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

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Introduction

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

Dr Raymond Ackerman’s defence:
- referred to the small number of family business groups left in South Africa
- that “there’s a passion that goes with a family owned business – and that’s something that should be encouraged”
Though the study of family businesses is only three decades in existence

- important contributors to the growth of economies worldwide
- dominate world economies, by creating and preserving wealth in emerging markets
- generate superior returns and profitability
- higher employment and revenue growth
- maintain employees during market lows
South Africa:
80% businesses and
60% of the JSE Ltd = family businesses

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

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

exhilarated - he had to have it
Dr Bill Venter: the passion as “an invisible but essential umbilicus” that leads to the synergy and success of family businesses
– a contagious motivation of a combination of factors that seem to be related to family

- respect customer service
- healthy relationship with suppliers + stakeholders,
- leading to an enhanced work-ethic and loyalty to a family business
PASSION:

* Dr Anton Rupert: a strong trust that is built and nurtured between their family business and other parties
* Clüver family: bringing a “soul” into being
* Chen family, Mustek: teamwork & treating employees as family members

*unique, especially when implementing turnaround strategies (Cater & Schwab)
Passion

- Christo Wiese, Pepkor (Peps, Checkers, Shoprite, Lourensford)
- responsible ownership
- respect for people
- legacy of a long-term commitment and dedication to the company
There is no denial of the negatives of family businesses

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

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

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

- Strength ties that exist between the family business, its historic achievements and its evolution into the innovative search for future prospects.
- Founder legacy:
  - Regularly serves as guideline for the enterprise over many generations.
  - Personal commitment of the family and its sincerity towards the business.
Rupert left a legacy of building, in one generation, a family-controlled multinational company, ranking 125th globally and regarded as among the top three in South Africa.

Dr Raymond Ackerman describes the legacy that he shall leave for Pick ‘n Pay as “something of real value has been built”, that will survive and grow even stronger.

Four legs of the table principle still serves as the basis on which Pick ‘n Pay is run: administration, merchandise, social responsibility and people.
Hope

- Philanthropic care – under reported
- Fortune 500 companies report indicates a higher prevalence of social capital policies of family-owned businesses compared to non-family owned firms
- In a study of 221 family businesses social support, accounted for almost 43 percent of the variation in family business community social responsibility (Niehm, Swinney & Miller, 2008:338)
- In SA philanthropic care is provided, benefits are ploughed back into society, and dignity is restored to individuals and communities in need
Dr Rupert believed that South Africa should not ignore the poverty of their Lesotho neighbours.

Vukani-Ubuntu, a social responsibility organisation founded by Demos Tekoulos, is dedicated to create and develop opportunities of hope for underprivileged individuals.
Lubner family founded the organisations: Field band and the Smile foundation, apart from a range other philanthropic activities
The Smile Foundation provides surgical cranio-facial correction for the disadvantaged South African Children who will not be able to smile without this surgical procedure.
Optimism

propensity of anticipating positive things to happen

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

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

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

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

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

3rd generation
Vosloorus, during the 1980’s
Coca-Cola and Grintek
Investment

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Proposition 1: Self-efficacy

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

- Self-efficacy seems to support an inherent strength in family businesses, enhanced by historic achievements and a tendency towards innovative behaviour (Schwass, 2005:46).

- Founder legacy seems to further strengthen the self-efficacy of a family businesses as well as acquiring acquisitions (Venter & Kruger, 2004:6-7).
Proposition 2: Hope

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

- Hope in family businesses is demonstrated by the social care in the form of a variety of philanthropic involvements by family businesses

- Waypower needs to be developed by exploring acceptable pathways for different cultures in South Africa to restore their self-worth and function from an orientation of hopeful expectations
Proposition 3: Optimism

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

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

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Proposition 4: Resiliency

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

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

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

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

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

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