Critical success factors for the sustainability of family businesses in South Africa

Kosie Malan

15406972

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ABSTRACT

Family businesses make up a sizable portion of all businesses in South Africa, yet fairly little research has been conducted to provide insight into the complexities of these business entities. The research explored limitations, enablers, threats, and possible success factors that have a direct impact on family businesses transferal from one generation to the next.

The research process consisted of a literature review that analysed international literature and where available, literature pertaining to South Africa. In addition, fifteen semi-structured interviews were conducted with family business operators between the first, second, third, and fourth generations. This was done to gain insight into the perceptions of the family business stewards to identify possible success factors that may be adopted for continued success from one generation to the next.

Through this qualitative study, it was found that although the largest threats are located internally, stewards consistently focus outward for achieving family business sustainability from one generation to the next. These threats are predominantly rooted in succession, however, not in the process of succession specifically, but the enablers of succession.

Keywords

Family Business **Succession**
Family Business **Resilience**
Family Business **Sustainability**
Family Business **Success factors**
Transgenerational Family Business

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfillment 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.

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Kosie Malan

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CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

1.1. Research Background and Rationale

There is no definitive explanation of what a family business entails, however, it is said to be one of the oldest and longest running social units in the world, as well as being a vital player in the global economy (Zachary, 2011), yet Zachary (2011) also indicate that limited research has been done on this topic. It has a strong historical presence that was born out of necessity and this can be attributed to the notable shortage of employment opportunities on a global scale and more specifically in South Africa, which is rated as one of the bottom ten countries with an unemployment rate of 26.7% against the population of 54 978 907 (BusinessTech, 2016). Resultant of the deficiency, some entrepreneurs are shaped as individuals that adopt innovative ways to create employment by banding together with family members specifically. Family trade is appealing, as it tends to be more reliable, flexible, and long-term due to the established trust relationship of the personnel managing it (The Insitute for Family Business & BDO Centre for Family Business, 2009).

Research shows that on a global scale, 70% of family businesses fail to succeed from the founder generation to the second generation, and only 12% and 3% succeed past the second and third generation, respectively (Byrd & Megginson, 2013). However, academic research focusing on the survival of family businesses are still in its infancy stage (Hiebl, 2015) and it is, thus, unclear why so many of these businesses fail to succeed in the longer term. Yet, contrastingly, it is noted that with the economic downturn, it is the family businesses that tend be more resilient than its counterparts (Kachaner, Stalk, & Bloch, 2012).

In the South African context, family businesses appear to be predominant, estimating at approximately “80% of South African businesses and 60% of the companies listed on the Johannesburg Stock Exchange (JSE)” (Maas & Diederichs, 2007, p.118). Based on the aforementioned, as well as the fact the South African family businesses contribute for at least 50% of the gross domestic product (GDP), highlights the integral role that this sector has in the overall stability of the South African economy (Visser & Chiloane-Tsoka, 2014).

Despite its significance, multi-generational or mixed family businesses continue to grow in terms of complexity as well. Complexity arises from the fact that, not only do these businesses encompass management and ownership constituencies, but also family members (Hougaz, 2015). Resultantly, it becomes difficult to balance between corporate and family obligations to ascertain absolute satisfaction. Divergences between business values and family priorities can prove to be problematic and may affect the sustainability of the business.

Agency theory is "theoretically based on divergent interests, opportunistic behaviours, and asymmetric information" flow between the principal (owner) and agent who acts on behalf of the principal (Kraiczy, 2013, p.12). When considering the agency theory in family businesses, three agency conflicts come to the fore namely, family owner versus external manager; family owner versus external shareholder; and family owner versus family manager (Kraiczy, 2013). However, based on the research viewed and noted as part of the literature review hereunder, there is no conclusive proof that divergent interests is the key factor why businesses that have the potential for sustainable growth, that could mirror the successes of the family-owned giants, such as Walmart, Samsung, Tata Group, and Porsche (Kachaner et al., 2012), fail within one generation.

1.2. Definition of Research Problem and Purpose

Family entrepreneurship is a relatively new field in academic research (Zachary, Edward, & Phinisee, 2013). Necessity-driven entrepreneurship is based on uncontrollable factors, such as loss of employment and conversely, opportunity-driven entrepreneurship is based on "seizing an opportunity and making a deliberate choice to become self-employed" (Zali, Faghih, Ghotbi, & Rajaie, 2013, p.100). That said, more than half of both necessity-driven and innovation-driven entrepreneurial ventures, which includes family businesses, are ordinarily formed between the ages of 35 and 50 (Kew, Herrington, Litovsky, & Gale, 2013), and considering the high unemployment rate as noted earlier, one can speculate that most of the family businesses in South Africa will be necessity-based. In addition, a number of the Baby Boomers, the largest generation ever, are between the ages of 51 and 69 and are consequently, preparing for retirement (Fry, 2016).

Considering that Baby Boomers, also known as the age of entrepreneurs, account for more than four million family businesses (International Business Brokers Association, 2012), the economy may experience an adverse shift within the next decade should only one-third of these businesses survive past the retirement of the founders. Based on the aforementioned, as well as the fact that family businesses account for at least 80% of all South African businesses (Maas & Diederichs, 2007), it is speculated that a number of these businesses are owned by this specific generation; Baby Boomers. Therefore, the problem that this research will focus on is identifying why only such a small portion of family businesses survive past the first generation.

1.3. Research Aim

The primary aim of this study will be to explore successful family businesses in a mix of four different generations namely; founder or first generation, second generation, third generation, and fourth generation, to identify commonalities and, thus, determine the critical success factors for continued sustainability. Seeing as limited research has been conducted on the aforementioned (Hiebl, 2015), this study will address the academic need of identifying key factors that contribute to the survival and success of family business in the South African specific context, where unique social requirements such as transformation, are taken into consideration. Furthermore, since family businesses have a significant impact on the South Africa economy through its contribution to the GDP, identifying critical success factors may feed back into the business sector that could possibly reduce the failure margin with the looming retirement of the Baby Boomer generation in the family business environment.

1.4. Significant of research study

Ward (2011) stresses the importance of planning for the future in a family business and to plan for the future, any business needs a strategy. In family business, this strategy is influenced by family vision and values as depicted in figure 1 below:

Figure 1: Factors that influence family business strategy

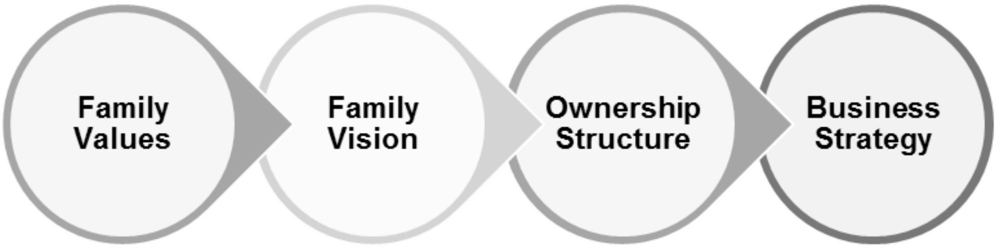


Figure 1: Factors that influence family business strategy. Adapted from Perpetuating the Family Business: 50 Lessons Learned from Long Lasting, Successful Families in Business, by J. Ward (2011), New York, Springer. Copyright (2004) by John Ward. Adapted with permission.

It is believed that no business can escape some form of family involvement; even widely held corporation's chief executive officers' decision-making is influenced by a spouse or child at times (Chua, Chrisman, & Sharma, 1999). Considering the aforementioned, it becomes clear that the search and identification of success factors in a family business could contribute to not only the family business niche but also all other businesses or ventures.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction to Literature Review

This literature review investigated available literature on the family businesses that could potentially inform on, or support this proposed study. Although several aspects of family businesses have been researched, there is still limited information on what denotes success factors within this sector. However, most of the literature reviewed, consistently reiterated that only a small portion of family businesses survive past the first generation, whether it be due to unforeseen external (macro) influencers or insufficiently managed internal (micro) influencers remains unclear.

To support this study, one will first attempt to define what constitutes a family business; then consider the observed impact that this sector has on the economy; then outline some of the limited theories on family business sustainability; and finally, the impending theoretical shift in the economy within this decade.

Ward (2016) attempts to answer the question of how family-owned or family-controlled companies such as Marriot International, Cargill, Heineken, Ford Motor Company, BMW, and the Washington Post endure generation after generation. In line with Ward (2016), his research study attempts identify factors that can evolve most family businesses into long-lasting, successful enterprises that are enabled and not hindered by a familial base.

Therefore, the following literature review will provide an overview of current and relevant literature to provide a supporting base for this study.

2.2 Definition of family businesses

Although some studies have attempted to define family businesses, no singular definition of what constitutes a family business, or what it entails, was forthcoming.

This could be due to the heterogeneity of family businesses; it is a varied group of businesses where the ownership and management structure is completely unique to each individual family business (Kraiczy, 2013). However, there are some commonalities where certain characteristics contributed to this undefined sector.

An analysis of the literature that focuses in part on the definition of a family business, was conducted and reported on in the book by Sharma, Chisman & Chua (2012), *A review and annotated bibliography of family business studies*, and for the purpose of this review, was further adapted by extracting and listing the commonalities as follows; controlling ownership vests in the members of a single family as well as a proportion of management positions (Barry, 1975; Rosenblat, deMik, Anderson, and Johnson, 1985; Pratt and Davis, 1986; Dyer, 1986; Handler, 1989; Leach et.al., 1990; Lyman, 1991; Gallo and Sveen, 1991; Holland and Oliver, 1992; Welsch, 1993; Covin, 1994; Friegener, Brown, Prince, and File, 1994; Lansberg and Astrachan, 1994; Litz, 1995;) (Sharma, et.al, 2012).

By considering all of the aforementioned definitions, and for the purpose of this study, a family business is, therefore, defined as a business that belongs to individuals related by blood, where the family unit has majority control, and where two or more family members serve in a management capacity, or where succession has taken place from one family member to another with at least one family member serving in a management capacity.

To gain a holistic understanding of the dynamics at work in a family business, it is useful to view family and non-family businesses comparatively. Table 1 below provides a comparative analysis of several factors that define each of these entities.

Table 1: Difference between family and non-family businesses

Dynamic	Non-family Business	Family Business
Ownership	Dispersed, non-kinship based No wedge between cash flow and ownership rights Well diversified	Concentrated, kinship-based Wedge between cash flow and ownership rights Non-diversified
Governance	Ownership and control split External influences on board Transparency, disclosure	Ownership and control united Internal dominance of board Opaqueness, secrecy
Returns	Achievement and merit based Employees: Based on performance	Non-economic outcomes important Private benefits for family

	Universalistic criteria	Minority shareholders exploited
Rewards	External ties based on business Distinct business: family spheres Impersonal social responsibility	Ascription, nepotism based Family members: Indulged Particularistic criteria
Networks	High turnover with market discipline Formally educated Succession draws on large pool	Embedded in kinship networks Role diffuseness Succession draws on kinship pool
Leadership	Salaried managers Shorter term career horizons	Entrenched, long-tenured Trained on the job
Careers	Salaried managers Shorter term career horizons	Family members Longer term career horizons
Management	Delegation to professionals Rational, analytical Innovative Formalized, command and control	Autocratic Emotional, intuitive Rent-seeking, stifling innovation Organic, mutual accommodation

Adapted from Steward & Hitt, 2012. Adapted with permission.

2.3 The impact of family businesses on the economy

It is a generally accepted view that family businesses are vital for national economies (Hiebl, 2015). From surveys reviewed, it evident that majority of businesses are in the form of family businesses, and that these businesses have a significant impact on the global economy. It is estimated 67% of all businesses on a global scale are family-owned (Family Firm Institute Inc, 2016) that account for an estimated 70% to 90% of the global

GPD, and create approximately 50% to 80% employment opportunities in the majority of the countries (European Family Businesses, 2012).

Table 2 below, outlines the contribution of family businesses to national economies in seven of the economically strongest countries. It is noted that Japan and France were excluded due to insufficient statistical data, and South Africa was included for comparative purposes only.

Table 2: Economy contributions of family businesses

Country	% Family businesses	% Contributions to National GDP	% Workforce Employed
United States	90%	63%	57%
China	85%	70%	66%
Germany	96%	57%	55%
United Kingdom	70%	25%	70%
India	90%	79%	66%
Brazil	90%	50%	85%
Italy	93%	94%	50%+
South Africa	80%	50%	61%*

Source adapted from: Family Firm Institute, 2016; Alderson, 2011; Abor & Quatrey, 2010; Visser & Chiloane-Tsoka, 2014; and Becker, 2011. Adapted with permission.

To give some perspective to the table above, the United States reported an estimated total of 18 million family businesses (Yoo, Schenkel, & Kim, 2014), the European Union followed closely with an estimated 14 million (European Family Businesses, n.d.), and South Africa with 1.1 million (Alderson, 2011).

2.4 Historical sustainability of family businesses

As stated by Byrd and Megginson (2013), only 30% of family businesses will succeed from the first to the second generation, 12% from the second to the third generation and only a marginal 3% will succeed past the third generation. Considering the low success margin, very few studies have been conducted to identify universally applicable motives behind these failures.

2.5 Reflection on failure of family businesses

2.5.1. Background

Considering that businesses fail notably from the first to the second generation, one has to study whether the problem is not contained in the business model of these small to medium family businesses. Could it be that the founder generation is failing to implement a sound succession plan that is preventing continued success, or that the old business model is enforced in the second generation that may not be appropriate to the changing economy? It could be that these family businesses “fail because they allow themselves to be destroyed” (Ward, 2011, p.x), whether by ineffectual stewardship or individual family members acting in their own self-interest as opposed to the interest of the collective (Davis, Allen, & Hayes, 2010).

2.5.2. Insufficient succession planning

It is generally accepted that succession planning is integral in any business, however, succession in businesses that are owned and operated by families face an additional set of challenges, such as identifying and preparing competent leaders are confined to a restricted candidate pool (Long & Chrisman, 2014).

In addition, in family businesses, succession planning places the steward in a position of having to select a one family member at the possible loss of another, or deciding for or against a family member in general. With succession planning, there needs to be decided for or against a family member as a successor. Considering the aforementioned, nepotism, a very controversial topic and frowned-upon practice in normal business, is the very thing that allows succession within a family business (Royer, Simons, Boyd, & Rafferty, 2008).

However, there are certain risks associated with internal succession and Behrman, Pollak, and Taubman (1995) suggest that “nepotism may prove a serious problem for the family firm” (p.147). The succession of new generation family members in family businesses may be in conflict with shareholder and other family member’s interests in the business (Royer et al,2008).

However, researchers have not provided clear evidence that nepotism is a dominant reason for transferring family firms to other family members. Notwithstanding the aforementioned, the first generation or founders of the business experience difficulty in relinquishing control and tend to create a culture that further constrains intra-familial succession (Hania, 2012).

A recent study reported that only “40% of family businesses intend to pass on the management of their business to the next generation”, whereas 60% of businesses have no confidence that the next generation will have the “required skills and aptitude to own and run the company” (PriceWaterhouseCoopers, 2013, para. 13). However, it could very well be that the strong personal attachment that incumbents form with the business and subsequently, their inability to adopt an inclusive approach to succession, is what hinders the development of the required skills to manage the business (De Massis et al., 2008).

Succession planning should follow the principle of merit, where people are placed in positions and rewarded based on merit and not on familial connection and therefore, it is imperative that the successors be prepared to ensure the right fit, skills set, and interests (Ward, 2011).

2.5.3. Interest deviations of successor pool

A shared vision of entrepreneurship can lead to enhanced stewardship of the family’s wealth and wellbeing and is one of several reasons that encourage the formation of family entrepreneurial teams (Schjoedt, Monsen, Pearson, Barnett, & Chrisman, 2013). When interest is not stimulated or evident in subsequent generations or if an incumbent is reluctant to exit, potential successors tend to digress from the family business (Schjoedt et al., 2014). The interest of the successor to take control of the business is as important as the willingness by the incumbent to surrender control, and if a successor is reluctant to take control, succession is unlikely to be successful (Venter, Boshoff, & Maas, 2005).

2.5.4. Intra-familial relationships and conflict

Research found that conflict is prevalent in family businesses and this conflict is often rooted in the dissimilar vision of the future by individual family members (Poza, 2013), and where there is a lack of shared vision, family members tend to act in their own self-interest as opposed to the interest of the collective, which could, consequently, result in the decay of the business (Davis, et al., 2010).

Family entrepreneurs are not always aligned with their goals and strategies on achieving said goals, nor are they immune to intra-familial conflict and this may impact negatively on the venture (Lim, Busenitz, & Chidambaram, 2013).

One should also take into consideration that some family teams could include in-laws, non-family members, different generations, or even family members with dissimilar levels of commitment (Discua Cruz, Howorth, & Hamilton, 2013). The aforementioned varied structure could further confound the challenge in maintaining harmony. As reported by Price Waterhouse Coopers (2014), family businesses "seriously [underestimate] the degree of conflict" that a transition of ownership or management could generate (para.15).

The presence of several generations involved in business operations poses a significant challenge and is said to be one of the reasons why family businesses ultimately dissolve. The most significant contributor to the aforementioned is the capacity or rather, lack of capability of siblings to function as a team (Ward, 2016). The fact that they are siblings, that they originate from the same family unit, or even raised in the same manner with the same set of principles and values, does not mean that their goals and strategies will be compatible. These deviations can further complicate the team dynamic that is already subjected to emotive stresses. A sibling with a stronger personality or management skills within such a team, may contribute positively and develop the business, whereas a weaker sibling that lack the ability to formulate business strategies, can disrupt or break down the business (Ward, 2016).

In addition, there are several other factors that influence the effectiveness of family business succession namely, the intentions or prospects of a new generation and the ability of this new generation to acquire key knowledge and skills from, already reluctant, predecessors (Ward, 2016).

2.5.5. Knowledge transfer

Knowledge management ensures that the heirs of the family business obtain the institutional knowledge that is necessary to form the foundation of their business operations, enhance entrepreneurial skills, as well as give insight into the required tactic that gives that specific business its competitive advantage. According to Martínez, Galván, and Palacios (2013), ineffective knowledge transfer is the main reason that family businesses fail to survive the transition from founder to second generation.

Therefore, the survival of the family business is at least in part dependent on the effective transfer of knowledge. Jaskiewicz, Combs, and Rau (2015) argue that knowledge transfer is made possible by nurturing trans-generational entrepreneurship and proposes three strategic approaches to facilitate the transfer of knowledge, including strategic education, strategic succession, and entrepreneurial bridging.

Strategic education involves the older generations deliberately encouraging or influencing the younger generations to develop biases for education and developing working experience and education in areas that are strategically relevant to the future potential and opportunities for that specific family business (Jaskiewicz et al., 2015). Encouraging and assisting the next generation in gaining the relevant education and work experience has several advantages that contribute to the perpetuity of the family business. Firstly, the younger generation introduces innovation, such as the latest technology that has become integral in the ever-changing global environment. Secondly, work experience prior to succession provides the potential successors with access to latest best practices in the market and equip them with the necessary skills to implement said practices. Therefore, academic knowledge, institutional knowledge, technology-based knowledge, and market knowledge all contribute to the skills of these potential successors and is vital for the complex process of transfer and subsequent maintenance of success.

Strategic education, as noted above, supports strategic bridging in building the successor's work experience and has an impact on the adaptability of the successor to the family business environment. In strategic bridging, the older generation acts as mentors by allowing the younger generations to work alongside them. This facilitates knowledge transfer by default and the entrepreneurial capacity of the successors are stimulated (Jaskiewicz et al., 2015).

Lastly, strategic transition involves the development of mechanisms that ensure integration of the potential in-laws at an early stage and also prevent potential buyouts by heirs (Jaskiewicz et al., 2015). Although these strategies are proved to be efficient, family conflict and resultant biases can negate it. While biases may be are seen as the main reason, the actual cause may be deeply embedded in the minds and emotions of the individuals (Pieper, Astrachan, & Manners, 2013).

In addition to the aforementioned, knowledge transfer creates an intra- and inter-generational mutual learning and cooperation that facilitates the creation of new knowledge that is essential for the development of the family business (Martínez et al., 2015). Moreover, family members have rich communication modes that enhance socialization, which research proves effective in transferring tacit knowledge (Jaskiewicz et al., 2013). Socialization between family members in the organization provides an ideal environment in which individuals learn over time by developing deep insights into the nuances and subtleties of tacit knowledge (Steier, Chrisman, & Chua, 2015). However, socialization may be hindered by the deviation of goals at an individual level and this, consequently, affects successful tacit knowledge management (Steier et al., 2015). The dispersion of knowledge is a necessity for self-differentiation that creates the need for advancing personal goals and therefore, the burden is placed upon the parents to actively prepare their children to assume roles in the family business (Pieper et al., 2013).

2.5.6. Familial communication

Family businesses with a long track record of success understand the importance of communication. The lack of an effective communication system has been instrumental in the demise of once-successful companies. An effective communication system is required to address or mitigate vulnerabilities within the business such as potential disagreements and conflicts. Therefore, some successful family businesses invest actively to achieve optimal communication practices and the family members themselves are usually equally committed to the art of communication (Ward, 2004).

Family members normally have a similar "lifeworld", which simplifies communication processes and enhances trust building between partners in businesses (Habermas, 2015). This "lifeworld" concept implies a specific form of living that impacts the thinking and communication adopted by communicating parties (Habermas, 2015). According to Habernas (2015), these parties have the same background and in most instances adopt similar thinking patterns and is, therefore, able to understand better and communicate more effectively. Contradictory, parties with different "lifeworlds" have more difficulty communicating and is more susceptible to misinterpretation and, resultantly, misunderstandings are more likely. Communication is also enabled by trust.

2.5.7. The impact of trust in family business

Long-term and invested trust relationships between family members within a business lead to a favourable transaction atmosphere that support stability and wellbeing (Royer et al., 2008). High level of trust may lead to nepotism, which Jaskiewicz et al. (2013) have found to be beneficial in family businesses. For instance, employees that are hired because they are family members are likely to reciprocate by applying themselves more consistently for the betterment of the company (Jaskiewicz et al. 2013). The level of trust within the family unit affects the willingness of the members to cooperate, which could also result in conflict. If communication is optimal, this conflict can either be functional, which contributes to the development of the business, or if communication is lacking, the conflict can be destructive, which systematically demolishes the business (Martínez et al., 2015).

On the other hand, high levels of trust may restrain the performance of the organisation by promoting irrational practices due to the nonconformity of family goals and business goals. Dyer & Handler (1994) observed that family goals support the development of family members while business goals focus on maximizing revenues and profits. The bridge for this gap is commitment; commitment to business translates to loyalty and loyalty, in turn, encourages a sense of obligation to the family business that orientates the family members more towards the goals of the business (Martínez et al. 2013).

2.6 Internal and External factors that impede family businesses

2.6.1. External obstructive forces in family businesses

Very limited research has been conducted on the impact of the external environment on family businesses (Melin, Nordqvist, & Sharma, 2013). However, findings of a recent survey conducted by PriceWaterhouseCoopers (2014) across 40 countries, suggest that even though family business outperforms their counterparts in an unstable economy (Kachaner, Stalk, & Bloch, 2012) where recession is becoming the rule as opposed to the exception, the economy remains a key external challenge according to family business owners. However, it appears as if the family businesses are not affected to the same degree. This could, in part, be due to the heterogeneous nature of the population (Kraiczy, 2013), where family businesses experience “similar challenges but there are some distinct differences in particular markets” (PriceWaterhouseCoopers, 2016, para.1).

Although South Africa was included as part of the study noted above, some very unique challenges were noted, which includes “lack of confidence in government, infrastructure (i.e. electricity, e-tolling, and taxes), and government policy and regulation”, which includes Broad-Based Black Economic Empowerment (PriceWaterhouseCoopers, 2013, p.7). Broad-Based Black Economic Empowerment and the reported lack of qualified empowered partners may be threatening local family businesses, as policy dictates preferential treatment for shared business ownership between white Africans and black Africans (National Treasury, 2011) to supply goods and services to the public sector.

Contrastingly, even though the volatile economy is globally perceived as a challenge and local legislation is hindering profitability, at least 65% of family businesses recorded growth (PriceWaterhouseCoopers, 2014). This may allude that the survival of family businesses, past the first generation, may not be as adversely affected by external influences. However, this will need to be investigated further.

2.6.2. Internal obstructive forces in family businesses

Although one will not discount external factors, especially in the South African context where transformation and social and cultural responsibility is embedded by the government, it may not be as relevant to the success of the business from one generation to the next. A limited number of articles explore the topic of family businesses in South Africa and issues that affect said businesses. Visser and Chiloane-Tsoka (2014), in their paper, *An Exploration into the Family Business and SMEs in South Africa*, seek to provide further insight into the issues affecting family run businesses. If a family business remains small and a family member maintains control of the important aspects, the reduced formality can be a competitive advantage. However, as the business develops, even the most engaged and proficient family manager may not be able to manage all aspects (Hiebl, 2013).

Furthermore, a family business is a complex system and thus requires a complex and multi-faceted method of planning (Jaffe, 2005). As the family expands and business develops, it requires more responsiveness to curtail conflict and enhance progress. In addition, there are three prohibitive areas that tend to repeat in literature, namely succession, narrow-mindedness, and family conflict and governance (Nicholson, 2003).

2.7 Success factors for the sustainability of family businesses

Limited studies have been conducted on success factors in family business. When one considers the two entities, the family is in many instances the very contradiction of the rules and norms of business (Ward J., 2016). Figure 2 below outlines the contradictions between family and business.

Figure 2: Contradictions in family and business

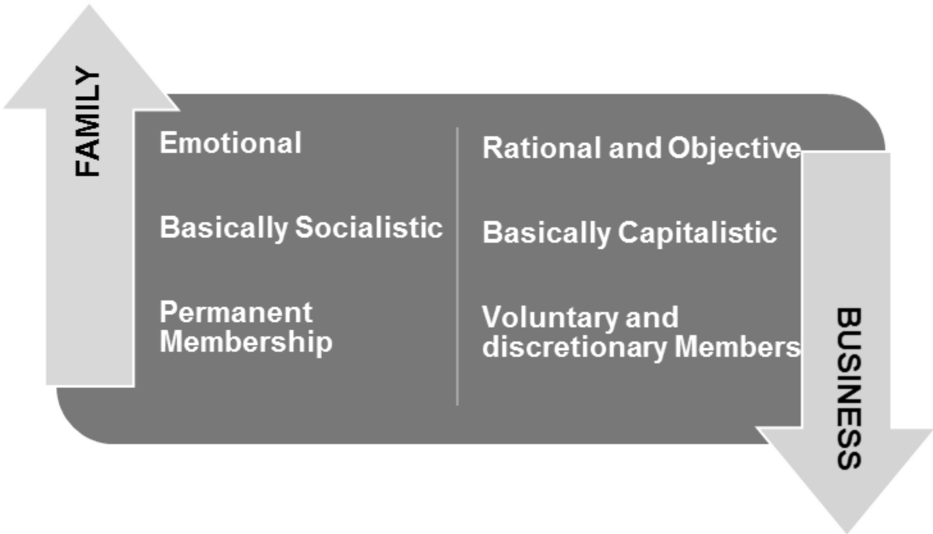


Figure 2: Contradictions in family and business. Adapted from Perpetuating the Family Business: 50 Lessons Learned from Long Lasting, Successful Families in Business (p. 23), by J. Ward (2016), New York, Springer. Copyright (2004) by John Ward. Adapted with permission.

Andrew Keyt, Author and Executive Director of the Loyola University Chicago Family Business Center, recently evaluated patterns and recurring themes found in families with multigenerational success within the United States border. It was found that these patterns centered primarily around the family as opposed to the business. These themes included family unity, shared values beyond financial gain and "investing in the next generation" (Keyt, 2015, para.7). However, Melin et al. (2013) alluded that one cannot base the success of a business purely on family, but by considering the business in its entirety.

Often a family business' success is measured against its financial performance, however, to use financial performance as the sole measure, compromises long-term sustainability, and "long-term business sustainability is both a function of firm success and family functionality" (Melin, et al., 2013, p.613). Walker and Brown (2004) examined possible success factors that may be critical for small business owners, and although financial criteria have generally been considered to be the most appropriate measure, non-financial criteria like personal satisfaction and achievement, lifestyle flexibility, and pride in the job should not be disregarded as it is perceived to be a more valuable indicator of success than that of a financial objective measure of success.

According to McKingsey & Company, to remain a successful company as the family grows, a family business must meet two intertwined challenges; achieving strong business performance and keeping the family committed to and capable of carrying on as the owner. To facilitate the aforementioned, five dimensions need to work in synchrony (Caspar, Dias, & Elstrodt, 2010). Figure 3 below provide a visual representation of the five dimensions.

Figure 3: Synchrony in family business

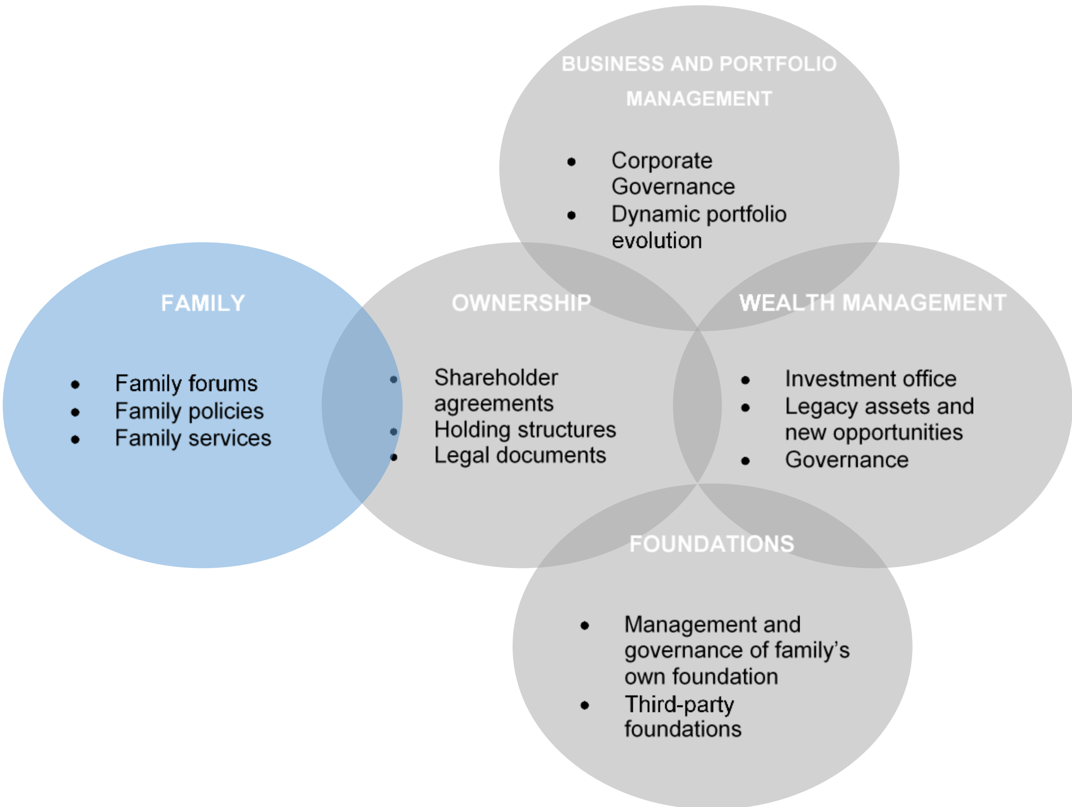


Figure 3: Synchrony in family business. Adapted from The five attributes of enduring family businesses by C. Caspar, A.K. Dias, and H.P. Elstrodt (2010). Copyright (2010) by McKinsey & Company. Adapted with permission.

2.7.1. Family

Survival of family business is said to be threatened by conflicts over money, succession challenges, and nepotism that may lead to poor management (Casper et al., 2010).

Nepotism is defined as "the action of appointing and promoting family and relatives" (Oxford University Press, n.d., para.1). In a business context, it means that family members are favoured over others, even when they are not appropriately qualified or skilled. Family businesses, by definition, rely on nepotism. In other contemporary organisations, the meaning of nepotism is often extended to include any sort of favouritism towards family and friends of existing employees. According to Oxford (n.d.), critics of nepotism consider it bad practice because it "favours connections over talent" and, therefore, "does not lead to a truly meritocratic organization", where in contrast, defenders of nepotism "argue that it has the virtue of producing a loyal and trusted workforce" (para.1).

In addition, successful family businesses also acknowledge that, in general, the likelihood for succession is low and resultantly, these family businesses go to great lengths to create an effective succession plan for the next generation inheriting the business (Ward, 2004).

2.7.2. Ownership

It is important to attain a delicate balance between raising capital and maintaining family control over the business since this could lead to familial conflict, especially during the transition process (Caspar, 2010). Similarly, different families may take different approaches to managing familial relationships during the transition period (Ward, 2004). The figure below illustrates three distinct stages in a family business.

Figure 4: Three-stage model in family business

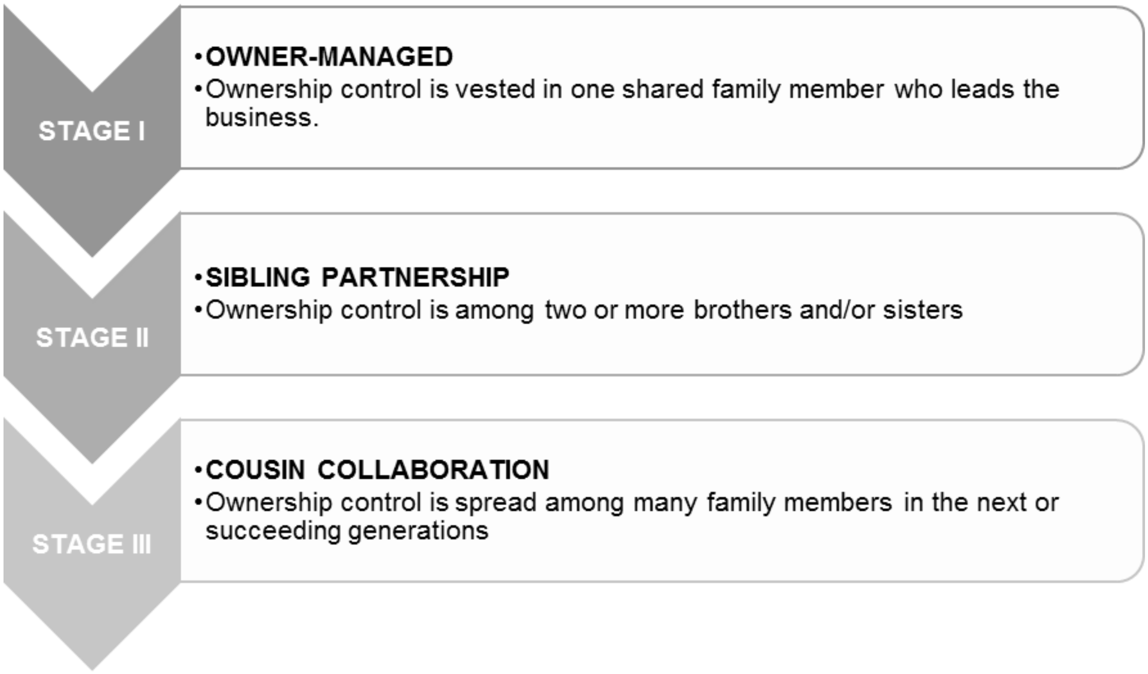


Figure 4: Three-stage model in family business. Adapted from Perpetuating the Family Business: 50 Lessons Learned from Long Lasting, Successful Families in Business, by J. Ward (2011), New York, Springer. Copyright (2004) by John Ward. Adapted with permission.

2.7.3. Governance and business portfolio

Clear rules and guidelines help family businesses develop effective business strategies. Two important contributing factors in this regard are strong boards and a long-term portfolio view (Caspar et al., 2010).

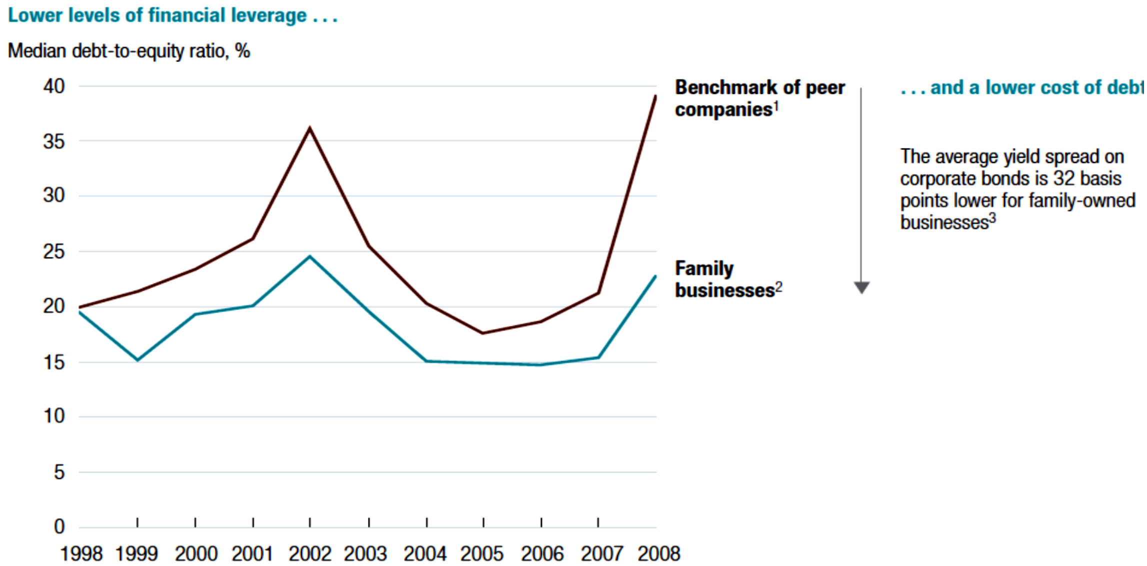
a. Strong boards

Durable family businesses often have strong governance. The family members may take positions on the company boards to avoid the principle-agent dilemma. From a board perspective, they monitor the company's performance, whilst providing industrial insight that has amassed over time (Caspar et al., 2010).

b. Long-term portfolio view

Successful family companies focus on the long-term growth and performance to enhance family wealth and ensure family control. This allows them to avoid the distractions caused by focussing on short-term performance metrics. A long-term planning horizon and moderate attitudes towards risk-taking also lower risk for debt-holders, allowing the family businesses to enjoy cheaper sources of debt. This focus on the longer term ensures survival during difficult times and sysematic growth (Caspar et al., 2010).

Figure 5: Long-term portfolio view of family businesses



[1]Annual median of current constituents of S&P 500, HDAX, and SBF 120 (Société des Bourses Françaises 120 Index); excludes financial companies and family businesses.
[2]Annual median of sample of 149 family-influenced companies in United States and Western Europe; excludes financial companies.
[3]Sample consisted of 250 industrial firms in S&P 500 from 1993–98; weighted for factors that influence spread differences (eg, degree of leverage, performance, company size, credit rating).
Source: McKinsey's corporate performance analysis tool (CPAT); McKinsey analysis

Figure 5: Taking the long term view. Sourced from The five attributes of enduring family businesses, by C. Caspar, A. K. Dias, and H. Elstrodt. Copyright (2010) by McKinsey & Company. Sourced with permission.

2.7.4. Wealth management

Protecting and growing personal wealth requires proper strategy (PriceWaterhouseCoopers, n.d.) and some families are focusing on establishing a family office to protect wealth and develop effective succession plans. According to “The Family Office Guide”, the expression “family office” covers all forms of organisations and services involved in managing large private fortunes (EY Global Family Business Centre of Excellence, 2013, p.4).

Families either establish a family office directly or they may seek the services of companies or banks that provide financial services that allows the families to retain control of the business. Family offices can be an attractive option as they are believed to prevent conflict among family members and allow for efficient wealth transfer between the generations (PriceWaterhouseCoopers, n.d.).

2.7.5. Family Foundations

Family Foundations have been growing in popularity. The Foundation Centre reports the number of philanthropic foundations grew from 21,877 in 1975 to 72,477 in 2006 (Rodes, n.d.). These foundations enable the successful family businesses to give back to the communities in which they live and work. As families mature over the generations, they may create a family constitution and family council, in addition to the family foundation (Rodes, n.d.).

2.8 Population generation versus business generation in Family Businesses

Although this study will not focus on the population generation, some consideration will be given that the largest segment of the population, the baby boomers, are preparing for retirement (Fry, 2016). South Africa is home to some eight million individuals in this age category (Burrows, 2016) and a number of these individuals are business owners that are either preparing to hand off their businesses to a successor, or preparing to close its doors. This lends a certain urgency to identifying critical success factors in family businesses.

2.9 Summary and Discussion

Based on the literature review it was found that no definitive reasons exist why businesses fail, whether it be external, such as the economy or policy, or more internally focused such as issues in stewardship, agency-theory, insufficient succession planning, or redundant business models. Consequently, this study attempts to gain some clarity on the success factors of family businesses in the South African context, with the aim of contributing to a viable theory before the end of an important era, where a large proportion of the founder generation should be stepping down.

CHAPTER 3: RESEARCH QUESTIONS

As demonstrated in chapter 1, this topic is new and under-researched (Zachary, 2011) and academic research focusing on the survival of family businesses are still in its infancy stage (Hiebl, 2015).

The research method adopted was a qualitative, exploratory study. Therefore, the approach in this instance was to explore and gain a deeper understanding of the factors that could contribute to the success of family businesses by recording and then analysing the individual accounts of these business owners. This was done through semi-structured interviews by the researcher with the selected respondents. The research questions that formed the foundation of this study is listed as follows:

Research question 1:
Why does a large margin of family businesses fail or cease to exist as family businesses subsequent to the founder generation?

Research question 2:
What are the internal and external factors that affect these businesses across generations?

Research Question 3:
What are the current success factors for family businesses across generations that could contribute to continued success?

The following chapter outlines the research methodology adopted.

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

This chapter outlines the research methodology for the design, collection, management, and analysis of the data that forms the foundation of this research study, as well its limitations.

As indicated earlier, academic research focusing on the survival of family businesses are still in its infancy stage (Hiebl, 2015) and it is, thus, unclear why so many of these businesses fail to succeed in the longer term. Therefore, insight into this area is vital. However, to enable the research process, one should first quantify success and failure. For the purpose of this study, a family business is considered as one that is owned through majority familial shareholding and managed by a familial successor as the executive decision-maker. Therefore, in this context, success will denote a family business that has remained profitable and has transferred or is in the process of being transferred to a familial successor. Conversely, failure denotes a family business that has not or will not be transferred to a familial successor.

The research method was, therefore, designed by consistently focusing on the aforementioned.

4.1 Research Method

The research strategy was cross-sectional that adopted the typical form of qualitative interviews at a single point in time (Bryman & Bell, 2015), to discover new insights on a specific topic, independent of or in the absence of numerical data (Zikmund, Babin, Carr, & Griffin, 2013). Therefore, the approach in this instance was to explore and gain a deeper understanding of the factors that could contribute to the success of family businesses by recording and then analysing the individual accounts of these business owners. This was done through semi-structured interviews by the researcher with the selected respondents to gather empirical evidence to construct a theory. Instead of providing a broad view of the phenomenon that could be generalised to the population (Creswell, 2013), the study only focused on the present-day situation and past experiences of the respondents, as well as their interpretation of their personal reality at that specific point in time.

Through these interview sessions, the researcher was able to observe the participants both directly through personal contact interviews and indirectly by means of telecommunicated interviews. These personal engagements also provided a platform where the research context could be explained to ensure that each respondent understood the aim of the research study and what would be required. Conclusively, this method enabled the formulation of a theory, that could be tested with quantitative research in future and therefore, the research findings in this study are inductive and not deductive (Creswell, 2013).

4.2 Unit of Analysis

The unit of analysis, as defined by Oxford University Press, is an "object, event, individual, group, organisation, or society, that will be explored, described, and explained" during the course of the study (Oxford University Press, 2009). Due to the non-probability purposive sampling method that was adopted for this study, the unit of analysis was both the individual successful family businesses and the data collected from these businesses as a cluster. Through the interviews, data was collected from the first, second, third, and fourth generation business owners that informed on the individual success factors. Once the data was collected, said data was analysed against several independent variables to identify correlations between the different businesses, which translated to the key findings.

4.3 Population

The population, described as the "group, case or class of subjects, variables or phenomena under study" (Oxford University Press, 2009), included successful family businesses within South Africa. Although no reliable database of South African family business exists, they constitute approximately 80% of all businesses within the South Africa border (Visser & Chiloane-Tsoka, 2014). The nature of the population is heterogeneous, where businesses of different sizes, industries, and generations exist from which the sample was selected. The only commonality is that all of the businesses were family-owned.

4.4 Sampling Method and Size

In the absence of a reliable sampling frame from which to draw the sample and due to the exploratory nature of this qualitative study, the purposive sampling technique was applied. Purposive sampling is a form of non-probability sampling, where the sample was selected subjectively and deliberately by considering the information they possess and its relevance to the research questions (Bryman & Bell, 2015), as opposed to random selection.

Since the method for this study was non-probability, the findings will not be representative of selected population; family businesses (Bryman & Bell, 2015). The aim was to generate a theory of critical success factors. In keeping with the qualitative research trend with founders and successors in a family business that focus specifically on succession, the sample was kept relatively small (Benavides-Velasco, Quintana-Garcia, & Guzmam-Parra, 2013).

Therefore, the sample that was used for this study was 15 family business owners from the first, second, third, and fourth generations. In this instance, one or two individuals were used to represent a single family business, which assisted in covering more businesses for the research study with a limited timeframe (Bryman & Bell, 2015). The first generation represented businesses that were still managed by the founder family member at the time; the second generation represented a descendant successor, for example, a son or daughter; and the third and fourth generation represented a descendant successor, for example, a grandson or granddaughter or other familial successors. Since the emphasis in the research problem is more focused on business continuity from the first to second generation, the selected sample in the first and second generation were marginally bigger. Consequently, the following sample was targeted for this study:

Table 3: Sample description and size

Business Generation	Age Group	Proportion of Sample
Generation1	Ages 50 to 75	5
Generation 2	Ages 25 to 75	4
Generation 3	Ages 25 to 75	3
Generation 4	Ages 25 to 75	3

4.5 Research Instrument

Data collection was conducted in two phases. Since this study is a rational extension of existing research that has already been conducted on family businesses, the first phase included research of the available literature that is recent, relevant, and peer-reviewed. This provided a broad background against which the qualitative research was be conducted.

The second phase included the collection of two data sources; the responses from the semi-structured interviews, conducted in person by the researcher with the representatives of the selected sample, as well as notes on the observations of the respondents and their immediate working environment (Creswell, 2013).

To assist in the process of data collection during the interviews, a schedule was developed in advance to set the interview sequence and to ensure that the interview remained focused on the subject matter (Zikmund et al, 2013), whilst providing enough freedom for the respondents to respond subjectively. The interview consisted of 10 open-ended investigative questions that were structured to follow a logical flow. The first section focused on the respondent as an individual in context to establish rapport and identify possible psychological attributes inherent to the different business generations. This was then followed by probing questions into the family business, its performance and the internal and external environment that affects the performance and sustainability of the business. Finally, the researcher posed exploratory questions on the perceptions of the respondents on family businesses.

Prior to engaging the targeted sample group, the research instrument was tested on one respondent that possessed the same qualities as the main target group. This was done to identify possible instrument errors that could limit the study. Instrument errors are related to uncertainties in the attributed meaning of questions that affects the reliability and validity of the measurement instrument (American Association for Public Opinion Research, 2000). However, through the initial test it was established that the questions were clear, concise, and uncomplicated and none of the questions imposed on the sensibilities of the respondent, and therefore, no adjustment was made to the initial schedule.

4.6 Data Analysis

The aim of this study was to gain perspective of the larger picture to ultimately inform family businesses. Therefore, the data analysis method used was content analysis, which is one of the most extensively applied analytical tools that includes the classification of data to narrate the data collected and to identify consistencies (Bryman & Bell, 2015). In this study, the content was more interpretive and focused on both the actual responses, as well as what was implied.

The following phases were included in the data analysis process:

4.6.1. Data preparation

A combination of methods was used to collect the data from interviews for later analysis (Rubin & Rubin, 2011). Responsive interview sessions were digitally recorded by means of a digital audio recorder for direct engagements and by means of a smartphone recording function for telecommunicated engagements. Furthermore, detailed notes were taken by the researcher for both responses and observations as a non-participative observer. The combination of methods assisted in eliminating interviewer bias (Rubin & Rubin, 2011).

The complete audio files were then manually transcribed by converting all that was said during the interviews to written text. Transcription is considered as a “universally indispensable step in research” and there should be a “close correspondence between the spoken discourse and written record”, to ensure a reliable source for analysis (Fick, 2014, p.65). Therefore, audio files were transcribed in verbatim format to ensure “accurate and comprehensive narrative” and to eliminate any possibility of misinterpretation or systematic bias (Fick, 2014, p.66).

Once the transcriptions were complete, the process to analyse the content commenced. It is said that there are similarities between qualitative and quantitative content analysis; both encompass the “systematic description of data through coding” (Fick, 2014, p.173). It is noted that for this study, it was evident early on during the interviews that software such as Atlas.ti could not be used for the data analysis since a number of respondents preferred to be interviewed in Afrikaans as opposed to English, and the respondents answered the questions using a variety of descriptive words or recounted personal experiences at length, which in a number of instances implied the same thing. Therefore, the content was manually analysed against the coding frame by the researcher personally to ensure quality results.

4.6.2. Coding schema

The coding schema consisted of the interview questions that formed the main category for the analysis, as these questions were either directly linked to the research questions or created a preamble for the researcher to probe for information relevant to the research questions during the depth interviews. Using the interview questions as the main category was to ensure that all material will be considered and accounted for and that the analysis would be exhaustive (Fick, 2014). Due to the amount of material available, the first interview, as well as the recollection of the researcher was applied to build the coding frame of likely recurring themes against the main category. Each of these themes was then allocated an identifying code. To test the coding frame, a second interview was randomly selected and reviewed to establish the probability of theme recurrence and it was noted that new themes will emerge. To make provision for new themes, each main category's subset codes were allocated a prefix as an identifier.

4.6.3. Coding of text

With the coding frame established, all material was coded by reviewing responses to each interview question and allocating the identifying code every time that the same thought was expressed and allocating a new code when an additional theme emerged. Once the initial coding was complete, the researcher reviewed the material a second time to ensure consistency against the comprehensive and final coding frame.

Due to the inability to use Atlas.ti effectively, Microsoft Excel was used the analyse the data. The final code frame was entered in the spreadsheet rows and the respondent identifier codes were allocated a column to facilitate comparative analysis.

4.6.4. Analysing of coded text

The material was reviewed a final time and the coded text was transferred per respondent against the coding frame. Once the data was transferred, the respondent schedule was used to include variables such as business generation and business industry, amongst others. The appropriate formulas were then applied to analyse the data, and conditional formatting was used to identify top-box and bottom-box themes, as well as correlations contained within the results. Top-box themes relate to the three top scoring themes that were identified in response to the question and bottom-box themes relate to the three bottom scoring themes.

4.6.5. Conclusions from the text

Once the data was analysed, a total of 54 findings were identified, which collectively translated into six main findings; two relevant to research question 1, two relevant to research question two, and two relevant to research question 3.

4.7 Ethics of research design

The appropriate ethical clearance was obtained from the University of Pretoria Ethical Committee. Each respondent was informed that their responses were digitally recorded, both verbally and in writing. Each respondent was, furthermore, informed of their right to withdraw from the interview at any given point. To support the aforementioned, each respondent duly signed a consent form that stipulates all conditions, as approved by the University of Pretoria Ethical Committee.

4.8 Reliability and Validity

There are two main criteria that were adopted to evaluate the credibility and dependability of this research study to establish the soundness of the study. Validity refers to whether the study or research instrument measures what it claims to measure (De Massis & Kotlar, 2014). As an initial step in the research process, the research instrument was tested to establish whether the responses could be perceived as relevant to the aim of the research study, and on confirmation, the instrument was standardised. Furthermore, apart from periodically repeating information back to respondents during the interview, internal validity was established by having informal conversations with some of the respondents subsequent to the interviews to discuss what was experienced in context at that point in time. This was done to establish whether there was consensus without overtly requesting such.

Reliability refers to the ability the arrive at the same results should the study be conducted a second time (De Massis & Kotlar, 2014). Apart from systematically preparing the data, reliability was tested by making the data set available to an independent analyst to review to reduce errors and researcher bias and to establish whether the information provided by the respondents was correctly interpreted by the researcher.

4.9 Limitations

The limitations of any study are the uncontrollable factors that may affect or restrict the research process or findings. The main limitation of this study was that is not representative of all family businesses in South Africa and cannot be generalised. In addition, the research method also allowed for a degree of survey error due to the subjectivity linked to this particular method. Survey error can be further divided into two groups, namely observational and non-observational error (American Association for Public Opinion Research, 2000).

Observational error includes coverage error and in this study a segment of the target population that should have been eligible for the survey was not included in the sampling frame (De Leeuw & Dillman, 2012). This excluded target population includes individuals with diverse ethnic origins and the study is, therefore, not representative of the population. In addition, mode error, which is classified as both observational and non-observational, was experienced by the different circumstance under which the data was collected; personal interviews and telecommunicated interviews (American Association for Public Opinion Research, 2000), which limited the researcher's consistency in noting down observations, as well as the dependability on network coverage to conduct an uninterrupted session.

A further limitation was the availability of the sample representatives. This constraint led to the inclusion of telephone interviews to collect the data.

CHAPTER 5: RESULTS

5.1 Introduction

This chapter summarises the findings from 15 semi-structured interviews conducted with the owners of family businesses to establish critical success factors for the sustainability of South African family businesses.

5.2 Respondents and Interviews

The data was collected through in-depth interviews with 15 respondents from family businesses. Considering research states that on a global scale, 70% of family businesses fail to succeed from the founder generation to the second generation, and only 12% and 3% succeed past the second and third generation, respectively (Byrd & Megginson, 2013), respondents interviewed included first (33%), second (27%), third (20%), and fourth (20%) generation family business owners or part owners. All of these respondents were between the ages of 26 and 56 at the time of the interview and have between five and 30 years' worth of experience in the management or operations of a family business.

Of the 15 respondents, 80% are executive decision-makers and the remaining 20% are non-executive. The respondents from the first generation are either still in co-management with a successor, in the process of handing over the business to a successor, or an owner of a relatively new family business. The second, third, and fourth generation have either succeeded a familial predecessor, co-managing with the predecessor, or active as a familial employee at the time of the interview.

In addition, the sample originated from family businesses that were established between 1960 and 2011 in the South African earthmoving or mining, retail, and services sector or businesses that have already diversified into several sectors, such as agriculture and agri-processing.

The following table provides an overview of the realised sample:

Table 4: Sample realisation

Respondent	Gender	Age	Generation	Relationship to Founder	Industry	Position	Company Age
R 1	Male	33	2nd	Son	Earthmoving	Executive	30
R 2	Female	26	2nd	Daughter	Earthmoving	Non-executive	30
R 3	Female	56	1st	Spouse	Earthmoving	Non-executive	30
R 4	Male	33	4th	Great grandson	Retail	Executive	52
R 5	Male	51	1st	Self	Diversified	Executive	27
R 6	Male	39	2nd	Son	Services	Executive	27
R 7	Male	41	2nd	Son	Earthmoving	Executive	38
R 8	Male	33	1st	Self	Services	Executive	5
R 9	Male	47	3rd	Brother	Earthmoving	Executive	27
R 10	Male	34	3rd	Grandson	Retail	Executive	40
R 11	Male	51	1st	Self	Diversified	Executive	27
R 12	Male	33	3rd	Grandson	Retail	Executive	52
R 13	Male	32	1st	Self	Agriculture	Executive	5
R 14	Male	30	4th	Great grandson	Diversified	Executive	20
R 15	Female	34	4th	Great grand daughter	Retail	Non-executive	52

Contact interviews were conducted with six of the respondents and telephonic interviews were conducted with nine of the respondents. Although the telephonic interviews were not optimal, it was the only viable solution to accommodate the schedules of some of the executive respondents. The contact interviews were conducted with each of the remaining respondents in varied settings, ranging from office, home, or workshop where the respondents felt most comfortable.

Once the interviews concluded, the audio files were transcribed into text, which was subsequently analysed to establish the coding frame of possible recurring themes. Once the coding frame was set, the comprehensive transcribed file was manually analysed by adopting the content analysis methodology to identify additional themes and record the number of instances that a theme repeats. To ensure anonymity throughout the process, each respondent was allocated an identifier to protect his or her identity.

5.3 Findings

The research process consisted of in-depth interviews with 15 respondents from family businesses and the subsequent analysis of the qualitative data collected during these interviews. The interviews provided insight into the present and past experiences of these business owners, as well as their perception at that exact point in time on several facets of family businesses.

5.3.1 Research Question 1: The reasons why a large portion of family businesses fail or cease to exist as family businesses subsequent to the founder generation

a. Finding 1.1: Succession in family businesses

Respondents were questioned on whether a family member is being prepared for succession to test the assumption that succession plays a role in the failure of family businesses.

Subsequently, all of the respondents were undecided on succession, however, two of the respondents indicated that they are in the process of succeeding a predecessor. When probed further, the majority of respondents indicated that succession is undecided and that it is irrelevant whether the successor is a family member, provided that the successor, regardless of familial connection, is competent in business management.

Respondent R15 supported this by stating that it does not matter who succeeds, as long as it is an individual that can act in the best interest of the business. In addition, respondent R5 stated that interest should never be focused on the individual but on the business.

The remainder of the respondents indicated that although succession is undecided, it would be preferable that a family member succeeds once succession is required to maintain the tradition of balance between family and business, which implied that a non-family member will not have a vested interest in the family since he or she has no emotional connection and therefore, may only act in the interest of the business. As both respondent R2 and R3 stated; succession should be in the best interest of the business and if a family member is not competent then the business should not succeed to him or her, however, all measures must be employed to maintain traditions that implied inclusivity of family.

The following table represents the responses on the status of succession in the respective family businesses:

Table 5: Research question 1: Correlation of responses on succession

Themes	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10	R 11	R 12	R 13	R 14	R 15
Yes															
No															
Undecided; Preferably Family		✓	✓	✓		✓									
Undecided; Irrelevant	✓				✓			✓	✓	✓		✓	✓		✓

It was also noted by respondent R7 that even though he is currently in the process of succeeding his predecessor, as well as respondent R14 that recently succeeded, that it was not their initial intention to do so. Both of the aforementioned respondents had no interest in the family business and had intended to follow an alternative career path, however, circumstance compelled them to abandon their interests in favour of the collective. There is thus evidence that these family businesses have no formal succession plan in place and that familial succession planning is not a strong consideration in these businesses. Based on the aforementioned, it is clear that insufficient succession planning in family businesses or the indecisive nature of the current familial management team could be a contributing factor as to why so many businesses cease to exist as family businesses in subsequent generations.

b. Finding 1.2: Restrictive factors for familial succession

Respondents were requested to provide their perspective on why so many family businesses fail to succeed from the founder generation. If was found that the strongest focus and recurring themes were on internal factors namely, interest deviation and management ability of the successor pool and family conflict.

The majority of the respondents were of the opinion that interest deviation by the subsequent generations is the most significant contributor. As respondent R9 and R15 stated; the progenies of business owners tend to choose a different career path more in line with their interests. This was supported by respondent R4, R8, and R13 indicated that these interest deviations can be attributed to the exclusion of these potential successors from the business environment at a young age and resultantly no interest is stimulated for the progenies to continue the business. The progenies of these business owners tend to indulge in their own interests unrelated to the family business and since no interest was stimulated, may not subscribe to the ideals of a family business.

This was further supported by the comment by respondent R7 that it was never his intention to enter the family business and that he had followed another study path. This interest deviation seems to be a consistent occurrence over generations; respondent R14 indicated that it was also never his father's intention to continue with the family business but the sudden death of his predecessor necessitated his action.

Family politics or intra-familial conflict in the business environment was another strong recurring theme. There was a consensus among the majority of the respondents that a family business causes strain on the family unit that directly affects the business. Respondent R14 indicated that family members that are not included in business operations tend to be very opinionated and interfering, which in turn places strain on business operations. Respondent R12 further indicated that a family business breeds immense stress where it is not only the interest of the business but the interests of the family that depends on them. This is supported by what respondent R7 stated; a new dynamic is added when non-executive family members have to be considered in executive decision-making.

Respondent R8 indicated that family politics become more evident the older a family business becomes; when one authority figure changes to more as the business and family grow. In addition, respondent R14 stated that unless there is a formal and agreed-upon policy document that dictates how family members should engage in terms of business, chaos will prevail. This, in turn, can lead to ineffectiveness and inefficiency within the business setting. Importantly, it was observed that during some of these discussions, respondents were recalling from experience and that it is not just a perception; that they were basing their response on actual occurrences within their business environment.

Furthermore, respondents were of the opinion that education, skill, drive, and adaptability of the successor also plays a role in the continuation of a family business. Respondent R2 stated that a family member can only succeed if he or she has the necessary skills to “make decisions in the best interest of the business[1]” and respondent 12 indicated that “what is just as important and often perhaps neglected is the people management skills”. This alludes that should succession take place, the apathy or carelessness of the successor could lead to the absolute failure of a business.

The following table represents the recurring themes on respondent perspective of why family businesses fail:

Table 6: Research question 1: Recurring themes on family business failure

Themes	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10	R 11	R 12	R 13	R 14	R 15
Internal															
Interest deviation	✓	✓	✓	✓		✓	✓	✓	✓		✓		✓	✓	✓
Family politics				✓		✓	✓			✓	✓	✓		✓	✓
Insufficient skill of successor					✓				✓	✓		✓	✓	✓	
Insufficient succession planning								✓	✓			✓	✓	✓	

[1] Original: “…as daar ‘n familielid is wat die regte skills het en wat die besigheid se beste belange op die hart het, moet dit ‘n familielid wees” (Respondent 2, 2016)

Inability of successors to adapt to the business environment					✓			✓		✓	✓		✓		
Successors have less passion than predecessors			✓					✓			✓				
Family members living above the means of the business										✓		✓		✓	
Insufficient education													✓	✓	
Change in the business model						✓	✓								
External															
Business does not align with the market need	✓											✓			

The majority of generation 1 felt that both interest deviation and the inability of the subsequent generations to adapt to the requirements of a business are the main cause for family business failure and indications are that this is what they may be experiencing currently.

Generation 1 respondents noted that younger generations are not as attuned to hardships; therefore, they are less motivated or able to provide the work and commitment needed for continued success. All of generation 2 respondents felt that interest deviation is the main contributor and the majority felt that a change in the business model is a strong contributor.

All of the generation 3 respondents felt that, in general, failure of a family business can mostly be attributed to the succession of an incompetent family member with family politics, insufficient succession planning, and misappropriating funds as strong contributors. Finally, all of the generation 4 respondents felt that interest deviation is the most significant reason for failure, with family politics as a strong contributor.

5.3.2 Research Question 2: The internal and external factors that affect family businesses across generations

Research question 2: The internal and external factors that affect businesses across generations?

Respondents were requested to provide insight into their business and which internal and external factors are comprising or encumbering business operations that could affect the sustainability of these businesses as family businesses. This was done in an attempt to triangulate what the businesses are experiencing currently; their perceptions on why these businesses fail; and what measures could be effected to assure success in context.

a. Finding 2.1: External factors that affect family businesses

When asked to consider the external environment, the majority of respondents felt that market instability is their main threat. Although market instability or uncertainty is perceived as a threat for these family businesses, it appears as if they are not as adversely affected. When the respondents were asked how their businesses were faring in the local economy, the majority indicated that their businesses were doing well; a small margin indicated average, and none of the respondents indicated that they were faring poorly.

R12 indicated that a family business is more responsive to market changes than their counterparts due to the familial support structure embedded in the business and the agile nature of family businesses in general. Respondent R4 supported this by stating that family businesses can respond to "market change and consumer needs almost instantaneously since it is not hampered by bureaucratic requirements that are synonymous with larger corporations"[2], which implies that the absence of rigid multi-level controls within a business enables a quicker response to change. Another theme that emerged that is linked to market uncertainty is the buying power of consumers. Consumer buying power declines during periods of recession, which, in turn, elevates market uncertainty.

Another generalised theme that emerged is the legislative requirements that seem to affect most South African businesses including labour laws and Broad-Based Black

[2] Original: "…flexibility, soos byvoorbeeld jou besigheid is independent, dis nie soos in die corporates wat besluite geneem moet word en daar is drie, vier, vyf vlakke wat besluite moet neem en dit vat 'n tydjie en terselfdetyd in jou daaglikse werk met kliente, kliente soek 'n antwoord en hy soek dit nou hy wil nie 'n week later dan moet jy 'n besluit neem nie en dis hoekom ek dink met 'n familiebesigheid, die besluite word onmiddelik geneem." (Respondent 4, 2016)

Economic Empowerment (B-BBBEE). As respondent R12 stated, it has become almost impossible to conduct business with the South African government without valid B-BBEE accreditation and that family businesses have to contend with smaller business engagements, which hinders growth, whereas respondent R9 indicated that their attempt to institute B-BBEE in their family business has not really been successful and that he has noted that this "failure seems to be consistent in the industry[3]".

Other recurring themes were industry specific; respondents from agricultural businesses were more affected by natural occurrences such as drought, whereas the earthmoving industry with its dependability on mines that are rife with strike actions was severely affected.

Respondents from the retail and services sectors were, in turn, more affected by consumer buying power and competition from larger corporations, whereas the only businesses affected by the political environment seemed to be the businesses that have diversified into several sectors such as agri-processing, aviation, construction, and earthmoving.

The following table represents the recurring themes on external factors that affect family businesses:

Table 7: Research question 2: Recurring themes on external factors that affect family businesses

Themes	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10	R 11	R 12	R 13	R 14	R 15
Market Instability and uncertainty		✓	✓	✓		✓			✓		✓	✓	✓		✓
Market: Consumer buying power				✓		✓		✓				✓			✓
Industry: Unstable workforce	✓	✓	✓						✓						

[3] Original: "…op hierdie stadium voel ek [B-BBEE is] die grootste bedreiging in die bedryf. Dit word gevorseer van alle kante af en 'n ou sit eintlik maar half in 'n hoek en ek het nog nie 'n baie suksesvolle BEE teopassing in besighede gesien nie en in meeste van hulle is [dit] maar 'n failure." (Respondent R9, 2016)

Industry: Natural occurrences														✓	
Industry: Competition										✓		✓	✓	✓	
Legislative requirements									✓	✓		✓		✓	✓
Political environment					✓						✓			✓	
Not specific: Generalised							✓								

Although there is evidence that market uncertainty affects the majority of the respondents' businesses, in addition to varied industry-specific challenges, the majority of the respondents indicated that their businesses are managing well despite these challenges. Indications are that most of these businesses are adopting a similar approach, as respondent R12 stated that for a business to sustain, it should save in the good times and expand in the bad times.

b. Finding 2.2: Internal factors that affect family businesses

When asked to consider the internal environment, the majority of respondents felt that family politics are the main threat to the sustainability of a family business. This correlates with the earlier noted perception by family business owners, that family politics is one of the main contributors why businesses fail to exist as family-owned. Respondent R7 stated that family businesses are very emotive in nature and that there are a number of egos that needs to be considered at all times. Respondent 10 further stated that familial support plays an integral role in maintaining successful business operations, which then implies that the absence of support is likely to affect the business negatively.

Respondent R11 alleged that due to the emotive nature, it is at times necessary to be accommodating of family members outside of the business context. This is supported by the comment by respondent R4 that attributed its success to the ability of the family members to maintain commitment and shared responsibility. As stated earlier, respondent R8 indicated that family politics become prevalent the older a family business becomes; when one authority figure changes to more as the business and family grow.

This was supported by the findings that family politics were most strongly voiced by generation 3, followed by generation 2, generation 1, and then generation 4.

Two other recurring themes included the availability of skills and instability of the workforce. It is noted that generation 4, which predominately operates in the retail sector, felt more strongly about the instability of its workforce than family politics. Other internal factors that were considered a threat included the availability of capital, the phase of business handover, lack of familial communication, and lack of drive from other employed family members.

The following table represents the recurring themes on internal factors that affect family businesses:

Table 8: Research question 2: Recurring themes on internal factors that affect family businesses

Themes	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10	R 11	R 12	R 13	R 14	R 15
Family politics	✓	✓	✓	✓	✓		✓		✓	✓		✓	✓		
Unavailability of skills	✓											✓	✓		✓
Instability of workforce	✓		✓	✓											✓
Availability of operating capital								✓				✓			✓
Lack of familial communicatio n			✓				✓								
Phase of business handover									✓					✓	
Lack of drive from other family members													✓		

It is evident that a family business is emotive with significant focus required to maintain a healthy balance between business and familial interest to minimise discord.

Throughout the interviews, it was consistently implied that harmony and familial support is fundamental to the success of family businesses.

5.3.3 Research Question 3: The current success factors for family businesses across generations that could contribute to continued success

Respondents were requested to provide insight, based on their experience, what would contribute to the continued success of a family business. The subsequent responses were both internally and externally focused.

a. Finding 3.1: Internally focused critical success factors

When considering the internally focused responses, respondents felt more strongly about the early exposure of subsequent generations to the business environment. Considering that the majority of respondents were of the opinion that familial succession is hindered by interest deviation by the succession pool and some of the subsequent generations had no intention of feeding into the family business; their absorption into the family business was based on circumstances and their initial aim was to follow a different career path. Respondent R5 indicated that potential familial successors do not experience the dynamics or hardship of a family business at a younger age and in most instances only experience a more privileged lifestyle as a result of the family business. Respondent R4 stated that family business owners should allow and even insist that their potential successors be exposed to the operations of the business from a very young age to stimulate interest and establish a knowledge base; this implies that should the business owner engage their children more actively in the business operations, it is more likely that their interests could develop towards the family business. This is the approach that respondent 4 is currently adopting with his progenies that are still at the foundation stage of development. Respondent R8 supported this by stating that if a business owner creates a space or platform for the potential successors to engage with the business from a younger age, it will foster a feeling of inclusivity and that they will be more likely to grow with the business. Respondent 9 stated that if interest is not nurtured in family business, the family business is essentially "born dead[4]". Respondent R10 also stated that due to the uncertainty of his future generations' interests and the opinion that the business will be taken for granted, his predecessor made the decision to sell the business and start a secondary business where his successors can be included from the

[4] Original: "…as die belangstelling nie daar is nie, dan is die ding dood gebore." (Respondent R9, 2016)

seed and start-up stage, which implies that this was the only viable option to breed interest and establish inclusivity. Respondent 11 stated that he entered the family business because his predecessor included him in the business from a young age, which provided him with the opportunity to learn and develop entrepreneurial ideals.

All three of the subsequent generations, generation 2, 3, and 4 felt that early exposure to the business could assist in developing skills and passion required for continuing a family business. Whereas the majority of respondents that indicated skilled management, regardless of familial standing, is a requirement for success was generation 1.

In addition to the aforementioned, respondents were of the opinion that succession planning and alignment of the business to the growth of a family, is also significant. Respondent R10 stated that a family business should grow as a family grows to make provision for all-encompassing inclusivity, which implies that if there is no alignment it could create familial discord. Respondent R10 further implied that to improve the chance for continued success, one should diversify the business more in line with the interests of the potential successors.

The response rate for the internal theme is included below finding 2.

b. Finding 3.2: Externally focused critical success factors

When asked the question on ensuring success, the largest margin of responses was externally focused. The majority of respondents were of the opinion that to ensure success, the primary focus should be placed the adaptability of the business to its operating environment and market. Respondent R1 stated that the management and operations of the family business need to be flexible to adjust according to the market needs and one cannot continue indefinitely with the same approach. Respondent R2 supported this by stating that a business needs adjusts as time changes and that one "cannot operate in the past when every day is a new day[5]". Respondent 11 further stated that the only constant should be change and that a business needs to the changing circumstance to continue its growth.

[5] Original: "Jy kan nie vasklou aan die verlede, jy moet heeltyd elke dag is 'n nuwe dag en jy moet jy moet baie aanpasbaar wees" [sic] (Respondent R2, 2016)

In addition to the aforementioned and equally important, respondents felt that in order to ensure continued success, family businesses should diversify. Respondent R9 noted that diversity should be the main driver for the sustainability of family businesses and that the business needs to develop into several sectors as opposed to remaining focused and operational in one, as it will create too much risk for the business. Respondent R12 felt that the business should consistently take advantage of opportunities to diversify to maintain the competitive edge, however, the respondent also indicated that diversification should not only focus on sectors but also diversify the footprint of the business into other regions where a need has been identified and also to adjust the management style accordingly. Whereas respondent R5 stated that a business should not keep "all of its eggs in one basket, but have several baskets[6]" to distribute the load. To support this, respondent R14 noted that although their business was only established 30 years ago, it relates to their diversification, when in actual fact the foundation of their business, agriculture, in fact, started over 100 years prior. The aforementioned links to what Respondent R11 confirmed; their performance and continued success are attributed to the diversification of their business into other sectors and that the business remains profitable even when one industry is experiencing strain.

Respondents were of the opinion that business development, a client-focused approach, and conservative operations are also important.

The following table represents the recurring themes on what respondents perceive as important for ensuring success of family businesses

Table 9: Research question 3: Recurring themes on ensuring success in family businesses

Themes	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10	R 11	R 12	R 13	R 14	R 15
Internally focused															
Early exposure of successors to business	✓	✓		✓				✓	✓						
Adapting the business to the growth of the family					✓		✓	✓		✓					

[6] Original: "…nie al die jou eiers in een mandjie gaan gooi nie maar [om] verkillende mandjies te hê." (Respondent R5, 2016)

Ensuring skilled management regardless of familial standing					✓						✓		✓		
Succession Planning								✓				✓		✓	
Consistency in management practices		✓				✓			✓						
Externally focused															
Adaptability of the business to the market		✓	✓	✓			✓		✓	✓			✓		
Diversification of the business									✓	✓	✓	✓	✓	✓	
Developing or expanding the business (not linked to diversification)										✓		✓			
Business focus client-orientated										✓					
Business operates conservatively						✓				✓					

When considering continued success of family businesses, respondents were more externally focused on critical interventions such as focusing on the adaptability of the business to changing markets and diversifying the business, as opposed to the internal dynamics or operations as a family business.

5.4 Conclusion on Results

Chapter 5 presented the results that were obtained and analysed in response to each of the research questions as outlined in chapter 3, which will be further discussed in chapter 6.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction to Result Discussion

This chapter discusses the results of the research as presented in Chapter 5 against the body of literature on the sustainability of family businesses and the critical success factors that contribute to the sustainability of family businesses.

As stated, it is estimated that 67% of all businesses on a global scale are family-owned (Family Firm Institute Inc, 2016), and it is recorded that South Africa has a total of 1.1 million family businesses operating within its borders (Alderson, 2011). These businesses "continue to exist in large numbers because family involvement provides temporary advantages in early stages of venture development" (Chang, Chrisman, Chua, & Kellermanns, 2008) or it could be because human beings just naturally prefer to organise economic activity around the family unit (Chrisman, Chua, & Steier, 2011). That said, family businesses are some of the main contributors to the South African GDP (Visser & Chiloane-Tsoka, 2014) and their continued success is imperative to the local economy.

6.2 Discussion of Results for Research Question 1

Research question 1: Why does a large margin of family businesses fail or cease to exist as family businesses subsequent to the founder generation?

The results obtained for research question 1 on the failure or discontinuance of family businesses were almost exclusively focused internally. The majority of the respondents felt that interest deviation by subsequent generations is the main cause why family businesses fail. This was followed by family politics. This supports the research by Nicholson (2003) that found succession and family conflict are among the three prohibitive areas for the sustainability of family businesses that tend to repeat in literature.

6.2.1 Insufficient succession planning

Succession in this instance denotes a family member taking over ownership and leadership of the family business. During the study, it was noted that although some respondents did stipulate a preference for intra-familial succession, the majority of the respondents were of the opinion that the business should succeed to an individual that has the necessary skills to manage the business competently, regardless of his or her familial affiliations. The literature reviewed on family business succession, indicates that the first generation or founders of the business experience difficulty in relinquishing control and tend to create a culture that constrains, as oppose to facilitate intra-familial succession (Hania, 2012). During this study, it was found that none of the respondents had an active succession plan and that it was not a consideration when the respondents were asked what measures they are employing to ensure sustainability or what can be implemented to improve the sustainability of their family business. Resultantly, it was concluded that in general, succession planning is not a strong consideration in these businesses.

An inclusive culture in a family business seems to be vital in maintaining coherence but it does not appear to extend to succession. The incumbents tend to form a very strong personal attachment to the business and their inability to adopt an inclusive approach to succession creates a barrier for the potential successors (De Massis et al., 2008). As a result, the incumbents do not provide the potential successors with the opportunity to develop the required skills or “to earn the respect necessary to manage the business” (De Massis et al., 2008, p.186) and these potential successors are then unable to inspire confidence in their ability to lead the business and family. A recent study reported that only “40% of family businesses intend to pass on the management of their business to the next generation”, whereas 60% of businesses have no confidence that the next generation will have the “required skills and aptitude to own and run the company” (PriceWaterhouseCoopers, 2013, para.13).

If interest in the business is not nurtured by the incumbents, the potential successors will develop their own interests and it is likely that they abandon the idea of continuing the family business to follow an unrelated career path. This was supported by the findings, where majority of the respondents were of the opinion that interest deviation is the main cause for the failure of a business as a family business and to ensure success, some of the respondents felt that progenies should be exposed to the business environment from a young age. Both the findings from this study and literature from prior research support the finding that insufficient succession planning is directly linked to the failure of family businesses. However, if the potential successor becomes actively involved in the business, it may divert his or her interests towards the business, and resultantly the candidate might, in turn, be able to extend familial succession as part of the company culture into the future.

6.2.2 Interest deviation of potential successors

The study found that majority of the respondents were of the opinion that interest deviation by the subsequent generations is the most significant contributor to family business failure. The respondents felt that the progenies of these business owners tend to indulge in their own interests and may not subscribe to the ideals of a family business. This interest deviation seems to be a consistent occurrence over generations; some respondents indicated that it was never their intention to enter the family business and the transition to be effective from one generation to the next, the successor should be interested and willing to enter the family business (Venter et al., 2005). Majority of the respondents were of the opinion that these interest deviations are as a result of not including the potential successors in business operations from a younger age and implied that the pool of successors should grow with the business to stimulate interest and develop the relevant skills that will ultimately inspire confidence in their ability to manage said business. Family businesses provide an optimal platform for skills transfer due to the reduced formality, yet this seems to be lacking.

6.2.3 Interpersonal relationships and family politics

During the study, there was a consensus among the majority of the respondents that a family business causes strain on the family unit which, in turn, affects the business. Conflict in a family business is a reality and a cause for concern. One would think that close interpersonal relationships create a composed environment, however, the literature indicates that this is a misconception and that family businesses experience more discord than non-family firms (Schjoedt et al., 2013).

Business and family goals need to be consistently aligned and this becomes even more challenging when the organisation or family grows. As the family expands and business develops, it requires more responsiveness to curtail conflict and enhance progress. This study revealed the need for a strategy to govern families within a business environment. Family members are not necessarily homogeneous in terms of their goals and preferred strategies, nor are they immune to dysfunctional conflict (Lim et al., 2013). Without an appropriate strategy or guideline to govern a family in family businesses, could create chaos through ineffectual stewardship or individual family members acting in their own self-interest as opposed to the interest of the collective (Davis, et al., 2010).

Although this study found no evidence of a strategy to govern the family in conflict situations, another study found that approximately 90% of businesses in South Africa do have procedures in place to deal with family conflict, but it in turn also noted that the effectiveness of these has not been tested (PriceWaterhouseCoopers, 2013). Conflict is especially prevalent when the business transitions from one generation to the next and this, again, links to the importance and need for effective succession planning.

6.3 Discussion of Results for Research Question 2

Research question 2: What are the internal and external factors that affect these businesses across generations?

6.3.1. External factors

The results of research question 2 found that majority of respondents felt that market instability is a major external threat, followed by the buying power of consumers, and legislative requirements such as labour laws and Broad-Based Black Economic Empowerment. In addition, it was noted that external threats are very industry specific; agricultural businesses are more affected by natural occurrences such as drought; the mining industry with its dependability on mines that are rife with strike actions, and retail and services with consumer buying power.

a. Market instability and uncertainty in demand

Although market instability is perceived as a challenge for family businesses, the majority of family businesses records growth (PriceWaterhouseCooper, 2014). In this study, it was found that majority of the businesses were faring well in the market. This implies that the fluctuating market demand also allows family businesses a unique niche. The lack of bureaucracy in family businesses that is normally synonymous with larger corporations, allows family businesses to respond rapidly to changes in market demand. However, when the market is stable, larger organisations tend to dominate the market with lower cost products and services.

b. Legislative constraints

Family businesses have some very unique challenges, which includes “lack of confidence in government, infrastructure (i.e. electricity, e-tolling, and taxes), and government policy and regulation”, which includes Broad-Based Black Economic Empowerment (PriceWaterhouseCoopers, 2013, p.7). Broad-Based Black Economic Empowerment and the reported lack of qualified empowered partners are threatening local family businesses, as policy dictates preferential treatment for shared business ownership between white Africans and black Africans (National Treasury, 2011) to supply goods and services to the public sector. It is often said that by family businesses that the Government rolls out the red tape for them instead of the red carpet.

In this study, it was found that these family businesses are negatively impacted by the local regulatory requirements and respondents felt that it has become almost impossible to conduct business with the South African government and that family businesses have to content with smaller business engagements, which hinders growth. This study further supports the findings by PriceWaterhouseCoopers (2014) that there is a deficiency of qualified empowered partners and that the local family businesses engaged during the course of this study have not been very successful in implementing the Broad-Based Black Economic Empowerment policy. There appears to be a lack of skills and resources to align with these regulatory requirements, and the aforementioned makes these family businesses uncompetitive in the greater market, which affects longer term planning. Without access to more lucrative business engagements, growth is constricted.

6.3.2. Internal factors

The study found that the two main recurring themes on internal factors that threaten family businesses included family politics, the availability of skills and instability of the workforce. It is noted that generation 4, which predominately operates in the retail sector, felt more strongly about the instability of its workforce than family politics.

a. Intra-familial relationships

When considering the internal environment, the majority of respondents felt that family politics or conflict are the main threats to the sustainability of a family business. This correlates with the earlier noted perception by family business owners that family conflict is one of the main contributors why businesses fail to exist as family-owned. Respondent R12 stated that business is objective as opposed to family, which is subjective and the two do not always complement each other. It is evident that a family business is emotive with significant focus required to maintain a healthy balance between business and familial interest to minimise discord. Throughout the interviews, it was consistently implied that harmony and familial support is fundamental to the success of family businesses.

Interestingly, observations during the study found that male respondents were mostly unemotional in their approach to the family business, whereas female respondents were more emotionally attuned. Furthermore, the executive decision-makers of family businesses are mostly male dominated and although “society and circumstances change, family businesses have proven to hold on to old traditions and culture” (Dietrichson, 2016, para.36). This is consistent with the study, where all of the female respondents are in non-executive roles. One has to consider whether the inclusion of females in executive roles will not alleviate the strain on interpersonal relations when an emotional bond seems to be one of the strongest drivers in family businesses.

Furthermore, intra-familial conflict seems to affect family businesses on a global scale with widespread literature to support the theory (Steward & Hitt, 2012). The conflict seems to be prevalent when there are two or more incumbents in power, as opposed to one incumbent and shared ownership, which could prove fatal for a family business (Steward & Hitt, 2012). As stated earlier, family members may not be uniform in their goals, but it can be argued that they are working towards the same goal; sustainability of a family business. There may be a need to formalise and as respondent R14 noted this could be done by establishing a family council to enforce a constitution to deal with family conflict in the business environment.

b. Availability of skills in family businesses

In addition to intrapersonal relationships within the business, the talent pool or availability of skills was also a recurring theme. This section will consider the availability of skills from two perspectives; one being the familial skill pool and the second the ability of the incumbents or owners to attract and retain skill. Both of the aforementioned have a direct impact on the ability of the business to achieve its goals. As previously stated, family business lack in the skills development of its prospective successors, however, this is not exclusively for executive positions and extends to non-executive positions as well.

In an attempt to satisfy familial obligation and maintain some form of equality, family businesses often extract employees from its family. Apart from this obligation, this is also done due to a convenience of a readily available workforce and the established trust relationship. Consequently, family members that do not necessarily contain the skills that are required by the position (Steward & Hitt, 2012). Considering that family firms are often inhibited by the quality and quantity of their human capital (Verbeke & Kano, 2010), the family business should adopt a more professionalized approach to the business to govern the employment and development and to ensure that there is a balance between the “diversity within the family based team” (Schjoedt, et al., 2013) and the skills required for optimal business performance.

6.4 Discussion of Results for Research Question 3

Research question 3: What are the current success factors for family businesses across generations that could contribute to continued success?

The results obtained for research question 3 from the perspectives of the respondents in relation to success factors were both internally and externally focused. However, respondents were more externally focused on critical interventions, such as focusing on the adaptability of the business to changing markets and diversifying the business, as opposed to the internal dynamics or operations as a family business.

6.4.1. Externally focused interventions

The majority of respondents were of the opinion that to ensure success, the primary focus should be placed the adaptability and responsiveness of the business to its operating environment and market and the diversification of the business.

a. Adaptability of the business to its external environment

There was a general consensus among the respondents that the agile nature of a family business allows it to adjust its practices to the needs of the market and that its reduced formality extends a competitive advantage (Visser & Chiloane-Tsoka, 2014).

Owner-managers, in comparison with professional managers, exhibit considerably more discretion with cultivating and leveraging their personal social networks within the business (Chu, 2011). An example would be that owner-managers can easily enter into “handshake deals” with business partners, whereas this type of gentlemen’s agreement would be perceived as inappropriate, illegitimate, and unprofessional for professional managers to enact (Chu, 2011). Considering the aforementioned, the lack of laborious administrative processes could be an advantage to family businesses. In addition, a family business can also act with promptness on opportunities that may present itself, whereas professional companies may lose the advantage of opportunity through its required processes (Chu, 2011).

b. Diversification of the business

This study found that equally important as the adaptability of the business, respondents felt continued success is also dependent on diversification and that some respondents indicated that their success or survival is as a result of diversification and development into several sectors as opposed to focusing on one to mitigate risk. The majority of the family businesses that participated in this study have diversified in some way, especially in the subsequent generations.

It is generally accepted the entrepreneurship requires a measure of risk and a recent study that focused on the diversification of family businesses indicates that family firms diversify less both domestically and internationally than non-family firms due to the risk involved (Gomez-Mejia, Makri, & Kintana, 2010). However, contradictory to the available literature, this study found that the participating family businesses have either already diversified or are considering diversification to mitigate risks by expanding into other sectors and increasing their global footprint so that the businesses can maintain operations when one sector or region becomes strained.

6.4.2. Internally focused interventions

When considering the internally focused responses, respondents felt more strongly about the early exposure of subsequent generations to the business environment.

a. Nurturing the future leaders of family businesses

The study found that majority of respondents were of the opinion that familial succession is hindered by interest deviation by the succession pool and some of the subsequent generations had no intention of feeding into the family business. Considering the aforementioned and the fact that incumbents of the business experience difficulty in relinquishing control and tend to create a culture that constrains, as oppose to facilitate intra-familial succession (Hania, 2012), one could argue that no platform is created that foster a feeling of inclusivity that is required to develop effective decision-makers and potential leaders. Due to the predominantly subjective nature of intra-familial relationships, identifying and developing leaders in a family business can prove more difficult than in non-family firms (Aronoff & Baskin, 2005). During the study, all of the subsequent generations; generation 2, 3, and 4, felt that early exposure to the business could assist in developing the required skill set and passion for continuing the business. Considering the aforementioned, and the statements by the participating successors that had no intention to feed into the business, one can argue that this intervention is critical as it is based on actual experience in succession, and the likelihood that the business would have ceased to exist as a family business if circumstance had not forced these initially unwilling successors into the family business. If potential successors are effectively groomed for succession, the required skill will be fed back into the business and the successors would have earned the confidence of the familial team, which could most likely also reduce conflict.

b. Early exposure of the successor

The early exposure of a successor would entail training on the key aspects of the company to enable the successor to develop the required knowledge and skills that focus on the specific sector in which the firm operates. Therefore, the outcome of the training would be capacitated successors that understand and, consequently, exploits the knowledge their predecessors possess about the company (Martínez et al., 2013). Jaskiewicz, et al. (2015) explains that the education imparted should be strategically relevant to family business. In addition, the education should be predisposed to the sector of the family business (Jaskiewicz, et al., 2015). Additionally, Martínez et al., (2013) emphasize that the education should transcend the borders of the family business to educate the successor on best practices to ultimately allow this knowledge and practices to be incorporated into the family business. This approach will also build independent perspectives of the successors that are necessary for introducing change through innovation.

c. Intra-familial relationships

A high level of intra-familial trust and integrity could contribute to a favourable transaction and income atmosphere. This includes all sociocultural and technical factors within the business and motivates and coordinates all transactions and is, thus, part of the domino effect that pushes these successful family businesses to new levels (Royer et al., 2008).

6.5 Conclusion

When one considers the three research questions holistically, one uncovers a disconcerting finding. According to the results, the majority of the respondents were of the opinion, that based on their experience, family businesses fail because of a variety of internal factors, for example, interest deviations, family politics, or handover to unskilled family member out of familial obligation. Contradictory, when posed with the question of overall sustainability and ensuring the success of a family business, the core focus was directed externally (i.e. diversifying the business or improving its adaptability to changing markets). Thus, if the main threats to the business are perceived as internal, the interventions required for continuing success should likewise be focused internally, which appears to be generally absent. However, this does not allude that one should neglect the external focus, but due consideration should be given that the external factors for success are irrelevant if the internal systems that govern the business to attain external success are not at its optimum; the family business will eventually become unsustainable as family-owned.

CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter highlights the main findings of the research and recommendations for future research for family businesses in South Africa.

7.2 Research Background and Objectives

As established, family businesses are vital to the global economy (Zachary, 2011) and in South Africa alone, these 1.1 million family businesses (Alderson, 2011) form 80% of all South African businesses and contributes to 50% of the GDP (Visser & Chiloane-Tsoka, 2014); and is responsible for approximately 61% of the locally employed workforce (Becker, 2011). However, globally family businesses appear to be temporary; only 30% of family businesses will succeed from the first to the second generation, 12% from the second to the third generation and only a marginal 3% will succeed past the third generation (Byrd & Megginson, 2013). Considering the import of this sector, this research investigated a sample of family businesses that could be considered successful in context to identify and gain insight into the factors that may be impeding and enabling these businesses and to establish what could contribute to the continued success and survival of all family businesses as family-owned and managed.

7.3 Main Findings

It was established in this study that both internal and external factors affect family businesses. The main findings are as follows:

Main Finding 1:	Family businesses are simultaneously hindered by obstructive external objective forces and internal subjective forces.
The research study found that family businesses operate in a dual pressured environment. As with most businesses, those that are family-owned are not immune to market instability and uncertainty. However, as discovered during this study and as supported in available literature listed herein, family businesses seem to be less affected than the larger corporations (Kachaner et al., 2012). What sets family businesses apart is that, regardless of the instability, these businesses seem to be	

faring well and a significant margin of all family businesses even reported growth during the era of uncertainty (PriceWaterhouseCoopers, 2014). However, as this study found, in the South African context, the very existence of a significant portion of family businesses are threatened by regulatory requirements such as B-BBEE that impede business dealings with government and its entities. This incapacitates these businesses somewhat as they are unable to grow or align with the legislative requirements unless a significant proportion of shareholding is released to non-familial stakeholders in an attempt to remain present in a competitive market. This dilutes the business, which in turn will affect the unique feature of a family business; its agility. Whilst attempting to maintain a foothold in the market, family businesses are experiencing pressures from the inside as well. This study found that family conflict is a considerable stressor, which is further supported by literature contained herein (Nicholson, 2003; Poza, 2013; Davis, et al., 2010; Lim et al., 2013; PriceWaterhouseCoopers, 2014; Ward J., 2016). There is a continuous battle for balance between business interests and family interests. A family is the strongest social unit and often the emotional connection results in friction when a business team cannot function purely in an objective manner. Family teams are often so diverse that fault lines develop that severely cripples the business operations and there are various elements that contribute to this conflict. However, the management or prevention of family conflict was not at all considered as a measure to facilitate continued success of these businesses.	
Recommendation:	Although the external factors are not within the control of these businesses, internal operations are. There is a general belief that family businesses operate more informally and this informality contributes to its agility, however, a measure of standardisation should be employed at the very least to professionalise, especially if the business is developing. Standardisation could improve the business agility and management of familial conflict.

Considering the aforementioned, it was established according to the source that family businesses do not survive as family-owned and managed due to mostly internal factors. The main finding is as follows:

Main Finding 2:	Insufficient succession planning in family businesses results in lowered confidence in the ability of the successor pool, which intensifies family conflict.

This study established that effective leadership and competent management are vital to the longevity of a family business. However, the general absence of succession planning hinders the development of potential familial successors (Long & Chrisman, 2014).

Without the appropriate exposure to the family business, no interest is stimulated for taking ownership and, consequently, divert the potential successors away from the business in pursuit of other interests (Schjoedt et al., 2014), and the resultant lack of interest in the business seems to be the strongest contributor why family businesses do not transfer from one generation to the next.

If a successor is not exposed consistently to the family business from a younger age, he or she will not be able to obtain the appropriate institutional knowledge that takes years to acquire, to develop the skillset required for the continued success of the business (Martínez et.al, 2013; Jaskiewicz, et al., 2015; Steier et al. 2015). The absence of the required skills does not inspire confidence in the ability of the potential successor to take ownership and manage the business, nor trust to lead the family. Trust seems to be a strong motivator and considering the subjective nature of family, the absence of ability and, by default, the absence of trust, will incite family conflict. Therefore, in the event that an unprepared successor does enter a family business for whatever reason, the business will likely be crippled.

Recommendation:	For family businesses to improve the possibility for success, it has to develop an all-encompassing and long-term succession plan that includes the exposure and development aspects of potential successors. The succession plan should also not be limited to one successor, but through consensus with the family, include several potential successors in the event that interest deviation is fixed regardless of the preventative measures employed. That said, the business should also develop an emergency succession plan in the event that an

	incumbent becomes unable to continue, for whatever reason, and the potential successors are not yet ready to assume the position.

However, the study uncovered that even though the major threat to survival is internal, family businesses are focused externally for continued success. The finding is as follows:

Main Finding 3:	Family businesses should diversify and retain adaptability to market conditions to ensure continued and long-term success.
This research highlighted the importance of adaptability to family businesses. Family businesses are unique in the sense that, due to its reduced formality and embedded trust, it can respond at a faster pace to changing market conditions, as opposed to larger corporations that are hindered by strict, labour-intensive governance (Visser & Chiloane-Tsoka, 2014). The research further highlighted the importance of the diversification of family businesses. Diversification can include entering new markets, other sectors, or innovation in terms of product. It is evident in this study, that diversification has a strong presence in the continued success of the majority of the subsequent generations. When the business diversifies, it is not dependent on a sole income stream and may be able to sustain better when there is difficulty experienced in the market.	
Recommendation:	It is recommended that family businesses conduct the necessary research to establish a mid- to long-term business development plan to diversify. Although responsiveness seems to be a unique attribute to family businesses, the aforementioned plan could further improve adaptability as well.

Therefore, by considering anomaly of internally affected but externally focused, the critical success factors are identified as follows:

<table>
<tr><td>Main Finding 4:</td><td>The major threat to survival is internal, however, family businesses are focused externally for continued success.</td></tr>
<tr><td colspan="2">
This study, unintentionally, uncovered that even though the major threats to the continued survival and success are located internally, family businesses are focusing externally to secure success and longevity. The critical success factors are, thus, listed as follows:
Internally focused:

An inclusive approach to family business, where each progeny is exposed to the family business from a younger age to stimulate interest.
A mid- and long-term succession plan that facilitates development and handover to the identified successor.
A policy that directs employment of family members and level of authority.
A constitution that outlines the procedure for managing family conflict.

Externally focused:

Establishing and implementing a business development plan that includes diversification of business operations.
For smaller family businesses; applying for SME status to be awarded B-BBEE status of Level Four to improve competitiveness in government tendering processes.

</td></tr>
<tr><td>Recommendation:</td><td>If the main threats to the business are perceived as internal, the success factors should likewise be focused internally. However, one should not neglect the external focus, but, when considering the context of family business, internal factors should receive as much focus as external factors.</td></tr>
</table>

7.4 Limitations of this study

Notwithstanding its contribution, the following limitations are noted:

- The researcher employed the purposive sampling method, which may have given rise to researcher bias. Although all measures were adopted to eliminate bias, other sampling methods may have been more appropriate.

- This study was conducted only with respondents between generations one to four in family businesses. This implies transgenerational transfer of only three generations. Should more generations be interviewed, it could possibly provide an even deeper understanding of issues like succession, inter-generational family conflict, and long resilient business approach.

- Due to unavailability of some respondents, a number of interviews were conducted telephonically. Due to this limitation, the researcher was only able to make auditory observations as opposed to audio-visual, which would have been more appropriate.

7.5 Recommendations for Future Research

The results of the findings from this research are based on a relatively small sample of family businesses in South Africa and future research can build on these findings by considering the following recommendations for future research:

- A quantitative follow-on for this study to validate the results from the qualitative interviews.
- Non-familial members employed by a family business and the implication of familial conflict on performance.
- Non-familial employees and the impact of familial succession on retaining outside skills.
- The viability of diversifying smaller family businesses.
- Identifying motivators for familial succession in family businesses.
- Cultural diversity in family businesses.
- Comparative study on foreign-owned family businesses and South African family businesses.
- The transition of family businesses to non-familial owned businesses.

7.6 Concluding Remarks

The aim of this study is to identify critical success factors for family businesses in South Africa. This study achieved its aim by identifying factors that could contribute to the longevity of businesses as family-owned. Although strong evidence, derived from the data, supports the qualitative findings, it is noted that this study in not exhaustive.

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APPENDIX 1: CONSISTENCY MATRIX

Title: **Critical success factors for the sustainability of family businesses in South Africa**

Research Questions	Literature Review	Data Collection Tool	Analyses
Research question 1: Why does a large margin of family businesses fail or cease to exist as family businesses subsequent to the founder generation?	Davis, Allen, & Hayes (2010) De Massis, Chua, & Chrisman (2008) Hania (2012) Lim, Busenitz, & Chidambaram (2013) Nicholson (2003) PriceWaterhouseCoopers (2013) Schjoedt, Monsen, Pearson, Barnett, & Chrisman (2013). Venter, Boshoff, & Maas (2005)	Interview Guide: Question 3 Question 4 Question 9	Content analysis of responses to open-ended questions
Research question 2: What are the internal and external factors that affect these businesses across generations?	Dietrichson (2016) National Treasury (2011) Price Waterhouse Cooper (2014). Schjoedt, Monsen, Pearson, Barnett, & Chrisman (2013)	Interview Guide: Question 6	Content analysis of responses to open-ended questions

	Steward & Hitt (2012) Verbeke & Kano (2010)		
Research Question 3: What are the current success factors for family businesses across generations that could contribute to continued success?	Visser & Chiloane-Tsoka (2014) Gomez-Mejia, Makri, & Kintana, (2010) Hania (2012) Aronoff & Baskin (2005)	Interview Guide: Question 5 Question 8 Question 10	Content analysis of responses to open-ended questions

APPENDIX 2: PARTICIPATION AND CONSENT LETTER

LETTER OF INVITATION AND CONSENT FOR RESEARCH INTERVIEW

Dear Sir / Madam

This letter is an invitation to consider participating in an interview for a study I, Kosie Malan, am conducting as part of my research as a Master's student entitled, ***"Critical success factors for the sustainability of family businesses in South Africa*"**, at the Gordon Institute for Business Science (University of Pretoria).

You have been identified as a possible participant due to your extensive and valuable experience and expertise related to my research topic, as well as the fact that you are an owner/part-owner of a South African family business.

I would like to provide you with more information about this project and what your involvement would entail, should agree to take part. Currently, family businesses constitute 80% of all businesses in South Africa and, subsequently, contributes to 50% to the gross domestic product (GPD). Therefore, businesses such as yours, are vital to the South African economy. However, through the research already conducted, indications are that at least 70% of family businesses fail to succeed from the founder generation to the second generation, and only 12% and 3% succeed past the second and third generations. Nevertheless, limited research has been conducted on what could be contributing to the success of family businesses.

In this interview, I would like to have your views and opinions on this topic. The findings from this study may inform on and may contribute to the overall sustainability of family businesses.

Your participation in this study is voluntary. It will involve an interview of approximately 60 minutes in length, conducted at a mutually agreed upon location, and at a time convenient to you. You may decline to answer any of the interview questions if you so wish. Furthermore, you may decide to withdraw from this study at any time without any negative consequences.

Furthermore, with your kind permission, the interview will be audio-recorded to facilitate the collection of accurate information and later transcribed for analysis. Shortly after the transcription has been completed, we could send you a copy of the transcript should you wish to confirm the accuracy of our conversation and to provide you with an opportunity to add or to clarify any points.

All information you provide is considered completely confidential. Your name will not appear in any publication resulting from this study and any identifying information will be omitted from the report. However, with your permission, anonymous quotations may be used. In addition, any data collected during this study will be retained on a password protected computer for 12 months in my locked office. There are no known or anticipated risks to you, as a participant, in this study.

It is noted that permission for this study has been granted by the University of Pretoria Ethics Committee, and a copy of this consent has been attached hereto. However, should you have any questions regarding this study, or would like additional information to assist you in reaching a decision about participation, please contact me. Alternatively, you may contact my appointed GIBS supervisor, should you wish to verify any information contained in this letter. The contact details are as follows:

Researcher:	Kosie Malan	**Supervisor:**	Rob Levin
e-mail:	kosiem@alsgroup.co.za	**e-mail:**	rob.levin2@gmail.com
Phone:	082 326 4578	**Phone:**	

I look forward to engaging you and would like to thank you in advance for your assistance in this project. If you accept my invitation to participate, I will request you to sign the consent form which follows on the next page.

Yours sincerely,

Kosie Malan
Student: 15406972
Gordon Institute for Business Studies

INFORMED CONSENT FORM

I have read the information presented in the letter about the study *"Critical success factors for the sustainability of family businesses in South Africa"*. I have been provided with the opportunity to request any additional information about this study, and I have received satisfactory responses to my questions.

I am aware that I have the option of allowing my interview to be audio recorded to ensure an accurate documenting of my responses. I am also aware that excerpts from the interview may be included in publications derived from this research, with the understanding that the quotations will be anonymous. In addition, I am aware that all recordings will only be kept for a period of 12 months, after which it will be destroyed.

Finally, I was informed that I may withdraw my consent at any time without penalty by advising the researcher. With full knowledge of all foregoing, I agree, of my own free will, to participate in this study.

____________________________ ____________________________

Participant Signature **Date**

Name:

(Please Print)

____________________________ ____________________________

Researcher Signature **Date**

Name: Kosie Malan

APPENDIX 3: INTERVIEW SCHEDULE

RESEARCH INTERVIEW SCHEDULE
NAVORSINGS ONDERHOUD SKEDULE

Researcher:	Kosie Malan
Student Number:	15406972
Research Topic:	Critical Success Factors for the Sustainability of Family businesses in South Africa *Kritiese Sukses Faktore vir die Volhoubaarheid van Familie Besighede in Suid-Afrika*

The primary aim of this study is to explore successful family businesses in three different generations, to identify commonalities and, thus, determine the critical success factors for continued sustainability. Successful, in this instance, will be interpreted as a business that is profitable, has shown some growth, and where applicable, has been transferred from one generation to the next. The purpose of this interview schedule will be to elicit qualitative information from the owners/management of family businesses.

Die primêre doel van hierdie studie is om suksesvolle familie-ondernemings te verken in drie verskillende geslagte, om gemeenskaplikhede te identifiseer en dus te bepaal wat die kritiese sukses faktore vir voortgesette volhoubaarheid van die besighede is. Suksesvolle, in hierdie geval, sal vertolk word as 'n besigheid wat winsgewend is, wat groei, en waar van toepassing, oorgedra van een generasie na die volgende. Die doel van hierdie onderhoud sal wees om kwalitatiewe inligting van die eienaars / bestuur van ondernemings in familie besit te ontlok.

1. OPENING

I am Kosie Malan, an MBA student from the Gordon Institute of Business Science. I am conducting a study for my thesis by attempting to establish success factors for the sustainability of the family business.

Ek is Kosie Malan, 'n MBA-student van die Gordon Institute of Business Science. Ek is tans besig met my tesis wat sal poog om kritiese sukses faktore te identifiseer vir die volhoubaarheid van familie besighede.

I would like to ask you some questions about you personally, your business operations, and your opinion on several other topics. There are no right or wrong answers. I hope to use the information I get from these interviews to better understand why some family businesses survive over extended periods when majority tend to fail.

Ek gaan in die onderhoud vrae vra oor jou persoonlik as individu, jul besigheids modelle, asook jou opienie oor 'n verskeidenheid van besigheids temas. Daar is geen regte of verkeerde antwoord nie. Ek hoop om die informasie wat uit die onderhoude gegenereer word te gebruik om te analiseer waarom sekere famielie besighede suksesfol is oor die lang termyn en waarom ander misluk.

This interview should not take longer than 60 minutes of your time. As per your consent letter, you are reminded that you can refuse to answer a question if the question makes you uncomfortable. You are also welcome to stop the interview at any time if you no longer wish to participate.

Die onderhoud behoort nie langer as 60 minute te duur nie. Onthou ook dat soos per jou toestemings brief, jy nie nodig het om enige vrae te antwoord waarmee jy ongemaklik is nie. Jy is ook welkom om die onderhoud op enige stadium te stop om enige rede.

2. BODY

Let me start by asking you some questions about yourself. These questions will help me better understand you as an individual.

2.1. Can you tell me a bit about yourself?

   a. What is your home-life like?
   b. Can you tell me where your passion for business started?
   c. Did you study to become a business man/woman or entrepreneur?
      i. If yes: what type of qualifications do you have / what is your level of education?

Ons gaan begin deur vrae te vra oor jou persoonlik. Die vrae sal my help om jou as individu beter te verstaan.

2.1. Vertel my meer oor jouself?

- *a. Skets a prentjie van jou huislike lewe?*
- *b. Vertel my waar jou passie vir besigheid begin het?*
- *c. Het jy gestudeer om n besigheids man/vrou of entrepreneur te word?*
  - *i. Indien ja: watter tipe kwalifikasie het jy / wat is die vlak van jou geleerdheid?*

Thank you for telling me a bit more about yourself. I will now continue to ask you some questions about your business.

Dankie dat jy my meer oor jouself vertel het. Ek gaan nou vrae vra oor jou besigheid.

2.2. Can you tell me how you understand family businesses?

2.2. Kan jy my asseblief vertel wat jy dink 'n famielie besigheid behels?

2.3. How did this business start?

- a. Founder: Why did you start this business?
- b. Generation: Why did you take over the reins of this business?

2.3. Hoe het hierdie besigheid begin?

- *a. Stigter: Hoekom het jy die besigheid begin?*
- *b. Generasie: Hoekom het jy beheer oorgeneem van die besigheid?*

2.4. Does the business have a succession plan?

- a. Are you grooming a family member to take over the business?
  - i. What would you require from them before you hand over?
- b. Were you groomed to take over?

2.4. Het die besigheid 'n opvolg plan vir die oorname van bestuur?

- *a. Is julle besig om n famielielid voor te berei om die besigheid oor te neem?*
  - *i. Wat verwag jy van die person voor hy/sy die bestuur kan oorneem?*

b. Was jy self voorberei gewees om oor te neem?

2.5. What do you think you are doing well in ensuring the future sustainability of your business?

a. What can you do better?

b. What do you think others/family members can do to better?

2.5. In jou opinie, wat doen julle om die aanhoudende volhoubaarheid van jul besigheid te verseker?

a. Wat dink jy kan julle beter doen?

b. Wat dink jy kan ander/famielie lede beter doen?

2.6. How do you think your business is performing in the local economy?

a. Are there any external factors that are threatening the sustainability of your business?

b. Are there any internal factors?

2.6. Hoe dink jy vaar jul besigheid in die plaaslike ekonomie?

a. Is daar enige eksterne faktore wat jul besigheid bedreig?

b. Is daar enige interne faktore wat jul besigheid bedreig?

Thank you for telling me a bit more about your business. I will now continue to ask your opinion on certain topics.

Dankie dat jy vir my meer oor jul besigheid vertel het. Ons gaan nou aanbeweeg na ander besigheids onderwerpe en jou opinie daarop.

2.7. What does it take to be a good business person?

a. Do you think you need certain attributes?

i. If yes: which?

b. Do you think you need certain skills?

i. If yes: which?

c. Do you think you need a certain level of education or experience?

i. If yes, what?

2.7. Wat vat dit om 'n goeie besigheids persoon te wees?

a. *Dink jy sekere persoonlike sterk punte is nodig?*
   i. *Indien ja: watter?*
b. *Dink jy sekere vaardighede is nodig om 'n goeie besigheids persoon te wees?*
   i. *Indien ja; watter?*
c. *Dink n sekere vlak van ervaring is nodig om 'n goeie besigheids persoon te wees?*
   i. *In dien ja: watter?*
d. *Dink jy n sekere vlak van opvoeding of ondervinding is nodig om n goeie besigheids persoon te wees?*
   i. *Indien Ja: wat?*

2.8. Taking into consideration, that a successful family business denotes one that is profitable and developing (albeit marginally), how do you think one makes a success of a family business?

2.8. Wanneer dit gekonsidereer word dat 'n suksesfolle familie besigheid een is wat winsgewend is en aanhoudend ontwikkel, algewens op klein skaal, hoe dink jy word 'n sukses gemaak van so 'n besigheid?

2.9. Why do you think so many businesses don't make it into the second generation?

2.9. Hoekom dink jy maak so baie besighede dit nie tot in die tweede generasie nie?

2.10. How do you think one goes about ensuring future success and sustainability of a family business?

2.10. Hoe dink jy word die sukses en voortbestaan van n familie besigheid verseker?

Thank you for providing your views on the topics. I have one final general question.

Dankie vir jou insig op die temas. Ek het een finale algemene vraag.

2.11. What is the one lesson you would share with the world on the sustainability of family businesses?

2.11. Wat is die een wysheid wat jy sal deel met die wêreld oor die volhoubaarheid van 'n famielie besigheid?

3. CLOSING

It was a pleasure to have had the opportunity to get to know you and your business a little better. I would like to summarise what we have discussed.

Ek waardeer die geleentheid om jou en jul besigheid beter te kon leer ken. Ek wil graag opsom wat ons bespreek het.

a. Brief summary of what was discussed will be relayed back to the respondent.

We appreciate the time out of your busy schedule to participate in this interview. If there is anything else you feel might be helpful for me to know, please feel free to contact me.

Ons waardeer die tyd wat jy afgestaan het om aan die studie deel te neem. Indien daar enige addisionele informasie is wat u dink dalk van toespassing kan wees en nie reeds in ag geneem is nie, sakel my gerus.

Thank you again; your contribution will be vital to my research study. Once the study has been completed, a copy of the findings will be made available to you, should you be interested.

Dankie weereens vir jou kosbare bydrae tot my navorsings studie. Wanneer die studie afgehandel is, sal 'n afskrif van die resultate beskikbaar gestel word, sou u belangstel.

APPENDIX 4: RESPONDENT SUMMARY

Respondent	Gender	Age	Generation	Relationship to Founder	Industry	Position	Company Age
R 1	Male	33	2nd	Son	Earthmoving	Executive	30
R 2	Female	26	2nd	Daughter	Earthmoving	Non-executive	30
R 3	Female	56	1st	Spouse	Earthmoving	Non-executive	30
R 4	Male	33	4th	Great grandson	Retail	Executive	52
R 5	Male	51	1st	Self	Diversified	Executive	27
R 6	Male	39	2nd	Son	Services	Executive	27
R 7	Male	41	2nd	Son	Earthmoving	Executive	38
R 8	Male	33	1st	Self	Services	Executive	5
R 9	Male	47	3rd	Brother	Earthmoving	Executive	27
R 10	Male	34	3rd	Grandson	Retail	Executive	40
R 11	Male	51	1st	Self	Diversified	Executive	27
R 12	Male	33	3rd	Grandson	Retail	Executive	52
R 13	Male	32	1st	Self	Agriculture	Executive	5
R 14	Male	30	4th	Great grandson	Diversified	Executive	20
R 15	Female	34	4th	Great grand daughter	Retail	Non-executive	52

APPENDIX 5: LIST OF CODES

Coding Schema

Research Question	Interview Question	Indicator	Codes	Code Description / Category	Code Sub-category
1	3	Initial drive of family business	FS1	Entrepreneurship	Entrepreneurship out of want
			FS2	Entrepreneurship	Entrepreneurship out of need
			FS3	Entrepreneurship	Entrepreneurship out of opportunity
	4	Familial succession planning	GN1	No	No; will sell
			GN2		No; will be other party
			GN3		No; will close
			GY1	Yes	Yes; child
			GY2		Yes; other family member
			GU1	Undecided	Undecided; probably family
			GU2		Undecided; probably other party
			GU3		Undecided; does not matter
	9	Perception on why family businesses fail to succeed to subsequent generations	FBF1	Founder generation	Business did/does not adapt to market
			FBF2		Family politics

			FBF3		Handing the business over to an incompetent family member out of duty / need
			FBF4		Insufficient succession planning
			FBF5	Subsequent generations	Interest deviations
			FBF6		Less respect / passion than the first generation
			FBF7		Less hardship so less motivation
			FBF8		Inability of generations to adapt to the requirements of a business environment
			FBF9		Change in business model
			FBF10		Misappropriating funds or insufficient financial management
			FBF11		Business is sold off
			FBF12		Insufficient education
2	3	Business performance in local economy	BE1	Good	
			BE2	Bad	
			BE3	Average	
	6	Obstructive forces that hinder family businesses	ITB1	Internal factors	Workforce
			ITB2		Skills
			ITB3		Family politics

			ITB4		Lack of communication
			ITB5		Capital
			ITB6		Phase of business
			ITB7		Lack of drive
			ETB1	External factors	Industry specific
			ETB2		Competition
			ETB3		Market instability
			ETB4		Consumer buying power
			ETB5		Regulatory requirements
			ETB6		Political environment
3	5	Family business sustainability	CS1	Current measures employed for continued sustainability	Skills enhancement
			CS2		Outside Talent
			CS3		Shared Responsibility
			CS4		Diversified / Diversifying
			CS5		Maintaining stakeholder relationships
			CS6		Consistent Planning
			IS1	Measures that can improve sustainability of own business	Employee satisfaction
			IS2		Clear vision and mission
			IS3		Diversify the business
			IS4		Adaptability / Flexibility

			IS5		Improve on skills
			IS6		Communication
	10	Measures that can ensure success of a family business	ES1	Internally focused	Flexibility from generation 1
			ES1		Early exposure of successors
			ES2		Skilled management regardless of familial connection
			ES3		Internally focused adaptability of the business to family members
			ES4		Succession planning
			ES5	Externally focused	Adaptability / flexibility of the business
			ES6		Consistency
			ES7		Innovation
			ES8		Diversification
			ES9		Client orientated
			ES10		Continuous business development