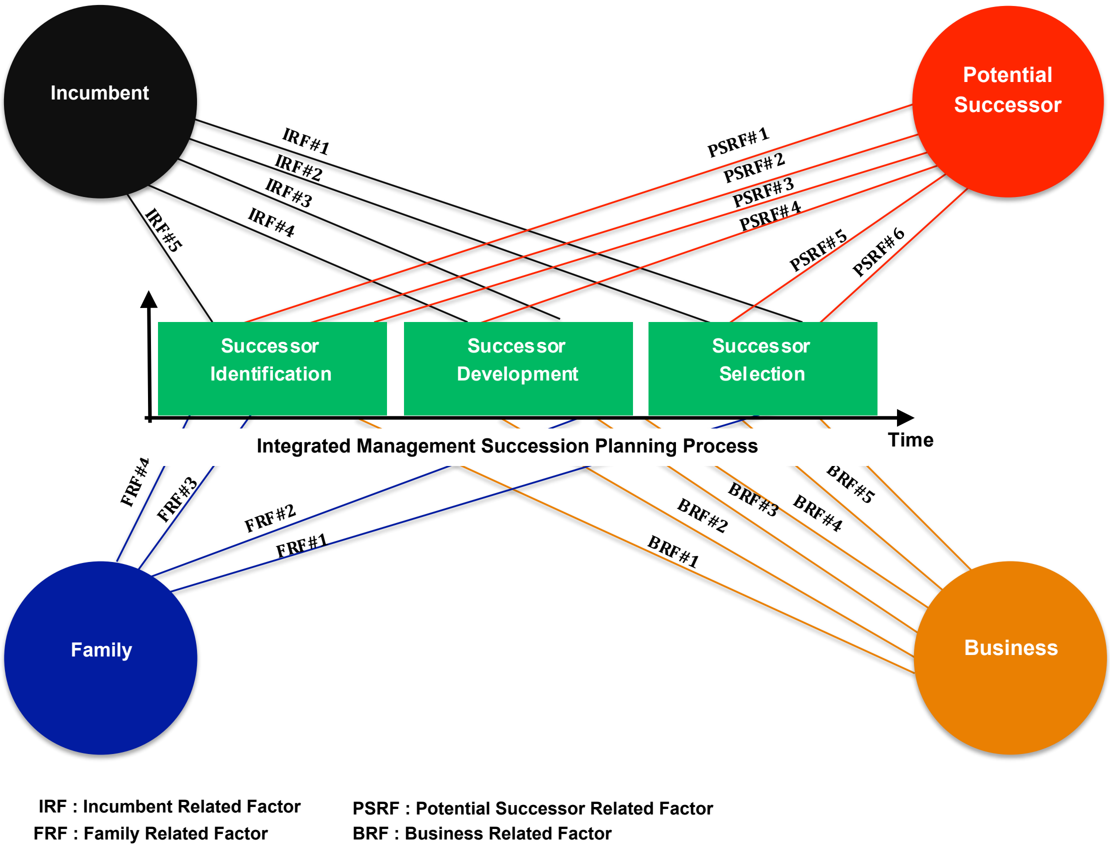
As depicted in tables 2-1, 2-2, 2-3 and 2-4 above, these factors that influence management succession feature extensively in literature on successful family business succession. It is therefore reasonable to suggest that family-owned business involved in management succession planning may demonstrate the factors mentioned above in their execution or planning of such a process in order to guarantee success.

**2.6 Proposed family business succession conceptual framework**

To date most of the family-owned businesses use the succession models proposed and reviewed view and follow the succession process as a single compounded process. This view is used when exploring the antecedents of successful management succession within a family business from the perspective of the incumbent, potential successor, family and the business the concentration of these cannot be effectively explored or evaluated. From the literature reviewed above, it can be deduced that succession-planning process is not a single compound process, but rather a series of steps that takes place over time.

Therefore, for the purpose of this research the succession process will be fragmented into three key steps: (i) identification, (ii) nurturing and development and (iii) selection. From the findings a more comprehensive and integrated framework that incorporates the factors that affect management succession planning process from the perspective of the incumbent, potential successor, family and the business will be developed. Based on the literature reviewed, the integrative framework depicted in Figure 2-4 is proposed to guide the research study into the exploration of the management successor.

**Figure 2-4: Conceptual framework for factors influencing management succession decisions in family business**




Source: Author (2014)

As seen from the proposed framework, factors that influence the succession planning process can vary in concentration density and magnitude across the three key steps. This view of the management succession process provides a framework that aims to focus on each step based on the influencers' concentration density.

### 2.7 Conclusion

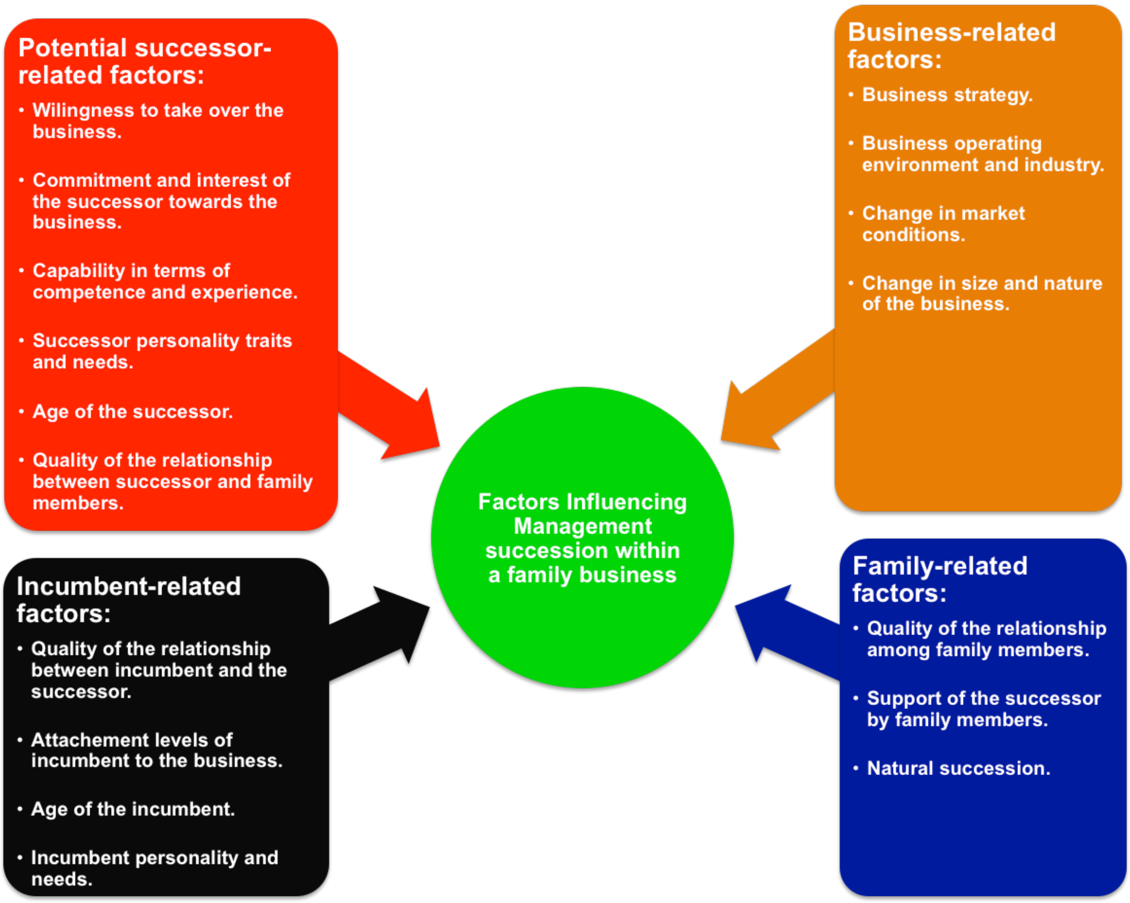
This chapter unpacked the literature around family business and succession planning. It was discovered that the field of family business research field is broad and widely fragmented and the diversity on the definition of what constitute a family business is a typical example of this fact. For the purpose of this study, the definition by Venter, Boshoff and Maas (2005) was chosen as the most appropriate. Family businesses are unique and complex from non-family businesses in many ways, mainly due to the fundamental interaction of management, ownership, family and business. Family businesses form a critical part in the South African and global economy. In South Africa, approximately 80% of all businesses can be classified as family businesses and are mostly small to medium sized (SMEs) and their importance in wealth and job creation in any economy cannot be overemphasized.

However, it is evident from this literature that family-owned businesses encounters various challenges over their life cycle, which can affect their success and longevity. It is understood that about two-thirds of the family businesses fail during the transfer to the second generation and less than 15% survive into a third generation of family ownership. This high failure rate is a major cause for concern. Various factors that contribute this problem have been identified and documented in many studies, but succession is viewed as one of the main contributors. Management succession in a family-owned business has two elements, which are ownership and management transition.

Management succession is a complex and highly emotional process, which takes place over time and requires a great deal of cooperation between the family and non-family members engaged in the business activities. Therefore succession is not a once of event, but a series of steps, which include the, identification, development and selection of the next generation of the management team of the business. A comprehensive succession plan with clear criteria is very important. Such a plan must be objective and effectively communicated to all members of the family to reduce ambiguity in the process. Therefore, a properly planned and timed management succession process will decrease the likelihood of failure of the family-owned business during the generational transfer, because it allows for sufficient time for the right and competent successor to be identified and developed.

Conversely, the process of management succession within a family business is dynamic and can be influenced by many factors that operate at the individual (incumbent and successor), family and business level. Figure 2-5 depicts the summary of the most widespread and dominant factors that influence the management succession process within a family business as unpacked in the literature review. These factors will form the basis for the initial themes to be used in Chapter Four.

**Figure 2-5: Summary of factors influencing management succession in family business**




Source: Author (2014)

Understanding this network of influence is important in order to create the necessary focus overtime as the influence density of the incumbent, successor, family and business can vary over time at each step in the succession planning process. This network shows the density of the factors that influence the management successor identification, development and selection within a family business and will form the basis for the research questions explained in Chapter Three.

# Chapter 3 : Research Questions

### 3.1 Introduction

In the previous chapter, the literature on family business and succession planning was reviewed. It was uncovered that family businesses are critical to employment, wealth creation and poverty eradication across all economies. However, this form of enterprise form faces complex problems, which result in their low survival rate across generations. The main cause for the low survival rate was mentioned to be succession and succession planning was proposed as the solution. The literature review also revealed that the succession planning process consists of four distinct stages which are: (i) establishing ground rules for successor identification, (ii) developing successors, (iii) selection and (iv) hand-off or transition and that decision-making throughout the process and each stage is affected by several factors associated with the incumbent, successor, family and business.

This chapter will outline the research questions to be investigated in this study. An appropriate research question needs to provide a coherent linkage to the literature and also endeavors to provide new insights into the research field (Saunders & Lewis, 2012). One way of ensuring that the research questions are appropriate to the research problem identified, is for the researcher to avoid asking easy questions that tend to only require a descriptive answer (Saunders & Lewis, 2012). The research questions that this study pursue to answer are detailed below:

### 3.2 Research Question

The primary research question for this study is identified as follows:

- What are the current practices for management successor identification, development and selection within fully black family-owned businesses in South Africa?

### 3.3 Secondary Research Questions

Based on the primary research question above, four secondary questions aimed at addressing the interacting elements of a family business succession, which are the incumbent, successor, family and business are determined:

- What are the current owner/founder/incumbent related factors that influence management successor identification, development and selection decisions in a fully black family-owned business?

- What are the successor related factors that influence management successor identification, development and selection decisions in a fully black family-owned business?
- What are the family-related factors that influence management successor identification, development and selection decisions in a fully black family-owned business?
- What are the business-related factors that influence management successor identification, development and selection decisions in a fully black family-owned business?

**3.4 Conclusion**

This chapter outlined the primary and secondary research questions aimed at exploring management succession planning among black family-owned businesses and the factors the influence the process from the perspective of the incumbents. These questions will then lead to the identification of the appropriate research method aimed at providing the answers the researcher sought to establish.

# Chapter 4 : Research Methodology

## 4.1 Introduction

The previous chapter explored the research questions, which will be examined in this research study. The research questions aim to explore factors that influence management successor identification, development and selection in black family-owned business in South Africa with the main aim of establishing a network density of these factors and assessing the succession preparedness levels of such enterprises. In this chapter, the methodology that will be used to explore and answer the identified research questions will be discussed.

## 4.2 Research Design and Rationale

This study seeks to uncover best practices for management successor identification, development and selection among South African black family-owned businesses, which is a relatively new area of research considering that 'blacks' only owned less than 5% of the country's private economy before 1994. Family-owned business research has been a growing field over the last decade but it still remains an emergent field of study (Chrisman, Chua, Kellermanns, Matherne III & Debicki, 2008) in South Africa, in particular. The absence of accord on the precise definition of family business serves as an indicator of this. Siebels and Knyphausen-Aufseb (2012) concurred that the field of family business research as a scholarly discipline is relatively undeveloped in contrast with conventional fields such as strategic management or finance. Owing to the newness of this area of study, an exploratory qualitative research design philosophy was adopted as the most appropriate for answering the research questions tabled in Chapter Three. The theoretical rationale for the research methodology chosen is explained below.

Zikmund (2000, p.50) distinguished between three research methods, which can be used to understand business problems, as follows:

- *"Exploratory research*: Initial research conducted to clarify and define the nature of a problem;
- *Descriptive research*: Research designed to describe characteristics of a population or phenomenon;
- *Causal research*: Research conducted to identify cause-and-effect relationships among variables where the research problem has already been narrowly defined".

Zikmund (2000) further stipulated that exploratory research is normally undertaken with the anticipation that subsequent research will be necessary to provide conclusive evidence. Exploratory research aims to seek new insights, ask new questions and to assess topics in a new light (Saunders & Lewis, 2012). When compared to quantitative research methods, qualitative research explicitly focuses on the interaction with interviewees by asking in-depth questions in order to fully understand the research problem (Saunders & Lewis, 2012).

**4.3 Research Universe and Population**

The focus of this study is specifically on small to medium-sized black family-owned businesses. According to the South African National Small Business Act (1996), micro, very small, small and medium-sized businesses as businesses that employ less than a 200 full-time equivalent of paid employees. According to the Broad-Based Black Economic Empowerment Act, the term "black people", is a generic and inclusive term which means Africans, Coloured and Indians-

(a) who are citizens of the Republic of South Africa by birth or descent, or
(b) who became citizens of the republic of South Africa by naturalization-
    (i) before 27 April 1994, or
    (ii) On or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalization prior to that date.

A population is defined as the complete set of group members that the study will focus on (Saunders & Lewis, 2012). Furthermore the definition by Venter et al. (2005) , the National Small Business Act classification and the definition of "black people", was used and the target universe for this study was then defined as:

> Black family-owned businesses, that are owned by members of the same family to shape and/or pursue the formal or implicit vision of the and where there is an intention to handover the business to the next generation or where the business has already been handed over to a family member to manage.

In addition to the Venter et al. (2005) definition of a family business, the following characteristics were also utilised to define the population of relevance for the study to be:

- Black family-owned businesses where the current owner is considering succession of management,
- A second-generation black family-owned business where the current owner had

experience of the succession process and where the predecessor is still available.

## 4.4 The Unit of Analysis

Zikmund (2000) argued that to define a research problem the researcher must first determine the unit of analysis of the study. Salkind (2010) concurred that when engaging in research, it is essential to have a clear understanding from the onset of what the study is trying to accomplish, that is, what the specific research questions are and what data are necessary to collect to answer the research question(s).

The primary unit, or the main unit in focus is called the unit of analysis (Salkind, 2010). For the purpose of this study, the unit of analysis was the perspectives of black family-owned business incumbent who is either the founder or owner or the Chief Executive Officer (CEO) or Managing Director (MD) on the factors that influence management succession decisions with the family businesses.

## 4.5 Research Sample

### 4.5.1 Sampling technique

While family-owned businesses have been in existence for as long as 300 years in the South African economy, however, it was only in 2011 when a unit or association was established to deal with the complex issues that family businesses face. A complete list of such enterprises in South Africa has not been determined to date. Therefore, for the purpose of this study, non-probability sampling was used. According to Saunders and Lewis (2012,p.132), "non-probability sampling refers to a variety of sampling techniques for selecting a sample when you do not have a complete list of the population". The sample members for this study were selected using a combination of purposive and snowball sampling methods. Saunders and Lewis (2012, p.138) stated that "purposive sampling is a type of non-probability sampling in which the researcher's judgement is used to select the sample members based on a range of possible reasons and premises."

The target universe for this study was defined in Section 4.3 above. There was no established database on family businesses in South Africa, which could form a basis for the sampling frame of this study. This is also substantiated by Van der Merwe et al. (2012, p.22), in their study on family business values in small and medium-sized family businesses, when they said, that numerous attempts were made to secure a database of family businesses in South Africa, but to no avail. Consequently, it was necessary to compile a list of black family-owned businesses, which was then used for the purpose of this study. Participants in the study were selected on the basis of ease of access and number of years in business.

### 4.5.2 Sample size

Saunders and Lewis (2012) acknowledges that one of the crucial issues in collecting data using semi-structured interviews is the number of participants the researcher needs to interview before data saturation is reached. However this depends on the nature of the defined population. Guest, Bunce and Johnson (2006) argued that most field-oriented studies generally often uses non-probabilistic samples, with the most commonly used samples being purposive samples. The majority of scholars recommend that “the size of purposive samples be established inductively and sampling to continue until theoretical saturation” is attained (Guest, Bunce & Johnson, 2006, p.65). In their study, on how many interviews are enough? Guest, Bunce and Johnson (2006) established that saturation occurred within the first twelve interviews, with variability within the data following similar patterns. Therefore, for this study 13 interviews were believed to be adequate to allow for deductive conclusions to be made.

### 4.5.3 Demographics of companies interviewed

All the companies interviewed are classified as small to medium enterprises (SMEs) according to the South African National Small Business Act (1996). Approximately 75% of the companies were over than 5-years old, which means that they have demonstrated sustainability and can now focus on succession. The companies interviewed operate mainly in the Mpumalanga and Gauteng province. The two provinces were chosen based on ease of accessibility by the researcher. All the companies are 100% owned by the current family and expressed an intention to hand over the business to the next generation in the next five to 15 years. Due to a lack of a known database for family-owned businesses in South Africa, a list (see Table 4-1) was developed through the snowballing method (Saunders & Lewis, 2012) prior and during to the interviews. The researcher based on accessibility and industry type they operate in conveniently selected the companies.

**Table 4-1: List of Companies Interviewed**

| Case | Company Name | Year founded | Generation | Number of family members employed |
|---|---|---|---|---|
| 1 | Jamali General Services | 1999 | 1 | 2 |
| 2 | Mpempe CC | 2000 | 1 | 8 |
| 3 | Soliphetha Trading Enterprise | 2006 | 1 | 2 |
| 4 | Mphathisi Engineering | 2012 | 1 | 2 |
| 5 | DAZ Cooling | 2001 | 1 | 2 |
| 6 | Wenzekahle Maintenance | 2001 | 1 | 3 |
| 7 | Butitjie Repair and Rebuild | 1999 | 2 | 2 |
| 8 | Sithole Inc | 2002 | 2 | 2 |
| 9 | At the Altar Bridal Boutique | 2012 | 1 | 2 |
| 10 | Masombuka Transport (Taxi) | 1993 | 2 | 2 |
| 11 | Sakhizwe Engineering | 2012 | 1 | 2 |
| 12 | Babusisekile Business Enterprises | 2008 | 1 | 2 |
| 13 | Mholi Trading | 2011 | 1 | 3 |

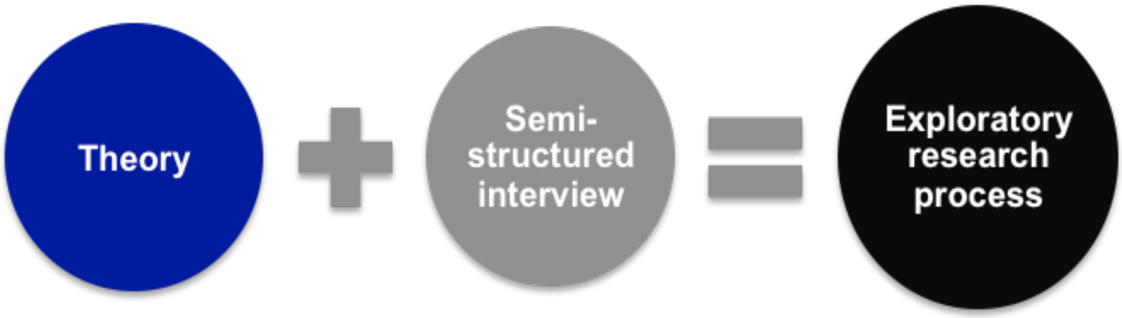
## 4.6 Research Measurement Instrument

### 4.6.1 Design

Salkind (2010) argued that measurement is fundamental to almost all forms of research. Zikmund (2000) suggested that because there are many research techniques, there are also many methods of data collection, which could either be observations, interviews or documents. In this study, the grounded theory research strategy was followed (Zikmund, 2000). Saunders and Lewis (2012,p.119) stated that the grounded theory is a research strategy in which theory is developed from data generated by using a series of observations or interviews mainly involving an inductive approach. Creswell (2003) also argued that in grounded theory research strategy, the researcher usually attempts to derive a general or abstract theory of a process, action, or interaction while remaining grounded in the views of the specific study participants. This process is normally characterized by multiple data collection stages, refinement and interrelationships of categories.

The research process followed in this study took the form of a two-phased qualitative approach as shown in Figure 4-1. In the first phase, a detailed review of current literature on family business and the challenges they face was conducted, with the main focus being on succession. This was followed by exploring succession planning as a solution to the problem of succession and the factors or drivers that enable or inhibit the process. The theory reviewed in Chapter Two was then used as a basis to formulate the interview guide structure and questions used for the data collection process (see Appendix 1).

**Figure 4-1: Research study process**




Source: Author (2014)

The second phase involved individual face-to-face semi-structured qualitative interviews with 13 black family-owned business founders/owners or incumbents, which are classified as small to medium enterprises. Saunders and Lewis (2012, p.110) substantiated that the most usual ways of conducting exploratory study are: searching the academic literature, interviewing the 'experts' in the subject or by conducting interviews. To ensure that relevant information is obtained during the interviews a discussion guide for the semi-structured interviews was developed (see Appendix 1). The researcher took great care and exercised considerable caution in ensuring that the discussion guide questions are open-ended and merely served as a guide. All interviewees were encouraged to tell their own story. The interviews lasted between 45 minutes and 60 minutes in duration. All participants in the study signed the consent form prior to the interview, as shown in Appendix 2.

### 4.6.2 Pre-testing

Zikmund (2000) argues that usually there are two stages in any data collection process, which are: pre-testing and the main study. Zikmund (2000, p.65) further defines the pre-testing phase, as "using a small subsample to determine whether the data collection plan for the main study is an appropriate procedure". Pre-testing was used to unearth potential problems with the measurement instrument such as:

confusing interview questions, appropriateness of the length of the interview as well as other possible field errors. These problems were then rectified prior to the actual interviews and data gathering process.

For this study, pretesting was conducted using two small black family-owned businesses from the Emalahleni, Mpumalanga province. Following this exercise the discussion guide was further improved. Some of the improvement shortening the list of question for each stage of the succession process and editing questions that were considered to be ambiguous

### 4.6.3 Data analysis

Once the field work is completed, Zikmund (2000) suggested that in any qualitative research, the data collected must be converted into a format that will enable the researcher to answer the research questions. Qualitative data analysis involves editing, identification, coding and categorising data patterns and themes found in the data (Zikmund, 2000). Saunders and Lewis (2012) substantiated that the first step in analysing qualitative data is to develop meaningful categories or codes to describe the data. In order to analyse the qualitative data collected on the themes of management successor identification, development and selection in black family-owned businesses, a two-part analysis approach was used.

Firstly content and narrative analysis approaches (Hsieh & Shannon, 2005) were adopted to understand the workings of each business case workings and to provide an indication as to which factor that influence management succession in black family-owned businesses appear to be most substantial and pervasive based on the opinions of the founders or current incumbents. This was done through a content analysis of the transcribed interviews data by looking for patterns, themes and meanings. Content analysis is one of the numerical research methods used to systematically analyse text data from unstructured interviews and allows the researcher to examines the language intensely used for the purpose of classifying large amounts of text data into well-organised number of themes that represent similar meanings (Hsieh & Shannon, 2005).

These themes can “represent either explicit or inferred communication with the main goal of providing knowledge and understanding of the phenomenon under study” (Hsieh & Shannon, 2005, p.1282). In their study Hsieh and Shannon (2005) presented three approaches to content analysis which are: conventional, directed, or summative.

For the purpose of this study, the directed content approach to analysis was used (see Table 4-2 for explanation of the approaches). Directed content analysis aims to validate or extend a conceptual theory with the main goal of providing knowledge and understanding of the phenomenon under study (Hsieh & Shannon, 2005). The initial codes for the study, which are the factors that influence management succession decisions in family business, were derived from literature review conducted in Chapter Two. To specify the common themes in the research data, a numerical figure based on the most number of respondents was used. The coding, management and analysis of the data was carried out using the computer-aided qualitative data analysis software (CAQDAS) called ATLAS.ti software system (see Appendix 3 for the analysis flowchart) followed.

**Table 4-2: Coding differences among three approaches to content analysis**

| Type of content Analysis | Study starts with | Timing of defining codes or keywords | Sources of codes or keywords |
|---|---|---|---|
| Conventional content analysis | Observation | Codes are defined during data analysis | Codes are derived from data |
| Directed content analysis | Theory | Codes are defined before and during data analysis | Codes are derived from theory or relevant findings |
| Summative content analysis | Keywords | Keywords are identified before and during data analysis | Keywords are derived from interest of the researcher or review of literature |

Source: Hsieh and Shannon (2005, p.1286)

According to Mishler (1986) as cited in Bailey and Tilley (2002,p.575), narrative analysis is defined as a form of meaning construction frequently identified in qualitative interview data through a story. Each respondent's story was carefully analysed to unearth or develop patterns.

Secondly, constant comparative analysis was conducted to compare findings across the selected sample in order to generate new theory more systematically where applicable. According to Strauss and Glaser (2009) constant comparison method allows for the development of complex theory that corresponds closely to the data because it forces the researcher to consider data richness and diversity. In this study data diversity means that, "each incident is compared with other incidents in terms of similarities and differences", (Strauss & Glaser, 2009,p.113).

To ensure consistency of data collection and analysis throughout the study a consistency matrix was used (see Appendix 4). The final results of the analysis was a matrix that depicted the factors that influence the three steps of management succession process under four categories which are: incumbent-related factors, successor related factors, family-related factors and business-related factors.

### 4.6.4 Trustworthiness

Zikmund (2000) contended that irrespective of how the data is collected, it is imperative to minimise errors in the data collection process. Bloomberg and Volpe (2012) argued ensuring validity and trustworthiness for qualitative research focuses on how well did the researcher provide evidence supporting that his or her description and analysis represent the reality of a situation and persons studied. To ensure rigor and evaluate trustworthiness of qualitative research, Guba (1981) in Shenton (2004) proposed four criteria, which are: credibility, transferability, dependability and confirmability and these will be discussed in detail below.

- **Credibility**: Guba (1981) as cited in Shenton (2004) argued that credibility is the most important aspect in establishing trustworthiness of qualitative research. Bloomberg and Volpe (2012) stated that credibility refers to whether the study participant's perceptions are aligned to the researcher's portrayal of them. To ensure credibility in this study, the researcher used data triangulation. Data was collected from literature and from the interviews with thirteen black family-owned business incumbents. In order to improve internal validity of this study the researcher utilised a consistency matrix (see Appendix 4) as a basis for the data collection phase.

- **Transferability**: Shenton (2004,p.69) stated that "transferability in qualitative research refers to the extent to which the findings of one study can be generalizable to other situations". Bloomberg and Volpe (2012) added transferability does not necessarily refer to whether the study involves a representative sample, but rather how well the researcher has made it possible for a reader to decide whether similar processes will be at play in their own environment and circumstances. To assess, transferability, of this study, the researcher has provided detailed information on limitations of this study in Chapter Seven (see section 7.5).

- **Dependability**: Bloomberg and Volpe (2012) stated that dependability indicates the degree to which data collection methods and analysis procedures can be tracked and will produce consistent findings. To improve dependability in this study, the researcher has provided a detailed and thorough explanation of how the data was collected and analysed (see Chapter Four, section 4.6.1 and 4.6.3). In addition possible externalities, which could possibly have an influence on the research participant's answers to the interview questions were noted and considered when analysing the data.

- **Confirmability**: Shenton (2004) argued that confirmability deals with objectivity of the researcher and the steps taken to ensure that the study findings are the result of the experiences and ideas of the participants, rather than the characteristics and preferences of the researcher. In this study, confirmability was maintained through the use of a structured interview guide (see Appendix 1). However, in some circumstances the researcher did also ask questions, which could be classified as leading to clarify the open-ended question being presented.

**4.7 Conclusion**

This chapter detailed and provided a rationale for the research methodology proposed to answer the research questions. An exploratory qualitative research approach was considered as most appropriate due to the newness of the topic of management succession among black family-owned businesses and also to contribute to the body of knowledge in family-owned business management succession. Semi-structured interviews were used for collecting data from the sixteen family business owners or incumbents. The companies interviewed were identified through a two-stage sampling process. Firstly purposive sampling was used to identity initial companies that meet the qualifying criteria for a family business. Secondly, the owners or incumbents interviewed referred the researcher to other black family businesses. Data collected was then transcribed and analysed using directed content analysis approach to establish common themes across the three management succession process steps under four categories which are: 'incumbent-related factors', 'successor related factors', 'family-related factors' and 'business-related factors'.

# Chapter 5 : Results

## 5.1 Introduction

The previous chapter narrated the methodology adopted to explore the research questions detailed in Chapter Three. Methods to analyse the data collected in order to draw reasonable theoretical conclusions were also covered in details. Directed content analysis was used based on the 17 themes influencing management succession in a family business as covered in the literature review. This chapter will present the findings unearthed from the interviews with the current family-owned business owners or incumbents across the selected businesses.

## 5.2 Factors influencing management succession decisions in black family-owned businesses

As explained in Chapter One, the aim of this study was to explore the factors that influence management succession decisions in fully black family-owned businesses within the South African economy from the perspective of the incumbent. The management succession planning process was then fragmented into its three core steps as explained by Le Breton-Miller et al.(2004) which are 'successor identification', 'successor development' and 'successor selection'. From the literature review conducted in Chapter Two, the following factors that influence management succession within a family business were identified (see Table 5-1).

**Table 5-1: Factors influencing management succession within a family business**

| Incumbent-related factors | Successor-related factors | Family-related factors | Business-related factors |
|---|---|---|---|
| Quality of the relationship between successor and incumbent. | Successor willingness to take over the business. | Quality of the relationship among family members. | Business strategy. |
| Attachement levels of incumbent to the business. | Successor capability in terms of competence and experience. | Support of successor by family members. | Business operating environment and industry. |
| Age of the incumbent. | Successor personality traits and needs. | Natural Succession. | Change in market conditions. |
| Incumbent personality and needs. | Commitment and interest of successor towards the business. | | Change in size and nature of the business. |
| | Age of the successor. | | |
| | Quality of the relationship between successor and the family members. | | |

Table 5-2 below summarises the results of the occurrences of the themes based on emphasis ranking as they happened during the semi-structured interviews with the founders or incumbents of the black family-owned businesses. 'Successor commitment and interest towards the business', 'successor willingness to take over the business', 'quality of the relationship between the successor and incumbent', 'successor personality traits and needs' and 'successor capability in terms of competence and experience' were the widespread factors for successor identification. When dealing with successor development, the interviewees felt that the quality of the relationship between the successor and incumbent, commitment and interest of successor towards the business and support of the successor by the family members were the three most important factors. For successor final selection quality of the relationship between successor and incumbent, commitment and interest of successor towards the business, successor capability in terms of competence and experience, attachment levels of incumbent to the business and change in market conditions were cited the most important factors.

**Table 5-2: Occurrence of the initial themes in the discussion per case**

| Factors influencing management successor identification, development and selection in black family-owned businesses | Successor Identification | Successor Development | Successor Selection |
|---|---|---|---|
| Commitment and interest of successor towards the business | 12 | 9 | 9 |
| Quality of the relationship between the successor and incumbent | 7 | 10 | 10 |
| Successor capability in terms of competence and experience | 7 | 4 | 9 |
| Support of the successor by the family members | 4 | 6 | 6 |
| Successor personality traits and needs | 7 | 1 | 5 |
| Natural succession | 7 | 0 | 2 |
| Change in size and nature of the business | 4 | 3 | 5 |
| Successor willingness to take over the business | 8 | 1 | 1 |
| Attachment levels of incumbent to the business | 0 | 0 | 9 |
| Business operating environment and industry | 6 | 3 | 1 |
| Change in market conditions | 1 | 0 | 8 |
| Quality of the relationship between successor and the family members | 4 | 0 | 3 |

| | | | |
|---|---|---|---|
| Age of the incumbent | 0 | 0 | 6 |
| Quality of the relationship among family members | 2 | 0 | 2 |
| Age of the successor | 2 | 1 | 0 |
| Business strategy | 0 | 1 | 1 |
| Incumbent personality and needs | 1 | 0 | 1 |

From Table 5-2 it can be deduced that successor-related factors and the incumbent-related factors are seen as the predominant factors that influence the management succession planning process within black family-owned businesses in South Africa as they occurred 76 and 44 times respectively throughout the conversations. Family-related factors and the business-related factors were mentioned 36 and 32 times respectively in the discussion. Successor-related factors were also the most prevalent of each step of the management succession planning process, with successor commitment, interest and willingness to take over the business being the most mentioned single factors.

Table 5-3 encapsulates the results of the occurrences of the new themes that emerged during the semi-structured interviews with incumbents of the black family-owned businesses. These will be discussed in details in the sections to follow.

**Table 5-3: Occurrence of new themes in the discussions per case**

| **Factors influencing management successor identification, development and selection in black family-owned businesses** | **Successor Identification** | **Successor Development** | **Successor Selection** |
|---|---|---|---|
| Timing of successor involvement in the business | 0 | 2 | 2 |
| Alignment of founder and successor long term vision for the business | 1 | 1 | 3 |
| Having clear roles and responsibilities for all people active in the business | 0 | 0 | 2 |
| Successor's risk appetite | 1 | 1 | 0 |

The new themes were then grouped into main groups of factors identified in the literature (see Table 5-4).

**Table 5-4: New themes grouped into families**

| Incumbent-related factors | Successor-related factors | Family-related factors | Business-related factors |
|---|---|---|---|
| Alignment of founder and successor long term vision for the business | Successor's risk appetite | | Having clear roles and responsibilities for all people active in the business |
| | Timing of successor involvement in the business | | |

## 5.3 Incumbent-related factors that influence management successor identification, development and selection

*Research question 1: What are the current owner/founder/Incumbent related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

Based on the literature reviewed the most important factors related to the incumbent that influence the management succession process were found to be:

- Quality of the relationship between successor and incumbent;
- Attachment levels of incumbent to the business;
- Age of the incumbent;
- Incumbent personality and needs;
- *Alignment of founder and successor long term vision for the business.*

Results from the interviews with the owners or current incumbents of the black family-owned business revealed high levels of consensus with literature. Most owners or incumbents consider the quality of their relationship with the potential successor very important across the overall management succession process. Table 5-5 presents a summary of the number of respondents on incumbent-related factors and their influence on the three steps of the management succession process.

**Table 5-5: Occurrence of incumbent-related factors across all interviews**

| | Successor identification | Successor development | Successor selection |
|---|---|---|---|
| ***Quality of the relationship between the successor and incumbent*** | ***7*** | ***10*** | ***10*** |
| ***Attachment levels of incumbent to the business*** | *0* | *0* | ***9*** |
| ***Age of the incumbent*** | *0* | *0* | ***6*** |
| Incumbent personality and needs | 1 | 0 | 1 |
| ***Alignment of founder and successor long term vision for the business*** | ***1*** | ***1*** | ***3*** |

The incumbent-related factors that emerged strongly for each step of the management succession planning process across the interviews are highlighted in bold and in italics in Table 5-5 and will be explored in more details below. New themes relating to the incumbent that emerged from the data are shaded in grey.

### 5.3.1 Incumbent-related factors influencing successor identification

From the interview responses, the incumbent-related factor that was established to influence management successor identification within black family-owned businesses was the quality of the incumbent's relationship with the successor.

#### *5.3.1.1 Quality of the relationship between the successor and incumbent*

Throughout the discussions the relationship between the successor and the incumbent was mentioned several times. Seven out of 13 respondents believed that the relationship between the successor and incumbent is essential to the successor identification process, when they said:

> *"I think I want somebody that I have a good relationship with because someone that comes from outside, at the end of the day you come into the business and learn your day to day running's and he goes to register his own company."*

> *"I have identified Florence because she is the closest one to me in the business or the one I can see now as a possible candidate, but maybe there might be other people who are possible candidates. So I think this succession thing is*

*just at the beginning of the stags. She also believes in Christ and is not a person who can change her mind tomorrow saying let me do things otherwise. I trust her."*

### 5.3.2 Incumbent-related factors influencing successor development

Majority of the respondents cited the quality of the relationship between the successor and the incumbent to be the most important factor that will ensure an effective and beneficial grooming process for the successor.

#### *5.3.2.1 Quality of the relationship between the successor and incumbent*

Proper nurturing forms a critical part in the preparation of a capable and competent successor who will be ready to take over the business when the time comes. The interaction between the incumbent and the successor is critical at this stage and thus the ten of the 13 respondents suggested that their relationship would be a building block to a successful and meaningful development in terms of mentoring and communication:

> *"I am going to expose somebody to the so called family secret if I can call it that and then they can take the concept and then completely move it around and then that completely takes away the entire inheritance or the succession because now this is a different bloodline that we are looking at compared to the original blood line that we are trying to carry but again it's a trust element but complete transparency and letting go."*

> *"if you train a person who doesn't trust your competency it becomes a problem."*

> *"If you have a bad relationship with the potential successor as the incumbent, it will definitely affect their grooming process, because if you tell them something, they will say this guys is mad, I am not listening to that and then he goes and does his own thing, when you get there their engineer says no, this is not what I want."*

### 5.3.3 Incumbent-related factors influencing successor selection

When selecting the next incumbent for the business, majority of the respondents cited the quality of the relationship between the successor and the incumbent to be a key-determining factor that will affect their decisions. Attachment levels of incumbent to the business and age of the incumbent were also cited as factors that will influence the selection of the new incumbent. A few interviewees also mentioned a new theme, of the alignment of founder and successor long-term vision for the business as a factor that will affect successor selection. All these factors will be discussed in details below.

***5.3.3.1 Quality of the relationship between successor and incumbent***

When appointing the new incumbent 10 of the 13 respondents mentioned that the closeness and loyalty of the successor towards them will have an over-arching influence on whom they select:

> *"Everybody sees that Florence is closer to me and when I go to meetings and do everything, I do it with Florence. So that alone, it will show the people that Florence is the person in charge when I am not there. I am already starting now."*

> *"You need someone who's more loyal to the business or to me personally as the leader of the business. Someone that you can trust. If one is loyal to you it's easy for you to trust that person because that person will take decisions that are in the best interests of the business. So loyalty is the key thing as well. So a person might be disciplined but it has more to do with loyalty. That person must be loyal to me and the business. And loyal to the family as well. You don't want someone who will, you know how things are, when money rolls in people start behaving differently."*

***5.3.3.2 Attachment levels of incumbent to the business***

The attachment of people to objects is a natural phenomenon to human beings. The same attachment phenomenon also happens in business. Nine of the 13 respondents commented that most of the founder members of businesses hold on to power even if this is sometimes to the detriment of the business and this in turn negatively delays the succession:

> *"Will I have separation anxiety? Of course I will. I have separation anxiety during December when nothing is happening. But because it is for the good of the business and of the family, I'll do it. I'll step back and I'll stop making the executive decisions."*

> *"You know for example when you've got kids, they grow to a certain age where they say they're now adults. Now they can take their own decisions. You know, at times you'll want to have an input on what they do. So business is the same*

*thing. Yes, I would be retired officially but I will always have interest in the business."*

#### *5.3.3.3 Age of the incumbent*

According to literature reviewed, the incumbent's age is normally initiates the successor selection process. Six of the 13 respondents agreed that their advancing age as an important initiator for the successor selection process as shown by the following quotes:

> *"I think I have a sell-by date. At a particular age I would like to hand over whether anybody is ready or not, I will have to groom somebody to get to that point. I think it's only fair for the business, it's only fair for myself because I've also still got a wife, a family that I would like to live outside the business aspect."*

> *"Ja. But I don't think I'm somebody that is really into staying at work forever. I want to stick to my retirement plan. I don't want to go beyond a certain age and once that age comes I'm just going to leave."*

> *"I think retirement, which is about 65, if at 65 I find my business has reached a milestone and I am comfortable in my successor, I can watch from home, or when I am on holiday, then I will possibly leave the business."*

### 5.3.4 Incumbent-related New Themes

#### *5.3.4.1 Alignment of founder and successor long term vision for the business*

Three of the 13 respondents felt that when selecting the final successor the alignment between the founders or incumbent vision with the successor's vision for the business is very important to successful succession. :

> *"To have the vision that I had for the business. So she'll have enough time to understand the nature of our business and to understand our goals. So meaning that it will be easy to hand over to her and then she'll have to be the one who teaches the others."*

> *"It's a legacy, it's an inheritance, it's not mine, it's ours at the end of the day so if somebody is going to run the race better than I going forward, with the same vision though, I will definitely hand it over."*

*"My worry about appointing an outsider is that once I'm gone, they might change the complete vision of the company and then it really defeats the purpose but umm it's going to be family over academics any day. The day I stand and I look at my successor, it will be a family member and umm yeah, it's a tough one."*

## 5.4 Successor-related factors that influence management successor identification, development and selection

*Research question 2: What are the successor-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

In any succession process, the successor is a very important stakeholder, who can influence the overall management succession process in any business. As discussed in Chapter Two, the most important successor-related factors that influence the management succession process are:

- Successor willingness to take over business,
- Successor personality and needs,
- Successor capability in terms of competence and experience,
- Commitment and interest of successor towards the business,
- Age of the successor,
- Quality of the relationship between successor and the family members,
- *Timing of successor involvement in the business,*
- *Successor's risk appetite.*

Results from the interviews with the incumbents of the black family-owned business revealed that successor commitment, interest and willingness to take over the business is the most important factors that influences the overall management succession planning process (see Table 5-6).

**Table 5-6: Occurrence of successor-related theme across all interviews**

| | Successor identification | Successor development | Successor selection |
|---|---|---|---|
| ***Successor willingness to take over business*** | ***8*** | **1** | **1** |

| | | | |
|---|---|---|---|
| ***Successor personality and needs*** | ***7*** | ***1*** | ***5*** |
| ***Successor capability in terms of competence and experience*** | ***7*** | ***4*** | ***9*** |
| ***Commitment and interest of successor towards the business*** | ***12*** | ***9*** | ***9*** |
| Age of the successor | 2 | 1 | 0 |
| ***Quality of the relationship between successor and the family members*** | ***4*** | ***0*** | ***3*** |
| **Timing of successor involvement in the business** | **0** | **2** | **2** |
| **Successor's risk appetite** | **1** | **1** | **0** |

The most pervasive successor-related factors that were cited by the respondents to possibly influence decision-making during management succession planning are highlighted in bold and in italics in Table 5-6 and will be discussed in more details below. New themes concerning the successor that emerged from the data are shaded in grey and bold.

### 5.4.1 Successor-related factors influencing successor identification

Majority of the respondents cited four successor-related factors that would impact the process of successor identification, which are: 'commitment and interest towards the business', 'successor willingness to take over the business', 'successor capability in terms of competence and experience' and 'successor personality traits and needs'.

#### *5.4.1.1 Commitment and interest of the successor towards the business*

The most cited factor by the respondents when identifying potential successors for the business was the commitment and interest of the successor towards the business. Twelve of the 13 respondents mentioned the level of successor commitment and interest towards the business as the main factor they will consider when identifying the talent pool of successors. They indicated that the successor's passion for business is a key ingredient, as seen in these quotes:

> *"I am looking for the passion and the commitment. I am looking at that, because the one who is passionate will make this thing to be successful. The one that is just coming for the money. Ja, I don't want them, because we don't work like*

*that. You must actually have the passion. And be committed. Like myself, I like what I am doing."*

*"That person must be committed in business, no matter what, because it's not always going to go as it is on paper. So they have to be committed in the business and they have to have passion for business in general and also for the industry we're in. So commitment and passion are the most important things that I would look at in the person who could be your potential successor."*

#### 5.4.1.2 Successor's willingness to take over the business

Early stage willingness of the successor to take over the business from the incumbent was found to be crucial towards successful management succession. Eight of the 13 respondents suggested that such willingness is more of an internal force within the successor and he/she must want to be part of the business for the succession to work, for example:

*"….I saw her willing to do the right thing."*

*"But it will definitely not be from an intellect but from passion, perspective and creativity and the willingness to learn and show us a different level."*

*"Capable and willing, I mean that would be first choice, first prize actually."*

*"It's not really a person that is committed to the family and all that, it's a person that is willing to learn. Willing to learn and willing to work."*

#### 5.4.1.3 Successor capability in terms of competence and experience

Seven of the 13 interviewees said that the level of successor preparation in terms of competence and experience does impact the successor identification process. They mentioned that commitment and interest by the successor is not enough to guarantee them making it into the talent pool. Rather they must also demonstrate competency and experience capabilities, which are inline with the business function:

*"Firstly their ability to develop the business – business development is key – and then good stakeholder investment and then creating networks which I think is very key in this role because you have to create the networks for you to succeed, and obviously the normal academic or financials and competencies*

*and all those kind of things."*

*"The criteria is about saying 'this guy is long in the field', he is long in the field, he knows the name of the game."*

*"They would have to be mathematical, that's just the way it is. And obviously education goes without saying."*

#### *5.4.1.4 Successor's personality traits and needs*

In Chapter Two, we defined personality as those enduring characteristics that describe an individual's behaviour. Seven of the 13 respondents believed that to some degree the personality traits of the successor would influence their identification into the pool of successor. Personality traits such as 'determined', 'resilient', 'innovative' and 'strong character' came out very strongly during the discussions. Coupled to this was also the fact that each and every potential successor has their own personal needs that must be taken into account when making them stand out from other in the talent pool:

*"I think they would have to be determined and extremely resilient because running a small family business isn't easy."*

*"I mean over and above being honest so that you make sure you keep the same values that you've always had in the business. So you'd want to run an honest show."*

*"The girl is running around because she said she wants to see the real world outside, and then I will be back. She is working for XXX now."*

### 5.4.2 Successor-related factors influencing successor development

As seen from Table 5-6, the majority of the respondents agreed that successor development is influenced mainly the levels of successor commitment and interest towards the business.

#### *5.4.2.1 Commitment and interest of successor towards the business*

Nine out of the 13 respondents said that the successor levels of commitment and interest towards the business are important in ensuring that the successor receives the appropriate training and development. They mentioned that most of the training will be more internal or on the job, for example:

*"You can train them but if a person doesn't have a passion for this. You know now, if they come to your office, we beg, we beg, we beg Yeah you can see if this person knows what he is talking about and if he doesn't know, he is willing to learn."*

*"As I explained to you before that XXX is 100% committed and then that is why I have sent him for that training because I have seen him that he's committed and then he's the only person in the family."*

*"It's definitely not regarding sacrifice but the struggle and the loyalty is all I really require and the eagerness to learn."*

If the successor is committed and interested in the business then the mentorship process follows a smooth transition between the incumbent and the potential successors.

### 5.4.3 Successor-related factors influencing successor selection

Most of the participant's narratives correlated with the hypothesis that the successor-related factors that influence the final selection decisions of the successor are: 'successor commitment and interest towards the business', 'successor capability in terms of competence and experience' and 'successor personality traits and needs'.

#### *5.4.3.1 Commitment and interest of successor towards the business*

Successor commitment and passion towards the business was seen by nine of the 13 respondents as the most important successor-related factors that they will consider when selecting their successor, this is illustrated by the quotes below.

*"I want somebody, for me the most important thing, I want somebody who is going to be committed in the business. Somebody who is going to make sure that how they found the business, they're going to keep it like that."*

*"The most important thing is, the other one can be more developed but maybe the commitment is not there, so what's the use of putting someone who is not committed in the front-running. Even if they are well developed their skills will be useless because they won't be applying them fully because they are not fully committed to the business. So I would rather take the on that I see is committed and will not crack under pressure."*

***5.4.3.2 Successor's capability in terms of competence and experience***

Nine of the 13 respondents mentioned successor preparedness in a form of competence and experience played as one of the most important determinants of a successful succession. They said that the successor must be capable in managing the business, with business development skills being labelled as paramount:

> *"Umm first thing I need to identify whether he will be capable"*

> *"…preparedness mostly. When I feel like we've gone through the nurturing process well enough and they now know what to do, that's the determining factor."*

> *"What I consider is this guy capable, is he well equipped, that's what is good for the business."*

> *"Business development skills should be paramount, and the ability to relate with stakeholders will be major."*

On-the-job training or internal preparation and the successor having demonstrated that they can manage the business operations on their own were considered as significant events that will influence the selection criteria of the successor. The following quotations demonstrate the importance of on-the-job preparation.

> *"Because whenever one goes on holiday, you take one person and he acts for you. She acts for you for some time you know. And based on those issues you use those systems of seeing by the time I was out of work who was able to ensure that things operate as normal."*

> *"Once I know, I am satisfied they are able to do things without me being there, that will be the time when I decide. You know when you try to teach someone certain things, once you see them doing them in the way you are comfortable with, then you can say I can now take leave. They will be able to run things."*

***5.4.3.3 Successor's personality traits and needs***

The successor's personality traits were seen by five of the 13 respondents to influence successor selection. They cited that the successor's ability to be a self-starter; their integrity, honesty and innovativeness are important factors, which they will consider in their final selection criteria:

> *"Somebody who doesn't wait for me but says lets jump now, someone who can think on their own and be his own man. You understand, that is what I would look for."*

> *"So what I am looking at is somebody who is relevant in the industry. So somebody who's innovative, somebody who is able to do business development but at different times of the business."*

> *"I want the successor I believe should be honest. I am just going to pick characteristics I think are going to be important to me. They should be an honest person, they should be a committed person."*

### 5.4.4 Successor-related New Themes

From the data collected, few responses of the interviewees could not be grouped into the initial themes. In terms of successor-related factors, these are: the 'timing of successor's involvement in the business; and the 'successor's risk appetite'. The timing of the successor's involvement in the business was found to positively influence development and final selection. Successor's risk appetite on the other hand was established to influence both the successor identification and development process.

#### *5.4.4.1 Timing of successor involvement in the business*

Two of the 13 respondents revealed that the timing of when the potential successor joins the business would inform their grooming process:

> *"..it was not that difficult because they started grooming me when I was about 8 or 9, and I started working with my uncle from 8/9 in his business."*

> *"We don't want to involve them in the business too early then they get big heads and they think they have a business."*

#### *5.4.4.2 Successor's risk appetite*

One of 13 respondents mentioned that the successor's risk appetite would influence successor identification for their business:

> *"They would have to understand that while my mother is risk adverse, her 3 sons are very risk aggressive."*

During successor development, one of the 13 interviewees also raised the point that the successor must not have a high-risk appetite during their development because as a founder of the business he has taken many risk to get the business where it is now. The successor must be developed to make informed decisions and take calculated risks:

> *"I have been a risk-taker for some time, for this business to be where it is, I don't want them to be risk takers, I want them to take informed decisions, I want them to be in a position to say look, this is the decision I am taking and its informed, I don't want them to just go in and do whatever."*

## 5.5 Family-related factors that influence management successor identification, development and selection

*Research question 3: What are the family-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

On-going family interaction with business is what makes family businesses unique and complex when compared to non-family businesses. In the succession process in any family business, the family is an important stakeholder, because they fully own the business. As discussed in Chapter Two, the most important family-related factors that influence the management succession process are:

- Support of successor by family members,
- Quality of the relationship among family members,
- Natural succession.

**Table 5-7: Occurrence of family-related themes across all interviews**

| | Successor identification | Successor development | Successor selection |
|---|---|---|---|
| ***Support of the successor by the family members*** | ***4*** | ***6*** | ***6*** |
| ***Natural Succession*** | ***7*** | 0 | 2 |
| Quality of the relationship among family members | 2 | 0 | 3 |

The most important family-related factors that were cited throughout the management succession planning process across the interviews are highlighted in bold and in italics in Table 5-7 and will be unpacked in more details below.

### 5.5.1 Family-related factors influencing successor identification

Family interaction with the business is one of the most enduring characteristics of a family business. This interaction raises the complexity of business matter in this type of an enterprise. When identifying the potential successors for the business, it is paramount that the family is involved in the process. Ultimately whoever the successor is, they will interact with the family members of the business. In identifying a successor, the respondents identified two family-related factors, which are: the natural succession within the family and the support of the potential successor by family members.

#### *5.5.1.1 Natural succession*

Most black families, it is a common cultural practice of treating the eldest son as the heir for the family and ultimately the business. This creates an unambiguous identification of potential successor sometimes even if it means overlooking a girl who is better suited to run the family business. Seven of the 13 respondents maintained that the eldest son would succeed the business naturally. If the eldest son does not have the interest to run the business then the next sibling in terms of birth order will take over the running of the business, in the family's name:

> *"Actually I am thinking of grooming my son when he is my age, he is only 11 now. But he is interested in design drafting, his drawings. So he is interested in the stuff that I do, that is where I thought you know what, maybe I should groom him for the business and he is interested in what I do and I think he is more a potential person I can bring in to run the business."*

> *"if something if yours and it's your heritage, so it's in your blood line, it's unlikely you will destroy it very quickly but if it belongs to you, simple things like my car, I might look after it better than somebody else that's going to borrow my car so those are some of the items we've considered. Some of the aspects of why we've chosen to go the family route. It might be extended family, it might be immediate family but we feel that because of the past, this is a chance that we feel to cover ourselves."*

#### *5.5.1.2 Support of successor by family members*

As detailed by the system theory of family business, family system will always influence the business system and the same applies to management succession of such businesses. Four of the 13 respondents said that they perceived support for the identified successors by family members whether involved directly or indirectly in the business has a significant influence on who is selected to be in the talent pool:

> *"these are the people that my wife is comfortable with, she has known for them for some time."*

> *"I would be comfortable to know that person will. And also that just because in relations we are always going to have, well we are going to have conflict, but somebody who's got fair relations when it comes to everybody, not just family but also other people who are going to be working in the business, even more as time goes because we're going to get more people who are non-family."*

### 5.5.2 Family-related factors influencing successor development

Successor development period is critical because it is during this phase that the successor capabilities and preparedness to deal with the complexities of a family business will be galvanised. Several respondents cited the main family-related aspect that will impact the successor nurturing process, which is: the support of the successor by the family members.

#### *5.5.2.1 Support of successor by family members*

For any successor to develop optimally, they need to know that they can make mistakes and learn from them without consequences that will limit their creativity and ability to explore new avenues for the business. However, in a family business setting, not only the must incumbent support the successor during development, the family has a role to play. Six of the 13 respondents agreed with this observation:

> *"From the family's side, their support for the successor will help a lot by not passing judgment if there are mistakes that have been made."*

> *"when I decide 'this is going to be the successor' and the family obviously is not keen with the decisions I have made, obviously that won't be a smooth process, and even if I am choosing one of my sons, the other thing is there might be some political problems within the family."*

*"So my mother would be the one to wake us up in the morning during school holidays*

*and say you have to go to work. But all my friends are done and they're chilling, it's nice, people are working in retail, they're getting discounts for the clothes, they're kitted out and they look good and she says to you like, it doesn't matter."*

### 5.5.3 Family-related factors influencing successor selection

From the interviews several respondents cited one family-related critical success factor for when selection a successor to be: the support of the successor by the family members.

#### *5.5.3.1 Support of successor by family members*

The interaction of the family with business is a key distinguishing factors for a family business. Six of the 13 interviewees agreed that during successor selection, it is important that the family demonstrate support for the selected new incumbent.

> *"I have trained XXX now to say look you have to support the successor of the business in whichever way as you agree on in the shares, that is what counts, the rest will fall into place as we go along."*

> *"You know what now, even now me, I start preaching those words to my wife and my son. I told them that even if I am not here, you must trust Florence. Florence knows everything there, what's going on there. So you must rely on Florence and then don't ever come with bad words to XXX. Go to XXX and ask what's going on. XXX will tell you exactly what's going on."*

## 5.6 Business-related factors that influence management successor identification, development and selection

*Research question 4: What are the business-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

The fourth dimension that influences management succession within a family business relates to the characteristics of the business itself. As discussed in Chapter Two, the most important business-related factors that influence the management succession process are:

- Business strategy,
- Business operating environment and industry,

- Change in market conditions,
- Change in size and nature of the business,
- *Having clear roles and responsibilities for all people active in the business*

**Table 5-8: Occurrence of business-related themes across all interviews**

| | Successor identification | Successor development | Successor selection |
|---|---|---|---|
| ***Business operating environment and industry*** | ***6*** | ***3*** | ***1*** |
| Business strategy | 0 | 1 | 1 |
| ***Change in market conditions*** | 1 | 0 | ***8*** |
| **Change in size and nature of the business** | **4** | **3** | **5** |
| **Having clear roles and responsibilities for all people active in the business** | **0** | **0** | **2** |

The business-related factors that surfaced strongly throughout the management succession planning process across the interviews are highlighted in bold and in italics in Table 5-8 and will be unpacked in more detail below. New themes pertaining the business that emerged from the data are shaded in grey.

### 5.6.1 Business-related factors influencing successor identification

Identifying potential successors is a critical step in the management succession planning process. Majority of the respondents revealed that the two of the most important business-related factors to consider when selecting a successor are: the 'business operating environment and industry' and 'changes in its nature and size'.

#### *5.6.1.1 Business operating environment and industry*

Eight of the 13 interviewees cited the business operating environment and the industry to be the key drivers on who gets to be in the potential pool of successors for the business. They wanted someone who will fit in with the industry they operate in:

> *"The person you are going to choose has to fit in the industry that you work in. If the person that you choose is just somebody that is just interested in fashion you want somebody that can understand the type of industry you're in, in terms*

*of business models and all that stuff. So you want somebody who can actually understand that."*

*"So it needs someone who will be able to fight to get that form and tender in as well. So if you put in sort of a lady, the mentality in the taxi business at the present moment, women come last there, so if you are a woman and have a taxi business you must be a male figure to come up front, or else things will move slow. Especially when it comes to renewing of your taxi permits, it becomes a challenge."*

#### *5.6.1.2 Change in size and nature of the business*

Frequently, when the business grows and it is doing well, it is easy for successor to have interest towards involvement in the business. However, when things are not going well, the opposite is true. This presents a challenge for the incumbents when assessing the underlying interests of the successor. Four of the 13 interviewees said that change in the size of the business does affect successor identification as they need to carefully understand the successor's interests in the business and also focus on the allocation of responsibilities for those identified:

*"When the business starts doing good, even your family starts getting that much interest and sometimes they even want to work within the business, because it can take care of them."*

*"…in a matter of scale I would say, I would now have to look at different responsibilities. So that at least one person can have a certain responsibility and another will also have certain responsibilities, as compared to now, the business is small so I know that alone I can manage myself and all the other things."*

### 5.6.2 Business-related factors influencing successor development

Certain aspects of the business will influence the successor grooming process over time. Several respondents cited two business-related factors, which are seen to be important for successor development. These are: a change in size and nature of the business and the position of its operating environment and industry

#### *5.6.2.1 Change in size and nature of the business*

Mostly, changes in the size and nature of the business with either slow down or fast track the development process of the successor. Three of the 13 interviewees cited that, if there were too many changes within the organisation, sometime this would slow down the successor development process and that the successor must also be fully aware of those changes and how to respond to them:

> *"The challenges whilst training the people and if there are too many changes in the business itself, the process will delay because you trained the person in what you have at the moment and then if there are changes it will sort of hinder. Because now if you make changes, it's like you are making changes but you're researching and you are not also 100 percent sure if what you are changing to will sustain the business."*

> *"Another thing I see as a gap is that the business grows but it changes, so you need a person who will be able to identify the change and be able to think and take decisions on how he will go around that change in order for the business to carry on."*

#### *5.6.2.2 Business operating environment and industry*

Successors in small medium enterprises are generally required to fulfil technical or hands-on roles from time-to-time depending on the size of the company. Only three of the 13 interviewees agreed that the business operating environment and industry sometimes requires the successor to be a technical person who will understand the company challenges and their clients. So their development will initially be focused on the technical aspects rather than managerial:

> *"There are so much changes from when refrigeration started up till now, so every year we have got somebody that comes in to give us the latest information on the refrigeration units that we are working on."*

> *"..on the technical side it depends because I'm on the site and I'm in the office as well so I need someone that's. If the business is going to grow, if it becomes big, I need people on site which are technically not challenged, the people who know what they are talking about on site."*

### 5.6.3 Business-related factors influencing successor selection

A few respondents mentioned two business-related factors that will affect the final successor decisions, which are: 'change in the market conditions' and the 'change in size and nature of the business'.

#### *5.6.3.1 Change in market conditions*

Generally a business in its life cycle will go through phases of growth, mature and decline. Eight of the thirteen interviewees cited that depending on the phase in which the business is at during the final selection, the initial successor selection rules might change. They said if the business is in decline, then a successor who will forcefully put it back on a growth path will be sought:

> *"I believe in the concept, is that there are different people for different phases of the business. If the business is battling you need somebody who can kick the business into shape, but that person is not necessarily a person who can maintain the business – they can kick it into shape, sort it out, whatever the shortcomings are, but they are not necessarily people to maintain the business."*

> *"Let's say that were on a decline, I want to bring ion somebody that will take the company up. Help take the company up, like if we are running on one level we need someone that will sustain it and umm and grow it, yeah."*

#### *5.6.3.2 Change in size and nature of the business*

Change in the size and nature of the business was cited by five of the thirteen interviewees as a factor that will affect the successor final selection. Several respondents, who quoted business size and nature as a factor, mentioned that, depending on the size and nature of the business at the time of final selection of successor the organisation structure and selection rules will change:

> *"I think it's all the business basically, which has got more influence, and it is basically to say the person you are going to look for should be in the company already, or can come from external depending on the size you know, what size we are. If we are relatively sized then the structure would be totally different and we will look for a proper CEO person to run the business."*

> *"You have to understand the whole business in the engineering sector because now if we have got branches now then it would have been a different story because we are not only concentrating on one thing, we have got a lot of business so if each and every. Then we will need to have departments then. Then in the engineering, construction, we need to have different umm people there. The person who will be based on construction is a person who knows construction and can bring it up"*

### 5.6.4 Business-related New Themes

#### *5.6.4.1 Having clear roles and responsibilities for all people active in the business*

In any business, having clear roles and responsibilities is important in ensuring harmony and minimise conflict. The family business is no exception. Two of the 13 interviewees stated that having clearly defined roles and responsibilities for the successor talent pool within the business will create an enabling environment for the new successor to be selected with less resistance:

> *"I mean during the identification process and especially the nurturing process, the people who are going to nurtured, the people who are going to be involved in the business, will know that I am involved in this part of the business, I am involved in this part of the business and we want to do that as early as possible so it sort of becomes natural to everybody too. It's like when you are at work you know this one is the leader, this one is the next in line. So we want to create that type of environment where as early as possible everybody gets involved if everybody is involved in the business, but they know their place in the business at that specific time.  So when the time comes to choose the successor, everybody knows where they stand in the business."*

> *"..if it means that we have to do away with the concept of XXX  as the holding company as everything and just have it to be, remove the middle management as it were and have everyone report directly to the trust, then I think that's something we would have to do. Because I don't think we will reach a point where, because I only sit here at the moment because out of the way things worked out."*

### 5.7 Conclusion

The 17 factors that influence management successor identification, development and selection were supported by the data collected to varied levels of agreement. The successor-related factors were cited by majority of the incumbents and were therefore recognized as the main drivers to consider when embarking on management succession planning.

The quality of the relationship between the successor and incumbent as an incumbent-related factor was cited over seven times across the three steps of management succession planning process. The level of attachment of the incumbent to the business and the age of the incumbent were cited by majority of the incumbents to affect decisions during the final successor selection phase of the process. It can therefore be concluded that the data does answer research question one: “What are the current owner/founder/Incumbent related factors that influence management successor identification, development and selection decisions in fully black family-owned business?”

‘Successor commitment and interest towards the business’ and ‘successor willingness to take over the business’ where identified as the two most important successor-related factors that will influence the successor identification process, with 12 and eight respondents respectively concurring with this view. ‘Successor commitment and interest towards the business’ was also cited by nine of the 13 interviewees as an important determinant of an effective nurturing and final selection of the successor. ‘Successor capability’ to manage the business in terms of key competencies and experience was mentioned by majority of the respondents to influence both successor identification and selection phases. It can therefore, be concluded that the data does answer research question two, which was: “What are the successor-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?”

Family forms an integral system of a family business. Support of the successor by the family members was cited by between four and six respondents as a factor that will influence the overall management succession planning process. Seven respondents mentioned natural succession through the heir as an important mechanism to use when identifying potential successors for the business. It can therefore, be concluded that the data does answer research question three: “What are the family-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?”

The respondents identified several business-related factors that could influence management succession planning, however overall these were viewed as the list important factors. Business operating environment and industry was seen as an important factor when identifying the pool of successors for the business, while change in market conditions and size and nature of the business were established to influence successor selection. Only two factors which were partially cited to affect the development process of the successor, which are: ‘the business operating environment and industry' and 'change in size and nature of the business'. It can therefore, be concluded that the data does answer research question four: "What are the business-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?"

# Chapter 6 : Discussion of Results

## 6.1 Introduction

The previous chapter presented the results of the answers to the research questions outlined in Chapter Three of this study. Initial research themes and constructs to be addressed by this study were established based on the literature review and research questions. Using qualitative research analysis techniques such as content analysis and narrative analysis the occurrence of initial and new themes was established based on the incumbent interview transcripts.

This chapter discusses the results of the interviews with the black family business incumbents to each of the secondary research questions in an attempt to answer the primary research question posed in Chapter Three. The results will be tested against the theory background and the problem statement. A Likert type scale will be used to evaluate the degree to which the data supports the theory-based factors. The following values will be assigned: 0 – 4: 'weak', 5 – 7: 'moderate', 8 – 10: 'strong' and greater than 10: 'very strong'.

## 6.2 Discussion of the incumbent-related factors

*Research question 1: What are the current owner/founder/Incumbent related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

This research question is concerned with the incumbent-related factors that impact decision making around management succession within black family-owned businesses. From the discussions, five main incumbent-related factors that affect management successor identification, development and selection in black family-owned businesses emerged from the responses of the incumbents (see Table 6-1), these are:

- The quality relationship between the successor and incumbent,
- Attachment levels of incumbent to the business,
- Age of the incumbent, and
- Alignment of founder and the successor's long-term vision for the business

These factors will be unpacked in the below. Incumbent personality and needs, which is a factor identified in the theory was not found to reasonably influence management succession process decisions in black family-owned businesses.

**Table 6-1: Incumbent-related factors that affect management succession process**

| | Supported by literature | Supported by data | Successor Identification | Successor Development | Successor selection |
|---|---|---|---|---|---|
| Quality of the relationship between the successor and incumbent | Yes | Yes | *Moderate* | *Strong* | *Strong* |
| Attachment levels of incumbent to the business | Yes | Yes | ***Weak*** | ***Weak*** | *Strong* |
| Age of the incumbent | Yes | Yes | ***Weak*** | ***Weak*** | *Moderate* |
| Incumbent personality and needs | Yes | No | ***Weak*** | ***Weak*** | ***Weak*** |
| Alignment of founder and the successor's long-term vision for the business | No | Yes | ***Weak*** | ***Weak*** | *Weak* |

### 6.2.1 Incumbent-related factors influencing successor identification

The data moderately supported the quality of the relationship between the successor and incumbent as an important determinant in successor identification.

#### *6.2.1.1 Quality of the relationship between successor and incumbent*

Le Breton-Miller et al. (2004) concluded that the incumbent is the most important factor in the success of family-owned business succession and their relationship with the successor plays a vital role throughout the succession planning process. The literature on family business succession contends that a positive relationship between the incumbent and the successor is fundamental to successful succession even prior to the successor joining the family business (Cater III & Justis, 2009). The findings supported these views, showing that the quality of the relationship between the incumbent and the successor would play a role during successor identification. The nature and quality of the relationship between incumbent and the successor is a critical success factor in family-owned business succession planning (Le Breton-Miller et al., 2004).

From the findings, it can be seen that trust was the main concern for the incumbents when identifying a successor, especially when the successor is a non-family member. This was attributed to the fact that an outsider or even a family member can use the business resources for their own benefits and even establish a competitor. Sharma et al. (2000) added that a family business that has agreed to retain management control within the family could not feasibly attain this in the absence of family members who are trusted by the incumbent and other family members.

### 6.2.2 Incumbent-related factors influencing successor development

The data strongly supported the quality of the relationship between the successor and incumbent as a prerequisite to effective successor nurturing and development.

#### *6.2.2.1 Quality of the relationship between successor and incumbent*

Lansberg (1988) as cited in Sharma and Rao (2000, p.314) stated that a good personal relationship between the successor and the incumbent is considered important because it enhances the working relationship between the two individuals and aids in an effective leadership transition. The findings revealed that the incumbents believed mentorship and on-the-job training played a critical part during successor development, with them being the main custodians. Nevertheless, Griffeth et al. (2006) warned that with mentoring, a person not directly involved in the succession is much more suited to guide the successor and helps him or her through the leadership transition. By doing this, the successor receives assurance that they can at anytime seek advice from their mentor without damaging employee relationships or hurting their reputation within the business.

Sharma and Rao (2000) contend that one of the important aspects in the succession process is knowledge transfer, which may help develop and maintain competitive advantage for the family business. Sharma and Rao (2000) further argued that the most valuable resources and competences for family-owned businesses are those that are based on information and the tacit knowledge and are commonly associated with the business incumbent. Conversely, ten of the 13 incumbents interviewed stressed that they found it difficult to groom a successor who did not trust their competencies. Hansen (1999) as cited in Bracci and Vagnoni (2011) suggested that the effectiveness of knowledge exchange hangs on the strength of the relationship between the incumbent and the successor and that such a relationship should be based on intimacy and trust.

### 6.2.3 Incumbent-related factors influencing successor selection

#### *6.2.3.1 Quality of the relationship between successor and incumbent*

If there is conflict between the incumbent and the successor, the succession process might be negatively impacted because the potential successor may decide to leave the business or the incumbent might not endorse their appointment (De Massis et al., 2008). The findings revealed that the closeness of the relationship between the two parties has a positive influence on successor selection. Venter et al. (2005) stated that chances of a successful succession improve, when the relationship between the incumbent and the successor is grounded on mutual understanding concerning the future of business. The willingness of an incumbent to step down and hand over the family business to a successor may be battered by intense feelings of rivalry and jealousy towards the successor. This phenomenon usually becomes evident through scepticism of the successor's skills and capabilities by the incumbent (Venter et al., 2005).

#### *6.2.3.2 Attachment levels of incumbent to the business*

The final selection of the successor is always the most difficult step for the incumbent to execute with regards to timing and who to select. Most of the incumbents interviewed were the founders of the businesses and therefore over the years have developed a high level of attachment towards the business. The nine incumbents interviewed acknowledged that they have a propensity to hold on to the business, which could probably affect the successor selection process. Literature suggests that the incumbents reluctance to let go has the potential to discourage the successors to join and take over the leadership role in family business (Ibrahim et al., 2001). The incumbent's ability to let go at the appropriate time is vital to ensuring a successful succession within a family business (Sharma et al., 2001). The incumbents also stated that they will always have interest in the business, but will step back from making executive decisions and allow the successor to do that. De Massis et al. (2008) concurred with this finding when warning that if the attachment levels of the incumbent to the business are too high, this might lead to the potential successor not being given the space to develop and learn the business on their own.

#### *6.2.3.3 Age of the incumbent*

Neubauer (2003) suggests that leadership transition within a family business is normally triggered by several transitional triggers, which include retirement or age of the successor. The findings concurred with the theory in this respect because the majority of the incumbents mentioned their age as one of the initiators for the final selection process. Literature also warned that the lack of age synchrony between the incumbent and successor could potential impact the quality of the relationship between the two parties (Vera & Dean, 2005), however the data does not support the proposition.

#### *6.2.3.4 Alignment of founder and the successor's long-term vision for the business*

Some of the incumbents raised alignment of the founder and successor's long-term vision for the business as a factor that will influence the succession choice for the next leader of the family business. Venter et al. (2005) partially concurs with this finding by suggesting that to increase the chances of achieving a successful succession, both the incumbent and the successor must demonstrate mutual understanding concerning the future of family business. In turn there will be less conflict between the two parties.

### 6.3 Discussion of the successor-related factors

*Research question 2: What are the successor related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

Research question two is concerned with the successor-related factors that impact decision making around management succession within black family-owned businesses (refer to Table 6-2 for details):

- Commitment and interest of successor towards the business,
- Successor willingness to take over business,
- Successor personality and needs,
- Successor capability in terms of competence and experience,
- Age of the successor,
- Quality of the relationship between successor and the family members,
- *Timing of successor involvement in the business,*
- *Successor's risk appetite.*

**Table 6-2: Successor-related factors that affect management succession process**

| | Supported by literature | Supported by data | Successor Identification | Successor Development | Successor selection |
|---|---|---|---|---|---|
| Successor willingness to take over business | Yes | Yes | *Strong* | ***Weak*** | ***Weak*** |
| Successor personality and needs | Yes | Yes | *Moderate* | ***Weak*** | *Moderate* |
| Successor capability in terms of competence and experience | Yes | Yes | *Moderate* | ***Weak*** | *Strong* |
| Commitment and interest of successor towards the business | Yes | Yes | *Very Strong* | *Strong* | *Strong* |
| Age of the successor | Yes | No | ***Weak*** | ***Weak*** | ***Weak*** |
| Quality of the relationship between successor and the family members | No | Yes | ***Weak*** | ***Weak*** | ***Weak*** |
| Timing of successor involvement in the business | No | Yes | ***Weak*** | *Weak* | ***Weak*** |
| Successor's risk appetite | No | Yes | *Weak* | ***Weak*** | ***Weak*** |

### 6.3.1 Successor-related factors influencing successor identification

For successor identification, the data moderately and strongly supported the following factors:

- Commitment and interest of successor towards the business;
- Successor willingness to take over business;
- Successor personality and needs;
- Successor capability in terms of competence and experience

'Successor risk appetite' was identified as a new theme; even through it was found to have only a weak level of support.

#### *6.3.1.1 Commitment and interest of successor towards the business*

Venter et al. (2005) concluded that the motivation of successors to enter the family business must be based on right reasons and it is vital that parents or incumbents do not pressure their children into joining the business as employees. Venter et al. (2005)

argued that this option should only be provided when and if the offspring or potential successors are interested and possess the necessary qualifications. This concurs broadly with the data showing that the incumbents strongly considered the potential successor's passion and commitment towards the business when identifying them for the talent pool of the business. Literature on family business succession argues that the successors decision to follow a career within the family business, will most likely be influenced their affective commitment, which Sharma and Irving (2005) explain it as the individual's emotional attachment to the business. The data also concurs with this idea, by presenting the idea that the incumbents will overlook the successor who is viewed as not having the necessary affective commitment or only came for the money in the business. It is important that the successor wants the job for the correct reasons, for example, trusting they can add value to the business as compared to feeling an obligation to take the job or lacking other viable career choices (Sharma & Irving , 2005).

#### *6.3.1.2 Successor willingness to take over the business*

Venter et al. (2005) identified the willingness of the successor to take over the business as a key factor that directly affects the succession process. The data in this study broadly aligns with this idea by showing that the family business incumbents have considered the successor's willingness to take over the business as early as in the identification phase. Sharma and Rao (2000) proposed that the level of interest of the successors concerning the family business is directly proportional to their willingness to commit to working for the family. Therefore, willingness of the successor to take over the business at a later stage is strongly tied to the commitment and interest levels of that successor because as Chrisman et al. (2009) concluded that to be committed to the family business, the successor must first be interested.

#### *6.3.1.3 Successor capability in terms of competence and experience*

The data presented that the incumbents identified the initial capabilities of the successor as important when selecting them for the family business succession talent pool. Business development skills and experience in the specific industry were identified as key initial competencies for the successors. This finding concurs with literature. Sharma et al. (2000) argued that the incumbent's confidence in the abilities of a potential successor would influence the extent to which a family engages in succession planning and therefore will tend to influence the initial stages of the succession process. However, the literature does not specify the type of abilities required.

#### *6.3.1.4 Successor personality traits and needs*

Stavrou (1995) as cited in Venter et al. (2005) concluded that one of the factors that could attract potential successors closer to or alienate them from the family business is the kind of compensation they will achieve from being involvement in the business. This is tied to their own personal needs. The data concurs partially with these ideas, in presenting that the incumbent, will consider the potential successor's personal needs when identifying them. This was shown in a form of allowing their offspring to first pursue careers of interest to them before joining the family business. Chrisman et al. (1998) identified in their study of important attributes of successors in Family Businesses, integrity, creativity and self-confidence as some of the important attributes of a family business successor. The data concurred with this notion, indicating that the incumbent's preferred potential successor was one who showed honesty, determination and resilience qualities in the talent pool, because of the challenges and complexities of running a small family business.

#### *6.3.1.5 Successor risk appetite*

The data identified the successor risk appetite, as one of the factors the incumbents will consider. They stated that, to develop the business to where it is now, they took a lot of risky decisions, which fortunately delivered results for them, but moving forward they would like a successor who is more averse to taking risks. The findings also revealed that the younger generation, were much more risk aggressive than their older generation. This idea is explained by Prokesch (1986) as cited in Griffeth et al. (2006) when saying the generational difference between the parent and the successor may be framed in terms of risk tolerance. He argued that the younger generation feels that the older generation are too risk-averse, while the older generations feels that the younger generation is too quick in adopting risky strategies.

### 6.3.2 Successor-related factors influencing successor development

The data strongly supported the commitment and interest of the successor towards the business as a key driver of the successor development process. The timing of successor's involvement in business was raised as a potential new factor that will have an influence on successor development.

#### *6.3.2.1 Commitment and interest of successor towards the business*

According to De Massis et al. (2008), failure by the incumbent to ensure that the potential successor possesses the essential skills to take over the management of the business may result in succession not taking place because such underdevelopment may either lead the successor to decline the position or cause the family and business to reject the successor. However, the data revealed that the incumbent's view commitment, interest and eagerness of the successor to learn as a catalyst to the successor development process. Giarmarco (2012) suggested that to develop the right successor to enable the existing incumbent to walk away from the day-to-day operations requires long-term planning and it is a process that happens over many years. Therefore, it is critical to remain focused on that long-term goal, commitment and interest by the successor to the process.

#### *6.3.2.2 Timing of successor involvement in the business*

Sharma and Rao (2000) concluded that early exposure to the family business through lower category jobs serves as a valuable experience for successors. Such an environment allows the successor to attach himself or herself with the nature of the business and its employees and thus developing the necessary capabilities required for the business. The data concurred with this notion, presenting that the difficulty level of successor grooming process was directly related to the age to which the successor joined the business. The early they joined the easier it was for the incumbents to groom them.

### 6.3.3 Successor-related factors influencing successor selection

The data strongly supported the commitment and interest of the successor towards the business, successor capability in terms of competence and experience and successor personality traits and needs as critical success factors that will be considered by the incumbents when selecting the new incumbent for the family business.

#### *6.3.3.1 Commitment and interest of successor towards the business*

While it is paramount for the potential successor to possess the appropriate skillset and abilities, nevertheless, Cabrera-Suarez and Martin-Santana (2012) asserted that commitment is one of the key factors traditionally linked with success in family business succession because committed successors often exhibit willingness to develop a career within the family business and to assume the functions of leadership in the business. Chrisman et al. (2009) argued that if the potential successor lacks commitment and trustworthiness, he or she will not have the support needed to implement a long-term strategy. The data strongly concurred with this idea, displaying that the incumbents valued the successor's commitment and interest towards the business as a critical success factor in leading the family business beyond their involvement. Van der Merwe (2011) also supported this data by saying that the lack of interest on the part of the successor to take over the family business may result in succession to taking place mainly because a reluctant successor will not be fully committed and therefore may not cooperate in the transition process.

#### *6.3.3.2 Successor's capability in terms of competence and experience*

In almost all businesses, the successor generally acquires control or authority out of experience and proven competence (Brun de Pontet et al., 2007). Such experience in the family business allows the successor to develop relationships within the business and understand its culture and complexities (Chrisman et al.,1998). The data concurred, with this notion, thus showing that capability of the successor to manage, lead and development the business will form a vital part of the final successor selection criteria for the family business. The successor's skills, experience and capabilities in leading businesses are essential requirements to gain credibility and legitimacy (Bracci & Vagnoni, 2011). "The succession process is only complete when the successor has gained legitimacy and is widely accepted by the stakeholders" (Tatoglu, Kula & Glaister, 2008, p.161).

#### *6.3.3.3 Successor's personality traits and needs*

The data revealed that the successor personality traits such as being a self-starter, honesty and creativity or innovativeness are viewed as important when selecting the next incumbent for the family business. Goldberg (1993) as cited in Chaimahawong and Sakulsriprasert (2013) concurred with this finding, by saying that the successor's self-confidence levels have a positive influence on the effectiveness of the succession process; for this reason, the potential successor must possess high self-confidence and must demonstrate the requisite managerial skills to run the business.

## 6.4 Discussion of the family-related factors

*Research question 3: What are the family-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

When considering family-related factors that influence management succession planning within a family business, three main factors emerged, namely: support of the successor by the family members and natural succession (see Table 6-3).

**Table 6-3: Family-related factors that affect management succession process**

| | Supported by literature | Supported by data | Successor Identification | Successor Development | Successor selection |
|---|---|---|---|---|---|
| Support of the successor by the family members | Yes | Yes | *Weak* | *Moderate* | *Moderate* |
| Natural Succession | Yes | Yes | *Moderate* | *Weak* | *Weak* |
| Quality of the relationship among family members | Yes | Yes | *Weak* | *Weak* | *Weak* |

### 6.4.1 Family-related factors influencing successor identification

For successor identification, support of the successor by the family members and natural succession surfaced to be the dominant criteria.

#### *6.4.1.1 Natural succession*

Williams et al. (2013) argued that for the family business system to self-perpetuate, it must carry on from within the family. According to Sharma and Rao (2000), in many cultures, sons are obligated to care for their parents, unmarried sisters and younger siblings irrespective of their career choice. Ward (1987) as cited in Griffeth et al. (2006) reported that the oldest son is always seen as the primary candidate for the chief executive (CEO), which implies that the daughter has no standing, irrespective of birth order. The data broadly concurred with this cultural belief, showing that, the sons where the most preferred and mentioned choices of successor by the majority of the incumbents. García-Álvarez et al. (2002) as cited in Griffeth et al. (2006) established that daughters are only selected as the next business incumbent when all offspring are female or the daughter is the first born

#### *6.4.1.2 Support of the successor by the family members*

Van der Merwe et al. (2012) stated that commitment of the family to business continuity is essential for the family as it supports the development of the shared future vision and the family business continuity plan. To show evidence of that commitment, the data revealed that the support of the potential successors by the family members is critical for long-term business continuity. According to the incumbents, the family must be comfortable with the succession talent pool and that the successor must have a good relationship with the family members.

### 6.4.2 Family-related factors influencing successor development

#### *6.4.2.1 Support of the successor by the family members*

Tatoglu et al. (2008) reported that family members who were not active in the family business had significant influence during the management succession process, especially the mother of the successor who acted as a 'silent mediator' between the generations. The findings revealed the mother fulfilled an important role in ensuring the successors stayed focused during their development and pushed them to report for work like any other employee of the business. Sharma and Rao (2000) recounted that the incumbent's ability to entrust and advance a business environment in which the successor feels free to make decisions and mistakes are essential to the successor's overall development. From the data collected, the incumbents fully grasped this idea and supported that it, because if the family does not agree with the identified potential successor, the grooming process will not go smoothly and might even lead to the successor not being treated fairly when they have made bad business decisions.

### 6.4.3 Family-related factors influencing successor selection

#### *6.4.3.1 Support of the successor by the family members*

Lansberg (1999) as cited in Brun de Pontet et al. (2007) postulated that the current incumbent's immediate family or key employees might have personal vested interest in the succession process and could potentially contribute to the incumbent's reluctance to hand over the business because they fear what this change could mean for them. De Massis et al. (2008) argued that some family members holding influential roles might threaten to leave the business as a result of feeling discontent with the chosen successor. Under such circumstances, in order to bring them back into the business, the dominant powers-that-be within the family may decide not to go ahead with the appointment of a particular successor. The data moderately agreed with literature, showing that it was to some degree important for the successor to have full family backing when taking over the company highest decision-making role.

## 6.5 Discussion of the business-related factors

*Research question 4: What are the business-related factors that influence management successor identification, development and selection decisions in fully black family-owned business?*

From the interviews, four business-related factors were found to influence management successor identification, development and selection, within fully black family-owned business (see Table 6-4).

**Table 6-4: Business-related factors that affect management succession process**

| | Supported by literature | Supported by data | Successor Identification | Successor Development | Successor selection |
|---|---|---|---|---|---|
| Business operating environment and industry | Yes | Yes | *Moderate* | *Weak* | ***Weak*** |
| Business strategy | Yes | Yes | ***Weak*** | ***Weak*** | ***Weak*** |
| Change in market conditions | Yes | Yes | ***Weak*** | ***Weak*** | *Strong* |
| Change in size and nature of the business | Yes | No | *Weak* | *Weak* | *Moderate* |
| Having clear roles and responsibilities for all people active in the business | No | Yes | ***Weak*** | ***Weak*** | *Weak* |

From the data, it emerged that 'business-operating environment and industry', 'change in the market conditions' and 'change in the size and nature of the business' were factors that will greatly influence the management succession process within fully black family-owned business. It also emerged that none of the business-related factors had an influence on the successor development process.

### 6.5.1 Business-related factors influencing successor identification

The findings suggested that the business operating environment and industry and changes in size and nature of the business might influence the successor identification process and influence the choice of who makes it into the succession talent pool.

#### *6.5.1.1 Business operating environment and industry*

Chaimahawong and Sakulsriprasert (2013) suggested that the economic environment can influence management succession owing to contingencies and uncertainties in the business operating environment. They explained that changes in the business environment and market conditions could change the future prospects of the family business. Le Breton-Miller et al. (2004) substantiated this view by saying that the industry that the business operates within will influence the succession planning decisions. The data showed that the successor-industry compatibility was an important aspect to be considered during identification of candidates for the succession talent pool. Furthermore, the potential successor must understand the operating models used in this industry and the family's position on this.

The findings further suggested that a female successor will tend not to be considered for the talent pool when the decision is driven by the pervasive stereotypes, especially in the more commonly held so called “male dominated industries”, such a engineering. This view is supported by the Salganicoff (1990) as cited in Vera and Dean (2005, p.329) when saying that “women in family business still confront discrimination and stereotyping as a result of societal prejudices”. The results revealed that for industries such as taxi transport and mining in South Africa, the incumbents will not even considered their daughter as possible future incumbents for the family business.

#### *6.5.1.2 Change in size and nature of the business*

Stavrou (1999) as cited in Venter et al. (2005) founded that there is a positive relationship between business size and the intentions of potential successors to enter the family business. Venter et al. (2005) further concluded that the size of the business does matters, indicating that the larger the size of the business, the higher the chance that the potential successor will join the business, while the smaller the size, the higher the chance that the potential successor will leave the family business due to possibly unattractive monetary rewards. From the findings, it follows that the incumbents acknowledge that when the business starts growing, family members will gain interest from being involved with the business. Neubauer (2003) concluded that for as long as the business turns a profit, it remains attractive to the potential successors.

### 6.5.2 Business-related factors influencing successor development

The findings, suggested that the changes in size and nature of the business and the business operating environment and industry would be important drivers during the nurturing process of the successor.

#### *6.5.2.1 Change in size and nature of the business*

From the data, it can be deduced that successor development may be affected by the amount and nature of changes in the family business during their grooming period. On the other hand, the findings follow that the changes might also provide a good and robust training environment for the successor. A smaller business will not adequately prepare the successor to deal with complex business issues in the future. Van der Merwe et al. (2009) proposed that the competencies required by the successor could be acquired through formal education, on-the-job training, career development and (or) outside work experience. Barnes (1988) and Correll (1989) as cited in Brockhaus, (2004) concluded that external experience from the family business could potentially benefit the successor to develop personal identity and how to deal with a wider range of challenges that the business could possibly face in the future.

#### *6.5.2.2 Business operating environment and industry*

The data revealed that, the nature of the industry, in which the business operates in, might influence the training and grooming process of the successor. The findings showed that for the more technically inclined industries, the successor was required to possess requisite critical technical expertise and abilities that will enable them to be hands on when required. This can be attributed to the size of the businesses interviewed, were due to resource constraints, the incumbents are commonly required from time-to-time to do the actual work. The managerial aspects of the successor development will then follow this phase. Dyck et al. (2002) offered that in many economies there are conventional industries in which the approach of conducting business does not change much across the years or even the generations. In such industries, apprenticeship within the family business may constitute exceptional training that will sustain the business utility; so family members trained within the business may be especially well-suited to become excellent managers. However, with technological advanced industries, the successor needs to keep abreast of any new developments.

### 6.5.3 Business-related factors influencing successor selection

#### *6.5.3.1 Change in market conditions*

Chaimahawong and Sakulsriprasert (2013) resolved that whenever there are changes in market conditions that result in an increase in the probability for business failure, then the incumbent is less likely to transfer the business to his or her potential successor. This will in turn affect the timing of the succession and may even demotivate the potential successor resulting in them leaving the family business. De Massis et al. (2008) warned that changes in market conditions such as market growth, slowing, declining or even increased competition can meaningfully adjust the successor's valuation of the future prospects of the family business and could lead to a change in incumbent's intentions for succession. From the findings, it follows that depending on the market conditions at the time of the anticipated leadership transition period, the successor that best suit the prevailing conditions will be selected. For example, if the business was on a decline, the data shows that a successor that has the necessary skills and abilities to uplift the business will be chosen as the next incumbent.

#### *6.5.3.2 Change in size and nature of the business*

From the findings, it developed that black family-owned business incumbent, would possibly change their selection criteria of their successor, depending on the size of the business during the transition phase. If the business was large, a proper CEO successor, with the appropriate qualifications, will be the most logical choice. Because of the size, the potential successor will generally tend to be more interested and committed to the business. Williams et al. (2013) submitted that within the business subsystem, the size of the business also influences the current incumbent's intention to hand over management to the next generation. If the business is small, the incumbent may not see the business as being enough of an inheritance to pass along to a new generation. The incumbents of smaller business also recognize that smaller businesses are less attractive to potential successors.

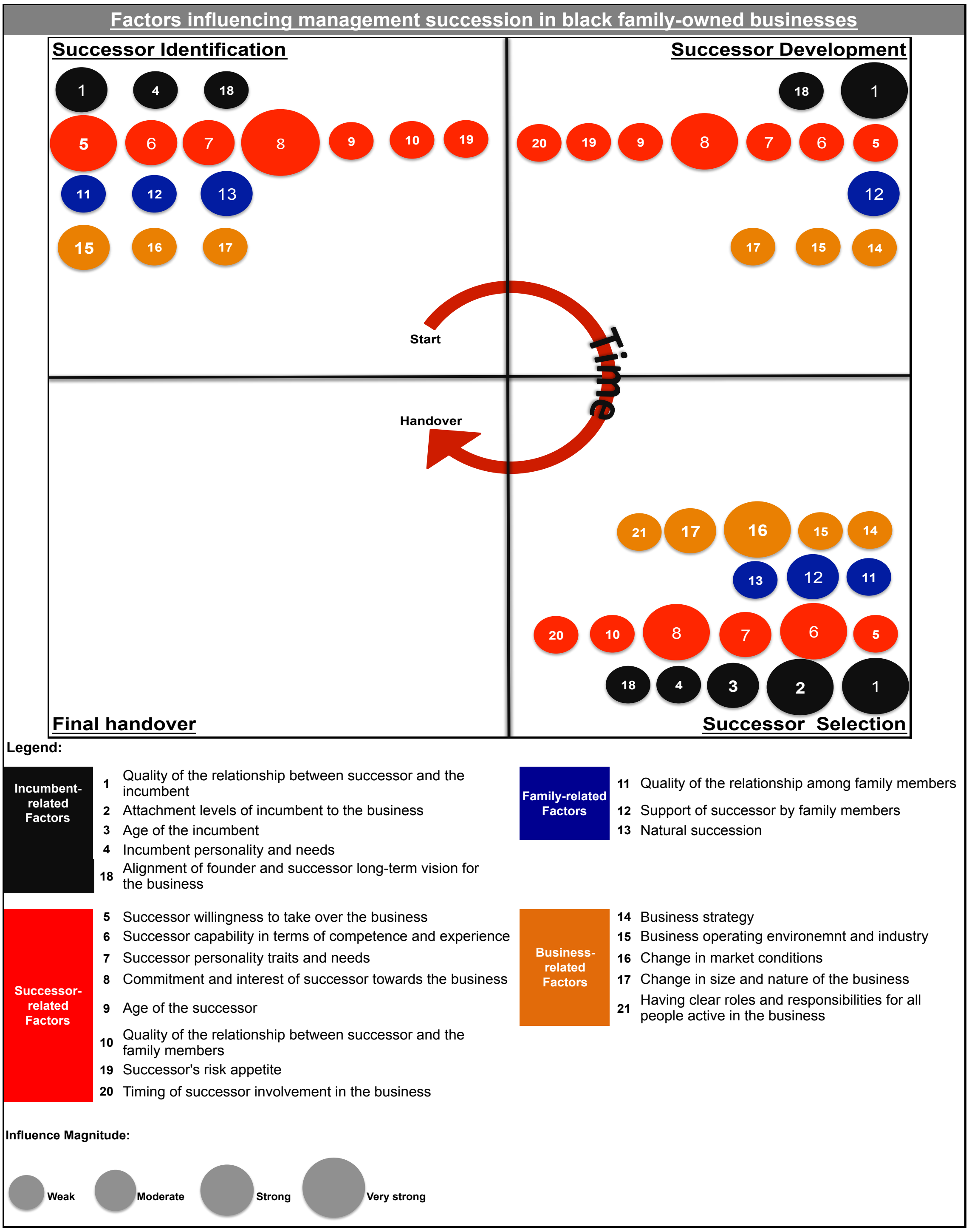
#### *6.5.3.3 Having clear roles and responsibilities for all people active in the business*

Sharma et al. (2000) concluded that the succession planning process must incorporate concise role, responsibilities and ownership stake clarification of the incumbent following hand over to the selected successor. This will give potential successors the time they require to establish their credibility and independence in the business. Venter et al. (2005) substantiated that where possible the potential successors should be encouraged to oversee their own portion of the family business or even start their own enterprise within the family business. Though, they warned that it is often not viable to subdivide the business into smaller units, as many family businesses are not large enough to accommodate such. The data concurred with this view and presented evidence that where there was a potential of possible strong competition for the incumbent position, it helped to have clear roles and responsibilities for all potential successors active in the business.

## 6.6 Emerging framework for management succession in black family-owned businesses

The findings revealed that the factors that influence decisions at each stage of management succession process within a family business vary in terms of influence magnitude and concentration. The following framework was developed to depict the influence of incumbent, successor, family and business-related factors on management successor identification, development and selection in black family-owned business. These factors as presented as they appeared from the literature and were tested against the data collected.

**Figure 6-1: Emerging framework for factors influencing management succession decisions in black family-owned businesses**




## 6.7 Conclusion

In this chapter the primary research question was answered through the secondary questions detailed in Chapter Three. The data broadly concurred with literature on factors that affect the management succession process within a family-owned business.

The findings supported the literature on incumbent-related that affect management successor identification, development and selection. The quality of the relationship between the incumbent and the successor was revealed as the most important factors because it had a widespread strong influence across the overall management succession process steps. Nevertheless, the incumbent personality and needs as a factor that will influence management succession process as suggested by Le Breton-Miller et al. (2004) did not concur with the data. From the data, 'alignment of founder and the successor's long-term vision for the business' emerged as a new theme or factor that will affect the selection choice of the new incumbent.

With regard to research question two, the findings indicated a strong support of literature concerning successor-related factors that affect management successor identification, development and selection. The data showed that commitment and interest of the successor towards the business, is regarded by the incumbents as a critical success factor in the process. In the literature, the age of the successor was established as an important factor in management succession decision, however this idea was not substantially supported by data. The timing of successor involvement in the business and successor's risk appetite were mentioned by the incumbents as possible new factors that may also influence the management succession process.

On family-related factors that affect management succession process, in black family-owned businesses, the data presented that; the incumbents viewed the support of the successor by the family members as paramount in achieving successful management succession. The phenomenon of natural succession where birth order and gender of the offspring as potential successors emerged as an important driver during the initial identification of the successor pool, with sons being given first preference. The data also showed that the incumbents started the business to support their families and therefore a commitment of the successor to the family would play some role in the final selection criteria.

Lastly, the data supported, the literature on business-related factors that will affect management succession process within a black family-owned business. Change in the size and nature of the business, surfaced as the dominant factors in the process. As much as the business strategy is viewed as the means to winning and a key driver of what kind of leadership the business requires, the data did depict the same sentiment. Depending on the size of the organisation, black family-owned business incumbents expressed that having clear roles and responsibilities for all people active in the business will minimise the stress on the incumbent in making the final selection. All potential successors will be fulfilling functional roles in the business and therefore overtime a possible future incumbent will emerge.

# Chapter 7 : Conclusion

## 7.1 Introduction

The previous chapter analysed and discussed the results of the study in the context of the literature on factors influencing management successor identification, development and selection within black family-owned businesses. An integrated framework (Figure 6-1) of the factors these factors was developed. This chapter will discuss the review, the research background and objectives set out to at the beginning of this study. The main findings to this study will then be summarised and the key management recommendations will be presented. The important limitations of this study will then be outlined and the possible implications for future research tabled.

## 7.2 Research background and objectives

Venter, Boshoff and Maas (2005) supported that family-owned business are among the essential contributors to wealth and employment creation in basically every economy globally. South Africa urgently needs to create more wealth, employment and an environment that is more conducive to entrepreneurial businesses if this country is to achieve the vast number of economic, social and personal objectives as set out in the 2012 National Development Plan (NDP). In South Africa most of the family-owned businesses are classified as small-to-medium enterprises (SMEs) by virtue of their size (Van der Merwe et al., 2009). Thus, Venter and Boshoff (2007) proposed that small-to-medium family-owned businesses are strategically positioned to play a substantial role in the economic activity of South Africa as a source of job creation and economic wealth and are gradually becoming the dominant form of enterprise in the developed and developing countries around the world. Globally, survival rate and sustainability of family-owned businesses remain a major concern, with as high as 66% failing during transfer to the second generation, while less than 15% survive a third generational transfer (Williams et al., 2013). The main reasons for the high failure rate among first and second generations of family-owned businesses is their inability to manage the process management succession from one generation to the next (Van der Merwe et al., 2009), with succession planning processed as a solution (Venter and Boshoff, 2007).

Prior to 1994, South African economy was characterised by widespread economic exclusions of the black majority, with them only owning less than 5 percent of the private economy (Nevin, 2006). With the dawn of democracy and economic inclusion policies, the number of black owned SME has grown to over a million by 2006 (Musengi, 2006; Africa Investor, 2010). By 2007, Van Buuren estimated that in South Africa, more than 80% of all businesses have family ownership. For these black family-owned businesses to survive, they need to be aware and engage in effective management succession practices.

Even though family business research recognises the importance of succession planning as being important to the growth and survival of a family-owned business, earlier studies have not extensively examined management succession of black family-owned businesses in South Africa. Sharma and Rao (2000) stated that following an extensive review of articles in the Family Business Review, Dyer and Sánchez (1998) encouraged more cross-cultural studies to be conducted to ensure that family business theories are widely applicable and not culturally bound. It is against this background that the objective of this study was to explore the factors that influence decision-making in management succession among fully black family-owned businesses in South Africa, in the context of existing literature from successful family business successions. The data concurred with the majority of the literature and a new framework of the family-owned business management succession network was developed, to assist black family-owned businesses in understanding the factors that influence each stage of the succession process and thus developing informed criteria for the identification of the succession talent pool, nurturing and development and final selection of the new incumbent.

### 7.3 Summary of main findings

The study was based on 13 semi-structured in-depth interviews with black family-owned business incumbents in a bid to answer the primary research question of: what are the current practices for management successor identification, development and selection within fully black family-owned businesses in South Africa?

The findings revealed that the black family-owned business incumbents see the successor-related factors and the incumbent-related factors as the predominant factors that will influence management successor identification, development and selection in the business. Commitment and interest of the successor towards the business and the quality of the relationship between the incumbent and the successor are very important for the overall management succession process. The incumbents expressed that passion, commitment and interest towards the business, will sometimes even outweigh capability and other important factors to consider because a committed successor will withstand the testing times of running an SME in the South African economy. Driven, by trust issues, the incumbents stated a strong preference for a successor with whom they have a good relationship. As a result, they should most carefully consider the family member best suited to taking over the business.

A family business system is expressed by the overlap and interaction of family with business. The data revealed that the incumbents were not heavily concerned with the family-related factors as potential drivers of successful succession, however the data showed that support of the successor by the family members is an essential criterion that will influence the overall succession process. This view was interesting because the incumbents, who were predominantly male and the head of the family, stated that they are the main decision makers in the business and they only consulted with the family on information sharing basis. It was expected that the incumbent's behaviour would be more inclined towards believing that as long as they are happy with the successor, the views of the family did not matter much. It was found, unsurprisingly that natural succession based on birth order and gender for successor identification formed a critical basis of the criteria, with eldest sons being the most preferred choices.

From a business perspective, the findings showed that changes in the size and nature of the business have a profound influence on the management succession process, followed by the change in market conditions. One can argued that both of these factors are related, because growing size of the business indicates the presence of favourable market conditions. The data showed that the size of the business served as a motivator or deterrent for the potential successor to join the business. In other words, the larger the business, the greater the interest to join the family business. Under these circumstances, it is important for the incumbent to understand the underlying drivers of the interest of the successor, because without commitment, then the successors are purely serving their own personal needs and not those of the family business. The data also supported the view that difficult market conditions will affect the timing of the leadership transition because the incumbent will feel that the business is not worth giving to someone in its current state and therefore the incumbents will choice to extend retirement plans.

### 7.4 Recommendations to family business stakeholders

Succession remains the mostly widely researched topic in the family business field. Many studies have shown a positive correlation between succession planning and family business growth and sustainability. The findings of this study answered all the four secondary questions, which were aimed at answering the primary research question of: what are the current practices for management successor identification, development and selection within fully black family-owned businesses in South Africa?

The framework presented as Figure 6-1 in Chapter Six, provides a useful guide for family-business consultants advising on management succession. By understanding what factors influence each stage of the succession process, they can then be developed into the appropriate criteria and actions plans to ensure effective execution of each step and thus raising the potential of achieving a successful management transition between the older and younger generation.

For the family business incumbents, findings surfacing from research question one and two which indicated that commitment and interest of the successor towards the business and the quality of the relationship between the incumbent and the successor are the two most important drivers that will affect management succession outcomes. This may assist the incumbents and family members to be in better understanding how the individual factors can aid or inhibit succession.

For potential successor, a key recommendation emerged from the third research question concerning the family influence on the management succession is the prominence of overall family support for the successor which cannot be downplayed. The incumbent's spouse, offspring or key employees within the business may have a vested interest in the succession process and have the potential to contribute to the incumbent's reluctance in handing over the business to the new incumbent, possibly driven by fear of what this change could mean for them as incumbents.

### 7.5 Limitations of the research

The findings in this study are limited and therefore cannot be generalised because of the following limitations:

(i) According to the Broad-Based Black Economic Empowerment Act (2004), the term "black people" is a generic term, which means Africans, Coloured and Indians. This study addressed the African constituency of this population as an under-researched area and is hence not broadly applicable to the full population as per the stated definition.

(ii) Due to the planned use of a purposive sampling technique and sample size.

The sample can thus not be considered as representative of all black family-owned businesses in South Africa.

(iii) The study used semi-structured interviews, and therefore presents a possibility of an interviewer bias in the selective use of leading and spontaneous questions.

(iv) In this study, all the respondents were current owners or incumbent leaders in the respective family business, this may potentially result in a self-serving bias by the respondents. Such a bias could lead the respondents to reveal their views and conclusions in a manner advantageous to them.

(v) The study was also limited in focus to small and medium-sized black-owned family businesses and therefore cannot be generalised to all types of business enterprises.

**7.6 Implications for future research**

During the period of this study, new research questions emerged, not only from the limitations described above, but also from the findings. This study concludes with the list of where future researchers might like to direct their attention:

(i) The literature unveiled 17 factors related to the incumbent, successor, family and business that affect management succession within a family business. However, the data revealed that not all the factors were deemed to influence the process. This suggests that the possible quantitative study, to explore these factors through a more representative sample will have to be explored. The Family Business Association of Southern Africa I currently assembling data of family businesses in South Africa. It is believed that in the next few years, the data may be developed enough to run large sample research.

(ii) The factors influencing management succession decisions were only tested in the context of African family-owned business. African as per the definition in Broad-Based Black Economic Empowerment Act (2004). It is proposed that this framework should be tested in the other racial groups, namely: Coloureds and Indians.

(iii) Natural succession seems to be preferred when identifying successor for the family businesses, with oldest sons being the most preferred candidates. This raises the question: are sons better family business successors when compared to daughters?

### 7.7 Conclusion

Family-owned businesses are vital to employment creation, poverty eradication and ultimately economic growth for South Africa. They account for over 80% of all active businesses globally. However the longevity of a family business globally and in South Africa is poor and thus presents a major threat to economic welfare. Most of the causes for poor longevity are linked to lack of succession during generational transfer. Extensive research on the factors that influence management succession in family business has been conducted and formed the basis of this study.

Succession planning is considered to be a slow and evolutionary multistage process, which involves, identifying the successors, development them, making a final selection and transition of leadership. During this period, the incumbent reduces his or her involvement until a real transfer of power in the organisation takes place. Every stage of the process is influenced by particular roles, behaviours of the incumbent, successor, the family and the business. By understanding the succession planning process, in the manner explained in this study, black family-owned business will be better equipped to developing bespoke criteria for each stage through their informed decisions of the dominant drivers and influencers.

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# Appendices

### Appendix 1: Research discussion guide

## Qualifying Questions

**Information about the business**

Year of establishment: ______________________________________________

Number of full time employees: ________________________________________

Number of family members active in the business:___________________________

Number of family managers in the business: _______________________________

Number of non-family managers in the business: ____________________________

Which generation of the family is operating the business today? _________________

Number of family members with ownership stake in business: ___________________

Is the current incumbent/CEO/MD planning to handover to the next generation? _____

## Exploratory Study Interview Guide

### Succession Plan

1. Have you thought about your retirement or developed a succession plan for this business, if so what was the compelling reasons for developing a succession plan and who was involved in developing such a plan?
2. What do you think represents a successful family business succession?
3. Are you happy with the business succession plan? If not, what would you have changed?

### Successor Identification

4. Is there a list of potential successors for the business? Who is in that list? What is the split between family and non-family members?
5. In identifying the potential successors for the business, is there a criteria?
6. As the incumbent, what is important to you when identifying the potential successor for the business?
7. What attributes do you think a potential successor must exhibit to be considered as part of the potential successor list?
8. Was the family involved in the process of identifying the list of potential successor? What were the family aspects, which played a role in the successor identification process?
9. Tell me how did the business environment and possible industry norms or

stereotype influence the process of successor identification?

**Successor Nurturing and Development**

10. How are the potential successors familiarized with the business and its process?
11. How will the potential successors be familiarized with the employees of the business prior to the succession?
12. Tell me about the potential successor's individual development gaps identification process?
13. Creating alignment between the potential successor abilities and business needs is important, how is this executed within the business?
14. As an incumbent you what influence do you have on the potential successor nurturing and development and what do you consider important?
15. What aspects of the family could affect the nurturing and development of the successor?

**Successor Selection**

16. In terms of final successor selection, what are the rules and criteria used to make that decision from the perspective of the incumbent, successor, family and the business?
17. Do all member of the family and managers know and support about these selection criteria? How was/will the decision of the successor communicated to family members and non-family managers within the business?
18. Who will perform the valuation and selection of the successor and how will objectivity be maintained?
19. How is the selection criteria aligned with family goals and expectations?
20. Successor commitment and interest in the business, does it play a role in the final selection?
21. What successor characteristics are considered in the final selection?
22. Business continuity is important for the family, what factors related to the business will be considered in the final selection?
23. What role will the phase of the business play in the management successor selection?
24. What will initiate the successor final selection process in the business?
25. What is most important during final successor selection, business continuity or maintaining family values, and why?

**Appendix 2: Informed consent letter**

**Informed Consent Letter**

I am conducting research on management successor identification, development and succession practices among black family-owned business. Family-owned businesses contribute significantly to job creation and wealth generation for many economies. Most of family businesses in South Africa are classified as small to medium-size enterprises (SME). According to research only two-thirds of successful family-owned businesses survive the transfer of the business to the second generation and then only 13% of these survive through to the third generation. The main contributing cause of failure is their inability to manage the complex and highly emotional process of management succession from one generation to the next.

Our interview is expected to last about an hour, and will help us understand how black family-owned businesses plan and make decision about the process of management succession planning. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact my supervisor or me. Our details are provided below:

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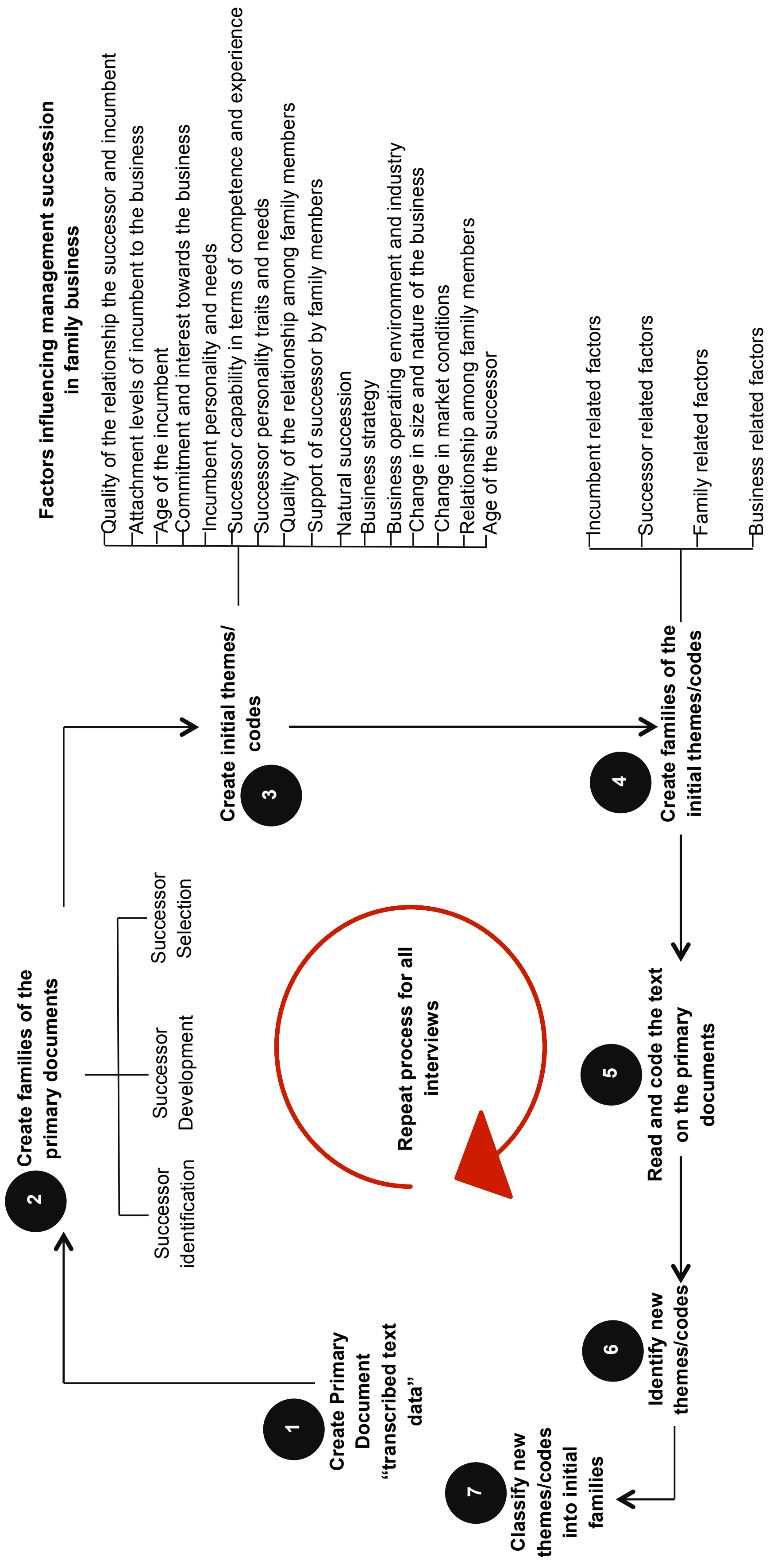
Signature of participant: ______________________________ Date: _________________

Signature of researcher: ______________________________ Date: _________________

## Appendix 3: Research content analysis flow



**Appendix 4: Research consistency matrix**

**Title: Management successor identification, development and selection practices in Black family-owned businesses.**

| PROPOSITIONS/ QUESTIONS/ HYPOTHESES | LITERATURE REVIEW Complete | DATA COLLECTION TOOL | ANALYSIS |
|---|---|---|---|
| **Research Question 1**: What are the owner/founder/Incumbent related factors that influence management successor selection and development decisions? | Le-Breton, Steier and Miller (2004)<br><br>Venter, Boshoff and Mass (2005)<br><br>Sharma and Rao (2000)<br><br>De Massis, Chua and Chrisman (2008).<br><br>Vera and Dean (2005)<br><br>Cater III and Justis, (2009) | • Qualitative semi structured Interview with current owner/founder/Incumbent and successor/potential successor.<br><br>• Observations of the relationship between the incumbent and successor/potential successor | • Content Analysis, to identify key themes and words that are frequently used.<br><br>• Coding and analysis using ATLAS ti.<br><br>• Constant Comparative analysis. |
| **Research Question 2**: What are the successor related factors that influence management successor selection and development decisions? | Le-Breton, Steier and Miller (2004)<br><br>Venter, Boshoff and Mass (2005)<br><br>Chrisman, Chua and Sharma (1998)<br><br>Griffeth, Allen and Barrett (2006)<br><br>Van der Merwe (2011)<br><br>Wiklund, Nordqvist, Hellerstedt and Bird (2013) | • Qualitative semi structured Interview with current owner/founder/Incumbent and successor/potential successor.<br><br>• Observations of the relationship between the incumbent and successor/potential successor | • Content Analysis, to identify key themes and words that are frequently used.<br><br>• Coding and analysis using ATLAS ti.<br><br>• Constant Comparative analysis. |
| **Research Question 3**: What are the family-related factors that | Van der Merwe, Venter and Farrington (2012)<br><br>De Massis, Chua and Chrisman (2008). | • Qualitative semi structured Interview with current owner/founder/Incumbent and successor/potential successor. | • Content Analysis, to identify key themes and words that are frequently used.<br><br>• Coding and |

| | | | |
|---|---|---|---|
| influence management successor selection and development decisions? | Griffeth, Allen and Barrett (2006)<br><br>Sharma and Rao (2000) | • Observations of the relationship between the incumbent and successor/potential successor | analysis using ATLAS ti.<br><br>• Constant Comparative analysis. |
| **Research Question 4**: What are the business-related factors that influence management successor selection and development decisions? | Le-Breton, Steier and Miller (2004)<br><br>De Massis, Chua and Chrisman (2008).<br><br>Griffeth, Allen and Barrett (2006)<br><br>Venter, Boshoff and Mass (2005)<br><br>Vera and Dean (2005) | • Qualitative semi structured Interview with current owner/founder/Incumbent and successor/potential successor.<br><br>• Observations of the relationship between the incumbent and successor/potential successor | • Content Analysis, to identify key themes and words that are frequently used.<br><br>• Coding and analysis using ATLAS ti.<br><br>• Constant Comparative analysis. |