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Survival of a family business as a viable entity: A South African case

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Abstract

The study highlights the determinants of continuity and viability for a South African family owned firm across three generations. Family firms contribute significantly to the South African and global economy, and are therefore an area of interest for family firms and academics alike. For the purposes of this study, continuity means the existence and transfer of ownership of the firm across generations, while viability means profitability. The primary objective of this study is to explore the purported determinants of continuity and viability of the firm and to determine the impact these factors has on the continuity and viability of the firm. Ideals is firm that has successfully transitioned across three generations as a viable entity. The target population for this study was family members who are employed in the firm as well as all non-family employees of the firm. A total of six open ended interviews were held and a total of 62 individual surveys were returned from 146 employee surveys sent out. The interview data collected was subjected to qualitative data analysis methods including content analysis, narrative enquiry, constant comparative and triangulation. The employee survey data was subjected to statistical analysis. The findings of this study shows a positive effect of governance practices, long term vision, sound value system, calculated risk taking and strategic and succession planning activities on the continuity and viability of the firm.

Keywords

Family business, continuity, viability, entrepreneurship, South African.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters 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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Chapter 1: Introduction to the Research Problem

1.1. Rationale / Background

Family firm continuity across generations has become a matter of high interest. An estimated 80% to 98% of all businesses in the world's free economies are family firms (Poza, 2010) making it the most common form of business unit in the world. Since the family firm typically represents family capital, the continuity of the family firm as a viable entity has a direct impact on family wealth and an indirect impact on economic growth (Adendorff & Boshoff, 2011). Thus, the continuity of a family firm has repercussions beyond just family wealth, and extends to the broader economic context. While the family ownership and management create a dynamic for the family firm to manage, the continuity of a family firm is threatened by contextual risks, such as economic and political stability, globalisation and the development of technology (Bchini, 2014). The ability for a family firm to continue across generations and remain viable is contextualised in its ability to be resilient, agile and remain competitive.

Although there is no clear definition of a family business some definitions categorise firms with as little as 15% family ownership as family firms (Zou, Chui & Hsu, 2014). There is also a difference between private family firms and publicly listed family firms (Carney, Van Essen, Gedajlovic & Heugens, 2015) where non-family or the public holds a minority interest in the firm. The literature on family firms therefore fails to agree on a uniform definition of a family firm, however the following was found to be the best description of a family firm, made up of three criteria. The first criterion refers to the control the family has over capital and financial investments, the second is the existence of family members in management positions and the third being the intent to transfer the firm to the next generation (Bchini, 2014).

A higher chance of survival for family firms is expected when compared to non-family firms (White, Krinke & Geller, 2004). However, research has shown that only about one in three family firms survive to the second generation and fail to demonstrate trans-generational continuity as viable entities (White et al., 2004), while less than 10% achieve continuity into the third generation (Gallo, 2013). Other research indicate that approximately 70% of family-owned firms only last one generation (Groysberg & Bell, 2014), with 30% surviving to the second generation, 12% to the third and only 3% surviving to the fourth generation (Visser & Chiloane-Tsoka, 2014) highlighting the poor transgenerational continuity of family firms. The continuity of a family firm means the transgenerational continuity and transfer of the firm from one generation to the next while the viability of the firm is measured in terms of its profitability.

According to Zou, Chui and Hsu (2014), traditional research on family businesses has identified the adverse impact of family involvement in family firms and on its continuity as a viable entity, while more contemporary research has pointed to the potential benefits of family management in family firms (Adendorff & Halkias, 2014). This vexing intersection of economic and social sciences has kept researchers busy in trying to understand the relationship between family and the firm and related effects on performance and continuity. Family firms are distinctly different to non-family firms by virtue of the involvement of the owning family in the management structures of a business, which some scholars have stated to be the single biggest threat to a family firm (Van der Merwe, Venter & Farrington, 2012).

Some of the studies conducted in South Africa on family firms have focused on culturally-related issues, such as the cultural factors that impact the continuity of Greek family businesses (Adendorff & Boshoff, 2011), the influence family values has on the success of a family business (Van der Merwe et al., 2012) and the case study of a family firm over 40 years (Van Buuren, 2007). No academic research has been conducted on a family firm that has continued for over 100 years and successfully transferred across three generations in South Africa. The role smaller businesses play in creating employment in South Africa, with a large proportion of smaller firms being family firms (Van der Merwe et al., 2012) and accounting for nearly 50% of the South African gross domestic product (GDP) (Visser & Chiloane-Tsoka, 2014), the impact of immigrant family firms on economies for countries such as South Africa is significant (Adendorff & Halkias, 2014).

The academic study of family businesses is relatively new (Visser & Chiloane-Tsoka, 2014), and given the lack of research on third generation family firms, presents a gap in family business literature (O'Regan, Hughes, Collins & Tucker, 2010; Poza, 2010). Resources such as the Global Entrepreneurship Monitor (GEM), do not concentrate directly on family businesses, and there is no reliable and sufficiently comprehensive source of data available in South Africa on family businesses, however estimates suggest that nearly 80% of all South African firms are family firms and nearly 60% of firms on the Johannesburg Stock Exchange are as well (Visser & Chiloane-Tsoka, 2014). This study aims to fill this gap by obtaining insight into the determining factors that contributed to a third-generation family firm continuing across generations as a viable entity. The identification of the determinants that ensure the firm's continuity and viability, could assist in enhancing the continuity and viability of other family-owned firms by applying them where applicable to other family firms.

A single case study of a family firm in the South African context was selected. The case is unique for a number of reasons; it attempts to understand the history and actions of a non-white business in the South African context, which has been tainted by the discriminatory Apartheid regime. The firm is solely family owned, and has been majority family managed until its very recent past, has been operating for over 100 years and is in the third generation of family ownership. The research aims to understand what has contributed to the trans-generational continuity of this firm, in its context.

1.2. Problem statement and research questions

The term “family business” is often associated with small or midsized companies doomed to failure owing to poor governance practices and structures, low risk appetite and continuous investment in comparison with public firms, poor management and skills and a lack of succession and strategic planning activities. With due regard to the importance that family firms play in the creation and preservation of wealth and in the broader economy in creating jobs and GDP growth, the poor survival rates amongst family firms is a cause for concern.

The main research question to address the research problem is: By what method did a South African family firm survive across three generations as a viable entity? Following from this question, the investigative questions are:

- Which governance practices and structures employed by the firm ensured its continuity and viability?
- To what extent has succession and strategic planning been applied by the family firm?
- Has there been a transfer of value systems from the family to the firm?
- Has the firm’s value system enabled and impacted on the continuity and viability of the firm?
- What has been the impact of the firms’ risk appetite and investment in itself on its ability to grow and attain continuity and viability?

1.3. Research Objectives

The primary objective of this research is to uncover the determinants that contributed to a family firm’s continuity as a viable entity across three generations.

From the primary objective the secondary objectives are formulated, namely to:

- Gain an understanding of the historical and current context of the family firm and family managers
- Assess the impact of the governance structures and processes employed in the business on the firm’s continuity and viability
- Understand the value system of the firm, its roots and its impact on the continuity and viability of the firm
- Evaluate the firm’s risk appetite and level of continuous investment in itself, its impact on the growth, continuity and viability of the firm
- Understand the effect of the succession and strategic planning activities during each generation on the growth, continuity and viability of the firm.

Chapter 2: Literature Review

2.1. Introduction

The literature review aims to draw family business understandings from existing literature and research, and will structure these understandings in the following format.

- Family-owned firms defined
- Theories pertaining to Family Firms
- Characteristics of Family Firms
- Risk Appetite
- Family involvement and Firm Values
- Governance Practices
- Succession and Strategic Planning
- Other Considerations for Continuity and Viability of Family Firms
- Conclusion

2.2. Family owned firms defined

The Family Business Association of South Africa (FABASA) defines a family owned business as a "business who intends to take the business to the next generation and control the shareholding and future strategic direction of the business." ("Our constitution", 2015). Bchini (2014) also guides the definition of a family business by providing three conditions that need to exist for a firm to be considered as a family firm. The first is the control the family has over capital and financial investments, the second is the existence of family members in management positions and the third criteria being the intent to transfer the firm to the next generation.

2.3. Characteristics of Family Firms

With estimates of family firms comprising up to 98% of all businesses in the world's free economies, the performance of family firms has therefore been the subject of much research and debate (Poza, 2010). Given the importance of family firms due to their prevalence of across the world, the mortality rate of family firms cannot be ignored and is a concern (Adendorff & Halkias, 2014).

Research suggests that family firms that reach the age of 30 are highly susceptible to an abrupt demise (Santarelli & Lotti, 2005). Past research conducted on family businesses have focussed on the adverse impacts of family ownership and management of firms, broadly categorized into two classifications; one being wealth extraction behavioural patterns of the family and the second being family members in management roles placing family needs before those of the business which brings into focus the impact of family involvement in the firm (Zou et al., 2014).

The existence of a family firm sits between two extremely complex environments; the economic environment of business, and the social environment of family. This has resulted in traditional literature being vague or ignoring pertinent aspects and dynamics of a family firm as one system. However, towards the late twentieth century, family firms were acknowledged as key contributors to economic performance and as such, a considerable amount of research has been conducted in this vane (Gilding, Gregory & Cosson, 2015).

Numerous studies have been conducted on the performance consequences of family participation in a firm and in understanding this association (White et al., 2004, Gallo, 2013, Zou, Chui & Hsu, 2014, Miller, Minichilli & Corbetta, 2013). This has resulted in theories such as the agency theory, stewardship theory, socioemotional wealth theory and the resource based view. The results in attempting to draw relationships between family management and performance have been ambivalent or conflicting (Miller, Minichilli & Corbetta, 2013). Research has also followed a path of understanding the context within which the firm operates, understanding that a firm does not operate in isolation but is regulated and subjected to its context, both internal and external to the firm. Regulatory, tax laws, economic and political factors affect businesses, including family firms alike (Wright, Chrisman, Chua & Steier, 2014).

The uniqueness of family businesses is founded in the ability of a single family or broader family members having the ability to exercise significant influence over the business (Van der Merwe et al., 2012). As the family firm typically represents family wealth (Adendorff & Boshoff, 2011), the ability a family has on influencing the business plays a significant role in business decisions affecting viability, performance and continuity. Thus traditional business models for success often fall short in providing a road map for family firms to apply in attempting to chart a path to financial viability and long term continuity (Cruz & Nordqvist, 2012; Adendorff & Halkias, 2014).

The harmony between the firm and the family has a direct impact on the continuity of the firm, and requires constant management which does not apply to non-family firms (Van der Merwe et al., 2012), with the lack of effective governance being identified as a major cause of challenges faced by family firms (Adendorff & Halkias, 2014). As in the case with non-family firms, discord and conflict exists at all levels in an organisation including management and senior management with non-family firms developing processes to enhance cohesion and to deal with conflict. The same applies to family firms, which require processes, forums and procedures to ensure cohesion and to deal with conflict, though it should be recognised that these processes need to be different to those applied in non-family firms due to the complexity of dealing with family dynamics (Adendorff & Halkias, 2014).

It is not difficult to trace the origins of most family firms to a founding member who was woven into the social fabric of his society at the inception of the business. This often results in the family firm having a heightened level of consciousness about it surroundings and corporate appearance in the public’s eye (Patel & Cooper, 2014). As a result of family businesses having higher levels of social capital, relational capital with service providers, efficiency, long-term views, family-orientated goals and lower agency costs; it is not unexpected that family firms have a higher chance of survival than non-family firms (Wilson, Wright, & Scholes, 2013). However, it is also argued that a family firm could overplay the importance of socioemotional wealth to the detriment of the family and the firm. This vexing reality demonstrates the firm’s ability to be responsible and irresponsible simultaneously (Wright et al., 2014). The survival chances of family firms are negatively impacted by conflicts, rivalry, lower levels of risk taking, insufficient diversification, altruism, nepotism and lack of skills in the top management team (TMT) (Wilson et al., 2013), the greatest of which is related to family business relationships which has been related to the low successful multi-generational transfers (Van der Merwe et al., 2012).

A family firm cannot however remove itself from challenges affecting businesses in general, such as the changing in context and consumer behaviours. The need for diversification is required for long term survival in order to redeploy or revitalise assets calling on the family to exert entrepreneurship and risk taking (Cruz & Nordqvist, 2012). In the long term, the family firm is likely to diversify in order to reduce risk (Tsai, Kuo & Hung, 2009), however diversification and risk seeking behaviour exhibited is lower than that of non-family firms (Naldi, Nordqvist, Sjöberg & Wiklund, 2007). One argument is that the lower diversification is as a result of the firm not only focussing on economic but noneconomic goals, while another argument suggests that the lower levels of diversification is as a result of positive agency effects of family control (Carney et al., 2015). Diversification as a business decision is however commonplace in the business environment as businesses seek to lower the risk posed by specific market sectors, or even by specific countries. The investigation into the motives for diversification is beyond the scope of this research, suffice to highlight the diversification activities are slower in family firms when compared to non-family firms (Bchini, 2014).

As family businesses have two distinctly different foundations, that of the family and that of the business, each carrying its own unique characteristics, they benefit from this overlap. However, as the business grows, conflicts arise as a result of conflicts of interest between the family and the business such as employment and promotion of family members and equity distribution and compensation often hampering effective management of the business thus lowering the firm's survival chances (Zou et al., 2014). While performance is a key indicator of a firm's survival across generations, survival also means the endurance of the firm without going bankrupt (Wilson et al., 2013). Performance of a family firm can be broadly characterised as financial and non-financial with family centric non-financial goals such as family employment and well-being overriding financial goals such as expansion and profitability (Van der Merwe et al., 2012).

El-Chaarani (2013) states there are four keys to the success of family firms being a strong and professional human resource management environment, increased organisational emotional intelligence, a clear and effective succession planning process and the existence of a small professional and independent board of directors. Furthermore, Yacob (2012) found in research conducted on Behn Meyer, a 160 year old Singaporean company, that a strong governance process, detailed succession planning activities, high levels of commitment and the ability and adaptability to change were key determinants of success for this family firm across four generations and two world wars.

2.4. Risk Appetite

It is through calculated risk taking and entrepreneurial activities that a family firm finds its roots, however the entrepreneurial orientation and risk appetite changes as the business passes from one generation to the next, and as a result of external factors (Cruz & Nordqvist, 2012). Many researchers have found that family firms engage in lower levels of investment and diversification activities when compared to non-family firms (Wright et al., 2014; Carney et al., 2015). Statistically, it was proven that non-family firms take higher risks than family firms (Naldi, Nordqvist, Sjöberg & Wiklund, 2007), while it was submitted that the long-term view that family control exhibits in measuring investments has a positive impact on the value and survivability of family firms (Tsai et al., 2009) which could explain the difference is risk appetites for family and non-family firms. While it is argued that family firms invest less in innovation thus potentially limiting their ability to grow, it was also found that family firms spend more on employee training and compensation showing investment in different ways (Au, Chiang, Birtch & Ding, 2013).

More contemporary literature on family firms has drawn a positive link between generational succession and risk seeking behaviour (Yacob, 2012). By the third generation and beyond in a family firm, the access to non-family managers was found to have a positive impact on the risk appetite and entrepreneurial activities of family firms (Cruz & Nordqvist, 2012). While it is necessary or dictated by circumstance for a firm to employ more non-family managers at senior levels as time progresses, differences in goals between family and non-family managers are likely to appear (Patel & Cooper, 2014). Non-family managers are not burdened by the weight of family legacy, firm reputation and socioemotional wealth and therefore inclined to act in favour of riskier activities that present greater return. A balance between family and non-family goals is therefore required, and is the responsibility of the board and filters into the governance structures (Patel & Cooper, 2014). An imbalanced preference to either goal can have a negative effect. The literature on family business also ignores the effect of the family cultures and values on risk seeking behaviour (Adendorff & Halkias, 2014).

Since the demise of a firm is likely to result in a loss of socioemotional wealth, family members that are active in the business will act in such a way that preserves the firm and due to reliance on family funding which results in frugality and caution when funding activities, family firms may be more efficient than non-family firms (Wilson et al., 2013) increasing the firm's chances of survival. However, this natural proclivity towards conservatism and wealth preservation which impedes its ability to effect strategic change thus preventing it from growing and increases its susceptibility to failure (Eddleston, Kellermanns, Floyd, Crittenden & Crittenden, 2013).

The conservative approaches followed by family firms however, have been argued to not hurt their performance. Rather on average, family firms yield not dissimilar returns to more risk seeking, aggressive non-family firms (Carney et al., 2015). It is therefore argued that the uniqueness of family firms, long term investment horizon and the bond between family members fosters an environment of entrepreneurship, while on the contrary it is argued that that in attempting to protect family wealth, family firms shy away from taking risks associated with entrepreneurship (Cruz & Nordqvist, 2012).

Another influencing factor in risk seeking behaviour to generate profits is the family firms' often private status shield that protects the firm from external pressures usually present in public firms. Public firms are typically pressured for short and medium term results by virtue of investors and analysts continuously expressing interest in regular and detailed performance updates (Carney et al., 2015). By contrast, the family firm is only required to divulge basic performance results to government institutions for tax and regulatory purposes, thus allowing the firm and family to apply more lateral thinking in seeking value creating activities rather than chasing short and medium term profits (Carney et al., 2015).

The family and firm generation is of significant importance (Adendorff & Halkias, 2014; (O'Regan et al., 2010), as each generation brings with it different appetites for risk, behaviours and decision-making processes. Cruz & Nordqvist (2012) also argue that risk taking and entrepreneurial orientation also varies from one generation to the next in firms that have survived multiple generations in order to adapt and remain viable. With family firms representing family wealth, as the firm grows the firm is inclined to diversify in order to reduce risk indicating that that family firms favour risk reducing decisions pursuant of preservation. This also suggests that family firms are more survival orientated rather than growth (Tsai et al., 2009).

While attempting to understand risk taking and entrepreneurial activities of family firms, the research would be incomplete by not discussing a firms' access to financial capabilities and structures to pursue entrepreneurial activities. The access to funding and capital could take the form of debt and equity, with debt being a blend of short and long term and shareholder loans into the firm. The Miller- Modigliani theorem of capital structure suggests that in a perfectly competitive environment, the capital structure of a firm has nil effect on the firm's value (Carney et al., 2015). This is unrealistic for a number of reasons, as capital funding enables activities for growth and value and poor capital structures erode profitability and value. The availability of capital is therefore one of the prerequisites for pursuing entrepreneurial and risk seeking activities coupled with family firms aversion to engage in outside funding in the form of debt or equity potentially limiting the availability of capital (Carney et al., 2015). The availability of capital is therefore required in order to create value, be it in the short or long term and cannot be overlooked for purposes of developing a complete understanding of risk seeking and entrepreneurial activities (Cruz & Nordqvist, 2012).

2.5. Family Involvement and Firm Values

The distinctive characteristics and resources of family businesses are described as “familiness”. This includes survivability capital as one resource which potentially helps the business in difficult periods and can support the higher chance of survival of family businesses. This allied to higher levels of goal congruency amongst family managers including preserving family status and cohesion, socioemotional wealth and providing employment for family members together with lower agency costs in family firms further reduces business risk (Wilson et al., 2013).

Research on family business lifecycles has categorised them into stages. For the purposes of this research, the three stages suggested by Dobson & Swift (2008) were considered relevant. These stages are described as “start-up” including inception and survival, “strategic development” which includes growth, expansion and maturity and “sustainability” which consists of prospects for future business survival in terms of management, markets and ownership succession with each stage being preceded by a crisis either internally or externally (Dobson & Swift, 2008, p. 4).

Commitment to the firm has been expressed by existing family business leaders to be an extremely desirable characteristic in incoming generations (Dawson et al., 2013). Family members commit, at times “even to the point of self-sacrifice” to contribute towards and ensure growth and sustainability of the family firm (Adendorff & Halkias, 2014). Family is also likely to be motivated by non-financial motives such as altruism and collectivism and create competitive advantages through social capital (Tsai et al., 2009) and are more inclined to being accommodating rather than aggressive towards family members enhancing survivability of family firms (Adendorff & Halkias, 2014).

Family involvement in a firm defines the uniqueness of a family firm, to the extent that scales have been developed to measure the level of family involvement. Family members exhibit high levels of commitment to a family firm, however insufficient research has been conducted in understanding what motivates a family member to remain with a family firm as a long term career choice. These strong commitment levels to a family firm allied to stewardship enabled an organisation to respond to changes in the environment (Dawson et al., 2013).

An alternative, less considered reality is that of the next generation not willing to be a part of the firm. This can due to many reasons, such as the unwillingness of the previous generation to hand over management of the firm, the next generation wanting to pursue other interests and inadequate preparation of the next generation might cause them to reject the offer out of fear of failure to name a few (van de Merwe, 2011) .

Moreover, each generation in a family business has unique problems and needs, and as such, each generation of the family firm should be studied separately (Eddleston et al., 2013) as these varying challenges risk the firm's continuity in difference ways, with arguably the greatest challenge facing a family firm being that of interpersonal dynamics between family business members, the family is necessitated to be extremely conscious of the positive relationship between the financial well-being of the family and the long term continuity of the firm especially since it relates to the long term wealth of the family (van der Merwe et al., 2012).

The family business lifecycle starts with creation and survival at any cost in the first generation, to growth and rejuvenation in the second generation to adaptation and change in response to the environment in generation three and four while preserving the family legacy. As such, each generation has different challenges so as to ensure the continuity of the family firm (Poza, 2010). As with each generation bringing their own set of challenges, the business challenges are unrelenting. Each generation is required to earn their legitimacy by working hard, and successfully meeting the firm's challenges through employing their skills and experiences (van de Merwe, 2011).

In second generation firms, given divergent family relationship and delicate emotions, conflict may arise prejudicing the businesses ability to maintain sustainability and growth by executing strategic plans (Eddleston et al., 2013). The negative aspects of family firm's begin to present in second generations, at times as a result of them wanting to exercise their strategic thinking while the founding generation may wish to continue pursuing existing strategies (O'Regan et al., 2010).

Firms in their third generation often have non-family managers working alongside family managers which results in a drop in altruism when compared to the first and second generations (Eddleston et al., 2013). Research conducted by O'Regan et al. (2010) indicates that in third generation firms, a clear movement away from altruistic behaviours towards business plans and annual reviews thus bridging the gap with performance. As the firm matures into its third generation and beyond, it employs more non-family managers who focus on economic goals to increase their financial rewards in comparison to family managers who focus on continuity and preservation. As such, non-family managers are more inclined to support change albeit at a higher risk (Patel & Cooper, 2014).

At inception of a family firm, family members are in business together as they wish to work together and reap the benefits together as a family, however as the firm is transferred to later generations, the family bond weakens and family members begin to work as one would in any firm. The knowledge of it being a family firm however remains, and rears as the family works so closely together, that family disputes creep into the working environment at times overshadowing the business objectives (van der Merwe et al., 2012). At inception the firm is exposed to agency theory as the family firm is controlled and managed by family but as it transfers across to later generations and external managers begin to feature on upper management forums separating ownership from management, the firm then becomes exposed to more classical principle-agency conflict not dissimilar to that of non-family firms (Carney et al., 2015).

It is therefore essential that the business and non-family managers are made aware of the family's interests and that these are communicated through the business, as is the businesses performance and key decisions communicated back to the family through appropriate forums encouraging open, honest communication (Adendorff & Halkias, 2014). Through the life span and generations of the firm, the family is in a position to exert influence over the operations of the firm, the relationship is not linear and simple, rather extremely complex and effected through contingencies often ignored in research (Carney et al., 2015). While family members might possess a more in-depth knowledge of the business, their proclivity to preserve family wealth for current and future generations could restrict their desire to pursue business opportunities which are perceived to be higher risk.

The transfer of family values to the family firm which form the construct upon which family firms are constructed serve to hold the business in better stead for long term continuity (van der Merwe et al., 2012). The family often regards itself an extension to the family firm, and often function as an intermediary between the firm and the community within which it operate, thus transferring beliefs and values into transactions and projecting these values onto the business (Adendorff & Halkias, 2014). Family business literature is largely unanimous amount the transfer of value systems between families and family firms adding to the uniqueness of family firms. The literature is also emphatic about specific values, specifically the importance of harmony within the family firm and the effect on performance and continuity (Jimenez et al., 2015; van der Merwe et al., 2012).

The transfer of value systems and protectionism of socioemotional wealth subconsciously features in the daily activities and decision making processes of a family firm. It is argued that in attempting to preserve the firm's reputations and socioemotional wealth of the family firm, the business is often more responsive to the needs of the community than non-family firms (Wright et al., 2014), filling a gap in less developed economies and governments thus building trust between the firm and the business and creating a competitive advantage.

Adendorff and Halkias (2014) also conduct research into the cultural impact on family firms, more specifically the impact of immigrant culture on the sustainability of a family firm in a capitalist, performance-based environment creating a complex system possibly plagued with confusion. Though within this complex system, family firms create their own competitive advantage which results in them returning similar performance measures as non-family firms (Carney et al., 2015). Such competitiveness can take the form of social networks, especially in developing economies where resources are scarce. The string social network and social capital provides the firm the ability to secure other resources as well as develop strong relationships with customers (Wright et al., 2014).

2.6. Governance Practices

Numerous studies have been conducted and found a strong positive link between good governances and the long term viability and continuity of businesses, with family business included. The influence of the board of directors on governance structures cannot be overlooked (Adendorff & Halkias, 2014; Au et al., 2013; Miller et al., 2013; Jimenez et al., 2015). The literature on family business indicates that as a family firm grows, and moves beyond the first generation the business is faced with challenges that are both business and family related, which are rarely harmonised (Cruz & Nordqvist, 2012). The intrinsic relationship that a family has with a family firm is difficult to separate, and as with all relationships, management is required (Patel & Cooper, 2014). Sound relationships are grounded in values such as trust, fairness, honesty, integrity and openness which for the family, can be adopted into the governance structures in the business (van der Merwe et al., 2012).

Governance foundations and structures have been found to considerably define a firm's performance while in the lack of such structures, ownership involvement can an equally provide such a control environment, albeit informally (Rettab & Azzam, 2011). Researchers and governance practitioners have advocated the use of non-family as advisers and representatives on governance structures of family firms to enhance the effectiveness of governance practices (Adendorff & Halkias, 2014). However board members can be influenced by family members and could act in attempting to please family members. Board members are therefore required to also consider what is in the best interest of the firm (Patel & Cooper, 2014). However, it is suggested that as family firms are different from non-family firms by virtue of family involvement, the need for formal governance structures are needless (Ei-Chaarani, 2013).

Third generation firms begin to manage growth and shareholder desire for dividends thus pressurising the firm into planning and executing strategic plans and relating to the firm in a way not dissimilar to that of a non-family firm (Eddleston et al., 2013). As Cruz & Nordqvist (2012) have explained that firms in third generation or later are more socially complex and are susceptible to power and political struggles between the family members. The importance of board composition and sound governance practices is thus highlighted. The governance practices however needs to extend to matters relating to family; such as compensation practices, workloads between family members as well as between family and non-family, communication to family relating to business decisions and the ability to manage family conflict creating a potential need for a family forum wherein family matters and governance thereof can be practiced (van der Merwe et al., 2012). With the growth of a firm comes recruitment of non-family managers interacting on business matters and strategic decisions together with family managers. Family managers are less supportive of change and risky strategies compared to non-family managers, while non-family managers could be persuaded by medium term performance to maximise personal financial reward (Patel & Cooper, 2014). This complex environment demonstrates the need for governance frameworks to be unique for the family firm and not generic (Adendorff & Halkias, 2014). The governance structures must ensure that both family and non-family managers are given the opportunity to express their views and to be heard drawing the balance between family and non-family manager goals (Patel & Cooper, 2014).

The unbridled pursuit of distinctly different economic and social objectives in a family firm could undermine cohesion and harmony in management structures. Management by values (MBV) is a method of practice whereby the firm exerts itself in preserving its core values and aligning them to strategic objectives attempting to draw a link and balance between these two goals, and has been effective in fostering this harmony (Jimenez, Carlos & Jimenez, 2013).

While sound governance is necessary in promoting a healthy organisation, the counterargument to excessive corporate governance policies and frameworks is that it creates bureaucracy in an organisation and could have adverse effects on entrepreneurship and the firm's agility in responding to challenges and changes in the environment (Au et al., 2013). Family firms should therefore be prudent in the application of governance practices and frameworks in adapting generic frameworks to suit the context of the family firm and to not over-administer the operations of the firm. As most family firms are private family firms, they are not required to apply codes such as the King Code on Corporate Governance and are able to selectively apply and modify these to better suit the family firm (van der Merwe et al., 2012).

The strategic process effectiveness finds its roots in cognitive diversity of top management team members and its interaction process (Patel & Cooper, 2014), However, immigrant family firms jealously guard their intellectual property and privacy and while good governance requires sharing of confidential information with senior, non-family members, family firms may not be inclined to appoint non-family to governance structures resulting in sub-optimal governing bodies (Adendorff & Halkias, 2014).

However, as the firm crosses from one generation to the next, family management is diluted through the increasing involvement of non-family managers, the governance structures are necessitated to change and adapt from dealing with the challenges faced by being family owned and family managed to family owned and professionally managed (Patel & Cooper, 2014; Carney et al., 2015; van der Merwe et al., 2012).

Businesses rely on employees to drive company performance. This relationship is underpinned by the employee committing to deliver a service to the business, and the business in turn paying for that service. Salaries, rewards and recognition are a complex and hotly debated topic amongst researchers and practitioners alike. An in-depth study into reward and recognition is not within the scope of this research though it is sufficient to highlight that a firm’s policies and practices on reward and recognition is a key lever in driving performance within an organisation (Farrington, Venter & Sharp, 2014). The family firm context adds a further dimension to this discussion as it is often perceived that family members are paid more than non-family members, promotion opportunities are readily made available for family members and that family firms pay lower salaries than non-family firms resulting in job insecurity and lower levels of staff morale and motivation (Farrington et al., 2014). The research conducted on family firms by Farrington et al. (2014) found that more than half of respondents considered their salaries to be market competitive while more than two-thirds were satisfied in their current jobs opening the possibility that employees in family firms derive jobs satisfaction from other factors and conditions within a family firm and not only financial reward. Given that as a firm grows, the majority of its employees will be non-family, creating an environment that fosters commitment and enrolment remains a key challenge for a family firm (Dawson et al., 2013; Patel & Cooper, 2014).

2.7. Succession and Strategic Planning

As with any business, the importance of strategic planning, succession plans cannot be ignored (Adendorff & Halkias, 2014). More specifically and of relevance to this research is management succession planning. “The future prosperity of any family business . . . is inextricably linked to the succession process . . . [therefore], the decisions to innovate and change, made by [succeeding] generations, are every bit as entrepreneurial as the original . . . business” (Yacob, 2012, p.2).

Succession planning however, is a sensitive matter in family firms, and is often delayed indefinitely to avoid conflict. Essentially, the effectiveness of these processes determines a firms’ ability to adapt and change and ultimately its survivability (O’Regan et al., 2010), and the absence of this planning either results in declining performance or the demise of the family firm. Saxena (2013) points out that it is not by virtue of ignorance that family firms demonstrate an aversion to plan for succession. As succession in family firms typically includes the transfer of ownership and shares, the succession planning process is vastly complicated. This coupled with the possibility of past experiences and the mistakes of other family firms, influences them to shy away from the process.

As a family firm ages, it exhibits a diminishing tendency to invest in activities that support its growth which is the central reason of declining survival rates of family firms (Eddleston et al., 2013). While prior research has identified that strategic and succession planning is necessary for continuity and growth, it has identified that these planning processes are often neglected (Eddleston et al., 2013). Research suggests that family firms are reluctant to engage in formal succession and strategic planning, as succession planning creates conflict within the owner by forcing him to envisage transferring ownership and management (Adendorff & Halkias, 2014) or conflict within other family members competing for more senior roles. Succession planning is therefore equally as important as strategic planning is for the continuity of the firm. Complexity is added to succession planning when choosing between professional management succession or family management succession (Santarelli & Lotti, 2005).

Another dynamic in succession planning is the ability, skills and respect earned by the incoming generation. For the next generation to succeed the previous generation effectively, the incoming generation needs to gain acceptance, credibility and legitimacy in the business, which requires hard work and the acquisition of relevant skills and experience (van de Merwe, 2011). As mentioned, the succession planning process in family firms carries with it costs and financial effects. Koropp, Grichnik & Gygax (2013) highlight in their research, of the family firms that attempt succession planning, most fail due to poor financial planning.

In non-family firms succession of key management can and often is independent from ownership, while in family firms, key management succession often involves the transfer of shares and ownership (Saxena 2013). This process further complicates succession planning in family firms, carrying with it tax implications and could perpetuate agency problems and nepotism creating a structure that would be sub optimally positioned to meet future challenges. However, other research has suggested that family ownership and control brings with it positive benefits such as stewardship (Adendorff & Halkias, 2014; Miller et al., 2013) and extended timeframes for measuring return on investments (Tsai et al., 2009; Cruz & Nordqvist, 2012).

The Hong Kong case study research by Au et al. (2013), demonstrated how a family firm groomed, developed and created opportunity for the incoming generation to be suitably prepared to take over the firm. The method followed was to design a development path for skills and abilities the firm required, then allowed the later generation to exercise their entrepreneurial spirit after which they were then enticed back into the firm to take over management of the firm. This detailed process demonstrates that succession planning is a conscious process requiring involvement and participation from both generations and is required as part of strategic planning for an organisation.

Strategic thinking is driven largely by active involvement of senior managers, with others being education, experience and peers (O'Regan et al., 2010). Strategic thinking and succession planning are intertwined as succession planning requires a degree of strategic thinking. Training the next generation for succession is a process that begins very early on, and requires continuous effort in order to adequately prepare, train and upskill the incoming generation to take over the business, to the point where the previous generation is required to identify the type of leadership style and skills the business may require in the future. This demonstrates that succession planning requires a conscious effort by both the outgoing and incoming generation for it to be successful and effective (van de Merwe, 2011).

Succession planning in a family firm is a demonstration of an intention for the firm to continue and be transferred to the next generation. This process though is usually filled with tension. Traditional research on family firm continuity assume two motives; the continuity of the firm across generations and harmony between family members. Family members could work for a family firm for various reasons broadening the scope of commitment based on these various reasons. As the family firm passes to later generations, commitment reasons vary significantly (Dawson, Sharma, Irving, Marcus & Chirico, 2013). However the motives run deeper, and find their roots in both capitalist and social frameworks. As succession planning is known to be critical to ensure the continuity of a family firm, the motives for continuity needs to be better understood. This will assist in understanding the internal context of the firm, and better place the firm for an effective succession plan (Gilding et al., 2015).

In pursuit of continuity, the firm is required to adapt to changing environments through vision and strategy allied to an acute awareness and understanding of the success determinants of the business thus far (Poza, 2010), however, formal strategic planning is ignored if the family and firm are engrossed with one or more previously successful strategies causing inflexibility and inadvertently negatively affecting the continuity of the firm. The navigation of dynamic and fast changing environments presents a challenge to businesses in recent times to remain relevant and viable. While it is in the interest of the family to exercise stewardship and wealth preservation, adaptability in the strategic process and decision making is necessary for the firm to be able to continue into the future. Strategic planning in current times therefore requires contribution and deliberation from managers with diverse knowledge, be they family or non-family (Patel & Cooper, 2014).

Effective strategic processes and decision making is dependent on the individuals or teams who make them. The ability to engage in dialogue and reach well supported decisions are at the core of effective strategic planning and decision making (Patel & Cooper, 2014). The business strategy necessitates alignment with the business context and environment, which for family firms extends to value systems and beliefs such as collectivism, duty and loyalty more than for non-family firms (Adendorff & Halkias, 2014).

2.8. Other Considerations of Continuity and Viability of Family Firms

Potential sources of competitive advantages in family firms are classified into the following: “(1) combination of ownership and control, (2) information advantages, (3) sustained presence of family shareholders, (4) entrepreneurship, and (5) investment efficiency.” (Zou et al., 2014, p. 38).

First, Wilson (2013) argues that family managers are likely to act in ways that ensures the firms survival in tough times, is an advantage for combining ownership and management.

Second, family managers may have an enhanced knowledge and understanding of the business owing to their proximity and involvement in the business from an early age giving them an advantage in the control and decision making when compared to managers in non-family firms (Zou et al., 2014).

Third, family shareholders create the environment that fosters the creation and maintenance of long-term business relationships that will benefit the firm (Poza, 2010; Wilson et al., 2013).

Fourth, owner-managers are expected to invest in wealth creation for the family and are thus inclined to pursue entrepreneurial activities and innovation increasing the survival chances of family firms (Zou et al., 2014).

Fifth, due to the dependency on family funding, family managers spending of family capital is parsimonious and more frugal in nature resulting in higher levels of efficiency (Wilson et al., 2013).

Family firms' performance is better in less developed economies than in more developed economies (Mehrotra, Morck, Shim & Wiwattanakantang, 2011) while differences in family firms' size and ownership structures may also influence the results of family involvement on performance (Miller et al., 2013). The regulatory environment therefore also plays a role in a firm's performance and behaviours, with the firm operating in a weaker regulatory environment exploiting its networks in order to deliver value and performance while the other unable to deliver value through its networks (Ei-Chaarani, 2013). The age of the firm can furthermore have a significant impact on the actions and performance of the firm, as it matures and transfers across generations, stewardship over the business declines in favour of stewardship over family interests as does owner-manager agency behaviour towards owner-owner agency behaviour (Miller et al., 2013). The entire context within which the firm operates therefore affects the performance and continuity of the firm. Wright et al. (2014) suggests that legal regimes, national cultures, economic conditions, governance structures and goals affect performance and firm behaviours and create firm uniqueness and heterogeneity.

2.9. Conclusion

Family firms contribute significantly to global economic growth (Poza, 2010), however are fragile in terms of continuity over generations (White et al., 2004), demonstrated by approximately only 30% transferring from the first to the second generation (Groysberg & Bell, 2014) and less than 10% transferring to the third generation (Gallo, 2013).

Family firms have been found to engage in lower levels of calculated risk taking (Wright et al., 2014; Carney et al., 2015), and the risk appetite changes as the business passes from one generation to the next, and as a result of external factors such as the access to non-family managers (Cruz & Nordqvist, 2012) while it was submitted that the long-term view that family control exhibits in measuring investments has a positive impact on the value and survivability of family firms (Tsai et al., 2009) which could explain the difference is risk appetites for family and non-family firms. However, risk taking behaviour in the form of expansion and diversification is necessary for the continuity of the firm (Cruz & Nordqvist, 2012).

Family firms are unique to the involvement of a few family members in influential positions, either in ownership or management. This uniqueness creates and environment which can allow a firm to continue over multiple generations (Wilson et al., 2013). This intimate involvement between family and firm also enables the transfer of family values to the family firm which form the construct upon which family firms are constructed serve to hold the business in better stead for long term continuity (van der Merwe et al., 2012).

There exists a strong positive link between good governances and the long term viability and continuity of businesses, with the influence of the board of directors being of significant importance (Adendorff & Halkias, 2014; Au et al., 2013; Miller et al., 2013; Jimenez et al., 2015). The complexity in a family firm is that as the firm moves beyond the first generation, it is faced with challenges from both the family and the firm which require governance (Cruz & Nordqvist, 2012). The intrinsic relationship that a family has with a family firm is difficult to separate, and as with all relationships, management is required (Patel & Cooper, 2014). The governance foundations and structures have been found to considerably define a firm’s performance while in the lack of such structures, ownership involvement can an equally provide such a control environment, albeit informally (Rettab & Azzam, 2011).

The strategic and succession planning activities found in a firm have been found to significantly determine its future continuity and viability (Adendorff & Halkias, 2014; Yacob, 2012). It was also found that family firms not engaging in these activities at the level at which is necessary to ensure its future continuity and viability (Eddleston et al., 2013).

Chapter 3: Research Propositions

3.1. Proposition 1

Good governance structures and practices based on regular meetings, transparency, long-term vision and consensual decision -making enabled the continuity of the firm as a viable entity to the third generation.

3.2. Proposition 2

Family values of frugality, equality, determination, honesty and diligent work ethic transferred to the business environment enabling the continuity of the firm as a viable entity.

3.3. Proposition 3

The family firm’s low appetite for risk had a positive impact on sustainability but a negative impact on growth.

3.4. Proposition 4

Albeit informally, strategic and succession planning activities were necessary for the continuity and viability of the family firm across three generations.

Chapter 4: Research Methodology

4.1. Introduction

This research aims to explore the trans-generational survival of a family firm in the South African context as a single case research design with the objective of understanding the determinants of continuity of this firm over three generations. While a case study research is amongst the most difficult of all social science studies (Yin, 2014), it would result in insightful understandings as a result of the descriptive and varied sources of information (Hancock, & Algozzine, 2006). The chapter will be structured under the following headings.

- Case Study Research Methodology
- Research Design
- Unit of Analysis
- Sampling
- Data Collection Instruments
- Data Analysis
- Potential Research Limitations

4.2. Case Study Research Methodology

A case study represents a research approach designed to understand a relevant topic in its context through obtaining evidence from multiple sources (Saunders, Lewis & Thornhill, 2007, p. 116). “It allows the researcher to explore individuals or organizations, through complex interventions, relationships, communities, or programs” (Baxter & Jack, 2008, p. 544) enabling deeper insights in under-explored research areas (Yin, 2009). A case study research method can contribute to existing research and understanding of individual, organisational, social and similar contexts, and while it is regularly suggested that case studies are only relevant in the exploratory phase of research, case studies are instrumental in understanding causal relationships as well (Yin, 2014). For example, a similar approach was used by Au, Chiang, Birtch & Ding, (2013) in exploring how

Automatic Manufacturing Ltd (AML) and the Mok Family have succeeded in achieving trans-generational continuity and growth in Hong Kong.

The use of a single case design or a revelatory case instead of multiple case studies has the potential to offer rich insights as well as findings pertaining to novel or under studied phenomenon (Au et al., 2012). This approach was used to demonstrate how an immigrant family business has continued and transferred across three generations as a viable entity. A single-case study is argued to be suitable for one of five rationales; “that is, having a critical, unusual, common, revelatory or longitudinal case” (Yin, 2014, p. 92). The critical rationale implies that the case study should be related to the theoretical propositions through confirming, challenging or extending upon the theoretical propositions (Yin, 2014). This case was chosen as it is a revelatory case. In this particular situation the researcher, as one of the family members, had the opportunity to observe and analyse factors that were pertinent to this family firm. The researcher had access to memos, minutes of meetings and other information, which was inaccessible to others. The case selected is a viable family firm already transferred to the third generation; the study will also be that of a critical case study design as it aims to draw determinants of success for family businesses from this case which could be applied to other family businesses. As the firm will be researched in totality and not at a subunit level (Yin, 2014) the study will follow that of a holistic case study.

4.3. Research Design

Case study research design requires meticulous planning and design. The design of any research is a systematic sequence that links the research questions to the data and conclusions (Yin, 2014). Irrespective of the research topic, a case study research methodology can be used to better understand complex social settings and research in its real-world context. (Yin, 2014). This case study sought to understand the determinants of the family firm’s survival by understanding decisions taken, its internal and external context and family-business dynamics.

Research philosophy is the study of social phenomena in context, attempting to understand an organisation in its operational context (Saunders & Lewis, 2012), interpretivism is the research philosophy that was applied in this case study. Induction reasoning implies the observation of patterns and repeat incidences to develop general conclusions and broader theories through a “bottom-up” approach in an exploratory study (Saunders & Lewis, 2012). Case studies are particularly useful at allowing the researcher to obtain a detailed understanding of the research case as well as the activities taking place within the specific firm (Saunders et al., 2007) and are useful in conducting an empirical investigation of a contemporary phenomenon within its natural context using multiple sources of evidence, and argues that insights derived from a case study can have specific application to the firm in influencing policies and procedures and can create the potential for future research (Hancock & Algozzine, 2006).

As this is a case study, data collection activities comprised of multiple sources of evidence, including open ended interviews, analysis of documentary evidence, observation and a survey. The fact that both qualitative in-depth interviews and a quantitative survey were used in data collection implies a mixed-method data collection design (Saunders & Lewis, 2012). This case study followed a mixed method design which combines both quantitative and qualitative research procedures into a single study which allows the researcher to explore complex research questions and collect stronger evidence than can be collected by using a single method alone (Yin, 2014).

Quantitative research and analysis involves the collection of numerical data in a standardised way, while qualitative research and analysis involves data collected in a non-standardised way and is analysed through means of developing and testing propositions (Saunders & Lewis, 2012). Secondary data, such as factual financial performance of the business, informally documented family and business history was analysed. In addition an employee survey and open-ended interviews with family members at all levels in the firm was conducted. Family members were interviewed and voice recorded for approximately 90 minutes during which detailed notes were taken and analysed together with the recording for insights into contributing factors of the firm’s survival and continuity. Findings were cross referenced for validity and accuracy, and triangulated to draw meaningful propositions.

A longitudinal study implies the study conducted over an extended period of time, while a cross-sectional study implies a study conducted at a point in time, a “snap-shot” (Saunders & Lewis, 2012, p. 123). The family firm in this case was researched to understand its determinants of survival over its period of existence evaluated at a point in time, and thus a cross-sectional study was best suited for this research.

4.4. Unit of analysis

A case study usually focusses on an individual person as the case, and can also be an event or entity (Yin, 2014).The unit of analysis was therefore the case, where a researcher used a combination of quantitative and qualitative research methods in a single research which is known as a mixed method for data collection, which enabled the researcher to collect richer data as opposed to using a single research method (Yin, 2014). Two methods were used for data collection implying a mixed method.

4.5. Sampling

Case study research is not sampling research; however, in understanding the case both qualitative and quantitative data collection methods were employed. The sample was not selected for either of the methods but in both instances convenience sampling was applied to both populations. Interviews were conducted at the availability of the participant.

Three second-generation family members and three third generation family members were interviewed. The research topic was discussed with the participants and all participants were forwarded a copy of the interview discussion guide found in appendix B prior to the interviews. Interviews were conducted in neutral meeting rooms at the head office where the participants were allowed to ask questions regarding the interview prior to the start of the interview. Interviews lasted for between 60 and 90 minutes, and all interviews were voice recorded. The researcher took notes during the interviews of pertinent comments from the interviewer as well as tone of voice and body language.

The employee survey was conducted through electronic means, and was therefore only accessible to employees who had access to a computer and a work email account. Of the store employees, only the store manager and cashiers have access to computers and there was only one email account per store. The quantitative study was based on purposive convenience sampling, which required access to a computer and a work email account. This reduced the sample selection to the 146 employees with computer and email access. This limited the reach to all employees. This sampling method assisted in collecting as much data as possible from the accessible employees for the content analysis.

The Company employs approximately 680 employees of which 110 are employed at the head office and distribution centre and the remainder are employed at the stores. The researcher obtained permission from the managing director in order to send out the employee survey, and the employee survey was conducted through Survey Monkey, and communicated to employees via email. The employee survey questions can be found in appendix A. Not all employees have access to email; each of the 79 stores has an email address, and of the 110 employees at head office 76 have email addresses. Of the 76 at head office, nine members belong to the family and were therefore excluded from the employee survey giving a population size of 146. All 146 employees were sent the questionnaire. A total of 62 surveys were completed and returned, yielding an approximately 42 % response rate. The survey results obtained from the employee study were analysed utilising simple statistical measures and graphical displays. Of the 62 responses received it was a necessity to eliminate 18 due to incompleteness of responses to the pertinent questions posed. This reduced the viable dataset to 44, which further reduced the response rate to approximately 30%. This could have been a result of the employees not trusting the confidentiality of the survey, not understanding the questions or thought that the question did not specifically relate to them. However, the questionnaire did mention that questionnaire is confidential and entirely optional.

4.6. Data Collection Instruments

Yin (2014, p 103) suggested that there are six sources of evidence for the purposes of collecting data in case study research being "documentation, archival records, interviews, direct observation, participant observation and physical artefacts."

(1) **Documentary data** is relevant to almost every case study topic, and is most useful in corroborating evidence from other sources. For the purposes of drawing a clearer understanding of the historical context of the business and family, documentation pertaining to the family history and the business were obtained from family sources as well as unrelated sources such as from lawyers and auditors. Documents from the earliest point in time to the most recent for this purpose where obtained and analysed, which enabled more specific questioning in the interviews.

(2) **Direct observation**: As the researcher was employed by the entity being researched, direct observation, more specifically participant-observation was another form of data collection. The observer was in a unique position and was able to gain access and witness the case from within, and maintained a neutral position. Due to the challenge of remaining unbiased in the research (Yin, 2014), the researcher dedicated sufficient attention to being an observer which was critical to this method.

(3) **Qualitative data collection method**: In-depth interviews were conducted with family members, all family members active in the business were the population. This was one of the most important sources of data in case studies in interviews (Yin, 2014). There were nine family members in the business at varying levels, of which one was the researcher and was excluded. There are no family members that own shares in the firm, and do not work in the firm. In total, six interviews were conducted with family members.

(4) **Quantitative data collection method**: The employee survey was conducted with non-family employees active in the business, who have access to computers and business email accounts totalling 146 employees which constituted the population for the employee survey. The population would be the entire pool of employees from which the statistical sample was drawn.

The case study employed these varieties of sources and techniques to collect data, which were then cross-referenced to ensure validity and accuracy, and triangulated to create a single view of the business and its context over time.

There were two instruments for data collection:

For qualitative in-depth interviews, a discussion guide was employed with open-ended questions (see appendix B).

Yin (2014, p 73) mentions a list of five abilities that are necessary when conducting case study research which are "ask good questions, be a god listener, stay adaptive, have a firm grasp of the issues being studied and avoid bias". The researcher frequently referred back to these attributes over the course of the research to ensure that the data collection process was thorough.

For quantitative survey, an online questionnaire with structured questions was utilised (see appendix A)

4.7. Data Analysis

Two methods were applied for data analysis. Content analysis is "the systematic observation of open ended questions and unstructured interviews used to report on the essence of such interviews" (Van Buuren, 2007, p. 7). Therefore, for the qualitative in-depth interviews, this method was applied. For the quantitative survey, descriptive statistical analysis was conducted on the results of the 44 returned questionnaires.

4.8. Potential Research Limitations

The following were identified as limitations to the study:

- The closeness of the researcher to the business through family relation and employment in the firm may have been a source of bias.
- The case study was of a South African firm, and its applicability to firms based in other countries was debatable due to the uniqueness of the South African context.
- The firm was a family firm and operated in the clothing retail space which potentially limited the applicability of the findings to non-family and non-retail firm
- The quantitative study was based on purposive convenience sampling, which required access to a computer and a work email account. This limited the reach to all employees.
- As this was a single case study, the findings may not have been applicable to other industries or firms.

Chapter 5: Results

The layout format for chapter five is as follows: A succinct picture of the business from inception to current, the determinants of survival and viability with reference to each of the four propositions. The data collected will be further categorised under each proposition and the sub-headings of data from documented sources and interviews, and data collected from employee's survey and observations.

The above layout design was considered appropriate as the study aimed to understand the determinants of continuity and viability of the case across multiple generations, with reference to the propositions made in Chapter 3.

5.1. The case – Succinct history of the firm from inception to current

The case aims to understand the determinants of continuity and viability of a family firm. It therefore follows that in understanding the firm, an understanding of the family and the family history is necessary in giving a deeper understanding of the firm due to the inextricable link between the firm and the family.

The Jadwat family is in its fourth generation in business in South Africa, and the firm is in its third generation as a clothing retailer, with no fourth generation family members employed full time by the firm as yet.. The firm operates under the trading name "Ideals" and has four distinct business units; social responsibility, brick manufacture and retail, property development and clothing retail. Ideals is a family owned business with its first store trading in the heart of Durban, South Africa, as E Jadwat & Company, in 1895. The company currently employs over 680 people, with 79 stores nationwide. There are two generations currently working in the business with the senior generation playing non-executive roles on the board and other sub committees to the board. The clothing retail business unit is the largest revenue generator and attracts the significant majority of attention and involvement of the family members.

The Ideals Company and Jadwat family, primed by overcoming challenges and steadfastness to family values, once again finds itself poised at the cusp of opportunity for growth and transformation. Being in its third generation, with a medium term plan of doubling revenue and number of stores, the firm had identified the need to corporatize the company without losing the firm's uniqueness as a family run business and market positioning in value fashion retailing. In an effort to step away from a family run business, to a family owned and process run business, the company has embarked on a gradual restructure by first appointing a non-family member as managing director (MD). The business has been family owned and majority family managed for all these years with having elected non-family advisors at the top level for most of its recent years. The board comprises 11 members, with eight acting in operational roles as well. Third generation family members operate on the management team and some represent on the board, with second generation family members fulfilling non-executive roles on the board. Of the 11 board members, three are non-family members.

The firm's vision has evolved in recent years to become a leading privately owned retailer in Southern Africa, whilst holding on to its core values of passion, performance, professionalism and people. In just over the last year, Ideals has grown by 24 stores with a further 16 new locations planned for 2016 (see appendix E). Sound governance practices, including ethical behaviour are demonstrated in the business's actions and memos. Ideals is also proactively involved in corporate social responsibility projects that provide basic and developmental needs in and around the areas in which it trades. Empowering and giving back to the community is part of the firm's values.

The Jadwat family finds its roots in India. The family was engaged in shipping activities carrying merchandise from India to Asia, Mauritius and the east coast of Africa. The earliest immigrant family member, Mohamed Jadwat, left India alone and arrived in South

Africa in the 1870's, and settled in Transvaal where he opened a store in the midst of the gold rush. His two sons joined him later, both barely in their teens. Mohamed passed away in 1895, leaving his two sons to fend for themselves while their mother was still in India. During this time, the English and the Boers were preparing to go to war and the country was in a state of violence and turmoil, which forced these sons to move to Natal closer to family relatives based there. Although still very young, the sons opened a clothing store in Field Street in Durban under the trading name of Feejee Outfitters (Pty) Ltd. Invoices from this store reflect "fashion goods arrive weekly by Royal Mail" and "suits made to measure in any fashion at short notice in up to date style".

The store quickly became a landmark in Durban, and served as a training ground for other youngsters wishing to earn a living and aspiring to open stores of their own one day. Later, the younger of the two brothers, Ebrahim, decided to expand the business and moved back to Transvaal with his wife to open another store there. Ebrahim was blessed with three sons and two daughters; Ismail, Mahomed, Yacoob, Ayesha and Fatima. In 1918, an influenza epidemic swept through Transvaal and Ebrahim passed away leaving behind four young children and a pregnant wife. His widow, Katija, sold the store and uprooted herself and young children back to Natal where she purchased a plot of land in the city upon which she built two houses, one for her family to live in and one to collect rent. She enrolled her sons into school and left them in the care of her daughters and returned to India. Mahomed, the middle of the three sons furthered his education into high school, moved to Transvaal to sharpen his business and trading skills in the big city and later returned to Durban. One brother worked in his late uncle's store and in the 1940's the three brothers took over the failing business in the Durban central business district (CBD) by leveraging the property bought by their mother as a loan guarantee, which still stands today in its original location. After 20 years of hard work by the brothers, gradually saving the debt stricken business, the brothers opened five stores by 1961. By this time these brothers were married and had children of their own who were of age to take up permanent positions in the business. Six young men, the second generation, joined the business in the mid 1960's and took over the daily management functions of the stores with the first generation playing oversight and supervisory roles.

Overshadowing the growth and changes in the business hung the discriminatory laws of the Apartheid Government, one of which enforced locational separation and segregation of the different races for living and trade. Non-White businesses were forcefully moved out of White only trading areas and were relocated into areas reserved for non-Whites. The international community responded to the racist government's laws by imposing trade sanctions on South Africa which affected economic growth and foreign trade. This forced the business to change its import business model and to look locally for sources of supply. Of the six young men, one identified a need for low cost housing developments and to make a positive contribution to disadvantaged communities. In the 1970's he built the first estate called Riyadh Township which consisted of 250 homes with bricks bought from suppliers. This created another opportunity that of brick manufacture to feed the estate development. The family began manufacturing their own bricks, and in total built ten similar estates in Durban.

The purchase of shares in the first store in the 1940's, which belonged to the two son-in-law's of their paternal uncle, saw the Jadwat family take majority ownership and control of the store but left the original two owners with a non-controlling interest in the business which grew in value over the subsequent five decades. Demands were made in the 1980's on the business to pay those shareholders out resulting in the business reluctantly borrowing money from financial institutions to keep the business afloat. Strategies revolved around cost management, repayment of loans and business continuity prevented it from exposing itself to more debt than it required for daily operations. Expansion activities, diversification opportunities and investment opportunities were not undertaken as the business moved into preservation mode. The mid-1990's to mid-2000 was a period of financial strain in the business. By the 1990's, the business had grown to 20 stores, employed more than 300 staff and built a reputation for being leaders in fashion in Durban. Of the first generation, only one member remained alive during the 1990's who was regarded to be the architect of the family business. A memo written by the business advisor at the time dated 08/04/1986 states “This progress is undoubtedly attributable to the business genius and vision of the man at the helm of the Jadwat group – Mr. M. E. Jadwat” (S. Banoobhai, personal communication, April 8, 1986).

The 1990's brought with it new challenges; the fall of Apartheid, an economy fighting to remove itself from its history, relaxing of international sanctions and the presence of the third generation, hungry with ambition, drive and enthusiasm to join the business and breath young life into its operations. Of this generation, three young male adults joined the business and took up roles in stores. A memo from this period states "the family regards their achievements as modest", "the list of hard-earned assets lost is endless", "the family is determined to make their contribution to the city and they know hard work and dedication are part of the process" and "the basic principle is to create jobs, give to charities, ensure proper salaries and affordable housing standards of living for the man on the street" (M. E. Jadwat, personal communication, January 31, 1986).

In 2014, the family embarked on an expansion strategy to take the business national, necessitating voluntary gearing, investment in people skills, advanced systems, new stores and effective management and governance structures (see appendix E). The firm has nearly doubled its staff costs and has opened 24 new stores in just over one year, with an intention to reach 130 stores by 2018 (see appendix E). The strategic plans of the business details expansion plans into all provinces of the country, clear primary and secondary areas for investment and details the measurement criteria at every stage of the plan. The firm and family have demonstrated an elevated appetite for risk, especially considering the global and domestic economic environment. A review of the documentary data shows that the firm has not had a strategic document and plan to this level of detail before. Traditionally, strategic planning took the form of board meetings, and yearly objectives with an informal eye open to business opportunities.

5.2. Profile of participants and respondents

Interviews: Two of the second generation participants form part of the family council and all three are represented on the board, while two of the third generation family members are represented on the executive committee.

The employee survey was based on the 146 employees that had access to computers and a work email address. A total of 62 surveys were completed and returned, yielding an approximately 42 % response rate. However, of the 62 responses received it was a necessity to eliminate 18 due to incompleteness of responses to the questions pertinent to the study. This reduced the viable dataset to 44, which further reduced the response rate to approximately 30%. The data analysis was based on these 44 responses received. However, within the responses three of the questions were unanswered by a few of the respondents which reduced the actual data response rate. The response rate received for the questionnaire was considered viable for data analysis and to validate the survey. The data showed that the duration of employment in the firm of the 44 respondents ranged from five months to thirty -three years.

Other data: The researcher is a member of the family and a full time employee of the business and as such had access to family members. The researcher informally met each family member prior to conducting the interviews and introduced the research topic to them. At the point of introducing the research topic, the researcher also informed family members that one on one interviews with family members was intended to gather data, and requested the family member to participate in the interviews. The researcher also requested that any other forms of data held in the possession of the family members be brought into the interviews with them, such as minute books, memos and newspaper articles.

5.3. Determinants of Survival and Viability

5.3.1. Proposition 1

Good governance structures and practices based on regular meetings, transparency, long-term vision and consensual decision -making enabled the continuity of the firm as a viable entity to the third generation.

Data from documented sources regarding governance structures and practices

Excerpts from the company minute book in 1984, states the basic principles of the business which were compiled over the history of the business and were the cornerstones of success to this point and should continue to be the cornerstones of the business in the future to ensure continuity of the firm. Of these principles, the minutes expand on governance processes of urging board members to circulate matters to be discussed prior to the meeting for review. It also refers to the nature of meetings as “think tanks” for the constructive debate of ideas and performance as well as a forum for “consensus” in decision making. The minutes further goes on to explicitly state that merit and ability are the measures to be used in judging performance of individuals and in decision making, and that maximum returns must be generated over the long term.

In the closing statement once again, it is noted that actions are only undertaken by consensus and “there is no single boss” showing that the consensual decision making governance process must be followed. (M. E. Jadwat, personal communication, April 7, 1984). In 1965, Mr. Mahomed (M.E) Jadwat left for a six month overseas holiday. In a letter he wrote to his son who was managing the business in his absence, he gives him guidance on how to manage the business, stock taking process, financial management as well as the need for meetings to discuss performance and actions to be taken thus giving guidance on governance. The letter instructs his son to discuss the performance of each store with the store managers in full transparency so as to understand the strengths and weaknesses of each store and identify actions to be taken (M. E. Jadwat, personal communication, March 12, 1965).

Minutes of a meeting held in 1985 explains governance processes on the topic of family members leaving the business to pursue opportunities individually. The minutes reflect that family members are not forced to serve in the firm. The caveat to a family member leaving the firm, however, is that they will not be allowed to hold shares in the business after they leave. These shares will be sold at fair value to the company, repayable on terms so as not to jeopardise the long term continuity of the business (M. E. Jadwat, personal communication, October 2, 1985).

A newspaper article from the Daily News, March 28 1978 ran a column on the Jadwat family and the business. The article quotes a family member who said that although the business is a family business, more than 90 percent of the administration was not under family control. He is also quoted to have said that “we believe in rewarding merit and ability irrespective of family affiliation, colour, creed or religion” (More than 100 years of trading, 1978). In the interview with the family member, he expanded on this article by saying that this was not possible in the absence of governance processes which also enabled the business to grow by looking long term.

As the business planned for succession into the third generation, meetings were held and it was agreed that the third generation should be formally introduced to the business as part of the succession plan and be given an interest in the business. However, no formal minutes of these decisions were taken of this decision made in 2001. Another completely separate company was established and made the three third generation members sole shareholders of this company, traded under the same store name and opened all new stores in this company with funding from the parent company. Within a short period of time, the new company became more profitable than the first company by virtue of better store locations which led to some senior family members disputing the arrangement resulting in uncertainty over ownership, and exposing the business to potential financial constraints if payment demands are made for shares. This structure enabled the new company to begin operations with the financial support and operational infrastructure of the main company, without a formally agreed and signed agreement from the shareholders of the main company creating an avenue for a claim in ownership due to activities that resemble profit stripping. The business to this day has been unable to resolve this matter, demonstrating the risk exposure of poor governance.

Minutes of meetings and memos in the business dating back to the 1980's reflect a practice of information sharing, transparency and consensus. Inspection of these reflect that memos passed around to family members were required to be signed and returned to the head of the firm for record keeping purposes. No family member invested in the business was excluded from receiving information and to participate in business meetings. A letter to the disgruntled son of a director, shortly after the passing away of that director, invites him into a forum to discuss the financial affairs of the business and to discuss the payment terms for the deceased estate. The occurrence of regular meetings, active participation by all involved and the practice of minute taking demonstrates the firm's and family's governance practices and attitudes towards transparency and consensual decision making (M. E. Jadwat, personal communication, May 20, 1991). The availability of minutes of meetings dating back to the 1970s demonstrates the governance practices of minute taking and the occurrences of regular meetings between all family members, with minutes of meetings circulated and recorded, and often referred to in subsequent memos.

In obtaining data, the researcher was exposed to codes of conduct that the family adheres to in the business, such as not abusing company resources, rules around the drawing of cash from the business, and not retrenching staff in times of poor performance. However, these are scattered in memos and minutes of meetings and not consolidated into a code of conduct or charter. This is evidence of a value system that has transferred to the business from the family and constitutes a set of unwritten rules.

Data from interviews and observation regarding governance structures and practices

All family member participants have mentioned that decision making is done through consensus only as this allows for decisions to be constructively debated often resulting in more robust decision making. The researcher, upon joining the business was engaged in conversation with the previous financial director, a second generation family member who emphatically informed the researcher of some unwritten rules of the business; one being that all business decisions are made only through consensus. According to a commentary of the business written by the business advisor in 1986, "In my view the leadership available to the Jadwat group is a structure as any available to the country's top companies – even those listed on the Johannesburg Stock Exchange" (Banoobhai, S, personal communication, April 8, 1986). .

Of the four second generation family members in the firm, two play active roles on the advisory board and in the social responsibility divisions. The other two attend only the quarterly board meetings. The advisory board meets monthly with the managing director, finance executive and human resource executive and acts as a regulator to the affairs of the business and a custodian of family interests. The third generation consists of five members, of which four operate at executive level. The executive team consists of 11 members managing all key areas of the business, and reports to the managing director.

Second generation participants:

The second generation of participants recall their early days in the business when after a day's work, the performance figures were collated and circulated to all family members in the business. One participant recalls meetings being held every evening between the first generation family members to discuss the performance for the day, actions for the next and strategic opportunities. This forum was used to school and train the second generation into the workings of the business, and develop their business acumen.

All second generation participants vividly recall working in the stores during their schooling years and observed the interactions of their fathers in the business as well as at home, and recall one family member of the first generation being the architect and the individual who set the tone and practices of the business. Common use of words such as "regular meetings" and "joint decision making" show that all second generation participants separately remember these practices which promoted cohesion, transparency and awareness and adds validity to these governance processes.

All participants agreed to the importance of the regular meetings for joint decision making. One second generation participant relates an incident where a family member wanted to start a manufacturing factory which was approved. The venture was not successful, however the participant used this example to illustrate that as an outcome to consensual decision making, the endeavours gained the support of the family and business which in turn participated in the rewards and losses of any venture. The use of family meetings as a forum for governance allowed the family to get together and evaluate the business activities and then return individually into their respective areas of operation to continue working. One participant points out that this practice bread trust amongst the family members enabling them to operate in their respective areas of expertise and not be preoccupied with the actions of other family members.

The importance of managing family relationships in a family firm was highlighted. Until approximately ten years ago, the majority of the senior management positions in the business were occupied by family members. All participants related stories of them growing up together into their teens, joining the business together and having social gatherings in their adulthood. One participant paused when relating their weekends together riding horses at the family's beach cottage, smiled and said he missed those days as the family was together and content, which in turn kept the business together for all these years.

As the business has moved across generations, the family ties have become weaker between the families, but remain strong with the business. Two second generation participants highlighted that the governance practices that manage family matters are as important as those that manage the business matters due to the widening gap in family relationships. Participants from both second and third generation mention that formalisation of governance practices by means of sub committees, diarised management and board meetings and the publication of financial performance results to all family members during the recent past has significantly improved the performance and likelihood of continuity for the firm.

The governance practices in the family firm govern the family's interaction with the firm. Two second generation participants mention that the family members are servants to the business showing that total allegiance and commitment is owed to the business. Two participants mention a behaviour they observed in their fathers and that they in turn lived by, which was never to touch company money. They worked for a salary, and the salary was determined by performance and merit. The profits earned by the company were held in the company to strengthen its financial position and enabled the firm's continuity. All participants relate incidents where finance was required for personal needs for which they were required to obtain personal financing from a banking institution and not allowed to borrow money from the company.

It is of importance to point out that the family is of Muslim faith and attempts to adhere to the practices and behaviours prescribed by the faith. During interviews, it was observed that participants would often in their responses use Arabic phrases to illustrate behaviours that are derived from the Muslim faith. In one interview, the term "shurah" was used which means to seek counsel in decision making or to make decisions through consensus. The use of Arabic terminology shows the link between corporate activities and religious guidelines and the family considers them to be of high importance for application in the running of the business.

These practices of financial control and prudency, governance practices that were active, equally applied and extended to beyond the context of just the business and consensual decision making demonstrates the long term vision of the founding generation. The institutions and practices shaped the behaviours of the business and the family to focus beyond the here and now and to focus on a time period that extended beyond the first generation. The actions of the founding generation in leveraging their only family asset, a property which was their inheritance, in order to buy a controlling interest in a business steeped in debt and to have a vision to turn that business into a 100 store national chain shows many enviable characteristics including their long term vision and investment horizon.

Third generation participants:

In interviewing third generation family members, it was noted that the third generation regard governance processes of extremely high importance. Participants however mentioned that meetings were not frequent enough in the early 2000’s resulting in a lower level of transparency and consensual decision making. The business had moved into silos, with family members communicating less frequently about business matters, resulting in a decline in performance and caused political conflicts between family members and business units. They considered the governance practices and consensual decision making to be the strongest during the first generation and weaker in the second and gaining strength again in the third.

One participant explains that the founding generation managed their area of responsibility, and then reported to a central forum which enabled quick and congruent action taking; the second generation the family stopped collaborating and governing centrally as a unit. He suggests that this weakening of governance structures could be the cause of the decline in expansion during the second generation. He goes further to explain that the business has started governing as a unit one again which in his opinion is why the business is able to respond quicker and embark on the expansion strategy that it has. The continuity of a firm as a viable entity means the business needs to be in a position of profit generating after catering for expense growths and inflation, therefore by implication, if revenue remains unchanged and expenses grow, profit declines over time jeopardising the viability of the firm in the long term. Growth in revenue is therefore required for long term viability.

In 2014, the business has created a subcommittee to the board called the family council consisting of four members which was mandated to act as a forum for any family member employed in the business to be heard irrespective of the level at which the family member operates at in the business. This committee is then represented at board level so that family members’ views and concerns are heard at the highest level. This allows for family interests to be considered in decision making and ensures that interests of the family and of the business are congruent.

More recently, the firm has engaged in structural change due to the expansion and growth objectives. The participants unanimously agree on the transfer of the business to the fourth generation, and that decisions made today are likely to have an impact on the firm and family in years to come demonstrating the long term horizon and vision adopted in decision making, by considering generations in the future who for some participants, have not yet been born.

The business has appointed a non-family managing director to head the company as well as a non-family non-executive chairman for the board of directors. Participants have responded by confirming that the availability of impartial and unbiased candidates in senior positions has enabled the business in making more prudent business decisions in this generation, quicker than in the previous generation resulting in the business being able to act and respond to matters sooner than before.

Data from employee survey on governance structures and practices

Analysis of the 44 employee survey responses indicated that the majority of the respondents (97.7%) were aware that Ideals is a family-owned enterprise (see Figure 5.1). However, only 79.5% (refer Table 5.1) are aware of the existence of corporate governance processes being applied. The fact that they are not all aware of governance processes implies either a lack of transmission of structural policies on the part of the enterprise or paucity in understanding by employees.

Figure 5.1 Awareness of family ownership by respondents (employees)

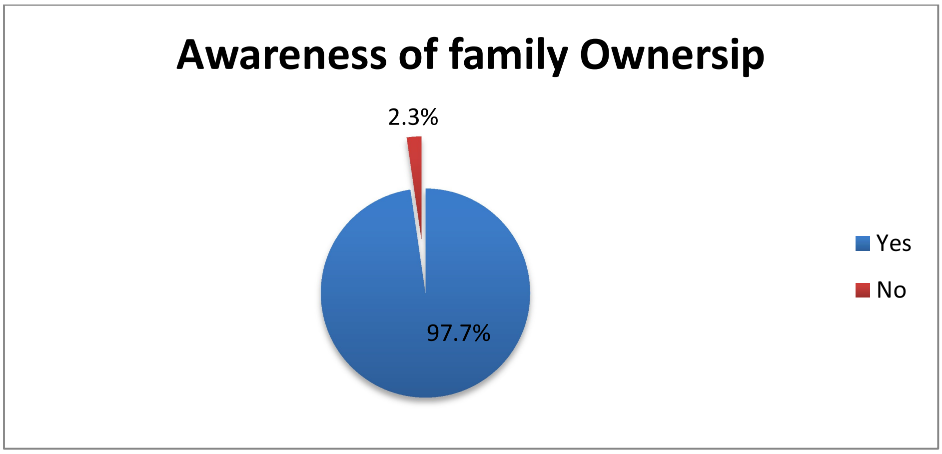


Table 5.1 Awareness of the existence of Governance Processes within the enterprise by respondents

Awareness of governance processes	%
Yes	79.5
No	20.5

The rating of governance practice in the business on a five-point Likert-type scale, based on their awareness of its existence is either positive (good- excellent 45%) or neutral-average (41%). This is based on the 40 employees who responded to this question. There was a non-response by 9 % i.e. 4 out of the 44 respondents. This is indicative of good governance application in the firm (see Figure 5.2). This is further corroborated by an overwhelming majority (75 %) of respondents agreeing with the policy and procedures in place at the family firm (see Figure 5.3).

Figure 5.2 Governance Practice rating

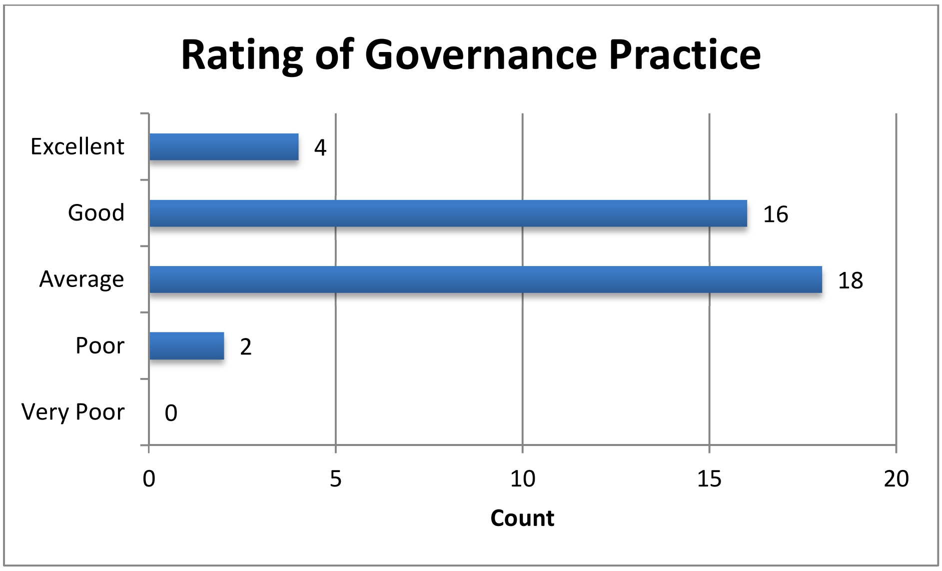
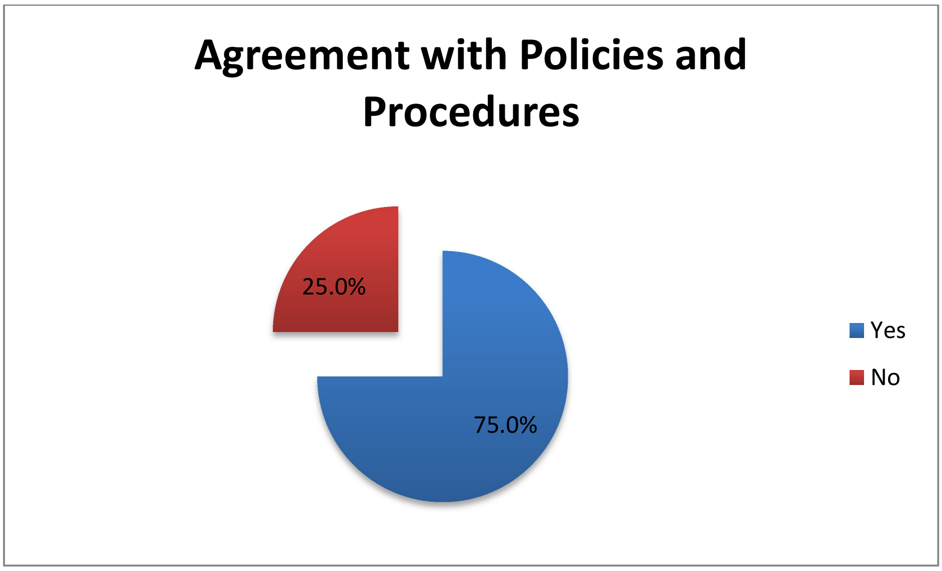


Figure 5.3 Agreement with policy and procedures



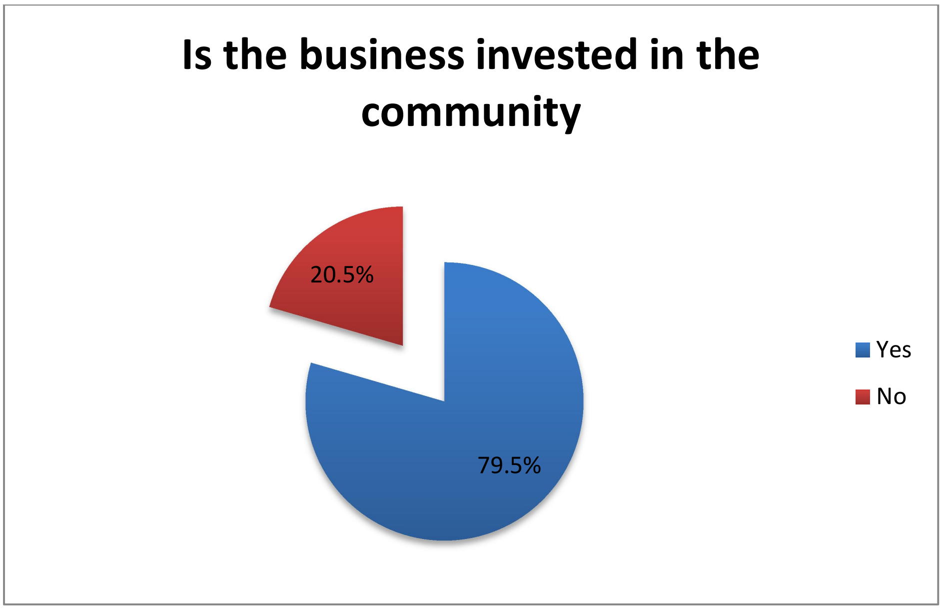
About half of the respondents (54.5 %) support the view of the existence of transparency in the firm (refer table 5.2) This shows that whilst there is an existence and functionality of the tenet of corporate governance in the form of transparency in the firm it is not supported by an overwhelming majority and would require addressing by the firm.

Table 5.2 Response indicating the existence of transparency in the firm

Existence of transparency	%
Yes	54.5
No	45.5

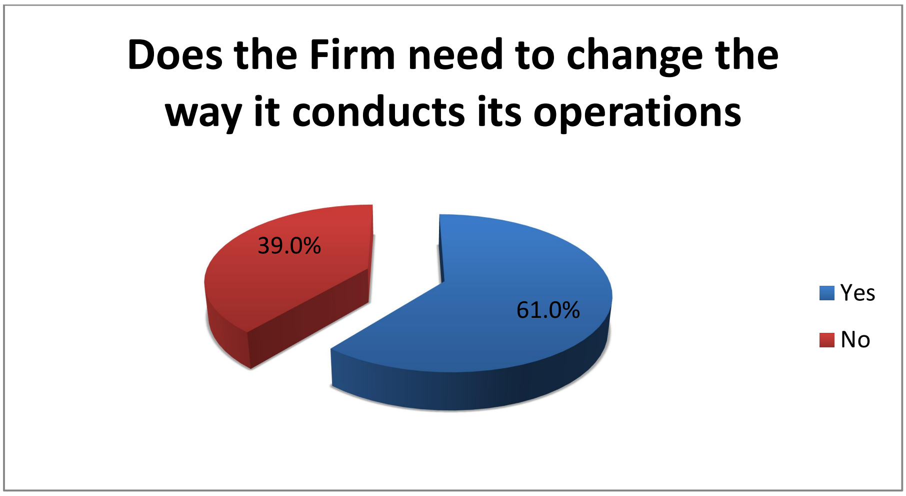
A measure of good governance is also based on the impact on the community within which an organisation operates. A majority of employees (79.5%) are of the opinion that the business is invested in the community (see Figure 5.4).

Figure 5.4 Opinion on the investment of the business in the community



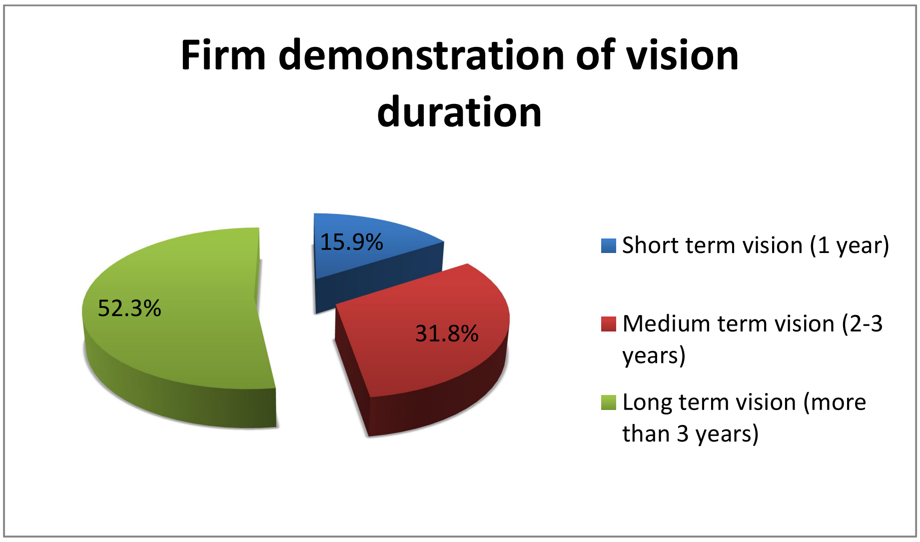
Nearly two-thirds (61%) of respondents indicated that the firm needed to change the way it conducts its operations. (Figure 5.5) This area requires further investigation.

Figure 5.5 Opinion on the need to change



Congruent with succession planning activities is the necessity of strategic planning for intergenerational sustainability of the family firm by setting short to long term objectives. This study revealed that about half of respondents (52.3%) are of the opinion that long -term vision is existent in this firm, followed by medium-term vision (31.8%) and short -term vision (15.9%) (Refer figure 5.6). These results indicate the existence of strategic planning.

Figure 5.6 Existence of strategic vision in the firm



From the aforementioned analysis of the survey data the results indicate that the existence of good governance structures and practices, existence of transparency and long-term vision are important requirements to enable the continuity of the firm as a viable entity to the third generation. However, from the perspective of its employees the way it conducts its business requires further investigation and it needs to address the issue of transparency.

5.3.2. Proposition 2

Family values of frugality, equality, determination, honesty and diligent work ethic transferred to the business environment enabling the continuity and viability of the firm

Data from documented sources regarding family values

The family is of Muslim faith, and frequent mention of Muslim values was reflected in minutes of meetings. A newspaper article from the Daily news dated March 28 1978 quoted a family member as saying the business looks to the future to expand, create jobs, contribute to the economy and raise the living standards of the common man and that the business rewards performance based on merit and ability for all working in the business (More than 100 years of trading, 1978). These demonstrates the values of honesty, equality, work ethic and determination which are not superficially spoken about, rather enshrined in the religious belief system, and transferred into the business's value system.

A memo written in 1986 refers to internal challenges between departments in the business, and draws a link between the business impact of these challenges and the image of the family and firm in the environment, showing that the family and firm are concerned with how the business is perceived in the public eye (M. E. Jadwat, personal communication, April 15, 1986). The memo refers to the values of honesty and diligent work ethic that needs to be exhibited by the family working in the business, and sets the standard for conduct within the business as well as with the business's external environment.

Minutes of a meeting held in April 1984 opens by stating that the philosophy of the business is “of expansion, to create jobs, to remove poverty and to give charity” demonstrating the conscious effort in laying own a value system aligned to equality, honesty and diligent work ethic. It then goes on to emphasise that all family members in the business are required to show total and complete commitment to the business with their time, effort and confidence and challenges family members to search their conscience in order to evaluate their input and commitment to the family business. The minutes explain that it is through the business the family is able to live in comfort and travel overseas on holidays and accordingly it is nothing but fair that the company demands “total allegiance, total commitment and total attachment” from the individual. The minutes close by saying “we are a conservative lot and proud of it” showing the depth of values and that these family members were employed in the business (M. E. Jadwat, personal communication, April, 1984).

Minutes of a meeting held in October 1985 upon a dispute between a director and the business, reflect that the principles of the business are clear and defined and the business will be “fair and just within the parameters” of these policies. The minutes then reflect Mr. Mahomed (M.E) Jadwat stating that he was the architect of the moral standings of the business and will see to it that justice is done to the disgruntled director. The minutes reflect the use of words such as “enshrined” in reference to that practices and policies of the business likening them to holy and sacrosanct (M. E. Jadwat, personal communication, October, 1985). This memo further demonstrates the active reinforcement of values such as equality, honesty and work ethic.

In a memo to the family members in 1980, the business approved the plan for the incorporation of a company with the sole intention of fulfilling social responsibilities and uplifting communities. The intention as stated would be totally philanthropic and humanitarian without personal gain or ambition, nor to boost the business image. In the 1980’s the founding generation created a trust with the intention of social upliftment. In memory of the foresight of their mother and the property which was used as leverage to buy a share in the business, that very same property was transferred into a trust with the beneficiary being underprivileged society (M. E. Jadwat, personal communication, December 9, 1980). The minutes of a meeting in January 1985 read "it [the property] will be dedicated permanently for the benefit of mankind and which cannot be sold, bought or inherited" and "in eternal gratitude and appreciation the time has now come to dedicate the property with the above objective in mind". This emphasizes a culture of creating social wealth alongside corporate business activities and as a token, donates the very same property that was used to start the business to charity. Similar values and actions are encouraged by the Muslim faith to which the family subscribes to (M. E. Jadwat, personal communication, January 23, 1985).

A memo (see appendix D) written in 2001 by a member of the founding generation shortly before his passing summarises in a few lines the effort it took to establish the business, the value system of the family and business and the work ethic required for continuity. The use of words such as "frugal", "charitable", "modest", "honesty" and "hard work" by the author unambiguously creates a framework within which the family and business should operate (M. E. Jadwat, personal communication, 2001).

Data from interviews and observations regarding family values

Second generation interviewees regarding family values:

It was observed in all interviews the frequent use of Arabic phrases from the Muslim faith. With reference to honesty and equality, a phrase meaning God is all seeing was used demonstrating the level of consciousness and awareness applied in daily dealings. In an interview with a second generation family member, the interviewee was asked as to what kept him awake at night, referring to business matters that could be uncertain for the participant. The participant's response was "remembering God". The spiritual response to a business directed question provides insight into how the family member consolidates his actions and passes them through a religious filter to evaluate if his actions are appropriate or not, and proves the transfer of value systems from the family to the business.

A second -generation participant narrates a story of an old lady who sold consumable items from a basket in the city centre. At the end of the day, she would leave her money at the store for safe keeping, which was recorded. Upon her passing, her family approached the business for the money she had deposited with it, and a sum of 9000 Pounds was returned. The family responded that their records reflected only 5000 Pounds, to which the business responded by showing that the funds were used in growing the business and it would only be correct that it should attract a return from the profits, which made up the difference. This incident demonstrates the integrity, honesty and trustworthiness of the founding family members, which has laid the foundation for the value system of the family and business for generations to come.

A second -generation family participant related an incident in his childhood where they needed a new fridge for the house. His father sourced and purchased a second hand fridge as it worked perfectly and did not cost as much as a new fridge, not due to shortage of available funds, rather out of frugality and that every penny not spent could be reinvested in the business. He went on to narrate a further incident when as a child, his father asked him to bring shoe polish home from the store. Upon handing the polish to his father at home, his father duly took out money from his pocket and asked him to deposit the money into the shop till. This act demonstrates a level of awareness that the business is separate to the family and that the family should not abuse the resources of the business. It also demonstrates deeper values such as honesty and integrity as there were other family members that owned shares in the business and relied on the financial performance of the business.

All of the second generation participants narrate the circumstances surrounding the original purchase of the business where the previous owners were accustomed to lavish lifestyles and indiscriminate spending habits which saw the business going into bankruptcy, and contrast that lifestyle to the frugal and simple lifestyle of their fathers who purchased the business, which in turn enabled the business to return to a state of profitability. The success and growth of the business was attributed to the values of the first generation family members, and are found also in written form in the various memos and minutes of meetings.

In attempting to understand the ambitions of the business, a second generation participant explains that it was his dream for the business to create jobs for 1000 employees. Currently, the business has in its employ staff members who have worked for the business for over 40 years, and suppliers who have been closely linked with the business and grown with it over time. The researcher has interacted with some of these suppliers who in conversation have mentioned that they treat the business as if it were their very own, showing the extent to which relationships have been built with suppliers.

All second generation participants relate stories of their youth wherein they worked and paid for luxuries themselves. One participant mentions that he worked in the shops on the weekends and had to save up to pay for his bicycles which were necessities to travel to school. All participants worked in the shops in their youth, to the extent that one mentioned that it was unthinkable that one would not work in the shop on weekends. The second generation participants relate the manner in which they were groomed into the business. They were made to work from a very young age and in the most basic of jobs initially, such as store sweepers and shelf packers. Combined to this, was that they were not made to work in the same shops as their fathers. Sons were shuffled around to work under their uncles, or in shops where there was a manager not related to the family which resulted in them being treated no different to any other employee, and had to prove themselves in order to progress, no different to any other employee. One participant narrates a story, where on Saturdays he would go to the market for his mother, buy what she needed, return home with the purchases and then go to work. On occasion, he would get to work a little late and his father would instruct the manager to pay him half a day's wages for coming late to work showing that irrespective of who the individual was, the business must be treated fairly and the employee will be treated fairly in return.

An incident already narrated wherein a participant was asked to bring home shoe polish and then instructed by his father to place money for the shoe polish in the till demonstrates the level of honesty employed by the family, and practically shows how these values were transferred into the business and incumbent generation. A second generation participant went into great detail when narrating stories of himself going on weekends with his dad to orphanages and old age homes and donating food and clothes. He noticed that while his father was firm with work related matters and in his upbringing, he was sensitive to social matters.

When the business was taken over by the Jadwat family, the debts owed by the business to suppliers exceeded the assets available to settle these debts effectively making the business insolvent. A participant narrates a story where he was sent as a young boy at the age of nine to accompany a spokesman for the first generation family members to five key suppliers asking for payment terms of between 12 and 24 months so as to keep the business afloat. The participant narrates that all five suppliers responded in a similar fashion that for the Jadwat family they are willing to continue supplying them and payment can be effected as and when money is available. This demonstrates the level of trust and honesty the first generation exhibited and passed on to the business. The participant then goes on to say that the value system of the family is the foundation of the business, and these values are currently still present in the business. During this interview, the participant’s phone rang. The friendly manner in which the participant answered the phone call from an individual unknown to the participant to which the participant politely informed the caller that he is currently occupied with something and if the caller would not mind calling back a little later. Note was taken of the phone belonging to the participant, which was a basic phone and not an expensive smart phone. This shows the values in a live environment, of politeness, honesty and frugality. This, together with the fact that they had to pay for luxuries were practical lessons taught to them on frugality, hard work and determination.

Third generation interviewees regarding family values:

In interviewing the third generation family members, it was found that the third generation family members joined the business in a similar way to the second generation. All third generation family members interviewed have worked in the business during their school going years over weekends and holidays and were employed from the lowest level in the business and progressed through the business as any other employee would, narrated that they observed their fathers working seven day weeks, honesty in their dealings and conscious of every Rand spent in both business and private expenditure. However, one participant mentions that the third generation was brought up with more luxuries than the previous, and in his opinion have become accustomed to a higher standard of living than the generations before resulting in the third generation having a lower sense of appreciation for the sacrifices of the previous generations and a lower level of value for money. The third generation participants all mention that there is a change in the lifestyles and living standards of the family from the previous generations. This could imply that there is a gradual erosion of some of the values in the business such as the value of frugality.

One third generation participant narrates in his interview that the first generation member obtained a small shareholding in the business first before buying a controlling share, and this shareholding was given to him by the original owners who had witnessed his honesty, work ethic and determination, and gave him a shareholding due to this. This narration is inconsistent with narratives from other participants on account that the shares were not given but rather purchased, however it does demonstrate that irrespective of the accuracy of the story, the participant drew learnings from this story highlighting to him the importance of honesty, determination and work ethic in business, which in his view opened the doors for the first generation to start a business. Two third generation participants also used religious values and analogies in explaining actions of the business. One participant explains that the more staff the business employs and provides livelihood for, the more blessings the business will accrue which is an understanding from the Muslim faith, while another explains that the family was always humble and should remain so as the blessings bestowed upon the family are through the grace of God. One third generation participant emphasised that in his opinion, the value system upon which the business was founded is integral to the future success of the business as it guides their thinking and behaviours.

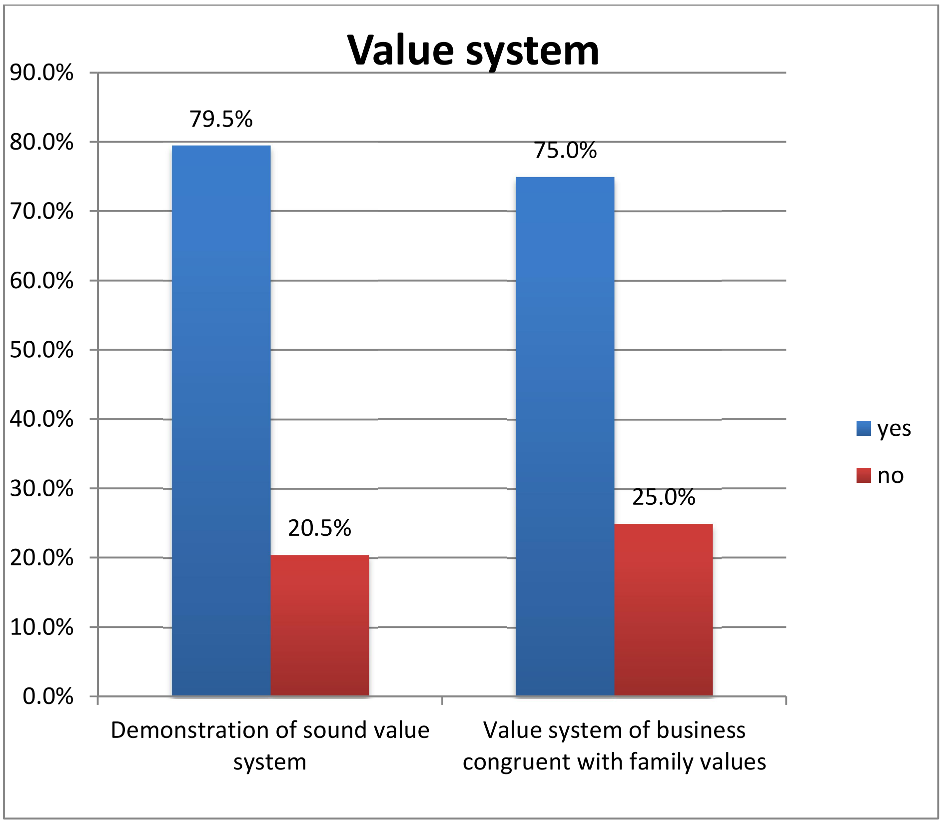
The researcher has observed the business's interaction with suppliers of merchandise and payments thereof. After goods are delivered by suppliers, they are counted to ensure that payments are made only for actual quantities delivered and where quantities delivered are short, the amounts are deducted from payments. However, where quantities delivered exceed the quantities ordered, the business records the quantity and informs the supplier of the over delivery and pays the suppliers for them. It could possibly go undetected by the supplier if the business chooses not to inform the suppliers of the over delivery, but the honesty and integrity of the family have transferred into the operational practices of the business which informs such practices in the business. All participants refer to frugality, determination, hard work and honesty as values that laid the foundation upon which the business was established and maintain that these values must remain present in the business in the future for its continuity.

In the interview process the researcher was exposed to codes of conduct that the family adheres to in the business such as abusing company resources, rules around the drawing of cash from the business, and not retrenching staff in periods of poor performance. However, these are scattered in memos and minutes of meetings and not consolidated into a code of conduct or charter. This is evidence of a value system that has transferred to the business from the family and constitutes a set of unwritten rules. Other values that were also mentioned by participants, such as caring, creating employment, philanthropy of the business, spirituality and unity. Both second and third generation family participants are of the opinion that the outside community views the family and business positively and this is as a result of the values upon which the business conducts itself.

Data from employee survey responses on family values:

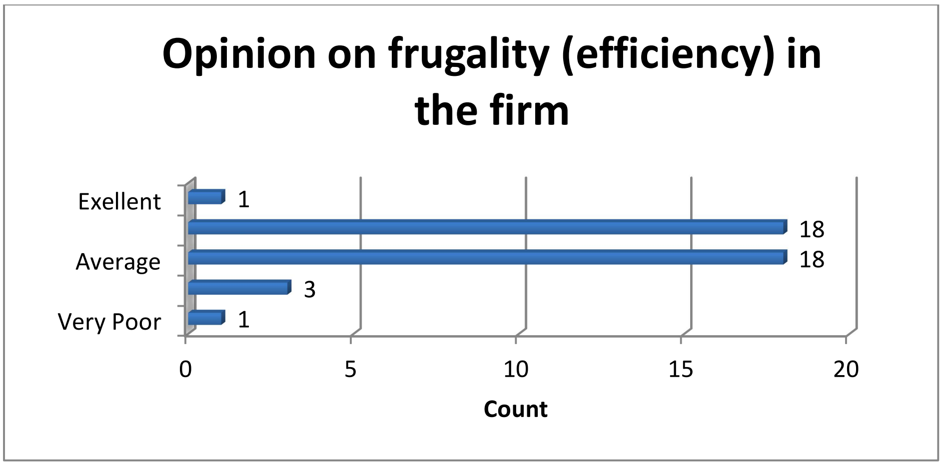
Of the 44 respondents it was found that 79.5% of them believe that the firm demonstrates a sound value system. The respondents perceive these values to emanate from the family ethos and value system. It was a view supported by 75% of the 44 respondents. (See Figure 5.7).

Figure 5.7 Perception of employees on the existence of a value system in the firm and its relationship with family values



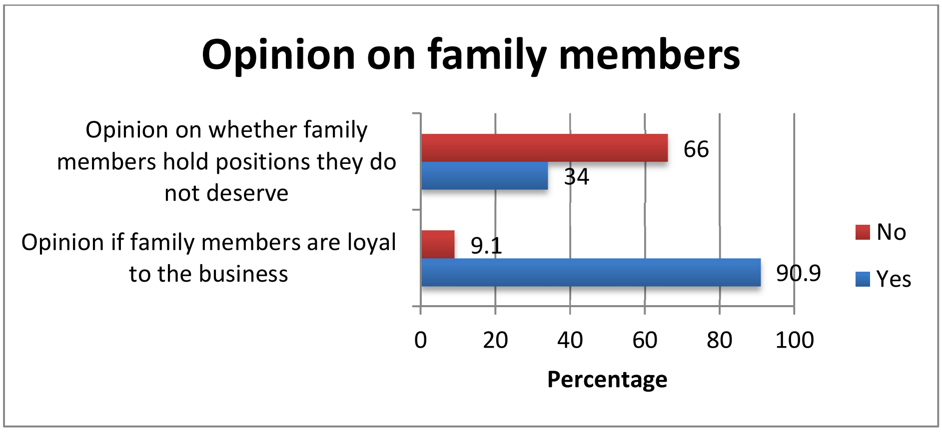
An important contributor to the growth of family firms according to literature is efficiency (From a financial perspective) based on frugality. It was noted that three respondents skipped this question. However, the data from the 41 respondents who answered this question showed that four (9.7%) opined in the negative and 43.9% considered the level of frugality to be average, whilst 46.3% considered it to be good to excellent. (See Figure 5.8) This is indicative of the existence of frugality in this firm, which could have contributed to its survival.

Figure 5.8 Opinion as to the level of frugality existent in the firm



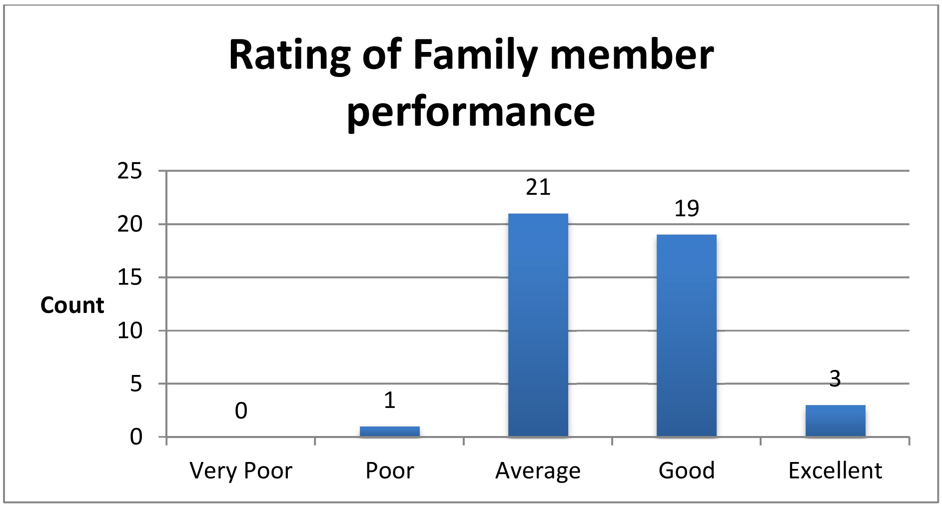
In determining whether the family value system of equality prevailed amongst both family and non-family members in the enterprise, it was ascertained that 34% believe that family members are in an advantageous position and hold positions they do not deserve intimating inequality in the workplace (refer figure 5.9) The survey results showed that majority of respondents (90.9%) believed that family members were loyal to the firm (refer figure 5.9). This then questions if performance was not the criteria for appointments rather than being a member of the family.

Figure 5.9 Opinion on family member position in the firm and loyalty



The rating of family member performance in the business on a five-point Likert-type scale showed that only one respondent rated family member performance as poor (Figure 5.10). Half of the respondents rated the performance of family members as good to excellent and 48% as average.

Figure 5.10 Rating of the performance of family members



Data analysis based on a five-point Likert-type scale of employee respondent's relationship with the family is average (31.8%) to good (47.7%). The relationship of employees with the business according to the survey results is indicative of it being average (25%), good (45.5%) and excellent (9.5%), based on the five point Likert scale.

Figure 5.11 Employee relationships with the family and the business

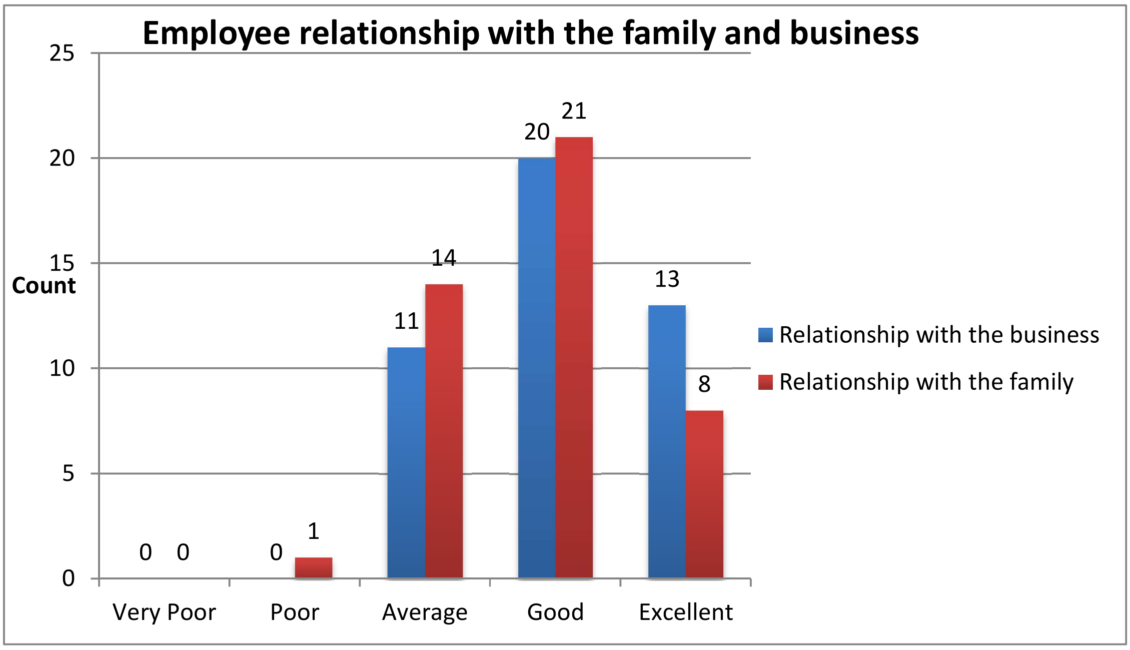


Table 5.3 Consideration of the Family and the business as single or different units

	%
One unit	61
Two units	39

Results also indicated that the majority of respondents (61%) considered the family and the business as a single unit (see Table 5.3)

The respondent's relationship with the family and business according to the survey results are indicative of it being average to excellent, with majority considering it to be good. There is indication of the existence of frugality in this firm, which could have contributed to its survival. Most of the respondents believe that the firm demonstrates a sound value system, which emanate from the family ethos and value system. Half of the respondents rated the performance of family members as good to excellent. Majority do not believe that family members are in an advantageous position and hold positions they do not deserve intimating equality in the workplace and an overwhelming majority believed that family members were loyal to the firm. Hence results are indicating that Family values of frugality, equality, determination, honesty and diligent work ethic transferred to the business environment are elements required to enable the continuity and viability of the firm.

5.3.3. Proposition 3

The family firm's low appetite for risk had a positive impact on sustainability but a negative impact on growth.

Data from documented sources regarding risk appetite

As highlighted in previous sections, the business started through the first generation taking a significant risk by leveraging their only asset to buy a share in a bankrupt business. The business soon turned into a profit making position and engaged in expansion activities, in opening more stores and a mail order environment which could be compared to online trading in today's retail landscape. Diversification was then sought through the property development and brick manufacturing companies, which carried substantial risks as these were foreign areas of expertise to the business. The first 25 years of the business were highlighted by expansion, diversification and risk seeking activities which saw the business grow in turnover and profits.

The second generation were faced with challenges different to those of the first. While the first generation were engaged in turning around a business, the second generation were tasked with growing the business while burdened with the responsibility of not eroding the value created by the first generation. Review of a memo written in 1986 acknowledges that the growth of the business has been stunted in that time due to the slow expansion of stores (M. E. Jadwat, personal communication, January 31, 1986).

Minutes of a meeting held in April 1984 encourages the family to keep a keen eye for new business opportunities and use the weekly meetings as a forum to debate and consider these opportunities. It explains the philosophy of the firm is to grow and expand and never discourage new ventures. However, it then goes on to explain that the funding rationale for expansion should be not that of borrowed funds but rather only if funds are available in the company's bank account. It goes on to explain the number of viable opportunities that have been "reluctantly" rejected based on this principle so as not to expose the family and business to the risks carried by debt. The minutes draw to a close by asking "We are not doing too bad are we? No fireworks, no shouting, no boasting. That's how we are and that's how we intend to remain". This shows that the company was sustained through calculated risk taking and only if funds were available. While the company's balance sheet could have supported debt for growth funding, this avenue was not pursued (M. E. Jadwat, personal communication, April, 1984).

Numerous accounts of the family history were found in archived documents, all highlighting the difficulties and challenges faced by the family and the business over the years. These accounts also explain that the business was started with sweat, hard labour, tenacity and business acumen and not with any help from financial institutions or family money, and often refer to the achievements of the business as modest and humble. The growth was slow but steady, and expansion activities were undertaken only when the business had sufficient cash to self-fund them.

A memo sent out in 1998 to directors makes one statement; “Income must exceed expenditure always”. This memo also demonstrates a change in mind set from the earlier generation where behaviours show risk seeking and entrepreneurial traits for growth and expansion to a preservationist mentality (M. E. Jadwat, personal communication, January 16, 1998).

Another memo written in 2000 shows correspondences between family members regarding the investments in property development and brick manufacture. In order to develop property, strain was placed on the business cash flow resulting in the business borrowing money from the bank to support operations. The memo shows a series of heated comments between family members on the need to borrow money and the slow return generated through the property division, demonstrating that the risk appetite has reduced over the years (M. E. Jadwat, personal communication, December 7, 2000). A second generation participant, commenting on the property venture said “do what you know best” implying that the family should not venture too far from the activities upon which the business was built. The researcher has observed that the recent expansion strategy was funded through the securities provided for by the property division demonstrating that the property division has grown substantially in value from the initial investment required to start, and has proven to be successful.

Data from interviews and observation regarding risk appetite

Second generation interviewees on risk appetite:

In interviewing the second generation, the common recollection was that the founding generation were entrepreneurial and risk seeking. Actions such as leveraging the family property to be able to buy a share in the business lend credit to this recollection. In time, the opening of new shops and diversifying into different business activities also shows risk seeking behaviour. One interviewer recalls a saying from a member of the first generation being “adapt or die”. An example of this is the business catered only for men’s clothing until 1972. In interviewing a second generation family member, he explains that the changes in society led to women wanting more fashionable and readymade garments.

This presented an opportunity for the business to expand its product range to include ladies clothing. The stores at this point were not large enough to cater for the extra merchandise which resulted in the business growing the number of stores and having stores for men's clothing and stores for ladies clothing. By 1978, the business had grown to 14 shops, both men's and ladies, which all second generation participants agree was as a result of the second generation having a keen eye for new opportunities as well as having the financial and emotional support of the founding generation members. Of these stores, one store stood out from the rest. A participant narrates that the store layout was built by the landlord to the specifications required by the business. At the time, the Grey Street in Durban was marked as the Indian trading area which was characterised by small stores selling similar merchandise. A plan to open a destination department store with two levels of shopping covering over 600 square metres and a restaurant contained within the shop was conceived and brought together men's and ladies clothing in one shop which made it a destination store for family shopping with entertainment facilities in the form of the restaurant. The store was a success from the day it opened, with the store generating over R10, 000 sales on its opening day in 1971. The incident shows the business's appetite for taking risks, including opening a restaurant which again was a departure from expertise held in the business to that point.

All second generation participants mentioned that investments and expansion activities were subject to the availability of resources in the business, and a principle of self-funding was applied in evaluating new ventures. This principle meant that a new venture would require minimal initial capital and be able to service its future expenses and capital requirements out of its own profits. Second generation participants also relate incidents whereby they witnessed other large family businesses crumble around them due to poor financial management and high risk taking from which they learnt which informed their expansion activities. This allied to the difficult financial period faced by the business during the late 1980's and through the 1990's limited expansion and risk taking activities due to fear of losing the business. This marked a shift from when the business was managed by the first generation to the management years of the second generation. Another second generation participant narrates an incident where after intense interaction and negotiation, he had the rights for Nissan dealerships throughout Natal, but due to the perceived risk of venturing into a different field of expertise and the financial investment required, this was turned down by the business. However, he then goes on to draw understanding from the Islamic belief system and explains that what is meant for one to have, which is all one would get as that is what God has willed and explains that the Jadwat family is content with what they have. He then passes on advice to the researcher not to be afraid to explore new business activities, and to enter into strategic partnerships with bigger, more successful companies in order to learn and grow.

The second generation participants all commented on the effects of Apartheid on the business which not only restrict expansion opportunities, but took assets from non-Whites and paid pittances for them which shaped the financial and expansion planning activities; however two narrate that the risk averse attitude in the second generation stifled the business and restricted its growth. In asking a second generation family member as to what keeps him awake at night, he responds that the recent borrowings and cash flow requirements of the business required to support the expansion strategy is a departure from the philosophy of self-funding and makes him extremely anxious.

Third generation interviewees on risk appetite:

Third generation participants narrate the business's risk appetite differently to that of the previous generation. While the previous generation saw the wisdom and understood the reasons behind slow expansion, the third generation felt this approach was stifling to the business and caused it to become reactionary to the environment rather than proactive. One third generation family member explains in his interview, that in 2006 when the opportunity to expand the offering in stores to include cellular devices and related products, the senior generation did not consider it a good idea and were reluctant to invest in the venture, while he explains the growth that cellular was having in the South African market, the diversification was a low risk investment. He goes on to explain that after much convincing, reluctantly the business agreed to the new product lines in a few stores in the chain for a period of time, and after it proved to be successful over a few seasons was it gradually adopted across all stores in the chain. The cellular division now contributes approximately 15% of net profit of the chain, and he explains that this could have been more if the business was quicker to respond and invest in the opportunity. Another third generation interview emphasises that the business took no risks in the previous generation, but he was unsure if that had a positive or negative effect on the business, but concedes that if he could change something in the business, he would change the risk averseness of the previous generation.

All third generation participants however agree that the business is taking more risks in this generation than the previous through rapid expansion, and that these risks are benefiting the business by capitalising during the weaker economic condition due to the value offering of the business. A third generation participant relates that all business decisions carry risk, and the conundrum the business finds itself in is to find the balance between taking risk in pursuit of growth and preserving the business. He then comments on the aggressive growth strategy that the business is currently on, and that the company has grown and taken more risks in the last year than during the entire previous generation, and more than the 15 stores that the business had grown by under the management of the third generation to this point. This comment shows a change in the risk appetite in the business, and that the risks are resulting in growth and viability for the firm. The researcher had observed over the last year that when the strategy was presented to the board and owners for approval, within two hours the strategy was approved. The strategy was detailed and included plans for expansion and growth and also included plans to enter the business into a funding arrangement with financial institutions so as to fund the strategic plans. When the time arrived for the board to sign contracts with the banks to initiate the borrowings, it took over two months for the family to sign the forms due to anxiety and low risk appetite. However, in financial terms, the company had no gearing what so ever in the business until that point, and currently operates a debt to equity ratio of 1:5.

A third generation participant commenting on the performance of the business over time said that as much as there are successes, there are also failures. One of the failures in his opinion was the sluggish expansion during the 1990's which had a negative impact on profitability and cash flows which took the business a decade to recover from. When asked about the challenges faced by the business, the participant responded by saying being stuck in various stagnant stages in the firm's history, and taking too long to get out of those phases due to the culture at the top of not wanting to expose the company to risk by taking quick action was one of the biggest challenges faced by the firm.

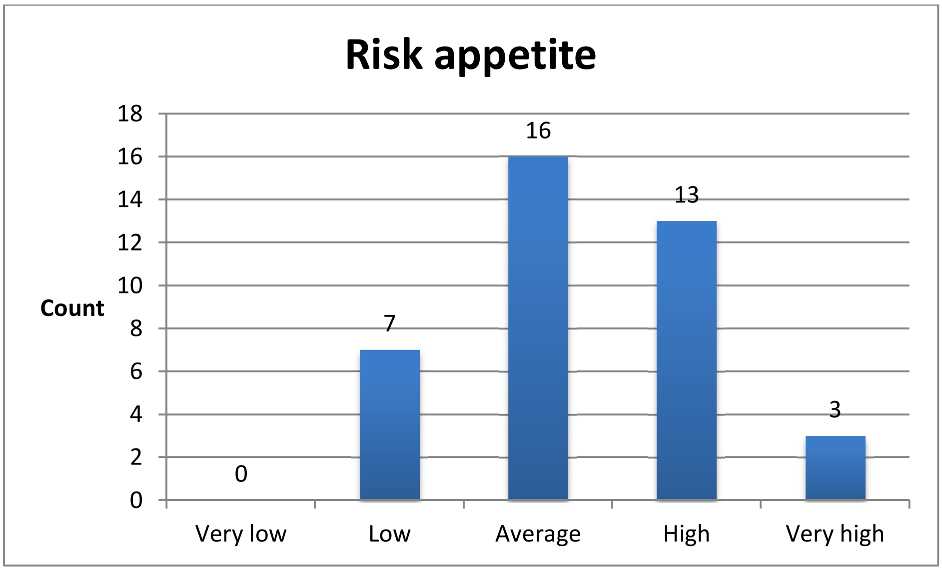
One participant associated the low risk appetite of the second generation to an overlap of family and business objectives, and explained that the business did not reinvest its profits into the business as a result of having people in senior roles for which they were not adequately trained to fulfil. One third generation participant mentioned that the firm demonstrated a low risk appetite, however maintains that this was necessary and enabled the sustainability of the business through other challenges, the company cash flow and profitability was negatively affected. He went on to explain that once expansion activities were undertaken in the late 1990's, through the opening of eight stores, the company's performance improved. He mentions that the risk appetite has changed, and was concerned if the firm is growing too fast currently.

All participants express a difference in the business from the first to the second generation in terms of risk taking, and explain that the first generation was more risk seeking with the second generation being good caretakers and less risk seeking.

Data from employee survey on risk appetite:

The rating of the firm's risk appetite for new initiatives on a five-point Likert-type scale, indicated that of the 39 responses received it was found that 41% believe that for new initiatives this firm has an average risk appetite with 33.3% considering it to be high (see Figure 5.12) The survey results indicated that 11% (5 out of the 44 respondents) had skipped this question. This firm has survived to third generation indicating sustainability. The current risk appetite is not considered low and is conducive to growth.

Figure 5. 12 Opinion on the risk appetite for new initiatives



Further, investment in the business for growth if it is impacted by risk appetite would be expected to be poor or low. The study results show that in the opinion of respondents the current investment in the business for growth on a five-point Likert-type scale is above average with 45.5% (20/44) of respondents considering it to be good and 13.65% perceiving it to be excellent (see figure 5.13) This could possibly be indicative of growth in this firm.

Figure 5.13 The current level of investment sufficiency for growth

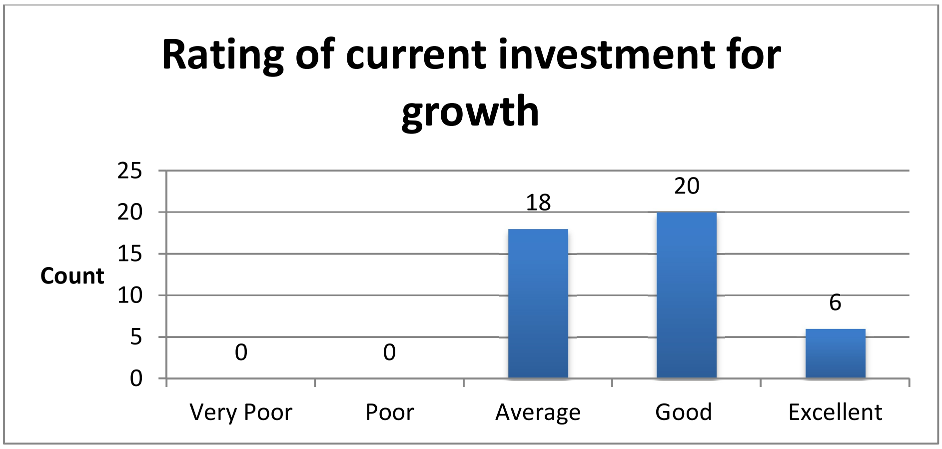
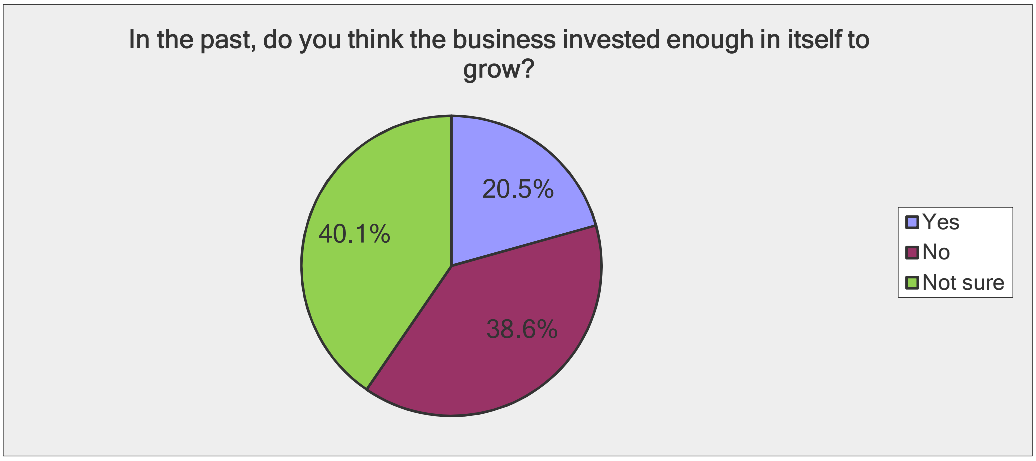


Figure 5.14 indicates that 20.5% of respondents are of the opinion that the past investment in the business for growth was sufficient. The implication being that in the past i.e. first and second generations perhaps the risk appetite may have been different and low to disallow a high investment in the business for growth. In this firm the current risk appetite appears higher than expected and investment in the business for growth is also higher than expected for family firms.

Figure 5.14 Employee opinion on whether past investment in the business was sufficient for growth.



For new initiatives results indicate that this firm has an average risk appetite. This firm has survived to third generation indicating sustainability. The current risk appetite is not considered low and is conducive to growth. In the opinion of respondents the current investment in the business for growth is considered above average, which could possibly be indicative of growth in this firm. This correlates with the literature study that a family firm's risk appetite from the third generation onwards increases due to the possible inclusion of non -family members in the firm. Only a minority of respondents were of the opinion that the past investment in the business for growth was sufficient. The implication being that in the past i.e. first and second generations perhaps the risk appetite may have been different and low to disallow a high investment in the business for growth. In this firm the current risk appetite appears higher than expected and investment in the business for growth is also higher. The family firm's low appetite for risk in earlier years may have had a positive impact on sustainability but a negative impact on growth.

5.3.4. Proposition 4

Albeit informally, strategic and succession planning activities were necessary for the continuity and viability of the firm across three generations.

Data from documented sources on succession and strategic planning

A memo written in 1984 makes reference to regular meetings held and for these meetings to be used as a forum for strategic planning. The memo refers to these forums as "think tanks" wherein new business opportunities and strategies can be discussed and evaluated (M. E. Jadwat, personal communication, April 7, 1984). Another memo written in 1986 calls for the family and management to extract itself from the daily operations of the business to engage in more formal strategic planning to ensure the continuity of the business (M. E. Jadwat, personal communication, April 15, 1986).

Strategic and succession planning also takes the form of share transfers and ownership in family firms. Minutes from a meeting held in 1970 reflect the rules of strategic planning with regards to ownership of shares. The minutes as agreed stipulate that in the case of a family member wishing to leave the business, the member is required to sell his shares back to the company at fair market value and that the business should remain intact and able to continue and grow (M. E. Jadwat, personal communication, March 13, 1970).

In a memo written in April 1986 by Mr. Mahomed (M.E) Jadwat to the younger generation at the time encouraging them to break away from the old methods of running a business which required the "physical presence of the boss" in the stores. The memo explains the use of systems, reports, stock takes and other control mechanisms in place in the business to better manage the business centrally from the office. The memo is critical of the old methods, and implores the younger generation to change the manner in which the business is managed, showing a strategic change in organisational behaviour and management. The memo closes by stating the "aim to reach a target of 100 branches by the turn of the century" with "nothing left to blind chance or guessing" and lays this challenge at the feet of the two younger generation family members involved in the retail business to engage in strategic planning and discussions to make this possible (M. E. Jadwat, personal communication, April, 1986).

An email from a third generation family member to all family members in 2005 highlights fears that the family and business are not engaging in strategic and succession planning activities. The email suggests that the firm needs to grow and move to the next level, but management and board meetings have not been occurring resulting in poor communication, lack of brain storming and a weak environment in which to develop cohesive behaviours. The email goes further by suggesting that the lack of meetings is having a negative impact on the third generation's ability to effectively fill the roles they are expected to play in taking over the management of the business and proposes a time for the next meeting and an agenda which includes succession planning and strategic activities (R. Jadwat, personal communication, June 2, 2005).

Data from interviews and observation on strategic and succession planning

Second generation on strategic and succession planning:

The interviews with the second generation revealed that in the early stages of their involvement in the business, regular meetings were held by the family members. These meetings would be used as a forum to discuss the performance of the family business and future actions including expansion, diversification and new business opportunities. The results of these meetings would be minuted including decisions and actions to be taken. None of the participants related there being formal strategic planning forums or detailed strategic action plans, however all mentioned the vision was to get to 100 stores by the turn of the century, which was also found in the minutes.

In interviews with second generation family members, they explain the manner in which they were brought into the business. This succession planning method was evidenced as early as 1960. During their schooling days, they would work in the shops on weekends and during the holidays, and began working in the most basic of jobs. As time progressed and they proved their ability for hard work and dedication, they were gradually promoted to more senior roles. When the business had come out of its initial financial challenges, the second generation joined the business full time, and were made to work under existing store managers or under an uncle in the business, not directly under their respective fathers so that they could be trained and treated no different to any other staff member. One participant recalls that the previous generation would meet every night after closing the shops to discuss the day's performance and actions to be taken. While the nature of these meetings would be informal, they served as an environment within which decisions were made regarding strategic activities. One second generation participant recalls the first generation member spending extensive amounts of time with a member of the second generation, and as other members of the second generation were being coached under other family members, the first generation member was coaching this second generation family member. The participant also recounts the period shortly after the first democratic election, when the city centres were opened for free trade and non-Whites were allowed to shop at stores that were previously only open to Whites. This changed the clothing retail environment in the city centre, where the customers could now purchase similar branded merchandise at national retail chains on credit terms rather than on a cash basis at the family's stores. A decision was taken to move the business away from branded merchandise into private label on a smaller trial basis which proved successful, and gradually all merchandise sold was replaced to private label merchandise. The participant recalls this incident and ended by saying that if this strategic decision was not taken, the business would not have survived.

Another second generation participant comments that it was unthinkable that they would not work in the business, showing that succession was almost not a matter of choice for them. He also narrates an incident where the first generation family member left for an international holiday which lasted more than six months; two members of the incumbent generation were formally left behind in charge of all the shops to manage the daily affairs of the business. On his return, he evaluated their performance and the performance of the business and never returned to the shops but remained in the head office as a support figure offering guidance and looking for other opportunities.

Strategic and succession planning also extends to the planning of share transfer in family firms. The second generation family members explain that after they had proven themselves and had invested years into the business, the first generation made a decision to open another company wherein the incoming generation were made sole shareholders and all new stores were opened in this company. This created ownership and an environment wherein the incoming generation could test their business acumen and be rewarded for their successes creating a platform geared towards ensuring continuity and viability for the firm. In enquiring of the second generation with regards to the practice of succession and strategic planning, respondents replied in the affirmative however they mentioned that these practices were not formal in nature.

Third generation interviewees on strategic and succession planning:

One third generation participant narrates the method in which he joined the business. He was initially placed in the warehouse where he worked for six months, after which he was moved into the replenishment department for another six months, then moved into a store for a while and was gradually promoted to store manager, then moved into the IT department for a period of time and then into the stock take team which he currently still manages along with other areas of responsibility. This experience shows the method in which family members were groomed into the business, providing them with a complete view of the business and allowing them to demonstrate their abilities before giving them the opportunity to take on a management role in the firm. This is also a demonstration of strategic human resource planning within the family, and informs the succession planning activities to ensure that the incumbent family members are exposed, well trained and known to the business from a young age.

The third generation participants narrate challenges faced by the business during their involvement in the business, and were honest in explaining that the skills required to meet the challenges faced by the business were not always possessed within the family or within the business at the time. One participant relates that whenever the business faced a significant challenge, they looked outside the business and found appropriate skills or answers to the challenge. One such occasion was the appointment of the first non-family managing director in 2007 that took the lead role in the business and had the task of pulling together the management team and formalising strategic activities. Another third generation family member mentions that this was needed, and perhaps the previous generation did not engage sufficiently in these processes thus requiring an external appointment for the role. However, he did mention that the second generation had the foresight and humility to acknowledge the shortcomings in the business and made way for an external managing director and this has now become a habit in the firm as the business has hired formally its second non-family managing director. This activity has repeated four times in the last 20 years, with the first two external appointments served as key advisors to the business without taking on the formal role of managing director, and is considered as the most strategic of activities the business undertakes. This he added also ties into succession planning, as the business at these crucial moments required new skills and expertise and without these activities the firm would not have survived to this point. Another third generation participant explains that the strategic and succession planning activities were never formal or prescribed processes, and it was not perfect but the business took its course and learned at every stage in its life.

The third generation differed in the response to succession planning to the second generation. The third generation were not forced into the business, but joined through desire to be a part of the firm and one participant mentioned that it will be increasingly difficult in future generations to expect family to always manage the business as interests might lie in fields outside those that the business is involved in, and therefore the responsibility of the family is to ensure that the business is always managed by capable individuals.

One third generation participant mentions that the business never had a formal strategic plan as it currently has with the recruitment of the current managing director, including measurements at every juncture and the results in his opinion are markedly different to previous results as the business is not focussed and what it needs to achieve by when and how it intends to achieve it, however, he also mentions that strategic planning was an activity which was undertaken previously, albeit in an unstructured and less formal manner. Another third generation family member mentions that while there was strategic planning, it was not of the level that was required to catapult the business into action, which has been the weakness of the business. This shows the difference in the business performance when informal strategic planning is compared to formal strategic planning. The researcher also observed as a young child, a member of the first generation and the financial head of the company, a member of the second generation, travelling home every night from work together, and sitting in the car outside the house for extended periods of time discussing work related matters. This example of spending time together between the outgoing generation and incoming generation created a platform for knowledge transfer and coaching for the incumbent generation. The second generation member assumed the position of the head of the company after the passing away of the first generation family member, and this is an example of the informal succession planning activities in the business.

One third generation family member mentioned that the succession planning activities were informal for his generation and it was from father to son meaning that the son took over his father’s portfolio. He added that the effectiveness of the succession planning activities was based on the amount of hands on experience and exposure the incumbent had in the business before taking on a senior role in the firm. Another third generation participant comments that the central focus of the firms strategic and succession planning activities was the continuity of the family firm, and this was passed down from the first generation, who would sacrifice personal gain for the firm.

The data collected from the minutes of meetings, memos and interviews speak to forums being used for discussion and planning, and refers to them as “think tanks” as a reference for engaging in strategic discussions. The understanding that decisions are not made unless through consensus also show the use of relevant decision making rules. The interviews have also highlighted that the business is encouraged to always consider new opportunities showing the intent for expansion and growth.

It was observed in all the interviews conducted except one, that participants made mention of the business reaching a milestone of 100 stores, demonstrating that the business had an overarching strategic objective which grounded the decision making process. All respondents explain that strategic planning in the family firm took the form of awareness and open mindedness to new opportunities, and decision making only occurred in meeting forums and by consensus. All participants also speak to the importance of attending conferences and seminars in order to be aware of the changes in the environment and the potential impact of external circumstance that could impact the business.

One year ago the family embarked on an expansion strategy to take the business national, necessitating voluntary gearing, investment in people skills, advanced systems, new stores and effective management and governance structures. The firm has nearly doubled its staff costs and has opened 24 new stores in just over one year, with an intention to reach 130 stores by 2018 (see appendix E). The strategic plans of the business details expansion plans into all provinces of the country, clear primary and secondary areas for investment and details the measurement criteria at every stage. The firm and family have demonstrated an elevated level of risk appetite, especially considering the global and domestic economic environment. A review of the documentary data shows that the firm has not had a strategic document and plan to this level of detail before. Traditionally, strategic planning took the form of board meetings, and yearly objectives with an informal eye open to new business opportunities.

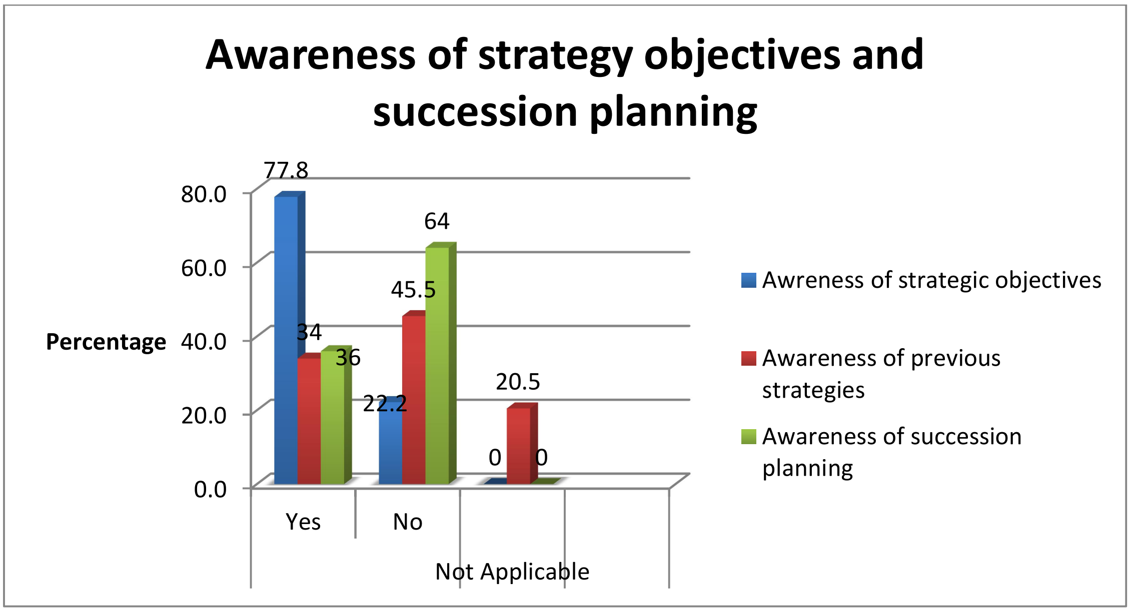
A managing director was appointed in 2014, after the firm engaged in executive search which was the first act of this kind for the firm, and is not a family member. The board has also nominated a chairman who is also a non-family member. All members of the family are invited to attend the quarterly board meetings and encouraged to participate. The firm has also formally adopted a performance evaluation process applicable to all employees of the firm, including the managing director.

In 2014, the board approved and effected the movement of a family member from an executive role, into a non-executive role in the business. The firm's demands for the position demanded skills that were not possessed by the family member, and the individual also expressed the desire to explore another career path within the firm, and was replaced with a skilled and capable individual. This was necessitated as a result of the expansion endeavours of the firm with the understanding that the needs of the firm exceed the needs of the individual. Allied to the strategic planning activities, the family and firm have embarked on formal succession planning and share transfer activities. The first measurement of bench strength at executive level has been concluded which will lead into the identification and grooming of successors for key positions within the business.

Data from employee survey on strategic and succession planning:

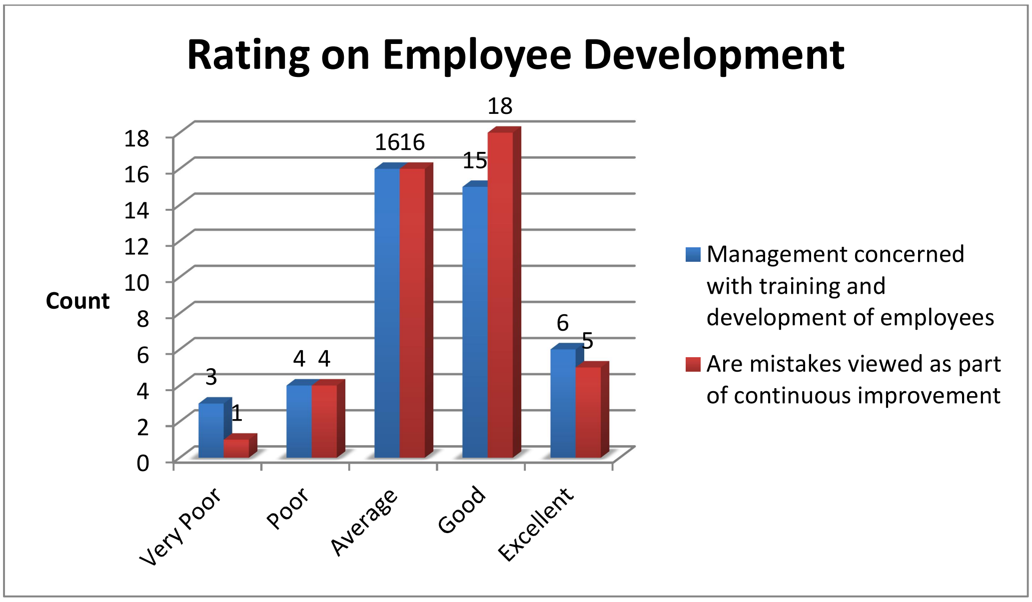
Referring to figure 5.15 results showed that about two-thirds (64%) of the respondents were unaware of the existence of succession planning in the firm for senior management. This needs to be investigated. However an overwhelming majority 77.8% were aware of the firm's strategic objectives. With respect to the previous strategies employed by the firm 45.5 % were unaware.

Figure 5.15 Awareness of succession planning strategy and objectives



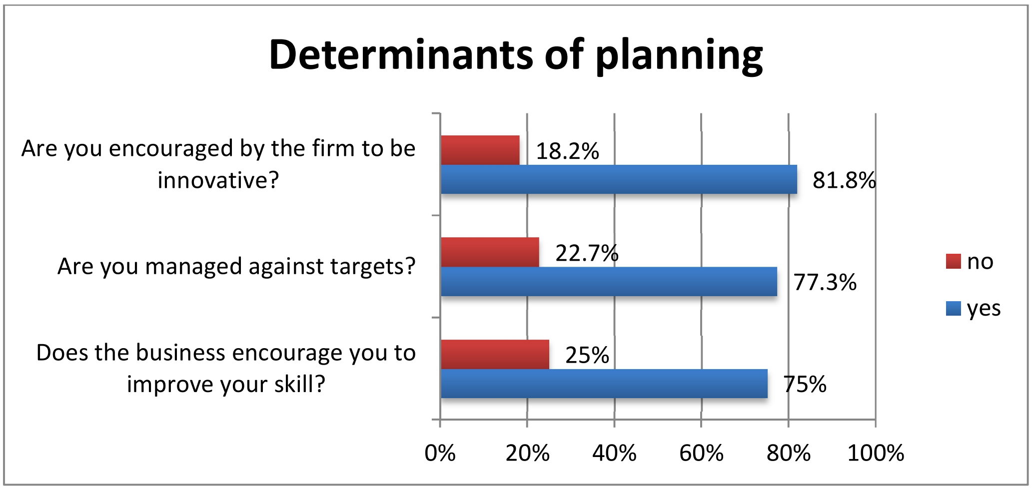
The literature study highlighted that a key indicator of the existence of succession planning in business is the existence of employee development. The employee survey results on a five point Likert scale type indicated that 36% of respondents considered management to be averagely concerned about training and development of employees and viewing of mistakes as an improvement mechanism. 34% of respondents considered management concern about training and development of employees to be good whilst 41% perceived management viewing of mistakes as an improvement mechanism to be good (see Figure 5.16).

Figure 5.16 Rating of Employee Development



Other indicators of planning are the encouragement of innovativeness; improvement of skills and management against targets. The survey showed that 18.2% of the respondents did not perceive the firm to be innovative, 22.7% did not consider their performance to be measured against targets and 25% felt that the business did not encourage them to improve their skills. However, these indicators were in the affirmative according to the majority of respondents and hence indicative of its prevalence in the firm (see Figure 15.17)

Figure 5.17 Prevalence of Planning determinants



According to table 5.4 no respondent was of the opinion that the firm will not survive.

Table 5.4 Opinion on the survival of the business.

Will the firm continue to survive?	%
Yes	100
No	0

The factors postulated as necessary for the continuity and viability of the family firm across three generations in the four propositions, have to some extent been engaged in by this firm, which has lead to a positive outlook by the respondents.

Chapter 6: Discussion

6.1. Introduction

This chapter will aim to answer the propositions in chapter three by unpacking the results in chapter five in light of the literature reviewed in chapter two. The layout of this chapter will follow the layout from chapter three using each proposition as subheadings to this chapter.

6.2. Determinants of survival and viability

6.2.1. Proposition 1:

Good governance structures and practices based on regular meetings, transparency, long-term vision and consensual decision- making enabled the continuity of the firm as a viable entity to the third generation.

The very fact that the firm has survived to the third generation could be attributable to its good governance practices. This is corroborated by the literature study, which indicated that for sustainability into third generation, and beyond corporate governance structures are a necessity. As Cruz & Nordqvist (2012) have explained that firms in third generation or later are more socially complex and are susceptible to power and political struggles between the family members. The importance of board composition and sound governance practices is thus highlighted. Adendorff & Halkias (2014), further supported this view in saying that the complex environment within which family firms operate demonstrates the need for governance frameworks to be unique for the family firm and not generic. Studies have also found a strong positive link between good governances and the long term viability and continuity of businesses, with family business included (Adendorff & Halkias, 2014). The data in chapter five illustrates the governance foundations in the firm from inception, such as regular meetings, minutes taken of meetings and the decision making processes which have been etched into the operating processes of the firm. The data also reflects how the implementation of these practices have changed over time, with high frequency of meetings in the first generation which declined in the second generation and has increased one again in the third generation. Respondents have also agreed that the governance practices and the reinforcing of long term vision are applied through the occurrences of meetings. The data also demonstrates how the firm's performance shifted in proportion to the changes in the governance frameworks, such as in the first generation the firm was founded and soon turned to a state of profitability and expansion (see appendix F). The decreases in the frequency of meetings in the second generation lead to an erosion of consensual decision making and transparency which in turn affected the growth and viability of the firm. However, the presence of a strong leader in the firm during the second generation enabled the business to continue profitably and transfer to the third generation. The literature explains that governance foundations and structures have been found to considerably define a firm's performance while in the lack of such formal structures, ownership involvement can equally provide such a control environment, albeit informally (Rettab & Azzam, 2011). This is relevant during the second generation, as while the governance rules were understood, the lack of forma; governance structures and practices such as regular meetings and effective board structure and subcommittees limited the firm's ability to maximise performance, however, the presence of ownership at executive level compensated for the lack of governance structures in ensuring the firm did not make decisions which could negatively affect the continuity and viability of the firm evidenced by the fact that the business has continued as a viable entity. It is also suggested in the literatures that as family firms are different to non-family firms by virtue of family involvement, the need for formal governance structures are needless (Ei-Chaarani, 2013). This was observed to be true as the firm was able to continue profitably and transfer to the third generation, however the data show that the firm was unable to respond quickly to challenges often resulting in extended periods wherein the firm did not take action negatively affecting the profitability of the firm (see appendix F).

The present structures of a board, advisory board, family council, executive forum and the subsequent increase in meetings and requirements for attendance of relevant members has resulted in the firm developing a formalised strategy and executing the growth ambitions of the firm, thus enhancing the firm's viability (see appendix E). Researchers and governance practitioners have also advocated the use of non-family as advisers and representatives on governance structures which enhance the effectiveness of governance practices (Adendorff & Halkias, 2014). The data reflects that the firm regularly practiced the involvement of business advisors at senior levels in the firm, which a participant narrates to have been of significant importance during phases wherein the firm could not respond effectively to challenges, which enabled the firm to overcome these challenges and continue.

The results of the employee survey rating of governance practices based on awareness of its existence is highly positive, indicative of governance application in the firm. This is further corroborated by an overwhelming majority of respondents agreeing with the policy and procedures in place at the family firm. From the aforementioned analysis of the survey data the results indicate that the existence of good governance structures and practices, existence of transparency and long-term vision are important requirements to enable the continuity of the firm as a viable entity to the third generation. However, from the perspective of its employees the way it conducts its business requires further investigation and it needs to address the issue of transparency.

The governance processes have also evolved over time, to include the creation of subcommittees to the board, remuneration practices and decision making processes. The data reflects the changes made in the third generation such as the creation of an executive committee to oversee the daily operations of the business which meets weekly, the creation of an advisory board which meets monthly with the managing director to ensure that the firm's actions and performance are in line with the board's expectations, the creation of a family council which manages family expectations and matters in the firm as well as the job banding and salary adjustment process undertaken last year to base salaries to market related salaries. Sound relationships are grounded in values such as trust, fairness, honesty, integrity and openness which for the family, can be adopted into the governance structures in the business (van der Merwe et al., 2012). The data reflects that in the first generation, the governance structures created the forum for which these values could be embedded and were adopted by the management team, and participants concur that the recent formalisation of governance structures have once again created an environment for the cultivation of common values. The governance practices however needs to extend to matters relating to family; such as compensation practices, workloads between family members as well as between family and non-family, communication to family relating to business decisions and the ability to manage family conflict, creating a potential need for a family forum wherein family matters and governance thereof can be practiced (van der Merwe et al., 2012). These formalised governance processes and forums are relevant as third generation firms begin to manage growth and shareholder desire for dividends thus pressurising the firm into planning and executing strategic plans and relating to the firm in a way not dissimilar to that of a non-family firm (Eddleston et al., 2013). As Cruz & Nordqvist (2012) have explained that firms in third generation or later are more socially complex and are susceptible to power and political struggles between the family members reducing a firm's chances for continuity and viability. Due to the social complexity in third generation firms the governance structures must ensure that both family and non-family managers are given the opportunity to express their views and to be heard drawing the balance between family and non-family manager goals (Patel & Cooper, 2014). Participants have responded positively to the changes in the governance structures and have noted an improvement in the firm's ability to be more effective increasing cohesion amongst all employed in the firm, and therefore increasing the firm's ability to continue profitably.

The literature also explains that immigrant family firms jealously guard their intellectual property and privacy and while good governance requires sharing of confidential information with senior, non-family members, family firms may not be inclined to appoint non-family to governance structures resulting in sub-optimal governing bodies and limiting the performance of a firm (Adendorff & Halkias, 2014). The data reflects that the family firm is an immigrant family firm and that management and board structures have been dominated by the presence of only family members with the exception of a business advisor at various stages, which led to overall financial information and business performance only being circulated amongst family members, and very little information was disseminated to the rest of the business. The data reflects the firm exhibited the reluctance to appoint non-family members to governing bodies, thus limiting the effectiveness of these structures. However, participants and memos are emphatic regarding the decision making process being consensual which has enabled more robust decision making. Due to the changes adopted by the firm, as the data reflects, the appointment of a managing director, appointments to the executive committee and the appointment of an external board chairman, access to information has improved throughout the business, which is demonstrated in the results of the employee survey which shows that employees are aware of the firm's strategy including strategic objectives and that the majority of employees are of the opinion that the firm is on the right path and will continue into the future. Participants also responded positively to the changes made in the governance structures which have allowed for external experience to pollinate existing business activities resulting in a more effective and robust governance structure and increased performance.

The literature also submits that the long-term view that family control exhibits in measuring investments, has a positive impact on the value and survivability of family firms (Tsai et al., 2009). The data demonstrates how the firm did not chase short term profits, but engaged in steady expansion over decades which has created value over an extended timeframe, reducing the amount of risk exposure faced by the business at any given time that could threaten its continuity.

The literature on governance and family firms emphasises the importance of sound governance practices and forums, and draws a direct link between a firm's continuity and viability and its governance structures. The literature further explains that in family firms, the governance structures need to extend to include the governing of family members employed in the firm and to ensure the consideration of family objectives in business decisions (van der Merwe et al., 2012). The data collected has demonstrated that while governance practices evolve over time, the presence or lack of governance practices have had a direct impact on the viability and continuity of the firm and it is therefore confirmed that the data collected concurs with the literature on governance practices.

6.2.2. **Proposition 2:**

Family values of frugality, equality, determination, honesty and diligent work ethic transferred to the business environment enabling the continuity and viability of the firm.

The data reflects the manner in which the firm originated, with the first generation family members working in the business every day, and then meeting every evening to discuss the affairs of the business. The data also describes the social context of the first generation; a Muslim family overcome by the premature passing of their father, left to fend for themselves in a foreign land away from any family support structure, and through foresight, dedication and determination reconstructed a bankrupt business into a profitable entity that has transferred across three generations. Participants explain that the present day firm owes much of its success to the efforts and values of the founding generation, who were woven into the social fabric of society. Participants explain the family history as being highlighted by modesty, humility, determination, hard work, social awareness and charity. Management by values (MBV) is a method of practice whereby the firm exerts itself in preserving its core values and aligning them to business objectives (Jimenez, Carlos & Jimenez, 2013) which has been mentioned by participants as a cornerstone to the firm's success. The data shows that the first generation did not inherit wealth or a thriving business, but rather toiled as employees until the opportunity presented where they could purchase a share in the business and change the course of the business for the better through infusing the business with their value system. The data also shows that once the business had moved into the second generation and had demonstrated a track record of profitability, the firm donated the property originally used as surety to buy the business to charity as appreciation and a way of giving back to the community demonstrating how family values have influenced business decisions.

Respondents narrate that the first generation did not extract wealth from the business for private consumption and to fund lavish lifestyles, rather invested profits and personal time to create a business that could sustain the family and community for future generations. Participants refer the money left in the business as company money and have referred to the practice of not touching company money as a practice that has been engrained in the family and the business. The data reflects that these behaviours were as a consequence of the unfavourable family and social context at the time, from which the first generation wanted to extract themselves from and uplift the surrounding communities. These values were found in the second and third generation participants, who explained that personal enrichment was a by-product and not the sole aim of their efforts. Participants explain at length the desired impact the business should have in communities by providing employment, giving charities and through honest dealings. The literature explains that family firms have a heightened level of consciousness about its surroundings and corporate appearance in the public's eye (Patel & Cooper, 2014) and that family firms are also likely to be motivated by non-financial motives such as altruism and collectivism and create competitive advantages through social capital (Tsai et al., 2009) contributing to the success of family firms. As a result of family businesses having higher levels of social capital, relational capital with service providers, efficiency, long-term views, family-orientated goals and lower agency costs; it is not unexpected that family firms have a higher chance of survival than non-family firms (Wilson, Wright, & Scholes, 2013). The example narrated by a participant where he was asked to bring home shoe polish, and then asked to return the money for the polish into the store till the next day displays the value of honesty even if it were for a can of shoe polish. This value has transferred to the business, as the data shows that when the business was taken over by the first generation, suppliers were reluctant to supply a bankrupt business with merchandise but on the strength of the family name agreed to supply merchandise enabling the firm to continue. Such values are still present, as the data shows that the firm pays suppliers for over deliveries, displaying honesty and building trust within the extended environment of the firm building foundations for continuity and viability.

According to Adendorff & Halkias (2014), the business strategy also necessitates alignment with the business context and environment, which for family firms extends to value systems and beliefs such as collectivism, duty and loyalty more than for non-family firms. This study found that the majority of the employee survey respondents believed that the firm demonstrated a sound value system. The respondents perceived these values to emanate from the family ethos and value system. This viewpoint is supported by literature that family firms perpetuate family value systems, an integral component for viability and success. In family firms, family members commit, at times even to the point of self-sacrifice to contribute towards and ensure growth and sustainability of the family firm (Adendorff & Halkias, 2014). A majority of respondents in this study supported the view that family members in this enterprise were loyal to the firm. This then justifies their existence in positions of management as loyalty breed's commitment to the firm's values and promotes success of the firm.

Participants narrated in detail the dedication and hard work that was invested by the first, second and third generations, often sacrificing personal desires and time, and explain that through the firm's lifecycle the value system and work ethic of the family transferred to the business and other employees which has enabled the sustainability of the firm. The literature explains that family members commit, at times "even to the point of self-sacrifice" to contribute towards and ensure growth and sustainability of the family firm (Adendorff & Halkias, 2014). However a family firm cannot be sustained through the dedication, commitment and behaviours of just one generation, and needs to continue demonstrating these characteristics as the firm transfers across generations therefore each generation is required to earn their legitimacy by working hard, and successfully meeting the firm's challenges through employing their skills and experiences (van de Merwe, 2011). The literature explains that commitment to the firm has been expressed by existing family business leaders to be an extremely desirable characteristic in incoming generations (Dawson et al., 2013), which was also found in the data as a requirement for family members working in the business. The literature argues that the transfer of such values and characteristics to the business, long term investment horizon and the bond between family members creates uniqueness for family firms and fosters an environment which enables continuity and viability for the family firm (Cruz & Nordqvist, 2012). Participants also referred to the business as a family, demonstrating that the entire business is considered as one, close unit for which management and owners take responsibility for and consider in their decision making.

The literature demonstrates that family firms exhibit higher levels of social consciousness, commitment and dedication in the workforce and values when compared to non-family firms, thus increasing its chances of survival and continuity. The literature also describes that family firms are at risk due to contradictory objectives between the family and the firm potentially reducing its chances of continuity. The case demonstrates that the family adheres to very strict religious rules and values, and the essence of the these values have transferred to the business, and as such the ethos and values in the firm are almost considered to be sacred and adhered to at all times, which has enabled the business to navigate opposing objectives and created the framework for success and continuity. As the data collected by way of the last memo written by the first member shows how the values of the family and firm are considered to be a single set of values, and refers to the practice of these values having the power to open all doors. These values have been practiced upon by all three generations, as the data reflects, and has proven to have enabled the continuity and viability of the firm.

The literature also explains that at inception of a family firm, family members are in business together as they wish to work together and reap the benefits together as a family (van der Merwe et al., 2012). One participant mentioned that the family reaps the rewards or incurs the loss of any venture together, which created an environment that allowed for family members to exert themselves in various areas of the business or in different business ventures which contributed to the continuity of the family firm. The data also shows that the family aspires to live modest and simple lives, which reduces the financial burden on the company allowing the company to grow and reinvest in itself.

According to Van der Merwe et al. (2012) the transfer of family values to the family firm which form the construct upon which family firms are constructed serve to hold the business in better stead for long term continuity. The results of the employee survey shows that the respondent’s relationship with the family and business are indicative of it being average to excellent, with the majority considering it to be good. There is indication of the existence of frugality in this firm, which could have contributed to its survival. Most of the respondents believe that the firm demonstrates a sound value system, which emanate from the family ethos and value system. Half of the respondents rated the performance of family members as good to excellent. Majority do not believe that family members are in an advantageous position and hold positions they do not deserve intimating equality in the workplace and an overwhelming majority believed that family members were loyal to the firm. Hence results are indicating that Family values of frugality, equality, determination, honesty and diligent work ethic transferred to the business environment are elements required to enable the continuity and viability of the firm

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6.2.3. Proposition 3:

The family firm's low appetite for risk had a positive impact on sustainability but a negative impact on growth.

It is thought that a family firm's low appetite for risk impacts positively on sustainability and negatively on growth. According to literature the family and firm generation is of significant importance (Adendorff & Halkias (2014) especially as according to O' Regan et al. (2010), each generation brings with it different appetites for risk, behaviours and decision-making processes. Cruz & Nordqvist (2012) argue that risk taking also varies from one generation to the next in family firms that have survived multiple generations in order to adapt and remain viable.

Many researchers have found that family firms engage in lower levels of investment and diversification activities when compared to non-family firms (Wright et al., 2014; Carney et al., 2015). Statistically, it was proven that non-family firms take higher risks than family firms (Naldi, Nordqvist, Sjöberg & Wiklund, 2007), while it was submitted that the long-term view that family control exhibits in measuring investments has a positive impact on the value and survivability of family firms (Tsai et al., 2009) which could explain the difference is risk appetites for family and non-family firms. The data shows that the firm's risk appetite changed over time and across generations. The first generation demonstrated risk seeking behaviour by leveraging their only asset in order to purchase a share in the business. Participants explain that at the time of purchase, the business was bankrupt and suppliers not willing to continue supplying the business with merchandise to continue its operations. The first generation provided their only asset, a property upon which they were living as surety against the supply of merchandise in order to keep the business trading. This act demonstrates the extremely high risk appetite of the first generation. The data shows that this act of risk seeking behaviour enabled the business to continue trading, and within a period of two years, the business was in a position to pay creditors within 30 days for merchandise. Once the business was profitable stable, the first generation encouraged the second generation to explore other opportunities resulting in property development, brick manufacture, clothing manufacture and restaurants. Second generation participants narrate that shortly after they had joined the business, the first generation removed themselves from the operational structure and focussed on diversification opportunities, which resulted in successes such as the property and brick manufacture divisions and failures such as clothing manufacture, demonstrating that the first generation were risk seeking in all activities. The literature explains that it is through risk taking and entrepreneurial activities that a family firm finds its roots, however the entrepreneurial orientation and risk appetite changes as the business passes from one generation to the next, and as a result of external factors (Cruz & Nordqvist, 2012). The firm therefore found its roots through risk seeking behaviour, and expanded into other businesses increasing its chances of continuity and viability.

Respondents explain that as management over the firm moved from the first generation to the second generation, the risk appetite declined. One participant explained this by suggesting that the first generation leader was an entrepreneur while the second generation leader was an effective manager. The literature suggests that since the demise of a firm is likely to result in a loss of socio-emotional capital, family members that are active in the business will act in such a way that preserves the firm and due to reliance on family funding which results in frugality and caution when funding activities, family firms may be more efficient than non-family firms (Wilson et al., 2013) increasing the firm's chances of survival. The firm expanded by 15 stores while under the management of the second generation. Participants also explain that the firm was faced with challenges from the external environment such as restrictions on the ability to trade in all areas, the inability to import merchandise due to the trade sanctions imposed on South Africa and demands placed on the business to pay out shareholders inhibited the firm's ability to invest money into expansion plans as these carried the risk of failure which the business could not afford. The business therefore became risk averse and focussed on preserving the business. Participants also explain that the business does not subscribe to the idea of sourcing external funding for expansion or diversification activities, and the business follows a principle of self-funding when pursuing these activities. The data obtained with regards to the investments made into brick manufacture and the low rate of return in the short term suggested that the business should not venture into areas of business which are unfamiliar to the business demonstrating that the family firm was extremely sensitive to the return fluctuations associated with new ventures. Second generation participants explain however, that the firm did take risks by extending its product ranges to include women's clothing and by opening a restaurant in the store.

Literature on the topic suggests that the availability of capital is one of the prerequisites for pursuing entrepreneurial and risk seeking activities coupled with family firms' aversion to engage in outside funding in the form of debt or equity potentially limiting the availability of capital (Carney et al., 2015). The data obtained shows that the business expansion stagnated in the second generation; however the risk averse behaviour exhibited during the second generation enabled the business to see through the challenging times faced by the second generation and continue to the third generation. However, this natural proclivity towards conservatism and wealth preservation which impedes its ability to effect strategic change thus preventing it from growing and increases its susceptibility to failure (Eddleston, Kellermanns, Floyd, Crittenden & Crittenden, 2013). Participants explain that during the 1990's the business went through a period of loss making which threatened the continuity of the firm, and this risk was averted through expansion and opening of new stores. While some literature suggests that the conservative approaches followed by family firms does not hurt their performance and on average, family firms yield not dissimilar returns to more risk seeking, aggressive non-family firms (Carney et al., 2015), this was not found to be accurate when reflecting on the data obtained for the 1990's.

Participants explain that as the firm moved into the third generation, the business began opening more stores which soon became more profitable than the old stores. As the firm matures into its third generation and beyond, it employs more non-family managers who focus on economic goals to increase their financial rewards in comparison to family managers who focus on continuity and preservation and as such, non-family managers are more inclined to support change albeit at a higher risk (Patel & Cooper, 2014). Further, investment in the business for growth if it is impacted by risk appetite would have been expected to be poor or low. Participants also explain that this expansion was also based on the businesses ability to fund new stores through cash held in the company. The data shows that in eight years, the third generation opened 31 stores until the company embarked on the most recent strategy just over a year ago (see appendix F). The data obtained in the form of the company strategic plan shows that the company intends to double its revenue and grow to 130 stores in a space of three years (see appendix E). Participants also explain that this is the most aggressive strategy that the business has embarked on until this time. The literature suggests that by the third generation and beyond in a family firm, the access to non-family managers was found to have a positive impact on the risk appetite and entrepreneurial activities of family firms (Cruz & Nordqvist, 2012). The strategic document obtained shows that the business has also engaged with financial institutions to provide funding to support this expansion plan which is a departure from the self-funding approach traditionally applied in the business showing a higher risk appetite. The availability of capital is therefore required in order to create value, be it in the short or long term and cannot be overlooked for purposes of developing a complete understanding of risk seeking and entrepreneurial activities (Cruz & Nordqvist, 2012). The data shows that while the business has engaged in external funding, the fact that it took many meetings and nearly two months for the funding agreements to be signed, shows that the firm is still reluctant to expose itself to risk even when the gearing ratios are extremely low, secured by fixed property and the repayment of the loan is well within the firms affordability. The data comprehensively demonstrates that the firm is reluctant to expose itself to risk through the actions of the business, and coupled with the fear of having witnessed other family firms fail and be forced to close down, however, the introduction of four new members at senior levels in the firm has had an impact on the risk appetite in the firm, and have encouraged the firm into taking more risks. This concurs with the literature that explains that family managers are less supportive of change and risky strategies compared to non-family managers, while non-family managers could be persuaded by medium term performance to maximise personal financial reward (Patel & Cooper, 2014) and corroborates the available literature in terms of a family firm’s different risk appetite from the third generation onwards. The implication being that in the past, the first and second generations of the firm, perhaps the risk appetite may have been different and lower to facilitate sustainability. In this firm the current risk appetite appears higher than expected and investment in the business for growth is also higher than expected for family firms indicative of perhaps the inclusion of non-family into management and adaptation to changing needs and facilitating current and future growth of this firm.

The business was founded through entrepreneurial and risk seeking behaviour, without which the firm would not have existed. The decline in risk appetite as the business moved into the second generation helped preserve the firm during challenging times restricted growth but enabled it to continue as a viable entity which was transferred to the third generation. However, it is unclear as to whether an increased level of risk appetite in the second generation would have resulted in better performance by the firm, or negatively affected the viability or continuity of the firm. The increased risk appetite in the third generation and the adoption of an aggressive strategy which includes external funding is still low risk when analysed in terms of the gearing ratios, and has resulted in significant growth for the firm. The analysis therefore suggests that based on the demonstrated continuity of the firm across three generations was enabled by the low risk appetite of the firm, however the firm in three generations has only opened 79 stores and has not yet penetrated all provinces showing a slow growth rate.

This firm has survived to third generation indicating sustainability and intergenerational transference, hence it would be expected that it display a different risk appetite to its predecessor generations. The employee survey results show that for new initiatives this firm has an average risk appetite. This firm has survived to third generation indicating sustainability. The current risk appetite is not considered low and is conducive to growth. In the opinion of respondents the current investment in the business for growth is considered above average, which could possibly be indicative of growth in this firm. This correlates with the literature study that a family firm's risk appetite from the third generation onwards increases due to the possible inclusion of non -family members in the firm. Only a minority of respondents were of the opinion that the past investment in the business for growth was sufficient. The implication being that in the past i.e. first and second generations perhaps the risk appetite may have been different and low to disallow a high investment in the business for growth. In this firm the current risk appetite appears higher than expected and investment in the business for growth is also higher. The family firm's low appetite for risk in earlier years may have had a positive impact on sustainability but a negative impact on growth.

6.2.4. Proposition 4:

Albeit informally, strategic and succession planning activities were necessary for the continuity and viability of the firm across three generations.

According to Eddleston et al. (2013) third generation firms begin to manage growth and shareholder expectations for dividends, and exert pressure on the firm into strategic planning, executing strategic plans and relate to the firm in ways not dissimilar to that of non-family firms. Yacob (2012, p2) also states that the future viability and performance of a family firm is directly linked to succession process, which are responsible for the decision making processes that dictate the fate of the firm. The data reflects that participants intend for the business to continue as a going concern, and that the firm should transfer to the next generation and a controlling share to be held by the family. Participants have explained that the succession planning process began at a young age, with the family members working in the shops while still in school, and over time working in various departments within the business. Participants also explained that family members were not treated any different in the business, and were expected to work in the same manner as any employee would. This training empowered family members with a deep and complete understanding of the business. Participants mention that as they moved into permanent positions in the firm, they were expected to demonstrate the relevant skills in order to be promoted through the ranks in the business, including commitment and determination towards the business. The data shows that in the second generation, succession planning was based on the second generation individual's skill and ability in relevant areas and was deliberately moved into those areas of the business with succession planning being the objective. Although the data shows that while succession planning activities were evidenced, the planning process was informal and no formal mention of succession was made to the business, however the activities in the business was clear for the business to see. The data also demonstrates an effective succession process from the first generation to the second generation such as the demonstration of extensive and intimate time between the leader of the first generation and the leader of the second generation, as participants mentioned that they trusted each other's areas of expertise and did not challenge the positions they were placed into which enabled the firm to focus on business requirements which translated into the continuity and viability of the firm from the first to second generation.

The results of the employee survey revealed that about two-thirds of the respondents were unaware of the existence of succession planning in the firm for senior management. This requires further investigation. However an overwhelming majority were aware of the firm's strategic objectives. With respect to the previous strategies employed by the firm 45.5 % were unaware this makes the comparison with current more difficult. The literature study highlighted that a key indicator of the existence of succession planning in business is the existence of employee development. The employee survey results indicated that 36% of respondents considered management to be averagely concerned about training and development of employees and viewing of mistakes as an improvement mechanism whilst 34% of respondents considered management concern about training and development of employees to be good and 41% perceived management viewing of mistakes as an improvement mechanism to be good.

Other indicators of planning are the encouragement of innovativeness; improvement of skills and management against targets. These indicators were in the affirmative according to the majority of respondents and hence indicative of its prevalence in the firm. This clearly indicates the prevalence of succession planning in this enterprise for management is a necessity for growth and sustainability and the data therefore supports the literature that the continuity and viability of the firm is linked to the effectiveness of the strategic and succession planning activities in the business.

Congruent with succession planning activities is the necessity of strategic planning for intergenerational sustainability of the family firm by setting short to long term objectives. Poza (2010) advocated that in pursuit of continuity, the firm is required to adapt to changing environments through vision and strategy allied to an acute awareness and understanding of the success determinants of the business thus far. This study revealed that the majority of respondents are of the opinion that long-term vision is existent in this firm. However, it was found that only 39% do not consider the need for the firm to change the way it conducts business. This then requires further investigation as to the areas requiring change.

In numerous instances in the data and in interviews, the second generation made mention of frequent meetings which memos refer to as “think-tanks”, which were forums designed to foster interaction between decision makers on operational and strategic matters. Participants recall these meetings as being informal and at times even social gatherings which were used for the purpose of discussing business related matters. The data shows that family members were urged to extract themselves from the daily operations to engage in strategy development and decisions such as opening new stores, expanding into new business ventures and the transfer of shares from one generation to the next were discussed and agreed in such forums, however, the business did not formalise a strategy in written form with milestones and measurement criteria. The data also reflects that a strategic vision of 100 stores was intended from the first generation. Such decisions are strategic in nature, and participants explain that the ability to discuss and agree on such matters created coherence and goal congruency which translated into profitability and enabled the transfer of the firm across generations.

Third generation participants explain that they were also involved in the business from a very young age, though the succession planning did not follow the same route as the second generation. Literature on the matter explains that a dynamic in succession planning is the ability, skills and respect earned by the incoming generation. For the next generation to succeed the previous effectively, the incoming generation needs to gain acceptance, credibility and legitimacy in the business, which requires hard work and the acquisition of relevant skills and experience (van de Merwe, 2011). Third generation family members narrate that they worked in various areas of the business gaining knowledge and experience, but they eventually succeeded their father's role in the business. The data shows that while business knowledge, exposure and experience was invested in the third generation family members, no formal succession planning activities were followed in identifying the skills and abilities possessed by the individual and placement in an appropriate role.

Third generation participants also explain that the firm did not engage in formal, relevant strategic planning activities until the most recent strategy developed in 2014. Data collection also highlighted the lack of any strategic planning documentation relevant to the third generation. Participants expressed a decrease in the frequency of meetings resulting in lower levels of interaction on business and strategic matters. The data reflects that during this period, the firm experienced poor financial results with the business going into overdraft positions with financial institutions negatively affecting the viability and continuity of the firm (see appendix F). Literature explains that strategic planning in current times therefore requires contribution and deliberation from managers with diverse knowledge, be they family or non-family (Patel & Cooper, 2014).

Data obtained shows that the business has a formalised strategic plan since 2014, and formalised structures and meetings in which matters can be discussed and deliberated at various levels in the organisation. The literature explains that effective strategic processes and decision making is dependent on the individuals or teams who make them. The ability to engage in dialogue and arrive at well supported decisions is at the core of effective strategic planning and decision making (Patel & Cooper, 2014). Participants narrate that the formation of a clear strategy has focussed the activities in the business, and the ability to discuss matters at various levels has positively impacted the firm's viability and likelihood for continuity. The data also shows that the firm has formally begun the process of succession planning through the bench strength activity and employment of key skills to enhance performance and continuity. The literature suggests that succession planning is a sensitive matter in family firms, and is often delayed indefinitely to avoid conflict.

Essentially, the effectiveness of these processes determines a firms' ability to adapt and change and ultimately its survivability (O'Regan et al., 2010), and the absence of either often results in declining performance or demise of the family firm.

Participants explain that their involvement in the business began at very young ages. All participants narrate that they began work in the business while still in school, during weekends and holidays, and this impregnated them with the enthusiasm for the business and this exposure trained them from a grass roots level into the workings of the business. The data supports the literature which explains that training the next generation for succession is a process that begins very early on, and requires continuous effort in order to adequately prepare, train and upskill the incoming generation to take over the business (van de Merwe, 2011).A logical outcome would be that this enterprise practices the determinants necessary for sustainability and viability and hence intergenerational longevity should hold. This is attributable to the structures in place for succession planning training and a strong forward vision showing the long -term vision in this enterprise. The factors postulated as necessary for the continuity and viability of the family firm across three generations in the four propositions, have to a large extent been engaged in by this firm, which has lead to a positive outlook by the respondents. The literature is unanimous regarding the direct impact that effective strategic and succession planning has on the continuity and viability of firms. The data demonstrates that while the firm has exhibited succession and strategic planning, there was greater investment of time and effort in some instances than others, which translated into varying financial and non-financial performance. The data also reflects that in the absence of a vision and strategy, the firm is left without direction and has no framework within which to base its decisions on. The data shows that the family has a vision of the firm continuing into the next generation, and to reach 130 stores forming the basis upon which decisions and actions can be made. The data therefore supports the literature and the proposition that strategic and succession planning activities are necessary for the continuity of the family firm.

The factors postulated as necessary for the continuity and viability of the family firm across three generations in the four propositions, have to some extent been engaged in by this firm, which has lead to a positive outlook by the respondents.

Chapter 7: Conclusion

7.1. Principle findings

Continuity and sustainability is a continuous challenge for businesses. Family firm continuity across generations is a matter of high interest. An estimated 80% to 98% of all businesses in the world's free economies are family firms (Poza, 2010). A higher chance of survival for family firms is expected when compared to non-family firms (White, Krinke & Geller, 2004), although research has shown that only about one in three family firms survive to the second generation and fail to demonstrate trans-generational continuity as viable entities (White et al., 2004), while less than 10% achieve continuity into the third generation (Gallo, 2013).

The study demonstrates how a South African family firm has continued across three generations and has purported four key determinants for the continuity and viability of the firm. The study is not intended to provide a conclusive list or absolute determinants of success, rather the significant contributors to the success and continuity of the firm, however the study demonstrates that the firm's ability to practice good governance, sound values, risk taking and entrepreneurship and strategic and succession planning were integral ingredients to the firm's continuity and viability.

The study examined four propositions in the context of the firm, and attempted to answer the important question as to what has contributed to the continuity and viability of the firm being;

Good governance practices based on transparency, long-term vision and consensual decision making enabled the continuity of the firm as a viable entity,

Family values of frugality, equality, determination, honesty and diligent work ethic transferred to the business environment creating socioemotional wealth and enabling the continuity and viability of the firm.

The family and firm’s low appetite for risk had a positive impact on sustainability but a negative impact on growth, and

Albeit informally, strategic and succession planning activities were necessary for the continuity and viability of the firm.

The findings suggest that firm’s governance processes have been informal, but present and have found its roots in the value system of the family. The findings therefore detail a close link between the governance processes and the value system of the family connecting proposition one and proposition two as the intrinsic relationship that a family has with a family firm is difficult to separate (Patel & Cooper, 2014). The study reports evidence that the firm displayed a strong sense of respect for the governance processes, rules and decision making processes, which served as an enabler to the continuity and viability of the firm. Governance foundations and structures have been found to considerably define a firm’s performance while in the lack of such structures, ownership involvement can an equally provide such a control environment, albeit informally (Rettab & Azzam, 2011). However, the study shows that as the firm has grown and transferred across generations, there is a need for the formalisation and adaptation of the governance processes to cater for the growing needs of an expanding business and family.

It is in a family context that a family firm finds its roots and the transfer of family values to the family firm which form the construct upon which family firms are constructed serve to hold the business in better stead for long term continuity (van der Merwe et al., 2012). It is intriguing that the firm demonstrates an acute awareness to social needs, honesty, fairness and exhibits voluntary philanthropic ideas almost to the point where it is considered a requirement to conduct business. These family values have turned into a way of doing business for the firm and has created socioemotional wealth for the firm amongst employees, suppliers and the broader community which has in turn made the brand a household name. The transfer of family values to the family firm which form the construct upon which family firms are constructed serve to hold the business in better stead for long term continuity (van der Merwe et al., 2012). The findings suggest that the transfer of family values to the firm has embodied the firm with human-like qualities and has created a positive persona for the firm. This has translated into long term relationships with the firm, and has created allegiances and networks which have enabled the continuity and viability of the firm. The study also demonstrates that due to the proximity of the family to the firm, these values have remained intact and visible in the firm currently. As a result of family businesses having higher levels of social capital, relational capital with service providers, efficiency, long-term views, family-orientated goals and lower agency costs; it is not unexpected that family firms have a higher chance of survival than non-family firms (Wilson, Wright, & Scholes, 2013).

With the exception of a few loss making years, the study supports the proposition that the firm's low appetite for risk had a negative impact on growth but a positive impact on continuity. The study reflects that it is not possible to reliably estimate the performance of the firm, had the firm been more risk seeking in the second generation and if this could have negatively impacted the performance and continuity of the firm.

The study also found that in assessing the risk appetite of the firm, it is not possible to ignore access to capital and the availability of funding. It is through risk taking and entrepreneurial activities that a family firm finds its roots, however the entrepreneurial orientation and risk appetite changes as the business passes from one generation to the next, and as a result of external factors (Cruz & Nordqvist, 2012). The study also shows that the firm was risk seeking in its first generation, demonstrated risk averse behaviour in the second generation and has begun to demonstrate risk seeking behaviour in the third generation, which was also due the firm's context at those relevant times implying that the context within which a firm finds itself also needs to be understood in conducting the analysis. More recent literature on family firms has drawn a positive link between generational succession and entrepreneurial activities (Yacob, 2012). By the third generation and beyond in a family firm, the access to non-family managers was found to have a positive impact on the risk appetite and entrepreneurial activities of family firms (Cruz & Nordqvist, 2012).

Yacob (2012) states that "the future prosperity of any family business . . . is inextricably linked to the succession process . . . [therefore], the decisions to innovate and change, made by [succeeding] generations, are every bit as entrepreneurial as the original . . . business". The study demonstrates that the first generation engraved a vision of 100 stores into the second generation, and was entrepreneurial in their activities. The vision created the foundation for strategic planning, albeit informally for expansion and diversification. This allied to the structured succession planning processes saw the firm rise from the depths of debt, and become a flourishing, expanding business. The change in strategic planning and succession planning activities in the second generation, where these practices became less frequent and less formal resulting in a slower rate of growth and profitability demonstrating the impact of strategic and succession planning activities on business performance and continuity. Research conducted by O'Regan et al. (2010) indicates that in third generation firms, a clear movement away from altruistic behaviours towards business plans and annual reviews thus bridging the gap with performance. The findings suggest that the firm has endeavoured to more formal strategic and succession planning activities, which are subjected to approval and measurement on a regular basis. The study reports some early evidence of a positive change in the performance measures of the firm, which is likely to result in a higher chance of continuity and viability for the firm.

The study supports the overall propositions and suggests that a family business is therefore not just a business; it is a complex for-profit organisation, with a constitution of social awareness, continuity and honesty. This crossroad between economic and social objectives creates a unique environment that necessitates dedicated research into understanding its determinants for continuity and viability.

These results have the following implications for family business practitioners:

First, the findings contribute to the literature on the continuity and viability of family firms by examining the determinants of the continuity and viability of a South African firm in its third generation of family ownership and management. The study demonstrates the role each proposition played in ensuring the continuity and viability of the firm, and extends the theoretical understanding of governance, management, risk appetites and strategic and succession planning for its application into family firms.

Second, the study addresses the limited research conducted on immigrant family firms in the South African context, and expands on theoretical basis for company values by demonstrating how company values are transferred from the family to the business in family firms, and the practical application of the management by values (MBV) theoretical framework.

Third, the findings adds to the literature on business continuity and viability by demonstrating that these are measured over extended periods of time rather than the short term, and that wealth is created not by extraction or opportunistic activities, but rather through creating value for stakeholders.

7.2. Implications for management

Through identifying the changes in the business over time, and understanding the determinants of continuity and viability for the firm, management is in a position to take steps in solidifying these processes in order to enhance the firm's ability to continue into the coming generations as a viable entity.

Next generation owners and management can reflect upon the study, in developing an understanding of the context and history of the firm, and will be empowered to measure and adapt the firm's activities by building on the propositions and results of this study.

Business succession and continuity involves succession and strategic planning, financial planning to execute strategic plans, selection and preparation of the next generation for the transfer of management roles. The effectiveness of these processes lies in the formal planning, communication and continuous measurement of these processes. The study confirms the positive relationship between strategic and succession planning and the firm's continuity and viability. This means that the practice of strategic and succession planning activities must be practiced in order to increase the firm's chances of continuity and viability.

7.3. Limitations of research

The results of this study should be interpreted in conjunction with the limitations of the study.

First, the researcher attempted to interview eight family members, however due to availability only six were interviewed.

Second, the possibility of self-selection bias cannot be overlooked as the researcher is a family member and an employee of the firm

Third, the possibility of familiarity bias due to the researcher being a third generation family member employed in the business.

Fourth, the case study is of a South African firm, and its applicability to firms based in other countries is debatable due to the uniqueness of the South African context.

Fifth, as this is a single case study, the findings may not be applicable to other industries or firms.

The study aimed to make a contribution towards existing literature on family firms, and determinants of continuity and viability for family firms by examining a single case study which has transferred across three generations. The study however, only addressed four propositions through an exploratory study, and is not comprehensive in covering all possible determinants of continuity and viability.

Lastly, although the employee survey was sent to all stores, only employees who had access to computers at stores would have had the opportunity to respond to the survey, and due to this, the reach was limited.

7.4. Suggestions for further research

More comprehensive research should be conducted in exploring determinants of success based on business context and generation of ownership and management.

In this exploratory study, simple statistical methods were used. It is therefore recommended that more advanced statistical methods can be applied to the data.

The study aimed to understand if governance practices have contributed to the continuity and viability of the firm, however a more detailed study into the governance practices should be conducted with specific reference to governance practices that should be applied at various stages in a family firm's life cycle. Further research should also be conducted into the necessary governance processes covering family matters, and the family's relationship and control over the firm.

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Appendix A: Employee Survey

Gordon Institute
of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. To that end, you are asked to complete a survey about the business this should not take more than 20 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

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General

How many years have you been employed by the business?

Are you aware that the business is family owned? (Please circle)

Yes No

Governance

The following questions aim to understand the governance in the business

Are you aware of the governance processes in the business?

Yes No

On a scale, how would you rate the governance practices in the business?

(1- Poor, 5- Excellent)

Does the business need to change the way it conducts itself in daily operations?

Yes No

Do you agree with the policies and procedures in the business?

Yes No

In your view, is there transparency in the firm?

Yes No

In your opinion, do you think the firm demonstrates.........when considering its business decisions?

Short term vision (1 year)

Medium term vision (2-3 years)

Long term vision (more than 3 years)

Values and socioemotional wealth

These questions aim to understand the values and socioemotional wealth of the firm

In your opinion, does the business demonstrate a sound value system?

Yes No

Do you think the business and the family share the same values?

Yes No

Do you think family that is employed by the business are loyal to the business?

Yes No

Do you think some family members hold positions that they do not deserve?

Yes No

On a scale, how do you rate your relationship with the business?

(1- Poor, 5- Excellent)

On a scale, is management concerned with training and development of employees?

(1- Poor, 5- Excellent)

On a scale, how would you rate the performance of family managers?

(1- Poor, 5- Excellent)

On a scale, how would you rate frugality (efficiency) in the business?

(1- Poor, 5- Excellent)

On a scale, how do you rate your relationship with the family?

Do you consider the business and the family as one unit or two distinctly different units?

One Unit Two units

In your opinion, is the business invested in the community?

Yes No

Strategic and Succession Planning

Are you aware of any succession plans in the business for senior management?

Yes No

Are you aware of the strategic objectives of the business?

Yes No

Are you aware of any previous strategies of the business?

Yes No

Risk and Investment

On a scale, is the business investing enough in itself to grow?

(1- Poor, 5- Excellent)

In the past, do you think the business invested enough in itself to grow?

Yes No

Do you think the business will continue to survive?

Yes No

On a scale, how would you rate the risk appetite for new initiatives in the business?

(1- Poor, 5- Excellent)

Entrepreneurship and Risk

Are you encouraged by the firm to be innovative?

Yes No

On a scale, are mistakes viewed as part of continues improvement?

(1- Poor, 5- Excellent)

Are you managed against targets?

Yes No

Does the business encourage you to improve your skill?

Yes No

Appendix B: In-depth Interview Discussion Guide

Gordon Institute of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: __________ Signature of researcher: __________________

Date: _________________ Date: _________________

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

How many years have you been employed by the business?

What generation of the family are you?

What level of the organisation to you fit into?

At what age did you start working in the business?

Tell me about your education?

What are your earliest memories of the business? What do you remember about your father and the business?

How did the business start? Who were the founder/founders?

What was the vision of the founder/s?

What was the family structure and living standards when the business started?

What were some of the setbacks the business faced?

What were some of the successes of the business?

Did the business face tough challenges? Can you tell me about some of them?

How did you enter the business? Who did you work under? Where did you start working?

How did the business transfer from the previous generation to yours?

How important is the family legacy to its continuity?

What was the state of the business when it was transferred?

Tell me about the level of entrepreneurship in the previous generation and risk taking

Tell me about entrepreneurship in you generation and risk taking

What is the history of the family?

What are the values of the business?

What are the values of the family?

What was the level of family involvement in the business in the previous generation? What is the level of family involvement in the business currently?

Were there any moments that you consider to be turning points in the life of the business?

What has contributed to the success of the business for so long?

Do you intend for the business to be passed on to the next generation?

What is the businesses appetite for risk? How does this differ to the previous generation?

What is your vision for the firm?

Was there succession planning in the previous generation? Was there succession planning in your generation?

Was there strategic planning in the previous generation? Was there strategic planning in your generation?

In what ways has the business changed over time?

What are the biggest challenges faced by the business at this point in time?

What keeps you awake at night?

Has the family interaction with the business changed over time?

How do you think the business is perceived in the public eye?

Would you like this to change and how?

How did the family govern its activities in the past? How does it govern activities now?

How were decisions made in the past? How are decisions made now?

Is there an overlap between family objectives and business objectives? Are there conflicts between these objectives? How are these conflicts resolved?

How is ownership transferred from one generation to the next?

What impact did the South African political context have on the business during Apartheid? Is the current South African context impacting the business and how?

What do you think will be the key ingredients for continuity and transfer of the business to the next generation?

If there was one thing that you could have changed in the past, what would it have been?

If there is one thing that you can change now, what would it be?

Appendix C: Access to Information Approval

Gordon Institute of Business Science
University of Pretoria

Dear family business representative;

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. My research will require access to confidential family and financial information and will also necessitate access to family members in the firm for the purpose of interviews. The business's participation is voluntary and can be withdrawn at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, ourdetails are provided below.

Consent of the business

Date: 29. 4. 2015

For and behalf of Ideals

A.K. Jadwat

(Shareholder and Director)

Researcher name: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Signature of researcher: ______________

Research Supervisor: Professor ElanaSwanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Date: ______________

Appendix D: Papa's last memo

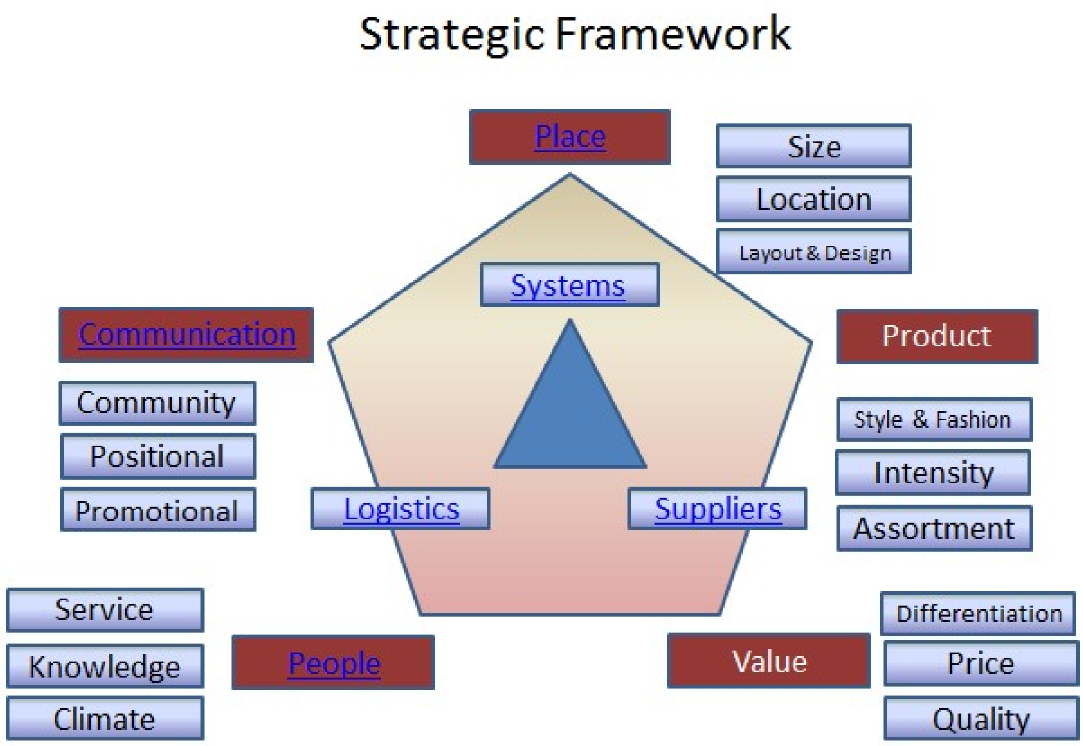
PAPA'S LAST MEMO TO US

Do not squander your possessions
They have been hard to come by.
Anything you do not need,
is dear even if it costs a penny.
Be frugal, so that you may have
the means to be charitable.
Help others and expect
nothing in return.
Be modest but not groveling
or degrading and unmanly.
Be brave, good manners, honesty,
Cleverness and hard work will
open all doors for you

M.E JADWAT

Appendix E: Excerpt from Strategy Document

FORECAST FINANCIAL PLAN YEARS ENDIING JUNE	2015	2016	2017	2018
Turnover grow th	9%	31%	24%	23%
Cumulative growth - T/OVER				**119%**
Store openings - Net	13	16	20	20
Number of stores - Net	74	90	110	130
EBITDA	6.14%	7.49%	9.46%	11.33%
EBITDA GROWTH	58%	60%	57%	47.01%
Grow th - NP	58%	19%	55%	64%
Cumulative growth - NP				**376%**



Appendix F: Nine Year Company Performance in percentages

		COMPARATIVE PERFORMANCE - PERCENTAGE																
Financial Year	**03/04**	**04/05**		**05/06**		**06/07**		**07/08**		**08/09**		**2009/10**		**2010/11**		**2011/12**	
	% To Sales	% To Sales	% Chng.	% To Sales	% Chng.	% To Sales	% Chng.	% To Sales	% Chng.	% To sales	% Chng	% To sales	% Chng	% To sales	% Chng	% To sales	% Chng
SALES INCL. VAT			24.0		10.4		16.3		23.5		7.97		21.15		16.79		11.19
SALES EXCL. VAT																	
COST OF SALES			24.8		10.8		17.3		21.0		14.82		13.71		15.22		12.76
GROSS PROFIT			22.8		9.9		14.8		27.5		-2.63		34.72		19.22		8.85
GP/SALES%			-1.0		-0.5		-1.4		3.3								
MARK UP %			-1.6		-0.8		-2.2		5.4								
SUNDRY INCOME	0.00	0.00		0.00		0.05	0.0	0.33	0.0	0.97	213.57	0.59	-39.00	0.58	38.08	1.69	227.11
OPERATING PROFITS	39.07	38.69		38.51		38.04	14.9	39.57	28.4	36.35	-0.81	48.26	32.76	40.74	19.45	41.02	11.94
CONTROLLABLE EXPENSES																	
ALTERATIONS	0.15	0.15	25.1	0.13	-3.3	0.08	-28.9	0.03	-47.8	0.02	-47.05	0.01	-22.94	0.01	-4.70	0.01	-10.99
REFRESHMENTS	0.13	0.11	6.8	0.10	-2.1	0.08	0.1	0.08	19.8	0.08	4.88	0.08	1.00	0.06	5.47	0.05	-1.19
TRANSPORT/PETROL	0.06	0.04	-15.9	0.02	-39.5	0.03	43.7	0.02	-4.8	0.02	-18.92	0.02	11.25	0.01	-38.28	0.01	24.41
OTHER CASH EXPENSES	0.10	0.08	6.2	0.08	5.1	0.08	23.8	0.10	52.2	0.10	9.73	0.11	2.48	0.08	7.44	0.08	7.57
STOCK LOSS	0.15	0.20	67.9	0.21	15.7	0.22	24.4	0.33	82.6	0.19	-39.44	0.25	33.63	0.22	26.55	0.17	-16.17
TELEPHONE	0.56	0.55	23.3	0.55	9.4	0.50	7.1	0.57	38.6	0.59	11.74	0.64	8.70	0.47	4.37	0.37	-13.17
WRAPPING	0.52	0.55	31.2	0.55	9.2	0.52	10.6	0.46	10.3	0.50	15.74	0.41	-17.51	0.27	-7.35	0.25	3.83
TOTAL	1.66	1.69	26.2	1.63	6.7	1.52	8.5	1.60	29.7	1.49	0.15	1.51	1.86	1.12	4.50	0.93	-7.25
MANPOWER EXPENSE																	
BASIC	5.67	5.57	21.9	5.48	8.5	5.02	6.6	4.83	18.9	5.59	24.87	6.23	11.50	5.16	17.10	5.25	13.22
PART TIME WAGES	0.89	0.93	29.9	0.87	3.1	0.79	6.0	0.54	-16.6	0.52	4.79	0.59	14.48	0.52	23.95	0.52	10.39
SECURITY	0.59	0.69	44.7	0.84	34.5	0.39	-45.6	0.30	-4.3	0.44	55.27	0.34	-21.92	0.29	19.90	0.32	22.17
SUB TOTAL	7.15	7.19	24.8	7.18	10.3	6.20	0.4	5.67	12.9	6.55	24.60	7.17	9.51	5.97	17.80	6.09	13.41
OVERTIME	0.57	0.44	-4.6	0.44	10.4	0.51	35.7	0.45	8.4	0.53	27.27	0.27	-47.75	0.30	52.64	0.32	20.67
INCENTIVES	0.26	0.36	70.6	0.13	-59.9	0.14	29.8	0.17	47.0	0.08	-47.13	0.23	174.53	0.20	22.66	0.14	-21.96
OTHER	0.13	0.38	263.5	0.38	9.7	0.35	6.7	0.30	5.9	0.41	46.81	0.47	14.40	0.36	9.54	0.35	9.25
WCC	0.02	0.02	27.7	0.02	-8.7	0.02	5.0	0.01	16.3	0.02	20.62	0.02	8.48	0.01	17.32	0.00	-77.14
TOTAL	8.13	8.39	28.1	8.15	7.2	7.22	3.1	6.61	12.9	7.58	23.91	8.16	7.63	6.84	18.64	6.91	12.27
TOT. CONTROLLABLE EXP.	9.79	10.08	27.7	9.78	7.2	8.75	4.0	8.21	15.9	9.07	19.28	9.67	6.69	7.96	16.43	7.84	9.53
NON CONTROLLABLE																	
ADVERTISING	1.77	1.58	10.7	1.69	18.2	2.12	45.4	1.32	-22.7	2.01	64.27	1.82	-9.75	1.71	33.32	2.01	30.40
CR. CARD CHARGES	0.23	0.27	45.0	0.31	29.1	0.34	27.4	0.34	21.9	0.36	15.93	0.49	35.03	0.43	23.77	0.45	16.54
ELECTRICITY	0.91	0.86	18.2	0.84	7.6	0.74	1.9	0.71	19.0	0.85	29.52	1.40	64.37	1.28	28.98	1.58	37.21
FITTING & FIXTURES	0.78	0.98	54.7	0.31	-64.9	1.14	327.2	1.60	73.5	1.89	27.64	1.05	-44.46	1.00	35.05	0.89	-1.49
R&M	0.20	0.17	5.5	0.08	-45.5	0.10	39.4	0.06	-23.0	0.11	96.03	0.16	47.07	0.19	59.50	0.22	29.26
RENT	7.39	7.13	19.6	7.41	14.7	6.82	7.0	6.94	25.7	8.88	38.11	11.96	34.73	9.41	11.24	9.56	13.07
SUNDRIES	0.26	0.23	12.4	0.22	3.6	0.12	-37.3	0.13	40.7	0.19	56.67	0.14	-28.35	0.10	1.01	0.08	-12.02
ALARM RENTALS	0.00	0.00	0.0	0.00	0.0	0.08	0.0	0.08	16.5	0.09	32.38	0.10	6.80	0.08	10.50	0.08	10.14
CASH IN TRANSIT	0.00	0.00	0.0	0.00	0.0	0.00	0.0	0.50	0.0	0.56	19.75	0.62	11.32	0.49	11.57	0.49	11.10
TOT. NON CONTROLLABLE EXP.	11.54	11.22	20.6	10.87	7.0	11.45	22.5	11.69	26.1	14.96	38.17	17.75	18.65	14.68	17.03	15.35	16.26
EXPENSES	21.32	21.30	23.9	20.65	7.1	20.19	13.7	19.90	21.6	24.02	30.38	27.42	14.14	32.03	16.82	36.48	13.89
BRANCH CONTRIBUTION	17.75	17.39	21.5	17.86	13.4	17.85	16.3	19.67	36.1	12.33	-32.34	20.84	69.05	18.11	22.91	17.83	9.50
ADMINISTRATION COSTS	9.81	9.97	26.0	10.44	15.6	11.39	26.9	11.51	24.8	12.32	15.55	12.14	-1.43	9.85	14.82	10.54	18.98
NET PROFIT	7.93	7.42	16.0	7.42	10.4	6.46	1.3	8.16	56.1	0.01	-99.86	8.70	81214.79	8.25	34.21	7.29	-1.82
Existing stores	26	32		36		37		43		45		51		50		54	
Stores closed	0	1		0		0		0		1		2		0		1	
New stores	6	5		1		6		2		7		1		4		4	
Total stores	32	36		37		43		45		51		50		54		57	

Appendix G: Interviewee one consent form

Gordon Institute of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: ____________

Date: 21/06/2015

Signature of researcher: ____________

Date: 21/06/2015

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Appendix H: Interviewee two consent form

Gordon Institute
of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: ____________

Date: 21/06/2015

Signature of researcher: ____________

Date: 21/06/2015

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Appendix I: Interviewee three consent form

Gordon Institute of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: ____________

Date: 28/06/2015

Signature of researcher: ____________

Date: 28/06/2015

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Appendix J: Interviewee four consent form

Gordon Institute of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: ____________

Date: 04/07/2015

Signature of researcher: ____________

Date: 04/07/2015

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Appendix K: Interviewee five consent form

Gordon Institute of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: ____________

Date: 27/7/2015

Signature of researcher: ____________

Date: 27/07/2015

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Appendix L: Interviewee six consent form

Gordon Institute of Business Science
University of Pretoria

I am conducting research on Ideals as a family business and how it has survived across generations. I am attempting to understand the determinants which contributed to the survival of the family firm. Our interview is expected to last about 90 minutes. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact my supervisor or me, our details are provided below.

Signature of participant: ______________

Date: 13/8/15

Signature of researcher: ______________

Date: 13/08/2015

Researcher: Muhammad Jadwat

Email: mjadwat@ideals.co.za

Phone: 083 562 7722

Research Supervisor: Professor Elana Swanepoel

Email: swanee1@unisa.ac.za

Phone: 011 726 5498

Appendix M: Ethical clearance

Gordon Institute of Business Science
University of Pretoria

Dear Muhammad Jadwat

Protocol Number: **Temp2015-00927**

Title: **Survival of a Family Business as a Viable Entity: A South African Case**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

GIBS Ethics Administrator