



**KEY DRIVERS AND CHALLENGES OF SUCCESSION PLANNING AND  
IMPLEMENTATION IN FAMILY-OWNED BUSINESSES AT A SELECTED  
TOWNSHIP IN CAPE TOWN, SOUTH AFRICA**

**by**

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## DECLARATION

I, **Ziyanda Phikiso**, declare that the contents of this thesis represent my own unaided work, and that it has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed \_\_\_\_\_

Date \_\_\_\_\_

## ABSTRACT

Family-owned businesses have long played a significant role in the economies of the developed countries and are rapidly becoming an equally dominant force in those of developing countries. Family businesses are also recognised as a potential driver of economic growth and the creation of wealth throughout the world. The significant contribution which family businesses have been making to the South African economy over the last 300 years is made evident by the fact that approximately 80% of businesses in South Africa could be classified as family businesses and the equally compelling fact that they comprised of the order of 60% of the companies which were listed on the (JSE) Johannesburg Stock Exchange during its infancy.

The main objective of the study was to determine the drivers of planning for succession in family-owned businesses in the township of Gugulethu in Cape Town in South Africa. The study also undertook to investigate the challenges which family-owned businesses encounter as they endeavour to transfer ownership and control from one generation to the next. The fact that although family-owned businesses contribute significantly to the economy, very often they do not survive a generational transition provides ample justification for undertaking to determine the factors which contribute to successful successions. This research study took the form of a real-time, longitudinal study in which the researcher could experience how the succession process unfolds in the family-owned businesses of the respondents and participants who made up the research sample.

The study made use of a mixed methods approach to collect and analyse the data. In the quantitative study, questionnaires were administered to 120 owners and managers of family-owned businesses, while the qualitative data were obtained from in-depth interviews with owners and managers. The quantitative data were analysed using the Statistical Package for the Social Sciences (SPSS) software, while the data which were obtained from the face-to-face interviews were analysed by means of thematic analysis.

The results which were obtained from the quantitative study were presented in tabulated format.

The findings of this research study revealed that many owners and managers of the family-owned businesses did not involve members of their families in the making of decisions concerning the running of their businesses. It was found that a lack of mutual trust and cooperation was one of the main factors which militated against successful planning for succession in the businesses. In addition, problems pertaining to planning for succession were often further aggravated by a lack of clear objectives with respect to planning for succession or not providing successors with the training which is needed to manage the businesses effectively. A significant finding with respect to planning for succession was that family-owned businesses do not necessarily have formally written down plans for succession which they follow and that, instead, culture and social norms play a significant role in determining potential successors or owners of the businesses. It was also found that so far relatively little attention has been given to succession in family-owned businesses, particularly in small to medium-sized family-owned businesses in areas which are plagued by high levels of crime, such as Gugulethu.

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## DEDICATION

This thesis is dedicated to my mother, **Nomlungisi Phikiso** and my three sisters, **Thozama, Zininzi and Sixolisiwe.**

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## **CLARIFICATION OF CONCEPTS AND TERMS**

<b>RSA</b>	Republic of South Africa
<b>FOBs</b>	Family-owned businesses
<b>USA</b>	United States of America
<b>GDP</b>	Gross domestic product
<b>ICT</b>	Information and communication technology
<b>SMEs</b>	Small and Medium Enterprises
<b>JSE</b>	Johannesburg Stock Exchange
<b>NRF</b>	National Research Foundation
<b>DTI</b>	Department of trade and industry
<b>STP</b>	Seda Technology programme
<b>SA</b>	South Africa
<b>SMEs</b>	Small and Medium Enterprises
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>HDC</b>	High Degree Committee
<b>JSE</b>	Johannesburg stock Exchange

### **KEY WORDS:**

Succession planning, succession, family-owned business

## CHAPTER 1

### INTRODUCTION AND BACKGROUND TO THE STUDY

#### 1.1 Introduction

Family-owned businesses are becoming increasingly recognised as significant drivers of economies in both developed and developing countries. Several researchers have asserted that throughout the world, family-owned businesses (FOBs) make significant contributions towards social development, the creation of employment, the promoting of economic wealth and reducing poverty (Hjorth, 2016:3; Visser & Chiloane-Tsoka, 2014, Byrd & Megginson, 2013:24; Lind, 2012; Chittoor & Das, 2007:12).

FOBs account for approximately 90% of all businesses in the world and play significant roles in advanced and emerging economies alike (Hjorth, 2016:3; Gedajlovic, Carney, Chrisman & Kellermanns, 2012:25). According to the Family Firm Institute (2014), FOBs account for 80% of all firms in the United States of America (USA) and are responsible for approximately 50% of the gross domestic product (GDP) of the country. In South Africa, FOBs account for 50% of the economic growth which takes place (Fishman, 2009:56). It is also estimated that families are involved in the ownership and management of more than 80% of all South African businesses and that more than 60% of all companies which were listed on the Johannesburg Stock Exchange (JSE) during the stage of its infancy had been family-owned (Van Buuren, 2007:65).

The rapid growth of FOBs in South Africa can be attributed to the government having embarked on several initiatives to support small and medium-sized enterprises (SMEs) (Hjorth, 2016:10). These initiatives include the Small Enterprise Development Agency (SEDA), the Department of Trade and Industry (DTI) and the Seda Technology Programme (STP) (Ndabeni, 2008). The South African government recognises entrepreneurial activity as a means of stimulating the economy of the country, encouraging growth and responding to the increasing inability of the informal sector to create new opportunities for employment (Visser & Chiloane-Tsoka, 2014).



However, the contribution which FOBs make to socio-economic growth has not been adequately explained or understood in South Africa and, consequently, little is known of the conditions which are necessary for successful FOBs (Maas, 2014). Although the nature of FOBs and the vital role which they play in the economy may not have received adequate attention in the general management literature, it is indisputably of crucial importance for any individual person, team or organisation working in the domain of FOBs to plan effectively for the future (Jacobs, 2006).

Typical areas of concern for FOBs include succession, insularity, interpersonal conflicts and conflicts of interest within the families concerned and governance (Visser & Chiloane-Tsoka, 2014). Additional problem areas include relationships within the families, intergenerational changes, and the sustainability of family-owned businesses (Visser & Chiloane-Tsoka, 2014; Nordqvist and Melin, 2010). FOBs typically struggle with succession planning, conflicting value systems, and inter-generational tensions (Hjorth, 2016:22). These areas of conflict are a cause for concern with respect to the common lack of longevity among FOBs. Owing to the role which they play in both the economy and the socio-economic development of South Africa, the survival of FOBs from one generation to the next is of crucial importance to the economic growth of the country.

## **1.2 Background to the research problem**

The businesses and institutions which last do not generally result from the narrow pursuit of popularity or personal advancement, but rather of devotion to a greater purpose, namely, the desire to leave a worthwhile achievement for the next generation, the commitment to give back to the community in which a business enterprise has prospered and a determination to boost the economy (PricewaterhouseCoopers, 2008: 53).

The relevant available literature concerning FOBs is frequently characterised by accounts of problems and pitfalls, with their lack of longevity being a principal cause for concern (Glu, Kula & Glaist, 2008: 155). The smaller FOBs are particularly vulnerable, with many surviving for between five to ten years and their average life span being a mere 24 years (Stavrou & Swiercz, 1998; Venter & Boshoff, 2005: 283). According to several researchers and writers, one of the main reasons, if not the single most significant reason, for the failure of FOBs to survive is intergenerational succession with respect to management (Hjorth, 2016:22; Venter, Van der Merwe & Farrington, 2012; Venter, Boshoff, & Maas, 2005, Visser & Chiloane-Tsoka, 2014).

One of the most challenging tasks which faces FOBs is planning for succession. Evidence indicates that only approximately 30% of the FOBs make the transition to the second generation, while only 12% make it to the third, with a mere 3% making it to the fourth generation and beyond, with the remaining 97% being either sold or liquidated during the attrition which accounts for the vast majority (Byrd & Megginson, 2013; Chittoor & Das, 2007). This state of affairs generates interesting research questions concerning the dynamics of successful successions. There can be little doubt that the successful planning of successions holds the key to the long-term survival of FOBs.

If the planning of successions in FOBs is not carried out properly, the prospects for survival from the first to future generations are likely to be severely, if not fatally, compromised. As a direct consequence, the degree to which the South African economy benefits from the considerable contribution which is made by FOBs becomes equally likely to be drastically reduced. It was on the basis of these considerations that the researcher elected to conduct a research study of planning for succession among FOBs in South Africa.

### **1.3 Problem statement**

The longevity of family-owned organisations depends on the strengths of the relationships which exist among members of families upon whose skills and experience the organisations depend. Whether they act as representatives or proprietors, their dedication and motivation are crucial for the achieving of congruity in privately-run companies. As many researchers who have conducted studies of family-owned businesses have pointed out, intergenerational mobility is a key factor for their prospects of survival. In this respect, responsibility among the members of the families constitutes one of the key components which ensure viable and smooth succession in family-owned businesses (Bjornberg, Nicholson, 2012).

A review which was conducted by PricewaterhouseCoopers (2008: 26) revealed that 25% of the organisations which were included in the review were likely to change hands within the next five years. It was also found that 51% of the respondents who anticipated changes in terms of responsibility for their organisations believed that it would remain in their families and that approximately half of all the organisations which were reviewed had no formally articulated strategies for succession.

This study has endeavoured to investigate the key drivers and challenges with respect to succession in FOBs within a South African context, through the conducting of an empirical case study in a selected township in Cape Town. The principal objective of this study is to offer recommendations with respect to management and to suggest effective strategies which could assist family-owned businesses to overcome the many potential hazards which succession can entail.

## **1.4 Research questions**

### **1.4.1 Main research question**

- What are the drivers of the planning of succession planning and the challenges which militate against smooth succession in family-owned businesses?

### **1.4.2 Research sub-questions**

- What are the qualities which family-owned businesses desire in a potential successor?
- What are the drivers of the planning of succession in family-owned businesses?
- What are the challenges which militate against the successful planning for succession in family-owned businesses?

## **1.5 Objectives of the research**

### **1.5.1 Primary objective**

- To determine the drivers of planning for succession and the challenges which are encountered during the carrying out of planning in family-owned businesses in a selected township in South Africa.

### **1.5.2 Secondary objectives**

- To determine the qualities which family-owned businesses desire in a potential successor.
- To determine the drivers of planning for succession in family-owned businesses.
- To determine the challenges which are encountered during the planning for succession in family-owned businesses.

## **1.6 Research methodology**

The primary objective of the study was to determine the drivers of planning for succession and the challenges which are encountered in family-owned businesses in the township of Gugulethu in Cape Town in South Africa. In order to meet this objective, a real-time, longitudinal study was conducted, which enabled the researcher to witness how the succession process unfolds in the family-owned businesses which were selected for the purposes of the study.

### **1.6.1 Approach to the research and research methods**

The study made use of a mixed methods approach, through the use of both qualitative and quantitative research methods, in the manner which has been explained by Creswell (2009:215). According to Creswell (2009:215), quantitative research methodologies endeavour to clarify phenomena through the collecting of numerical data which are analysed statistically through the use of appropriate and suitable software. Struwig and Stead (2001: 3-4) explain that qualitative research entails in-depth investigations of specific phenomena, events or occurrences through the participation of representative samples of target populations and structured methods of collecting data, whereas quantitative research requires that the data which are collected can be expressed in numbers.

Babbie and Mouton (2001:55) characterise qualitative research methodologies from a slightly different perspective, by maintaining that they endeavour to obtain an understanding of specific aspects of the social lives of the participants in qualitative research studies and that their methods generate data in the form of words, which are subsequently analysed in terms of either their content or the themes which emerge from organising the data and breaking them down. Making use of both types of techniques in order to conduct this study enabled the researcher to assess whether it was possible to “determine if there is convergence, differences or some combination” in the set of data, for the purposes of triangulation (Creswell, 2009:203). Owing to constraints with respect to time, the researcher elected to conduct the qualitative and the quantitative studies

concurrently and to collect both sets of data during the same visit to the field. The qualitative study was conducted in order to obtain answers to the research questions through the use of in-depth interviews, whereas the quantitative data were obtained through the administration of questionnaires to the family-owned businesses in Gugulethu which participated in the quantitative study.

## **1.7 Research design**

The research plan made use of standard social research techniques for sampling and methods of collecting data, through the administration of a questionnaire, direct observation, the transcribing of qualitative data and document analysis. The overall research design took the form of a survey.

## **1.8 Population**

The target population of this study comprised of family-owned businesses in Gugulethu. As there is no comprehensive database of family-owned businesses in South Africa, convenience sampling, using snowball sampling, was employed to select the research sample (Maas & Diederichs, 2007:3). This technique helped to identify those family-owned businesses which were able to take part in the research study and to provide the data which were subsequently analysed (Page & Meyer, 2000: 100). In order to generate a list of family-owned businesses in Gugulethu, visits were made to the township, in order to call on both small family-owned businesses and also larger and more well-known ones, to request their participation in the research study.

### **1.8.1 Research sample**

According to Burns and Burns (2008:181), a research sample refers to a portion of a target population which is representative of the population as a whole, with respect to the characteristics which are of interest to a particular researcher.

### **1.8.2 Sampling techniques**

Singh (2007:102) explains that there are two broad categories of sampling techniques, namely, probability sampling and non-probability sampling. According to Babbie & Maxfield (2014:222), probability sampling allows a researcher to guess the expected margin of error in the selecting of a research sample and it enables biases to be avoided, while non-probability sampling entails the selecting of individual participants for a study who are easily accessible, which can result in the selection of samples in which there is a degree of bias (Forzano & Gravetter, 2011:154).

The decision to employ snowball sampling was consistent with that of other researchers in the domain of family-owned businesses, who needed to conduct their research studies in the absence of a comprehensive and reliable national database of family-owned businesses (Adendorff, 2004; Bjornberg, 2012; Farrington, Venter & Boshoff 2010; Van der Merwe & Ellis, 2007; Sonfield & Lussier, 2004; Venter, 2003).

## **1.9 Techniques employed to collect data**

Data were collected through the conducting of face-to face interviews, computer-assisted personal interviewing (CAPI) telephone interviews and online interviews and the administration of questionnaires. Additional methods which were used to corroborate the qualitative findings were observation and document analysis.

### **1.9.1 Personal interviews**

Interviews constitute a particularly effective method of collecting data in qualitative studies, through face-to-face discussions (Kayrooz & Tevitt, 2005:189). The interviews which were conducted enabled the researcher to obtain in-depth and richly detailed information pertaining to the research topic, as a result of being able to develop rapport with the interviewees.

## **1.9.2 Questionnaires**

The respondents to the questionnaires were permitted to choose times which would be suitable to complete the questionnaires, as it is not always necessary for the researcher to be present during the process. Using questionnaires to collect data allows large numbers of participants to take part in research studies and also provides the participants with ample time in order to understand what is required of them (Townsend, 2013:91).

## **1.10 Analysis and interpretation of the data**

The analysis of data is a process of considering the research questions in relation to findings which emerge from the data to confirm or disconfirm the assumptions on which the research questions have been based and of developing explanations for the findings (Babbie & Mouton, 2001:13). The quantitative data was analysed through the use of SPSS software, which enabled the researcher to run various statistical analyses, including the use of simple descriptive statistics such as frequencies and graphs, in order to operationalise relevant concepts (Terre Blanche et al., 2006). The qualitative data which were obtained from the in-depth interviews were transcribed and the transcripts were cross-checked before the data were categorised into main themes and concepts by coding them for the purpose of analysis. This process helps to make sense of the data and to examine the relationships among the themes, ideas and concepts which emerge from the interview material. The process of broad-brush and fine-brush coding was informed by a review of the relevant available literature, to which Chapter 2 will be devoted (Babbie & Mouton, 2001:04).

### **1.10.1 Reliability and validity**

A pilot study was conducted in order to enable the researcher to identify concerns which could influence the obtaining of data which would be usable and appropriate for the purposes of the research study. This preliminary procedure served to ensure the validity and reliability of the study. Conducting the pilot study also permitted some of the



questions in the questionnaire and in the interview guide to be adjusted before the conducting of the actual research study.

### **1.11 Significance of the study**

The study stands to be of great benefit to many individual people and families and their businesses. Family-owned businesses should benefit from the availability of reliable information concerning how to deal with the challenges which are entailed by the planning of succession and, as a consequence, should be able to develop new strategies for ensuring the successful transferring of ownership of their businesses to the next generations of their families. The founders of family-owned businesses should be provided with an effective means of gaining an understanding of the importance of dealing with and overcoming the challenges which appropriate planning for succession may entail. In this respect, the findings of the study should be beneficial, not only to the owners of family-owned businesses, but to their successors as well.

Future researchers could benefit greatly from this study if they choose to continue with similar research concerning succession in family-owned businesses. The study could also help to encourage and promote growth within family-owned businesses and enable them to appreciate the crucial importance of effective communication between the generations.

### **1.12 Anticipated effects, results and contributions of the research study**

It is to be anticipated that the findings of this research study would help to enable family-owned businesses to improve their ability to begin planning for succession well in advance of the time at which it is expected to become necessary and to overcome and to eliminate the challenges which accompany not having an adequate succession plan. It could also assist family-owned businesses to prioritise communication during their succession planning processes. In addition, the study could help to underscore the value of effective communication in business, particularly once all the concerns which are relevant to the successful formulating of their succession plans have been resolved to the satisfaction of all concerned parties.

### **1.13 Ethical considerations**

The researcher took all reasonable measures to ensure that the participants were made aware that their participation in the study would be strictly voluntary, that they would be within their rights to withdraw from participating at any point during the conducting of the study without incurring penalties of any sort whatsoever, that their anonymity would be guaranteed and that the information which they provided would be treated as being strictly confidential. The researcher used the data which the participants had provided to her only for the purposes of carrying out the research study, in accordance with the requirements of the Ethics Committee of the Cape Peninsula University of Technology (CPUT) (Babbie and Mouton, 2001). In addition, a letter which granted permission to conduct the study was obtained from the Higher Degrees Committee (HDC). Before the study was commenced, the research instruments which were used to collect the data were tested and evaluated for reliability and validity (Babbie & Mouton, 2001).

### **1.14 Structure of the thesis**

**Chapter One:** This chapter has provided a brief introductory background of family owned-businesses and the planning of succession. The research problem is stated, the research questions and the objectives of the study are elucidated, before proceeding to an introductory discussion of the research design, the methodology which was employed in order to conduct the study and the ethical considerations which were respected at all times.

**Chapter Two:** This chapter will take the form of a review of the available literature which is relevant to the research topic. It will also provide a detailed discussion of the dynamics which are specific to family-owned businesses in terms of three specific components, namely, ownership, family and business.

**Chapter Three:** This chapter will be devoted to an in-depth discussion of the research methodology and the research design which were employed to conduct the study, the procedures which were followed in order to select the research sample and the ethical standards which applied to all types of research in which there are human participants.

**Chapter Four:** In this chapter, the data will be presented and analysed in order to generate findings which provide answers to the research questions and enable an assessment to be made of whether or not the objectives of the research study have been met.

**Chapter Five:** This chapter will endeavour to interpret the findings, to present the conclusions which were drawn from the findings and make recommendations based on the conclusions. It will also provide an overview of the chapters of the thesis and offer suggestions for future research studies, before closing with concluding remarks.

## **1.15 Summary**

The first chapter has provided a broad overview of the study, in the form of a general introduction and the background to the research problem, followed by a statement of the research problem, comprehensive breakdowns of the research questions and the objectives of the study, an initial description of the research methodology and the research design, a discussion of its significance and its likely benefits and a summary of the structure of the thesis. The next chapter will provide a review of the literature pertaining to the concept of business incubators and SMEs, under headings which are relevant to the research topic.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Access to most of the literature which is reviewed in this chapter was obtained by consulting academic journals, books, and other sources. In order to align the review with the objectives of the study, namely, to determine the drivers of planning for succession in family-owned businesses in a selected township in South Africa, the challenges which are encountered during the process of planning for succession, the qualities which are desired by family-owned businesses in a potential successor, the challenges which are encountered during the process of succession and the factors which hinder the successful planning for succession, the relevant literature will be presented under the headings of the sections which follow.

#### **2.2 Business history**

The history of a family-owned business provides valuable insights for those who are tasked with planning for succession. The consequences of previous successions, with respect to whether they were accompanied by positive or negative effects on the viability of the business, will inevitably shape the prospects for an impending transition or one which is already in progress. The degree to which a business has developed either moderately or particularly idiosyncratic business practices can also introduce complications in the succession process. The effects of idiosyncratic practices are particularly likely to be acutely felt in those instances in which succession passes to a person who is not a member of the family which founded the business. In these cases, the successor is unlikely to have sufficiently intimate knowledge of the business and how it operates, which makes the succession prone to having undesirable consequences for the business. Even members of the family may have difficulty assuming leadership roles if appropriate systems are not formulated to allow for a transfer of knowledge from an incumbent leader to a successor. As knowledge can be used to further the personal interests of successors, successors who are not members

of the family can, in some instances, use the knowledge which they have acquired to the detriment of the family. Taylor illustrates how the way in which an incumbent leader who has managed a business is particularly well positioned to shape the possibilities for succession. Whether its management has been conservative or entrepreneurial will determine how readily and successfully the approach of a successor can be aligned with the prevailing ethos of a business. Negotiating these concerns and arriving at a solution which meets the needs of both the family and the business requires careful management.

### **2.3 Definition of a family-owned business**

According to Chrisman, Chua and Sharma (2008: 188) family-owned businesses are administered with the intention of pursuing and shaping the vision of the business which is controlled by members of the same family.

According to Ibrahim and Ellis (2004:5) family-owned business can be defined in terms of the following criteria: at least the business should be managed by two members of the family, a single family should own at least 51% of the business.

#### **2.3.1 Unique characteristics of family-owned businesses**

Maas et al. (2005:8) explain that they are not the same in a sense that the interests of the families are usually in order with those of their businesses. Although a business which is not owned by a family will be run solely as a business, when members of families work together, disputes in their businesses usually have a ripple effect on relationships within their families and vice versa.

Ibrahim and Ellis (2004: 44) contend that the overruling characteristics of most family-owned businesses are a unique atmosphere which creates a pronounced sense of a common purpose among the entire workforce (Leach, Ball & Duncan, 2002: 5). As family-owned businesses need to be accountable to the families who own them (Carlock & Ward, 2001: 146), it is important that their owners should acquire a sound

understanding of the important concepts upon which family businesses originate. (Carlock & Ward, 2001: 146).

### **2.3.2 Family businesses are distinguished by some of the following characteristics:**

**Active involvement by members of families:** Roles and responsibilities must be clearly defined and mutually recognised, respected, understood and by each member for a family business to run profitably (Carrigan & Buckley, 2008: 2- 4).

**Mutual respect:** Mutual respect needs to be expressed through trust between and among members of the family and built through the scrupulous honouring of undertakings and responsibilities to one another, from generation to generation (Carrigan & Buckley, 2008: 2).

**Shared vision:** A sense of purpose enables the family to understand the direction which both the family and the business are taking, in terms of the values and strategic direction, for which both stand and ensures that it has a clearly articulated identity and that it adopts its mission to succeed (Netsianda, 2008:15).

**A sense of belonging:** Personal growth and development within the family business is very vital as it ensures that the members of the family feel that they belong to both the family and the business, that they understand the changes which need to be made and that they make the contributions which they need to make to ensure the continued well-being of the businesses (Carrigan & Buckley, 2008: 2- 4).

**Trust:** High levels of trust between the members of the families who own family businesses and the employees who are not members of their families are vital for the success of family businesses (Carrigan & Buckley, 2008:2-4).

## **2.4 Planning for succession**

Rothwell (2010:15) defines planning for succession as a “deliberate and systematic effort by an organisation to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future and encourage individual advancement”. Bocatto, Gispert & Rialp (2010) explain that succession is an essential component of any strategy to ensure the survival of family-owned businesses and that researchers have based their assessments of the likelihood of family-owned businesses surviving on their potential for succession.

Planning for succession entails a process in which businesses plan the transferring of their ownership. It is embarked upon in instances in which although the owner of a business wishes to terminate his or her own involvement in it, nevertheless desires the business to continue operating (Sambrook, 2005).

Succession constitutes a significant test of the mettle of most family-owned business organisations. According to Le Breton-Miller, Miller & Steier (2004:325), maintaining leadership from one generation to the next is one of the greatest challenges to the longevity of family businesses. Ward (2004:22) expands this assessment by explaining that “approximately 66% of successful family-owned businesses survive the transfer of the business to the second generation and then only 13% of these survive through to the third generation”.

### **2.4.1 The management of human resources**

The human resources aspect of small firm is usually managed by an entrepreneur (Matlay, 2002). Small firms have limited size and financial resources therefore cannot justify the cost of employing full-time professionals to manage their human resources (Matlay, 2006), and many small-scale entrepreneurs do not find the management of human resources in small firms as a very costly process which requires the employing of highly-paid (Pearson, 2008)



When firms and businesses are small, the task of adequately managing their human resources will not present many problems for most entrepreneurs. However, Mazzarol (2003) explains that as firms grow and greatly increase their numbers of employees, the complexity of managing their human resources becomes magnified. Researchers have identified a dearth of research at the intersection of the management of human resources and entrepreneurship. According to an editorial in a special issue of *Human Resource Management*, small and medium-sized enterprises have been treated for too long as second-class citizens by writers and researchers in the literature pertaining to the management of human resources (Heineman & Tansky, 2003). This statement is based on finding only 17 articles which were devoted to the management of human resources in small firms in academic journals which had been published between 1984 and 1999 (Reported by Heineman et al., 2003). Research concerning the management of human resources in small firms focuses on a neglected category of firms and responds to several appeals for more research. Practices in the management of human resources in small businesses, which are classified as businesses which have fewer than 150 employees, have stagnated or even regressed over the last decade, despite the demands from the regulatory and external environments of small businesses that increased emphasis should be given to the management of their human resources (Kuratko & Hornsby, 2003). In addition, Kuratko and Hornsby (2003) also found that despite the considerable volume and diversity of research which has been conducted in the management of human resources, relatively little is understood concerning its specific needs and practices in small businesses.

#### **2.4.2 A critique of the relevant available literature**

In a research sample of small and medium-sized family-owned businesses Martin (2001:58) found that the male children tended to be regarded as 'heirs apparent', irrespective of whether they were employed in the businesses at the time. By contrast, Bachkaniwala (2001:88) found from case studies of South Asian family-owned businesses that the founder chose his eldest son as his successor in only one case. In Kenya, male successors appear to be particularly favoured. According to a report of the

World Bank, 'there are specific legal, regulatory, and administrative barriers that women entrepreneurs face that are either not encountered at all by their male counterparts or have a disproportionate effect on women'. Sten (2004) found that although the founders of family-owned small and medium-sized enterprises in Finland almost universally desired to pass ownership to their children through succession, to an ever-increasing extent the children desired to be relieved of the pressures which accompany the running and management of businesses and tended to rejoice when the business of their families were sold to people who were not members of their families, through a transfer of ownership. However, it was also found that the new owners very often desire to purge the businesses of every member of the families of the former owners and to realign the businesses in a manner which dramatically changes their cultures and their nature. These findings are consistent with those of a study of MacWhirter (2004) of specific cases in the UK. Their study concentrated on the exit strategies which were chosen by the companies of entrepreneurial families. They found that both the availability of a willing successor and the specific personal and family values to which the families of the owners adhered had a significant influence on the exit strategy which was chosen.

## **2.5 Planning for succession in family-owned businesses**

A succession plan for a family-owned business entails the transferring of both ownership and control of management from one generation to the other (Brun de Pontet, Wrosch & Gagne, 2007). The succession of ownership determines to whom ownership of the business will be transferred and how and when it will take place. A study which was conducted by Ibrahim, Soufani and Lam (2001) reveals that although tensions may arise within family-owned businesses in the absence of adequate planning for succession, there are many ways in which conflicts may be resolved. According to Hubler (2009:10), the founders of family-owned businesses, their intended successors and their executive management find that succession constitutes one of their most difficult strategic problems. According to Motwani, Levenburg & Schwarz (2006: 471–495), the problems which are associated with succession are not always

easy to overcome, as the process entails concerns which are of a very intimate nature for the members of the families concerned, such as relationships within their families, their personal identities within their families and future wealth. Although the members of families often work very closely together in family-owned businesses, conversations concerning succession tend to be avoided, as they have great potential to create tension and, in many cases, the topic itself is perceived to be a distasteful one (Lam, 2011). Succession cannot be planned and implemented without recourse to conversations in which different voices are heard. Succession in businesses needs to be carried and lived through in a manner which prompts the members of the families concerned to ponder complex concerns over extended periods of time (Haag, 2012).

In relation to appropriate discussions concerning succession, Lam (2011) explains that “one common scenario is that family business members draw up and agree to a succession plan, only to find it extremely difficult, if not impossible, to implement it”. This is extremely relevant to the present discourse concerning succession in family-owned businesses and the need for further research into how to make conversations concerning succession fruitful (Lam, 2011).

## **2.6 The process of planning for succession**

In any business organisation, the succession-planning process is generally characterised by four key components, namely:

- The projecting of the needs of the organisation by management
- The assessing of the skills inventories of people who hold managerial positions at present
- The addressing of the developmental needs which have been established
- The making of the appropriate appointment when time comes (Griffeth & Barrett, 2006)

The same components of planning for succession are also applicable in the case of family-owned businesses. Dyck, Mauws, Starke and Mischke (2002) propose a framework for the planning of succession in family-owned business which employs the analogy of a relay race. In the relay race analogy, the four key factors which need to be properly dealt with to complete the race successfully are 'sequence', 'timing', 'baton-passing technique' and 'communication'.

## **2.7 Drivers for the planning of succession**

Companies are subjected to several different types of pressures when they endeavour to improve their performance or to invest in technology (Motwani, 2006:25). The pressure is unrelenting for companies which need to find new ways to fill their talent pipelines. If they wish to retain the talent which they employ at present, they need to develop it. Companies have identified specific categories of pressures which exert the most influence on their decision-making processes (Winn, 2000:2).

According to (Winn, 2000:10) the pressures which have been identified reveal that companies tend to struggle to fulfil the requirements of negotiating the three distinct stages of successfully planning for succession, namely:

- "Identifying", in terms of the difficulty which is encountered in endeavouring to find suitable candidates for management positions, identifying talent which has particularly high potential early and devising strategies to retain talent
- "Developing", in terms of improving the bench-strengths of their companies in key positions and successfully evaluating the best available talent
- "Retaining", in terms of the unexpected loss of key leaders and reducing the cost of replacing employees

## **2.8 Planning for succession**

Succession may be understood as the process by means of which the management, and leadership of a family business is passed on to the next generation (Motwani &

Schwarz, 2002; Dyer & Handler, 2008). This working definition suggests that succession planning is a process which occurs over a long period of time, and not one-time-only activity. When succession implemented carefully, considering the dynamics of both the business and family concerned, there is a great likelihood that the succession process will be successful. Many researchers and consultants stress the importance of effective processes to ensure the continuity family businesses, many have pointed out that it tends to be left to chance by many family firms (Sharma, Chua & Chrisman, 2003).

### **2.8.1 The process of planning for succession and family-owned businesses**

Planning for succession is borne out of the intentions of family businesses to pursue succession for two reasons, namely, the activities which pertain to planning for succession constitute an integral component of the succession process, and because effective planning for succession increases the probability of a successful succession (Sharma, Chrisman, Pablo, & Chua, 2001). Although previous studies tend to treat planning for succession as a one-dimensional process or to combine its dimensions into one overall procedure, it is deemed, by the researcher, to be appropriate to concur with the procedure which is advocated by Dyck, Mauws, Starke and Mischke (2002), to treat planning for succession as a long-term process which entails multiple activities, all of which need to be carried out and evaluated independently of the others.

According to Esuh (2011:145), the failures of businesses are a common theme in a great many studies of succession in family businesses. They maintain that the failures usually occur because of not giving adequate attention to succession and how it affects the continuity of the family businesses concerned. Although it may be agreed that continuity is a vital consideration for concerns related to succession, succession nevertheless requires a process, and Esuh (2011:145) failed to include a process dimension in their model.

From this discussion of succession and continuity in family-owned businesses, it may be concluded that continuity, as an ultimate objective of succession, is not achieved by

chance, but rather through planning, which follows a clearly articulated process. Figure 1 in section 2.9.2 illustrates a framework for succession and shows how the various components are coordinated to achieve a successful succession which results in continuity. The willingness of a founder or owner to step aside and his or her preference for a successor, either within or outside of the family, combined with the personal interest and the competence and experience of the successor, are all factors which are likely to contribute to the willingness of the successor to assume control of the business in a successful succession. Both the internal and the external factors in the environment in which the succession takes place, together with the founder and the successor working through the succession process, is likely to yield a successful succession, which results in continuity.

## **2.9 Theoretical frameworks for succession**

Numerous schools of thought have developed with respect to the study of family businesses, with succession as a key construct. Researchers in the field have acknowledged how broad the literature pertaining to the topic is, and that as every family business has its own unique practices, attitudes and values, to formulate a single model or theory would be an undertaking of great complexity. This study will incorporate a conceptual model of the determinants of satisfaction with the succession process in family-owned businesses. The model was used to support the investigation which this research study has endeavoured to conduct of effective models for planning for succession. It draws on various economic, behavioural and organisational theories pertaining to the dynamics of family businesses in which succession is a key construct. It focuses on the factors which influence initial satisfaction with the succession process. The reason for which satisfaction is a key principle is that it serves as a gauge for determining whether a transition process has been successful. The model posits that the members of families often give more priority to maintaining good relationships with one another than to the profitability of their businesses. For the purposes of this study, the importance of understanding the factors which influence satisfaction with the succession process, from the perspective of the members of the families as

stakeholders in the businesses, lies in the fact that dissatisfaction with the process has great potential for exerting an adverse influence on relationships within the families concerned.

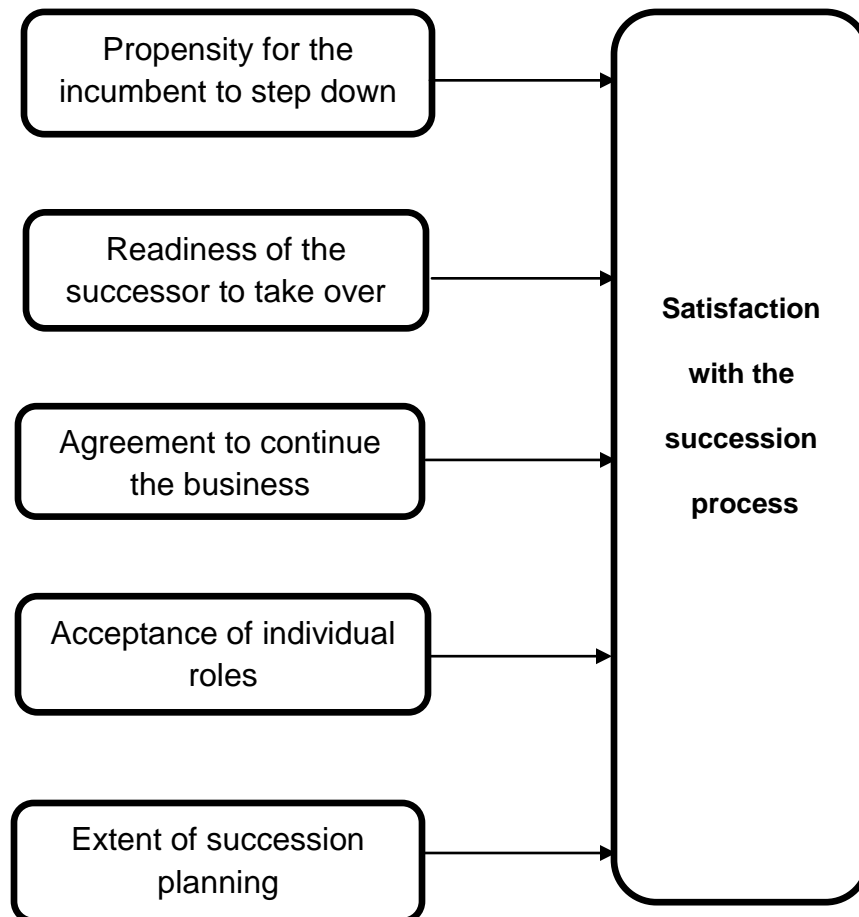
The significance of this model lies in the unified perspective which it brings to a relatively broad and fragmented topic (Sharma et al., 2003). Other perspectives will also be assessed, such the sustainable family business theory, which emphasises the benefits which are provided by the contributions of the individual members of the families in terms of human, social and financial capital, for both long-term and short-term success. The sustainable family business theory maintains that the sustainability of family firms depends on both their success and the functionality of the families which own them (Danes, 2009). The second theory which will be considered is Gary Becker's theory pertaining to the development of human capital. The theory is relevant to this research study, as it asserts that new technological advances have little value to countries which have few skilled workers who possess the knowledge which is needed to make effective use of them. He believed that synergies between new knowledge and human capital can have a positive influence on economic growth in the context of family firms (Becker & Tomes, 1986).

### **2.9.1 Conceptual model and determinants of satisfaction in the succession process**

The model makes use of hypotheses which arise from the available literature pertaining to the research topic, which have not been tested together. It also makes use of the concepts of incumbents and successors, to increase the probability of a successful transition process. Finally, the model emphasises the interactive roles which predecessors and successors play, and the roles of other stakeholders in the process (Sharma et al., 2003). In family firms, all the members of the family are stakeholders in the succession process and they can, to varying extents, affect or be affected by the transition in leadership (Sharma et al., 2003). Figure 1 in the following section focuses

on the perspectives of the incumbent and the successor and depicts hypotheses pertaining to the level of satisfaction, which will be discussed in more detail below. In order to explain the five factors which, influence satisfaction and the hypotheses with optimal clarity, other theoretical frameworks which are related to the model will be used to substantiate it. The aim is to assess the model within the context of the purposes of this research study and to assess whether the model illustrates sufficiently comprehensively the processes which are entailed in the achieving of successful succession, with respect to the satisfaction of all who participate in the process.

**Figure 1: Determinants of satisfaction with the succession process in the family firm** (Sharma *et al.*, 2003: 671)





The model employs five hypotheses, which are used in relation to the viewpoints of both the incumbent and the successor. The first relates to the willingness of the incumbent to step down. According to the sustainable family business theory, the antecedents are usually the primary contributors of capital to the family enterprise and the primary holders of both monetary and physical assets, such as land, machinery, crops and cattle, which constitute the primary factors which determine sustainability, in the case of an agriculturally-based family business (Danes, 2009). Within the context of agribusinesses, the capital of families can be passed down over many generations and the rate at which wealth is accumulated through the process can be so exponential that the propensity of the incumbent to step down depends to a very large extent upon whether there is a trustworthy successor who will act in the best interests of the business, while having sufficient integrity to secure the support of other members of the family and relevant stakeholders. (Chrisman, Chua & Sharma, 1998). The second hypothesis relates to the level of readiness of the successor to assume control of the business. It is the most crucial factor, because if the intended successor is not willing to take over the business, the family may be obliged to sell it, in a great many cases at a discounted price, thereby yielding a decreased return on the capital which had been invested by the antecedent. It is common in the agricultural sector for the younger generation not to regard a future in the family business as a particularly attractive prospect, owing to other interests or to perceiving a career in agriculture as an undesirable one, compared with other careers in urban areas (Nel & Davis, 1999).

The willingness of a potential successor to assume control of a family business can be stimulated through investing in human capital. Gary Becker, 2000 identifies several categories of human capital, such as: skills and abilities, personality attributes, appearance, reputation and appropriate credentials to carry out the duties which assuming control entails with the necessary specialised technical knowledge and other abilities with which the parents may have endowed the child for grooming him or her eventually to take over the business (Becker & Tomes, 1986). Any activities that engage the intended successor in the business from a young age enable them to develop a degree of interest which can be supplemented by education within the field. However,

investment in human capital does not necessarily guarantee that the children will fulfil expectations with respect to their taking over the businesses in question. Intended successors need to assess their own personal goals with respect to the careers which they desire to follow and should discuss openly, with the incumbent owners of their family businesses, the opportunities which exist within the businesses, while exploring other possibilities concerning their future careers.

The third hypothesis relates to consensus among the members of the family to carry on with the business, taking several considerations pertaining to the succession process into account. It also concerns the opinions of outside stakeholders who are not members of the family and the reaching of a consensus concerning a chosen successor. The successor who is chosen should not only be equipped with the capacity to perform the duties which are required, but should also have the necessary abilities and qualities with respect to leadership, in order to maintain harmony among the members of both the management and the staff of the business (Kenyon–Rouvinez & Ward, 2005). The fourth hypothesis relates to the acceptance of individual roles in the business on the part of the various members of the family. The clarifying of roles and responsibilities among stakeholders is of crucial importance for ensuring fairness and promoting mutual respect and harmony, particularly in the interests of maintaining open lines of communication. The clarification of roles also ensures that siblings can accommodate one another and to minimise instances of rivalry and political infighting, which are very common phenomena in family businesses.

The members of the family, together with the external stakeholders, can play an important role as affiliates of the business advisory board. The clarification of roles can also ease the process of selecting a successor who assumes a leadership role among the employees. There should also be no ambiguity concerning the levels of authority which each member of the family has over their subordinates (Venter et al., 2005). The fifth and final hypothesis relates to the succession process itself and emphasises the importance of planning in advance. The process needs to be planned, to ensure that all the relevant stakeholders are satisfied with the decision which is reached with respect to the successor. This process can be guided through calling in outside assistance, by

making use of consultants and the advisory board of the company, to mediate in both soft and hard issues. Soft issues pertain to the company and the family which owns it, while hard issues pertain to the monetary, technical and administrative concerns of the company (Glauben, 2009).

The conceptual model was formulated by researchers to consolidate the findings in the existing relevant literature concerning the succession process, to form the basis for empirical studies which can be used to test the model and to gain a comprehensive understanding of factors which contribute to effective succession. The hypotheses in the model helped to conceptualise the succession process as a function of satisfaction among the stakeholders concerned. Analysing the model from different theoretical perspectives has facilitated the acquiring of a deeper understanding of the five factors and has also provided insights into the different types of stakeholders who could be incorporated into the process of gathering data of this research study.

## **2.10 Disadvantages of working in family businesses**

Vera and Dean (2005) identified some of the disadvantages for members of the families concerned of working in the family business as having restricted personal lives, working long hours, a lack of a private life away from the family, having disagreements among members of the family concerning the running of the business which continue outside of the workplace, difficulties which arise as a result of parents and their children not necessarily sharing the same goals, approaches and values and being constantly compared with the previous leader with respect to styles of management.

## **2.11 Summary**

This chapter has reviewed the relevant available literature with respect to the business histories of family-owned businesses, applicable definitions of family-owned businesses and the unique characteristics of family-owned businesses. The topics were presented under main headings and sub-headings which were specifically chosen to cover the themes which had been identified. The first main theme, planning for succession in family-owned businesses, was discussed in relation to the relevant available literature, as was done in the case of the process of planning for succession and the drivers of planning for succession. However, in the case of the drivers of planning for succession, relatively little information which was of substance could be found, and it is to be hoped that the conducting of this study will add to the body of available literature in this respect.

The next chapter will be devoted to an in-depth discussion of the research design and the research methodology which was employed to conduct this study.

## CHAPTER 3

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1 Introduction

This chapter will be devoted to a detailed discussion of the research design and the methodology which was employed to conduct this research study. It will cover the target population, the techniques which were employed to select a suitable research sample, the methods which were used to collect the data and to analyse it and the ethical standards for professional research in the social sciences in which there are human participants which were respected always during the conducting of the study. As it was explained in the introductory chapter, the primary objective of this study was to determine the drivers of planning for succession and the challenges which are encountered during the process in family-owned businesses in the township of Gugulethu in Cape Town in South Africa. The businesses which were chosen to participate in this study were selected in accordance with the specific attributes which were relevant for the purposes of investigating the research topic.

#### 3.2 Research methods

The study was conducted by means of a mixed methods approach which incorporated both quantitative and qualitative research methods. As Creswell (2009:215) points out, a mixed methods approach exploits the strengths of both types of research methods. In recent decades, there has been a move by researchers in the social sciences to develop methods and approaches which make use of the best attributes of the two ostensibly antithetical approaches to the conducting of research. The bridging process entails the triangulation of findings, to work towards overcoming the potential bias and sterility of single-method approaches (Lam, 2001:259).

The difference between qualitative and quantitative research lies in the quest for understanding and the degree of depth in which an investigation can be conducted. Creswell (2009:215) explains that quantitative research methodologies endeavour to clarify phenomena by collecting numerical data which are analysed statistically, using

suitable and appropriate software. According to Struwig and Stead (2001:3-4), the essential differences between quantitative and qualitative research are found in the structured methods which are employed to collect qualitative data from representative samples of target populations and the requirement of quantitative research that the data which are collected can be represented in numbers. The focus of quantitative research is on facts, figures and measurements and its approach is objective, rather than subjective. Quantitative research is essentially positivistic, in that it seeks to discover the empirical facts pertaining to social phenomena and their causes and is little concerned with the perceptions of individual people.

As Babbie and Mouton (2001:55) explain, qualitative research methodologies are characterised by a desire to gain an in-depth understanding of the subjective perceptions, opinions and beliefs of participants concerning events, occurrences and phenomena which may be of interest to researchers. The methods which are employed in qualitative research studies generate data in the form of words, which are then analysed in terms of either the content of the verbal data or of the specific themes which emerge from the processes which are employed to organise the data and to break them down. Using both types of techniques in this study enabled the numerical data which were obtained from the administering of the questionnaire to be evaluated alongside the findings which emerged from the qualitative study. Owing to constraints of time, both the quantitative and the qualitative data were collected during the same period in which the study was conducted. The qualitative study sought to obtain answers to the research questions by obtaining qualitative data from in-depth interviews, whereas the quantitative data were obtained from the questionnaires which were administered to selected family-owned businesses in Gugulethu.

Snowball sampling was used to select the research sample to participate in the interviews, as the technique enabled the researcher to make effective use of the knowledge of insiders to select a truly representative research sample which was of a feasible size.

### **3.3 Research design and methodology**

Cooper and Schindler (2011:147) define a research design as the plan and structure of an investigation which is conducted to obtain answers to specific research questions. A mixed methods research design was adopted to conduct this research study by collecting data from in-depth interviews and questionnaires, to acquire a comprehensive understanding of the key drivers of planning for succession and the challenges which are encountered in family-owned businesses in Gugulethu. The quantitative study generated numerical data from the administration of a survey questionnaire, which had been pilot tested, to ensure that the questions would be both understandable to the respondents and capable of providing reliable and valid answers to the research questions (Brynard & Hanekom, 2006:37). Qualitative studies have the potential to generate unanticipated findings without depending upon quantifiable measurements, by generating descriptive data through procedures such as interviews and direct observations of the participants in research studies, to describe and to understand specific social phenomena (Cooper & Schindler, 2011:151).

### **3.4 Delineation of the research**

A total of 120 family-owned businesses in Gugulethu in Cape Town were selected to participate in this research study. The criterion for selection which was employed was that each business needed to be owned and run by a family.

### **3.5 Target population**

The target population for the study comprised of all the small and medium-sized family businesses situated in the township of Gugulethu in Cape Town. At present there is no comprehensive national database for this area.

#### **3.5.1 Research sample**

When a sub-group of a population is used to represent the population as a whole based on specific characteristics in which a researcher may be interested, it is known as a research sample (Salkind, 2012:95). A sample refers to a portion of a population which

is representative of it in certain specified respects (Burns & Burns, 2008:181). Singh (2007:102) explains that there are two main categories of methods for sampling, namely, probability sampling and non-probability.

When probability sampling is employed, each individual member of the population has an equal likelihood of being selected. While probability sampling permits researchers to estimate the anticipated margin of error and avoids the possibility of bias in the selection process (Babbie & Maxfield, 2014:222), non-probability sampling ensures that the selection of participants is easy, although more prone to bias (Forzano & Gravetter, 2011:154). To avoid the bias which is associated with non-probability sampling, a large research sample of 120 businesses was purposively sampled. As all the businesses were deemed to be suitable for the purposes of the survey questionnaire, 120 questionnaires were distributed to the managers or owners of the businesses. All 120 of the questionnaires which were returned to the researcher were usable, in the sense that data could be extracted from them for analysis.

### **3.5.2 Unit of analysis**

In this study, the unit of analysis comprised a group of individual people who were either the owners or the managers of family-owned businesses in Gugulethu. The selection of the unit of analysis is a very important step in the designing of a good research project. Cooper and Schindler (2011:166) define a unit of analysis as the entity which is studied, by means of which the researcher decides how to analyse the data which are obtained during the conducting of a study. A unit of analysis could comprise individual people or groups of people, depending upon the way in which a study is conducted. Information pertaining to individual characteristics, such as the number of years for which a business has been in existence, the levels of education which had been attained by the participants, their genders and their ages, was collected to create broad profiles of the 120 people who took part in the survey questionnaire.



### **3.5.3 Methods employed to collect data**

In this research study, both quantitative and qualitative methods were used to collect data. The quantitative data were generated by the survey questionnaire and the qualitative data were obtained from structured and unstructured in-depth face-to-face interviews. The researcher made use of both primary and secondary data to conduct this study. According to Skaik (2013:8), primary sources of data include in-depth interviews and questionnaires, while secondary sources include published theses, online resources and articles in journals, magazines and newspapers.

### **3.5.4 Primary and secondary data**

Burns and Burns (2008:49) define primary data as new data which are collected by researchers for analysis. Secondary data refers to data which are obtained from already published sources, such as databases or any sources of information which have been published (Remenyi, Williams, Money & Swartz, 1998:289). In this study, the researcher made use of journals, theses, books and government reports, both online and in paper format, as sources of secondary data.

### **3.5.5 Questionnaires**

The collection of data through administering questionnaires allows more participants to be surveyed in a given period of time than would be possible through the conducting of interviews. It is not always necessary for the researcher to be present and respondents who agree to complete questionnaires are able to choose a suitable time to participate in surveys which are conducted using questionnaires (Townsend, 2013:91). In this study questionnaires which contained both closed-ended and open-ended questions were distributed to respondents who had been randomly selected. The researcher distributed the questionnaires to the respondents at their business premises and began by introducing herself, asking their permission to participate in the survey. The questionnaires enabled the researcher to obtain large amounts of information rapidly, which was supported and augmented by the in-depth information which was obtained from the relatively small number of interviews (Lapan & Quartaroli, 2009:191). The

researcher took care to make appointments with all the people who participated in the study, provided explanations concerning the answering of the questions in the questionnaire, when it was necessary to do so and arranged times with the respondents for the collection of questionnaires.

### **3.5.6 Analysis and interpretation of the data**

The data which were gathered in this study were both quantitative and qualitative in nature and were generated by the survey questionnaire and the personal interviews, respectively. The Statistical Package for the Social Sciences (SPSS) software was used to analyse the quantitative data and the qualitative data were analysed by means of content analysis. The researcher made use of the services of an experienced statistician to ensure the correct analysis and presentation of the quantitative data, which were presented in the form of graphs, tables and pie charts.

### **3.5.7 Reliability and Validity**

In the South African Concise Oxford Dictionary (2002:987) it is written that "Reliability means to rely on, to depend or trust the validity of data of a study." According to the Oxford Advanced Learners' Dictionary (2010:1648), validity is defined as the "legal and official acceptance of the data". Validity refers to the ability of a research instrument to measure what it intends to measure (Brynard & Hanekom, 2006:47). Together the criteria of reliability and validity ensure that a research instrument can yield similar results or findings under similar conditions over time and that it measures what it is intended to measure.

According to Brynard & Hanekom (2006:47), a pilot study is a process by means of which the research design for a projected survey is tested. In addition, he maintains that the purpose of pilot testing is to identify aspects of an instrument which require refinement. To ensure reliability and validity of the findings of this study, a pilot study was conducted by the researcher to identify questions in the questionnaire which the respondents had difficulty understanding and those which did not generate the types of responses which were useful for the purposes of the study.

### **3.5.8 Ethical considerations**

According to Sanders (2007:43), “ethics refers to the appropriateness of behaviour in relation to the rights of those who become the subject of the work, or are affected by it.” The following professional ethical standards were respected and scrupulously adhered to at all times during the conducting of the research study:

- **Informed consent:** The standards for the conducting of ethical research required the researcher to send letters of consent to enable the participants to give their voluntary consent to participate in the study before ethical clearance could be granted. It was explained to the participants that the choice concerning whether to participate would be theirs alone and they were informed in advance of the nature of the study. In addition, a letter of consent was obtained from the area sub-council in Gugulethu, which granted the researcher permission to conduct the study in the township.
- **The right to privacy:** The information which was provided by the participants was regarded as being strictly confidential and their anonymity was ensured. The participants were aware that they had the right to terminate the interviews at any time at which they might deem it necessary to do so or to refuse to answer any of the questions during the interviews or when responding to the questionnaire.
- **Honesty towards professional colleagues:** The findings were reported in a complete and honest manner, without misrepresenting any of the information which had been provided or intentionally misleading anyone in any way whatsoever. No data was fabricated to support conclusions.

- Confidentiality and anonymity: Ensuring confidentiality or anonymity enables the participants in research studies to provide responses which are frank, open and honest.

All reasonable measures were taken to conduct this study in an ethically responsible manner. According to Brynard & Hanekom (2006:6), ethical research requires honesty on the part of the researcher and for confidential information to be adequately safeguarded. The researcher used the data which was provided to her for the sole purpose of evaluating the research topic, in accordance with the requirements of the Ethics Committee of the Cape Peninsula University of Technology (CPUT) (Babbie and Mouton, 2001). In addition, a letter was also obtained from the Higher Degree Committee (HDC) in order to obtain permission to conduct the study.

### **3.6 Summary**

This chapter has presented and justified the research design and the methodology which was used to conduct the study, whose research topic was to determine the drivers of planning for succession in family-owned businesses and the challenges which are encountered in the process. It has also provided an in-depth discussion of the methodology which was used to obtain the data which were needed to make accurate assessments of the perceptions, the beliefs and the opinions of the managers and the owners of the family businesses who participated in the study and the quantifiable data which were obtained from the administration of the questionnaire. The target population for this study was limited to the township of Gugulethu. The sample comprised 120 small family-owned businesses, which were owned either by foreigners or South African nationals. The quantitative component of the mixed methods study entailed the administration of a total of 120 questionnaires which were distributed to the respondents, all 120 of which were returned and could be included in the analysis of the data. Accordingly, the quantitative study achieved a response rate of 100%. The one-on-one interviews were conducted personally by the researcher and the questionnaires were also personally administered by her. The next chapter will present and discuss the findings of the study.

## **CHAPTER 4**

### **PRESENTATION AND DISCUSSION OF THE FINDINGS**

#### **4.1 Introduction**

The data which were collected from the survey questionnaire were analysed by means of the SPSS software, which will be covered in this chapter. For ease of reference, these data have been tabulated and presented in the form of tables, graphs, and charts.

#### **4.2 Revisiting the objectives of the study**

As has been stated, the main objective of the study was to determine the drivers of planning for succession, the implementation of strategies for succession and the challenges which are encountered in family-owned businesses in the township of Gugulethu in Cape Town. The sub-objectives were:

- To determine the attributes which family-owned businesses desire in a potential successor.
- To determine the drivers of planning for succession in family-owned businesses.
- To determine the challenges which are encountered during planning for succession in family-owned businesses.

#### **4.3 Analysis of the results of the study**

The empirical results were obtained from the responses of 120 family-owned small to medium-sized businesses in Gugulethu to the questionnaire. The qualitative data were obtained from personal interviews. Both sets of research methods were selected in order to enable them to complement each other and allow the results to be triangulated.

#### **4.4 Presentation and analysis of the quantitative data**

The quantitative data will be presented and discussed under the following sub-headings:

- SECTION A: Demographic information pertaining to the owners or managers of the businesses
- SECTION B: Business profile
- SECTION C: Desirable characteristics for a potential successor in a family-owned business
- SECTION D: The importance which is accorded to drivers of planning for succession
- SECTION E: The challenges which are encountered in planning for succession in family-owned businesses

##### **4.4.1 Section A: Demographic backgrounds of the owners or managers of family-owned businesses who responded to the questionnaire**

The purpose of this section was to obtain demographic profiles for the respondents.

*(A) Owner or manager of the business*

Table 4.1 below shows that 66.7% of the respondents indicated that they were either the owners of, or the major partners in their businesses, while 33.3% indicated that they were managers.

Table 4.1: Indicate if you are the owner or the manager

Owner or Manager		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Owner	80	66.7	66.7	66.7
	Manager	40	33.3	33.3	100.0
	Total	120	100.0	100.0	

*(B) Gender*

Table 4.2 below shows that 76.7% of the respondents were females, while males represented 23.3% of the sample. This finding indicates a significant disparity between the genders and suggests that significantly more females than males either own or manage small to medium-sized family-owned businesses in Gugulethu. The results of several surveys have shown that although 90% of the owners of small to medium-sized family businesses work full-time, they are still responsible for household tasks and bringing up their children (Belcopurt, Burke & Lee-Gosselin, 1991:15). These women perceive it to be completely normal to play the roles of both mothers and either the owners or managers of their businesses, simultaneously (Cadieux & Hugron, 2002:22-25).



Table 4.2: Genders of the respondents

<b>Gender Response</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Male	28	23.3	23.3	23.3
Female	92	76.7	76.7	100.0
Total	120	100.0	100.0	

*(C) Age groups of the respondents*

Table 4.3 below shows the age groups of the respondents. Of the 120 respondents who took part in the survey, 34.2% were less than 30 years of age, while 24.2% were between the ages of 30 and 39 years, 27.5% were between 40 and 49 years of age and 14.2% were 50 years old or older.

These findings tend to accord with those of a study which was conducted by Bjuggren and Sund (2001:56), in which it was found that an often-cited reason for the low survival rates among family businesses is the practice of families to hand their businesses over to their children, rather than more competent professional managers. The findings also suggest that the respondents were sufficiently mature to provide responses which were of relevance to the research topic. This conclusion is supported by the fact that some of the respondents had stayed in their family businesses for sufficiently long to be conversant with strategies for succession and the concepts of leadership and performance.

Table 4.3: Age

Age	Frequency	Percentage	Valid percentage	Cumulative percentage
Below 30	41	34.2	34.2	34.2
30-39	29	24.2	24.2	58.3
40-49	33	27.5	27.5	85.8
50 and Above	17	14.2	14.2	100.0
	120	100.0	100.0	

*(D) Levels of education which had been attained by the respondents*

The respondents were asked to state the highest levels of education which they had attained in order to ascertain whether or not academic and professional qualifications influenced strategic planning for succession among family-owned businesses.

Table 4.4 below shows that a significant group which comprised one third of the sample had completed secondary school education while 27.5% had primary school education, followed by a slightly smaller group of 21.7%, who held post-matriculation certificates. At the two extremities of the continuum were 10.8% who had either higher certificates or diplomas and 4.2% who had no formal education at all. Although it was found that the majority of the respondents had either secondary school or primary school education, nearly all of the respondents had received some level of education, which indicated that there was little or no illiteracy among them. As most of the respondents had received at least basic education, they were able to read and to contribute to the discourse of the study.

However, these findings do not align with those of a study which was conducted by Abdielle (2013:35) of family-owned businesses in Kenya, in which it was found that a majority of 35% of the research sample were holders of undergraduate university degrees, followed by 32% who had obtained diplomas. A further 22% had received

tertiary education while 11% had postgraduate qualifications, which included Master's degrees and postgraduate diplomas. The findings of this study confirmed that most of the respondents had acquired academic qualifications which were commensurate with the positions which they held in their family businesses, which suggested that the businesses were led and managed by professionals.

Table 4.4: Highest educational qualification

<b>Educational Level</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid No formal education	5	4.2	4.2	4.2
Primary school	33	27.5	27.5	31.7
Secondary school	40	33.3	33.3	65.0
Post-matriculation certificate	26	21.7	21.7	86.7
Higher certificate or diploma	13	10.8	10.8	97.5
Bachelor's degree	3	2.5	2.5	100.0
Total	120	100.0	100.0	

*(E) Ethnic backgrounds of the families*

Table 4.5 below shows the ethnic backgrounds of the 120 respondents, of whom 97.5% were black, 1.7% were white and 0.8% were coloured. Although this finding was to be expected, as Gugulethu is a predominantly black township, the ethnic composition of the research sample was significantly different from that of a study which was

conducted by Maas (2005:68), in which 71.9% of the respondents were black, 5.98 % were white, 15.38 % were Asian and 6.84% coloured.

Table 4.5: The ethnic background

<b>Ethnic Background</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Colored	1	.8	.8	.8
Black	117	97.5	97.5	98.3
White	2	1.7	1.7	100.0
Total	120	100.0	100.0	

### **Section A: Summary**

The purpose of this section was to obtain a demographic profile of the respondents. It was found that 66.7% of the respondents were either the owners of or else the major partners in their businesses and that 76.7% were females, while males represented 23.3% of the sample. A surprising finding was that 10.8% held higher certificates or diplomas, while 4.2% had no formal education at all.

### **4.4.2 Section B: Business profile**

#### *(A) Types of business entities*

As is shown in Table 4.6 below, an overwhelming 94.2% of the businesses were found to be sole proprietorships, while 5.0% were partnerships and one or 0.8% of the sample was a close corporation.

Table 4.6: Types of business entities

<b>Business Entity</b>		<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid	Sole proprietorship	113	94.2	94.2	94.2
	Partnership	6	5.0	5.0	99.2
	Close corporation	1	.8	.8	100.0
	Total	120	100.0	100.0	

*(B) Types of business conducted by the respondents*

Table 4.7 below shows that a total of 68.3% of the family-owned businesses in the sample rendered services, while 31.7% were retailers. Most of the businesses which rendered services were found to be run by women.

Table 4.7: Types of business operated by respondents

<b>Type of Business</b>		<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid	Retail	38	31.7	31.7	31.7
	Service	82	68.3	68.3	100.0
		120	100.0	100.0	

*(C) Numbers of members of families who work full time in the businesses*

As is indicated in Table 4.8 below, 41.7% of businesses were staffed by a single member of the families concerned, while 34.2% were staffed by two members, 17.5% by either three or four members and 6.7% by five or more members.

Table 4.8: Full-time employees

<b>Employees</b>		<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid	One	50	41.7	41.7	41.7
	Two	41	34.2	34.2	75.8
	Three or four	21	17.5	17.5	93.3
	Five or more	8	6.7	6.7	100.0
	Total	120	100.0	100.0	

*(D) Lengths of time for which the businesses have operated as family businesses*

The purpose of asking the respondents how long their businesses had operated as family businesses was to determine the degree to which the businesses had passed from one generation to the next. As is indicated in Table 4.9 below, 62.5% of the businesses were found to have been operating for more than 10 years, while 19.2% had been operating for less than five years and 18.3% had been operating for between six and 10 years.

Table 4.9: Numbers of years for which the businesses have operated as family businesses

<b>Response category</b>		<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid	0 to 5	23	19.2	19.2	19.2
	6 to 10	22	18.3	18.3	37.5
	More than 10	75	62.5	62.5	100.0
	Total	120	100.0	100.0	

*(E) Percentages of the businesses controlled by the families who own them*

Table 4.10 below indicates that in 96.7% of the businesses in the sample more than 50% of the control was held by the families who owned them, while in 1.7% between 25% and 50% was controlled by the families and in only 0.8% the families controlled less than 25%.

Table 4.10: Percentages of the businesses which were controlled by the families

<b>Response category</b>	<b>Frequency</b>	<b>Percent age</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Less than 25	1	.8	.8	.8
25 to 50	2	1.7	1.7	2.5
More than 50	116	96.7	96.7	99.2
4	1	.8	.8	100.0
Total	120	100.0	100.0	

**Section B: Summary**

The findings revealed that 68.3% of the family-owned businesses in the sample rendered services and that the remaining 31.7% were retailers. It was also found that most of the businesses which rendered services were run by women. A significant majority of 62.5% of the businesses had been operating for more than 10 years and control of more than 50% of the assets of the businesses was found to be held by a very significant majority of 96.7% of the families who owned them.

#### 4.4.3 SECTION C: Desirable characteristics of a potential successor in a family-owned business

##### *(A) Potential successor*

Table 4.11 below shows that an overwhelming majority of 90.8% of the respondents either agreed or strongly agreed that it was vital for a potential successor to possess good management skills.

Table 4.11: A potential successor should have good business management skills

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	3	2.5	2.5	2.5
	Disagree	4	3.3	3.3	5.8
	Neutral	4	3.3	3.3	9.2
	Agree	46	38.3	38.3	47.5
	Strongly agree	63	52.5	52.5	100.0
	Total	120	100.0	100.0	

##### *(B) The capability to maintain leadership*

According to Ward (2004:10), maintaining the overall equilibrium of family-owned businesses constitutes the most challenging and demanding managerial enterprise throughout the world. Apart from the typical challenges which accompany the running of a business, family businesses are required to deal with the human emotions which are associated with the upholding of their shared values, sibling rivalry and power struggles within the families. The findings which are reflected in Table 4.12 below indicate that the respondents were almost unanimous in their agreement that a potential successor should be capable of maintaining leadership.



Table 4:10 The capability to maintain leadership

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Neutral	1	.8	.8	.8
	Agree	40	33.3	33.3	34.2
	Strongly agree	79	65.8	65.8	100.0
	Total	120	100.0	100.0	

*(C) Good relationships with the members of the family*

As is shown in Table 4.13 below, 40% of the respondents agreed and 58.3% strongly agreed that a potential successor should have good relationships with the members of the families who owned the businesses in which they worked. This finding is corroborated by that of a study which was conducted by Aronoff (2005:305), in which it was found that it was generally believed that maintaining good relationships within the family was extremely important for family businesses and that, at times, the members of families may accord this consideration greater importance than the profitability of their businesses.

Table 4.13: A potential successor should have good relationships with the members of the family

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	1	.8	.8	.8
	Disagree	1	.8	.8	1.7
	Agree	48	40.0	40.0	41.7
	Strongly agree	70	58.3	58.3	100.0
	Total	120	100.0	100.0	

*(D) Interest in becoming a successor*

As is shown in Table 4.14 below, 24.2% percent of the respondents agreed and 71.7% strongly agreed that a candidate should show interest in becoming a successor.

Table 4.14: A candidate should show interest in becoming a successor

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Disagree	2	1.7	1.7	1.7
	Neutral	3	2.5	2.5	4.2
	Agree	29	24.2	24.2	28.3
	Strongly agree	86	71.7	71.7	100.0
	Total	120	100.0	100.0	

*(E) The need to possess greater aptitude than other members of the family*

Table 4.15 below shows that 13.3% of the respondents agreed and a further 46.7%

strongly agreed that a candidate should possess greater aptitude than other members of the family, while 4.2% disagreed and 30.8% strongly disagreed. In total, 60% agreed, while 35% disagreed and 5% were neutral, which suggests that there was a fairly general consensus that a potential successor should possess greater aptitude than other members of the family.

Table 4.15: A candidate should possess greater aptitude than other members of the family

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	37	30.8	30.8	30.8
	Disagree	5	4.2	4.2	35.0
	Neutral	6	5.0	5.0	40.0
	Agree	16	13.3	13.3	53.3
	Strongly agree	56	46.7	46.7	100.0
	Total	120	100.0	100.0	

*(F) A candidate should possess vision concerning the future of the business*

It was considered to be of great significance that none of the respondents disagreed that a potential successor should possess vision concerning the future of the business, with 74.2% strongly agreeing and 22.5% agreeing.

Table 4.16: A potential successor should be a member of the family who possesses vision concerning the future of the business

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Neutral	4	3.3	3.3	3.3
	Agree	27	22.5	22.5	25.8
	Strongly agree	89	74.2	74.2	100.0
	Total	120	100.0	100.0	

*(G) A candidate should possess the necessary competence to be considered as a potential successor*

Table 4.17 below reveals that 20% of the respondents agreed and a further 78.3% strongly agreed that a potential successor should be sufficiently competent, while a tiny minority of 1.7% were neutral.

Table 4.17: A successor should be competent

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Neutral	2	1.7	1.7	1.7
	Agree	24	20.0	20.0	21.7
	Strongly agree	94	78.3	78.3	100.0
	Total	120	100.0	100.0	

*(H) A potential successor should be trustworthy*

Table 4.18 below shows that 10% of the respondents agreed and 89.2% strongly agreed that a potential candidate should be a person who is trustworthy and only one respondent or 0.8% of the sample disagreed. Although the response of this respondent appeared to be a very unusual one, it did not have an appreciable effect on the overall findings.

Table 4.18: A potential successor should be a trustworthy person

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Disagree		.8	.8	.8
	Agree	12	10.0	10.0	10.8
	Strongly agree	94	78.3	78.3	100.0
	Total	120	100.0	100.0	

*(I) A potential successor should show commitment to the business*

The table below indicates that majority of the respondents 94 (78.3%) strongly agree that the potential successor must show commitment to the business and 26 (21.7%) agree that the successor should show commitment to the business

Table 4.19: The successor should show commitment to the business.

Response category	Frequency	Percentage	Valid percentage	Cumulative percentage
Valid Agree	26	21.7	21.7	21.7
Strongly agree	94	78.3	78.3	78.3
Total	120	100.0	100.0	100.0

*(J) Experience in management*

Table 4.20 below shows that although 39.2% of the respondents strongly disagreed that a successor should have sufficient experience in the management of a business, 26.7% agreed and 39.2% strongly agreed that experience in management was a very important requirement for a potential successor, while 1.7% were neutral.

Table 4.20 A potential successor should have sufficient experience in the management of a business

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Strongly disagree	39	32.5	32.5	32.5
Neutral	2	1.7	1.7	34.2
Agree	32	26.7	26.7	60.8
Strongly agree	47	39.2	39.2	100.0
Total	120	100.0	100.0	

*(K) A potential successor should be the son or the daughter of the owners of a business*

Table 4.21 below shows that 19.2% of the respondents agreed and 49.2% strongly agreed that a potential successor should be one of the children of the owner of the business, while 6.7% disagreed and 15% strongly disagreed and a fairly significant 10% of the sample were neutral.

Table 4.21: A potential successor should be one of the children of the owner

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	18	15.0	15.0	15.0
	Disagree	8	6.7	6.7	21.7
	Neutral	12	10.0	10.0	31.7
	Agree	23	19.2	19.2	50.8
	Strongly agree	59	49.2	49.2	100.0
	Total	120	100.0	100.0	

*(L) Balancing the interests of the family with those of the business*

As Table 4.22 below shows, 29.2% of the respondents agreed and 59.2% strongly agreed that a potential successor should be able to balance the interests of the family with those of the business, while 0.8% disagreed, 8.3% strongly disagreed and 2.5% were neutral.

Table 4.22: A potential successor should be able to balance the interests of the family with those of the business

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	10	8.3	8.3	8.3
	Disagree	1	.8	.8	9.2
	Neutral	3	2.5	2.5	11.7
	Agree	35	29.2	29.2	40.8
	Strongly agree	71	59.2	59.2	100.0
	Total	120	100.0	100.0	

## **Section C: Summary**

It was found that most of the respondents felt that it was very important for a candidate to show interest in becoming a successor, which suggests that most believed that it was important for a candidate to show interest in running the business. All the other findings also confirmed that all of the other desirable attributes for a potential successor which were identified by the questionnaire, such as trustworthiness and a particular aptitude for running and managing the business, were believed to be of great importance by a significant majority of the respondents.

### **4.4.4 SECTION D: The importance which is accorded to drivers of planning for succession**

#### *(A) The importance of formulating a plan for succession*

Table 4.23 below shows that 84.2% of the respondents agreed that it was very important to have formulated an adequate and appropriate plan for succession, while 14.2% did not agree that it was absolutely necessary to have done so. This finding aligns with the contention of Dunemann (2004) that one unique quality which sets family businesses apart is their ownership model and the fact that the firms pass from one generation to the next, which can be achieved only through strategic planning. Although the available literature suggests that a variety of maladies and bad practices can precipitate the downfalls of family businesses, none is more lethal than a lack of proper planning for succession (Ward, 2004). According to Mazzola, Marchisio and Astrachan (2008), strategic planning for succession entails a vision for the future direction which a company will follow and planning for the future is of crucial importance for any successful organisation which is intent upon maintaining a stable and effective workforce.



Table 4.23: The importance of formulating a plan for succession for family businesses

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Yes	101	84.2	84.2	84.2
No	17	14.2	14.2	98.3
5	2	1.7	1.7	100.0
Total	120	100.0	100.0	

*(B) The loss of the owner or the manager of a family business*

Table 4.24 below shows that 38.3% of the respondents agreed and 43.3% strongly agreed that having an adequately formulated and clearly articulated plan for succession would ensure that their family business would be able to survive in the event of the loss of the owner or the manager. By contrast, 3.3% disagreed, 0.8% strongly disagreed and 14.2% were neutral.

Table 4.24: Having a properly formulated succession plan would ensure that a family business is able to survive should it lose its owner or manager

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Strongly disagree	1	.8	.8	.8
Disagree	4	3.3	3.3	4.2
Neutral	17	14.2	14.2	18.3
Agree	46	38.3	38.3	56.7
Strongly agree	52	43.3	43.3	100.0
Total	120	100.0	100.0	

*(C) Strong leadership*

Table 4.25 below shows that 43.3% of the respondents agreed and 45.8% strongly agreed that a properly formulated and clearly articulated plan for succession would ensure the continuation of strong leadership, while 2.5% disagreed and 8.3% were neutral.

Table 4.25: A properly formulated and clearly articulated plan for succession would ensure the continuation of strong leadership

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Disagree	3	2.5	2.5	2.5
	Neutral	10	8.3	8.3	10.8
	Agree	52	43.3	43.3	54.2
	Strongly agree	55	45.8	45.8	100.0
	Total	120	100.0	100.0	

*(D) The existence of a plan for succession would ensure that the present management remains dedicated*

Table 4.26 below shows that 43.3% of the respondents agreed and 48.3% strongly agreed that the existence of a coherent plan for succession would ensure that the present management of the business had sufficient time to review and examine its goals and objectives, while 1.7% disagreed and 6.7% were neutral.

Table 4.26: The existence of a coherent plan for succession would ensure that the present management of the business had sufficient time to review and examine its goals and objectives

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Disagree	2	1.7	1.7	1.7
	Neutral	8	6.7	6.7	8.3
	Agree	52	43.3	43.3	51.7
	Strongly agree	58	48.3	48.3	100.0
	Total	120	100.0	100.0	

*(E) The existence of a plan for succession would help to maintain good relationships among the members of the family and enable them to give sufficient priority to the interests of the business*

Table 4.27 below shows that 46.7% of the respondents agreed and a further 41.7% strongly agreed that the existence of a plan for succession would help to maintain good relationships among the members of the family and enable them to give sufficient priority to the interests of the business, while 2.5% disagreed, 1.7% strongly disagreed and 7.5% were neutral.

Table 4.27: The existence of a plan for succession would help to maintain good relationships among the members of the family and enable them to give sufficient priority to the interests of the business

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	2	1.7	1.7	1.7
	Disagree	3	2.5	2.5	4.2
	Neutral	9	7.5	7.5	11.7
	Agree	56	46.7	46.7	58.3
	Strongly agree	50	41.7	41.7	100.0
	Total	120	100.0	100.0	

*(F) The effects of succession on relationships between the members of the families who own family businesses*

As can be seen in Table 4.28 below, a very significant majority of 84.2% of the respondents strongly disagreed that relationships among the members of their families had been good since they had taken over the management or leadership of their family businesses and a further 1.7% disagreed. By contrast, 5.8%, 7.5% strongly agreed and only one participant or 0.8% of the sample was neutral. This finding suggests that the statement elicited a strongly negative response from the vast majority of the respondents.

Previous studies have estimated that throughout the world only 30% of family owned-businesses survive beyond the first generation, while fewer than 14% do so beyond the third generation (Engine of Growth, 2000: 25). In South Africa, only one in ten family-owned businesses make it to the third generation while only one third in four family businesses survive into the second generation (Engine of Growth, 2000: 25). There can be no doubt that the social and economic cost of this high rate of failure will have negative consequences for economic growth in South Africa.

Table 4.28: Relationships among the members of my family have been good since I took over the management or leadership of the family business

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	101	84.2	84.2	84.2
	Disagree	2	1.7	1.7	85.8
	Neutral	1	.8	.8	86.7
	Agree	7	5.8	5.8	92.5
	Strongly agree	9	7.5	7.5	100.0
	Total	120	100.0	100.0	

#### Section D: Summary

The two significant findings from this section of the questionnaire may appear to be paradoxical, if not self-contradictory. Although all the questions which pertained to the desirability of a coherent plan for succession in family-owned businesses elicited positive responses from very high percentages of the respondents, they appeared to be equally emphatic that relations within their own families had not been improved as a result of the leadership or the management of their family businesses passing to them. This finding could be indicative of the almost insurmountable obstacles or difficulties which frequently accompany planning for succession or of a general failure to plan effectively for succession.

#### 4.4.5 SECTION E: Challenges which are encountered during planning for succession in family-owned businesses

The various challenges pertaining to planning for succession in family-owned businesses which emerged from the relevant available literature will be covered under separate headings in the sections which follow.

*(A) Difficulties encountered in discussing potential successors with members of families*

Table 4.29 below shows that 23.3% of the respondents agreed and 37.5% strongly agreed that they found it difficult to discuss potential successors with members of their families, which accounted for 60.8% of the sample. A much smaller group of 17.5% strongly disagreed with the statement, while 10.8% disagreed and a further 10.8% were neutral. Poor and ineffective communication during the succession process can promote the unleashing of negative emotions, which can, in turn, have grave implications for relationships within the families concerned. Open and honest dialogue, in which respect for others is maintained, can help to promote a rational assessment of the most important considerations for achieving a smooth succession.

Table 4.29: It is difficult to discuss potential successors with members of the family

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	21	17.5	17.5	17.5
	Disagree	13	10.8	10.8	28.3
	Neutral	13	10.8	10.8	39.2
	Agree	28	23.3	23.3	62.5
	Strongly agree	45	37.5	37.5	100.0
	Total	120	100.0	100.0	

*(C) An inability to identify the future needs of family-owned businesses with respect to talent*

Table 4.30 below shows that 24.2% of the respondents agreed and 28.3% strongly agreed that their organisations were unable to identify their future needs with respect to talent, while 21.7% disagreed, 15.8% strongly disagreed and 10% were neutral. This finding suggests that although this perceived inability was believed to create problems for a significant portion of the respondents, it was by no means perceived by all to do so.

Table 4.30: The inability of families to identify the future needs of their organisations with respect to talent

<b>Response category</b>		<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid	Strongly disagree	19	15.8	15.8	15.8
	Disagree	26	21.7	21.7	37.5
	Neutral	12	10.0	10.0	47.5
	Agree	29	24.2	24.2	71.7
	Strongly agree	34	28.3	28.3	100.0
	Total	120	100.0	100.0	

*(D) An inability to locate or create a pool of suitable potential candidates*

Table 4.31 below shows a similar pattern of responses to that which was shown in the previous table, with 27.5% agreeing and 29.2% strongly agreeing with the statement, to account for 56.7% of the sample. By contrast, 15.8% disagreed, 17.5% strongly disagreed and 10% were neutral.

Table 4.31: An inability to locate or create a pool of potential candidates in the business

<b>Response category</b>		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percent</b>	<b>Cumulative percentage</b>
Valid	Strongly disagree	21	17.5	17.5	17.5
	Disagree	19	15.8	15.8	33.3
	Neutral	12	10.0	10.0	43.3
	Agree	35	29.2	29.2	72.5
	Strongly agree	33	27.5	27.5	100.0
	Total	120	100.0	100.0	



*(E) A lack of interest on the part of the members of the family*

Table 4.32 below shows yet another similar pattern of responses, with 27.5% agreeing and 30% strongly agreeing, to account for 57.5% of the sample, that a lack of interest on the part of the members of their families made planning for succession difficult. A total of 30%, which comprised 15.8% who disagreed and 14.2% strongly disagreed, disagreed with the statement, while 12.5% were neutral.

Table 4.32: A lack of interest on the part of the members of the family

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	17	14.2	14.2	14.2
	Disagree	19	15.8	15.8	30.0
	Neutral	15	12.5	12.5	42.5
	Agree	33	27.5	27.5	70.0
	Strongly agree	36	30.0	30.0	100.0
	Total	120	100.0	100.0	

*(F) Conflicts among members of the family*

Table 4.33 below illustrates that a total of 57.7% of the respondents, 21.2% of whom agreed and 36.5% of whom strongly agreed, agreed that conflicts among the members of their families affected their businesses adversely. By contrast, a total of 42.3% disagreed with this statement, with 15.4% disagreeing and 26.9% strongly disagreeing with the statement and 10.8% being neutral.

Table 4.33: Conflicts among members of the family

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	19	15.8	15.8	15.8
	Disagree	18	15.0	15.0	30.8
	Neutral	13	10.8	10.8	41.7
	Agree	26	21.7	21.7	63.3
	Strongly agree	44	36.7	36.7	100.0
	Total	120	100.0	100.0	

*(G) The ownership of family businesses*

Table 4.34 below shows that 70% of the respondents, with 15% agreeing and 55% strongly agreeing, agreed that the ownership of family businesses should remain in the families concerned. By contrast, 11.7% disagreed, 10.8% strongly disagreed and 7.5% were neutral. This finding suggests a strong general consensus that the ownership of a family business should remain in the family concerned.

Table 4.34: The ownership of a family business should remain in the family

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Strongly disagree	13	10.8	10.8	10.8
	Disagree	14	11.7	11.7	22.5
	Neutral	9	7.5	7.5	30.0
	Agree	18	15.0	15.0	45.0
	Strongly agree	66	55.0	55.0	100.0
	Total	120	100.0	100.0	

*(H) The degrees of involvement by the members of the family in decision making*

Table 4.35 below shows that a majority of 74.2% of the respondents indicated that decisions were made by either the owners or the managers of their businesses, while 25.8% indicated that decisions were made with the involvement of their children and spouses.

These finding accords with the contention of Leach (2002 :6), who maintains that decision making in family-owned businesses is usually carried out by one person and entails a “yes” or “no” answer, as opposed to the process of completing forms and consulting with other senior members of staff, which is the usual procedure in businesses which are not owned by a single family.

Table 4.35: The degrees of involvement in the decision-making process of the members of the family

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Decisions are made by the owner or the manager	89	74.2	74.2	74.2
Children and spouses are involved in decision making	31	25.8	25.8	100.0
Total	120	100.0	100.0	

*(I)The identification of successors in family-owned businesses*

The study endeavoured to determine the frequency with which leadership is changed in family-owned businesses. Table 4.36 below shows that a majority of 55.8% of the respondents indicated that a successor had not been identified in their families to take over the running of their businesses, while 44.2% indicated that a member of their

families had been identified as a future leader of their businesses. The point which has been made by Molly, Laveren and Deloof (2010) that planning for succession, particularly in a family business, entails a process, rather than an event, further underlines the significance of this finding, as it appears that there is a great lack of awareness of the amount of effort which is required in order to deal adequately with the complexities of planning for succession in a great many family-owned businesses.

Table 4.36 Has a member of your family been identified as the next leader of your business?

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Yes	53	44.2	44.2	44.2
No	67	55.8	55.8	100.0
Total	120	100.0	100.0	

*(J) The availability of a potential successor*

Much of the available literature suggests that the unavailability of a potential successor has the potential to result in the failures of businesses. Table 4.37 below shows that 65% of the respondents agreed that availability of a potential successor could affect the prospects of a family-owned business for survival.

Table 4.37 The availability of a potential successor

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Availability of potential successor	78	65.0	100.0	100.0
Missing	System	42	35.0		
	Total	120	100.0		

*(K) The destructive potential of wrangles within family-owned businesses*

Table 4.38 below shows that a majority of 78.3% of the respondents indicated that they agreed that wrangles within the family could adversely affect the survival of business. Aronoff (2005:305) explains that conflicts between the interests of the business and those of the family are very often compounded by emotional components which are not normally encountered in businesses which are not owned by a single family. Kets de Vries (2009: 15) maintains that wrangling often becomes tremendously complex in family owned-businesses which have lasted from one generation to the next.

Table 4.38: The potential of wrangles within the family to threaten the survival of family businesses

Response category		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	3	2	1.7	2.1	2.1
	Family wrangles	94	78.3	97.9	100.0
	Total	96	80.0	100.0	
Missing	System	24	20.0		
	Total	120	100.0		

*(L) Obstacles encountered by family businesses*

Like other businesses, family owned-businesses encounter obstacles during their existence, which tend to vary according to the size of the business, the economic climate, its location and changes in government regulations and technology. Table 4.39 below shows that 69.2% of the respondents confirmed that their businesses were affected by obstacles, which could also affect other businesses in a similar manner, irrespective of whether they are family businesses or not. Although 30.8% indicated that they were not affected by any specific obstacles at present, this finding would not preclude the possibility of their having encountered obstacles in the past.

Both Ward (2004: 10-12) and Upton (2001: 38-39) explain that family businesses encounter setbacks and challenges as a result of changes in the competitive environment in the markets in which they operate. Accordingly, the management of family businesses needs to maintain high standards with respect to accountability, professionalism, innovation and creativity and to maintain a clear focus while reviewing both their short-term and their long- term strategies for survival.

Table 4.39 Is your business affected by any obstacles at present?

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Yes	83	69.2	69.2	69.2
No	37	30.8	30.8	100.0
Total	120	100.0	100.0	

*(M) Succession and continuity*

A great deal of this thesis has been devoted to an investigation of the magnitude of the complexity of the task which effective planning for succession constitutes for family-owned businesses. As it has been noted, evidence suggests that only of the order of 30% of family-owned businesses make the transition to the second generation, while only 12% do so to the third generation, with a mere 3% being passed to the fourth generation and beyond, while the rest are either sold or liquidated (Byrd & Megginson, 2013; Chittoor & Das, 2007). This phenomenon is the source of interesting research questions concerning the dynamics of successful successions. Table 4.40 below shows that 68.3% of the respondents confirmed that they intended the ownership of their businesses to remain in their families, which would suggest that they had identified potential successors. A significant 31.7% indicated that it had not been agreed that the ownership of their businesses would remain in their families. The numbers of respondents who confirmed that the subject of succession was a cause of conflict and wrangling in their families would suggest that, in these cases, the continued ownership of their businesses by their families was threatened by an inability to devise a rational means of planning for succession.

Table 4.40: Succession and continuity

<b>Response category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Valid percentage</b>	<b>Cumulative percentage</b>
Valid Yes	82	68.3	68.3	68.3
No	38	31.7	31.7	100.0
Total	120	100.0	100.0	

#### **4.5 Summary of the quantitative study**

- It was found that (66.7%) of the respondents were either the owners of or else the major partners in their businesses.
- Most of the respondents (76.7%) were females, while males represented 23.3% of the sample.
- A surprising finding was that (10.8%) held higher certificates or diplomas, while 4.2% had no formal education at all.
- The findings revealed that (68.3%) of the family-owned businesses in the sample rendered services and that the remaining (31.7%) were retailers.
- A significant majority of (62.5%) of the businesses had been operating for more than 10 years and control of more.
- Most respondents completed secondary school education while (27.5%) had primary school education.
- Most respondents agreed that the control more (50%) of the businesses.
- A group of respondents agreed and (58.3%) strongly agreed that a potential successor should have good relationships with the members of the families
- Majority of the respondents (71.7%) strongly agreed that a candidate should show interest in becoming a successor.
- The majority of respondent (78.3%) strongly agreed that a potential successor should be sufficiently competent.
- Most respondents (84.2%) strongly disagreed that relationships among the members of their families had been good since they had taken over the management or leadership of the family.



## **4.6 Qualitative data presentation and analysis**

### **4.6.1 Analysis of interviews**

This study utilised a mixed method to collect and analyse data (quantitative and qualitative methods). The previous section presented the discussion and findings of the quantitative data. This section presents data obtained from the interviews with two family owned business managers. The interview guide is contained in Appendix E.

The researcher interviewed two family owned businesses from Gugulethu. The managers interviewed were one male and one female who had an average of 10 years in business, one 3rd generation and one transitioning from 3rd to 4th generation. Below is the description of interviews on the two respondents interviewed.

#### **QUESTION 1: For how long has the business been operating as a family?**

***Participant 1:*** The business has been operating for more than 10 years

***Participant 2:*** The business has been operating for more than 10 years.

From the above responses, it is evident that these businesses have been in operation for more than 10 years. This made it possible for the respondents to provide the researcher with in-depth information about these businesses and their succession process.

#### **QUESTION 2: What percentage of the business does your family control?**

***Participant 1:*** “The family controls more than 50% of the business.”

***Participant 2:*** “The family controls more than 50% of the business.”

All the above respondents control more than 50% of the business.

**QUESTION 3: In your opinion, what must family businesses look for in a potential successor?**

***Participant 1:*** “What I look for is a person who is committed to the family. A person who can work very well with other people and treats them equally even though they are family. People take advantage in most cases because they work with family and that destroys a business.”

***Participant 2:*** “Businesses need to look at trustworthy people to run the business. The most important thing is the person must show interest to serve a leader.”

The respondents agreed that an individual who shows commitment to the business and is trustworthy is the best person to look out for, potential successor must show interest towards the business.

**QUESTION 4: In your opinion, should the candidate be brighter than other members of the family?**

***Participant 1:*** “No, as long as the individual is business minded, school does not play a big role in business. Business is all about making profit.”

***Participant 2:*** “The only thing I care about is the fact that the business runs smoothly and bring in profit, either than that no being clever does not really take you anywhere in business if don't have a gift of running a business. I think it can assist you go far maybe, I am not sure.”

The respondents agreed that it is not important for the candidate to be brighter than other family members, just if they can run a business and can generate profit for the business.

**QUESTION 5: Is it difficult to communicate about the succession to family members?**

***Participant 1:*** “Yes, it is, because it brings about conflicts. Others thing they are favoured more than others. One of my brothers when our mother got sick he thought he would be the one taking over the business, but unfortunately my mother picked me. Our relationship has never been the same between us since then”.

***Participant 2:*** “It is not that difficult, if the family has one vision and goal however, in my experience I have not had it easy. Till this day I do not have a great relationship with my children because I have already told them who I want as a successor when I pass away.”

All respondents agreed that it is difficult to communicate about successor with their families because it brings about jealousy and favouritism. This in turn cause conflicts and disagreements among families.

**QUESTION 6: Is it necessary that the ownership of the family business should remain among the family?**

***Participant 1:*** “I have a lot of children who love business just as much as I do and I would love for them to take over the family business one day. It is important because they have more knowledge about the day to day running’s of the business. An outsider might not have knowledge of the rules and norms of the family causing too much conflict within the family.”

***Participant 2:*** “Leaving my children with a legacy is very important so I would not give and outsider my children’s money, never.”

Respondents agree that ownership of the business must be kept amongst the family as it helps grow the legacy of the family and assists in maintaining generations of family to follow.

**QUESTION 7: What type of challenges do you face while running a family business?**

***Participant 1:*** “The business does not always run as smoothly, some months we make a lot of profit and some months we don’t. but business requires commitment and persistence. The most important thing is making sure that my family is happy, for me that comes before the business so if there are unresolved issues we sit down and talk them out.”

***Participant 2:*** “As the owner, I find that my children and wife are not as committed to the business like I am. For example, if I leave things up to them for a week or longer, things always go wrong at some point. They either steal money or use the store products without my knowledge.”

The researcher believes that the reason why there might be such challenges as mentioned above by the respondents is because unlike other cultures black people do not introduce their children to the business at a very early stage. As early as primary school the children need to begin participating in the business and during holidays and vacations they need to spend time at the business and as a result they will naturally become part of the business from young age hence ready to take over upon loss or retirement of the owner. In black family owned businesses children are introduced later to the business usually after graduating from school or after they are matured enough to express interest in joining the family business. This may not work well or in favour of the business.

**QUESTION 8: In your opinion, what drives families into getting into family owned businesses?**

***Participant 1:*** “Currently, we are all aware of the fact that it is difficult to make money working for someone else, I will die working for my family, I find it much easier because

I am making my family richer and growing to bigger heights. When I die one day I want my family and generations to come thereafter to never struggle.”

**Participant 2:** “The involvement of my children in the business is very important to me because I know when I pass always I have legacy that I will be leaving behind. My children and my grandchildren will never go hungry. I inherited the spirit of business from my great grandfather, he also was a business man in his own right. This is something that I believe the family will leave by till the end of time. I have a lot of children who love business just as much as I do and I would love for them to take over the family business one day. I want to ensure that when I pass away my children do get along and aware of the family values, respect and love one another nomatter the circumstance.”

**QUESTION 9: Why must family owned businesses have a succession plan in place, whether written or verbal?**

**Participant 1:** “It ensure the family business will survive if there is a loss of the owner in the business thus it is very important. It also can bring or form strong relationships amongst our families if dealt with accordingly. It is not that difficult but sometimes families make it that way because of jealousy and people who are untrustworthy.”

**Participant 2:** “It is not really important for a succession plan because I have already stated who I was as a successor when I pass. Even though the relationships with my children have not been the same since I disclosed the next successor, it is something they will have to learn to accept. There are reasons why I chose my older son, one reason being that he loves business and is a very dedicated individual. I know in time they will understand and see things my way because we are family in the end. But talking about succession brings about a lot of conflict and family wrangles.”

Both responded say that the discussion of succession brings about conflict and family wrangles. Succession may be understood as the explicit process by means of which a family business will be passed on to the next generation of the family to manage and control (Motwani & Schwarz, 2002).

#### 4.6.2 Summary of qualitative data

- Planning for succession is a crucial factor for ensuring the continuity of family owned businesses. Although a very large proportion of the interviewees in the qualitative study consistently gave positive responses to questions concerning the importance of having an adequate plan for succession, most were not aware of the extent to which planning for succession determines the longevity of family businesses. It was clear from their responses that the continuation of the family legacy was the most important consideration for the owners and the managers of the businesses. They also indicated that they believed that it was better to have a member of the family take over the business because he or she would be intimately acquainted with the preferred practices and procedures of the business. Several indicated that they believed that the absence of an officially nominated successor could result in unnecessary conflicts and the mismanagement of the business, which could, in turn, result in the eventual failure of the business. One of the interviewees said: *“I have a lot of children who love business just as much as I do, and I would love for them to take over the family business one day.”* Most of the participants maintained that they considered it to be important for the members of their families to know who the successor would be in the event of the death of an incumbent owner or manager, as the failure of their businesses would deprive their families of a livelihood and even of having food on the table. It was clear that for the participants in the interviews, their businesses provided not only incomes for their families but also a way of life.
- An interviewee maintained that they believed that it was not important to have a formulated and articulated plan for succession, as they believed that the members of their families should know that they would be automatically expected to take over the business should the incumbent owner or manager die, and not

need to be told. However, it needs to be asserted once again that the absence of an agreed upon plan for succession has the potential to result in more than one type of conflict of interests. In some cases, the members of families may view with one another to assume control or ownership of the family business and in others, the person whom the family desires to take over the business may have plans for pursuing a completely different career. Those interviewees who did not believe in the necessity of a plan for succession also mentioned that attempting to discuss plans for succession tended to spark conflicts and intense wrangles in their families. For this reason, they believed that it would be better to leave the matter until a successor was needed, in order to enable the family to make appropriate decisions concerning a successor when it became necessary to do so.

Most of the interviewees stressed the importance of maintaining good relationships in their families, literally at all costs. For these interviewees, the health of the relationships in the families assumed a greater importance than the profitability of their businesses.

#### **4.6.3 Factors which could affect the survival of family-owned businesses**

- A very high proportion of the interviewees expressed the belief that a lack of cooperation among the members of the families of family-owned businesses constituted a very significant factor which jeopardises the survival of the businesses.
- Most of the interviewees believed that the unavailability of a potential successor had the potential to destroy a family-owned business, maintaining that every business needs proper control and management for survival, growth and longevity.
- Although the periods for which the businesses of the interviewees had been in operation ranged from more than 10 years to three years, all of the interviewees tended to believe that a lack of sound management practices and a lack of cooperation among the members of the families in family-owned businesses

were factors which could result in the failure of the businesses if they were not treated as being very serious concerns and effectively resolved.

## **CHAPTER 5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter will begin with an overview of the principal concerns of each of the preceding chapters, which will be followed by the conclusions which were drawn from the findings, before proceeding to offer recommendations based on the conclusions and making recommendations for future research.

##### **5.1.1 A summary of the preceding chapters**

This study sought to investigate the key drivers of planning for succession in family-owned businesses and the challenges which are encountered in the process, in a South African context, through the conducting of an empirical case study in a selected township in Cape Town. The principal objective of this study is to offer recommendations for the management of family-owned businesses with respect to planning for succession and to suggest strategies which enable family-owned businesses to deal effectively with the process of succession and to achieve it in a manner which promotes both their long-term aspirations and their longevity.

##### **5.1.2 Chapter 1**

This chapter provided a foundation for the study and rationale for the conducting of the research study. It presented the research problem, the research questions and the objectives of the study, before providing an introductory discussion of the concerns of the remaining chapters of the thesis.



### **5.1.3 Chapter 2**

This chapter took the form of a review of the relevant available literature, to elucidate the key concepts on which the research was based. It also included a discussion of the dynamics whose interplay influences the three essential components of family-owned businesses, namely, ownership, the family and business.

### **5.1.4 Chapter 3**

This chapter was devoted to an in-depth discussion of the research design and the methods which were used to collect and analyse the data. It provided a detailed discussion of the strengths of both quantitative and qualitative research methodologies and a rationale for adopting a mixed method approach to the conducting of the study, using both quantitative and qualitative research methods.

### **5.1.5 Chapter 4**

In this chapter, the data were presented and analysed, in order to obtain findings in relation to the key research objectives of the study.

### **5.1.6 Chapter 5**

In this chapter conclusions will be drawn from the findings, recommendations will be made on the basis of them and recommendations for future research will be offered, before closing the thesis with concluding remarks.

## **5.2 Principal findings of the study**

**5.3.1** It was found that a lack of trust among the members of the families concerned was one of the principal factors which affected the process of planning for succession adversely in family-owned businesses. It was also found that conditions which are characterised by a lack of mutual trust and cooperation in family-owned businesses are aggravated by a corresponding lack of clear objectives with respect to planning for succession and a failure to provide potential successors with the training which they need in order to assume ownership of and to manage their family businesses.

**5.3.2** It was found that in a great many family-owned businesses the criteria for succession were not based on merit, but rather on the relationship between the founder or the present owner of the business and the envisaged successor.

**5.3.3** It was found that good management practices and clear objectives with respect to succession are crucial elements of effective planning for succession in family-owned businesses.

**5.3.4** It was found that many owners and managers of family-owned businesses did not involve the members of their families in the making of decisions which affected the running and the profitability of their businesses.

### **5.3 Recommendations**

Based on these findings and conclusions, the following recommendations are made:

- Family-owned businesses should be required to comply with appropriate legislation with respect to succession, to ensure that it proceeds in a manner in which the rights of the other members of the family are upheld and the roles of the successor are clearly articulated.
- Family-owned businesses should undertake to train prospective successors, in order to enable them to take over the running of the businesses when they are required to do so.
- Successors should be chosen based on merit alone, in order to ensure that those who take over the leadership of family-owned business are optimally equipped to do so.

### **5.4 Limitations of the study**

By its very nature a research study of this sort has limitations, as a result of factors such as time and costs. These will be summarised below:

- The scope of the study was limited only to family-owned businesses in the township of Gugulethu in Cape Town.
- As the questionnaires were written in English, some of the respondents found some of the terms and words which they contained difficult to understand, which could explain why, in some instances, questions were left unanswered and surprising responses were given.
- As the nature of research is not generally understood in Gugulethu, it is likely that the study could have been regarded as an exercise which had little value for some of the respondents, who may have believed that it would not make any real difference to their businesses or their lives. This consideration could cast a certain degree of doubt on the motivation of some of the respondents and participants to provide meaningful and relevant information.

## **5.5 Recommendations for future research**

As only the owners and managers of family-owned businesses were interviewed in this study and the members of their families who worked in their businesses or their employees, the perceptions of these people, who play significant roles in family-owned businesses, remain unknown at present. Gaining insights into their subjective understanding of the process of planning for succession in the businesses in which they worked would have provided a more comprehensive overall understanding of the multifaceted perceptions of succession and its significance for the various people whose lives and livelihoods are affected by it.

In addition, it is recommended that studies of the effect of planning for succession on family-owned businesses should be conducted throughout South Africa, as a component of a broader endeavour to obtain an adequate understanding of the vital role which these businesses play in the national economy.

## **5.6 Conclusion**

Among the significant findings of this study was that family-owned businesses do not necessarily have a written down plan for succession which they follow and that, instead, culture and social norms play significant roles in determining potential successors or owners of the businesses. However, it was also found that, to date, relatively little attention has been given to succession in small to medium-sized family-owned businesses in areas such as Gugulethu, where the viability of the businesses is also affected by rampant crime.

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## APPENDICES

### Appendix A: Approval letter from Gugulethu Municipality



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

DIRECTORATE : CORPORATE SERVICE AND COMPLIANCE  
DEPARTMENT : COUNCILLOR AND SUBCOUNCIL SUPPORT

**Anthony Mathe**  
Manager: Subcouncil 14

T: 021 630 1734 F: 086 516 2573  
E: [Anthony.Mathe@capetown.gov.za](mailto:Anthony.Mathe@capetown.gov.za)

---

**DATE:** 27 January 2016

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**TO:** TO WHOM IT MAY CONCERN

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**RE:** CONSENT TO CONDUCT RESEARCH ON BUSINESSES IN SUBCOUNCIL 14, GUGULETHU.

This office hereby grant consent to Ms. Ziyanda Phikiso student no.209 024151 of Cape Peninsula University of Technology to conduct research for her studies namely MTech: Business Administration in Entrepreneurship.

Regards 

Anthony Mathe  
Manager: Subcouncil 14



Miranda Ngculu Sub Council 14  
Cnr Steve Biko & Govan Mbeki Drive  
Gugulethu  
Tel: 021 630 1678

Signature: 

Date: 27/01/2016

FEZEKA ADMINISTRATIVE COUNCIL OFFICES  
CNR STEVE BIKO ROAD AND GOVAN MBEKI DRIVE, GUGULETHU, 7750  
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## Appendix B: Ethical clearance



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P.O. Box 1906 • Bellville 7535 South Africa • Tel: +27 21 6801680 • Email: saliefa@cput.ac.za  
Symphony Road Bellville 7535

Office of the Chairperson Research Ethics Committee	Faculty: <b>BUSINESS</b>
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At a meeting of the Research Ethics Committee on 17 February 2016, Ethics Approval was granted to PHIKISO, ZIYANDA (209024151), for research activities

Related to the MTech/DTech: MTech: BUSINESS ADMINISTRATION at the  
Cape Peninsula University of Technology

Title of dissertation/thesis:	Drivers and challenges of succession planning and implementation in family owned businesses at a selected township in Cape Town, South Africa  Supervisor: Dr R Tengeh
-------------------------------	--

Comments:

Decision: **APPROVED**

	17 February 2016
Signed: Chairperson: Research Ethics Committee	Date

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Clearance Certificate No | 2016FBREC338



## Appendix C: Consent letter to participants



### Research Questionnaire

Dear respondent,

***Title:* KEY DRIVERS AND CHALLENGES OF SUCCESSION PLANNING AND IMPLEMENTATION IN FAMILY OWNED BUSINESSES IN A SELECTED TOWNSHIP IN CAPE TOWN, SOUTH AFRICA**

My name is **Ziyanda Phikiso**. I am studying towards a Master's degree in BUSINESS ADMINISTRATION (ENTREPRENEURSHIP) at the Cape Peninsula University of Technology in Cape Town, South Africa. The purpose of this study is to determine the key drivers and challenges of succession planning and implementation in family owned businesses in a selected township in Cape Town, South Africa.

This study is for academic purposes only. No name is required on the form as this information will remain confidential. Please answer all the questions as honestly as possible. As you have been identified as a participant in this study, kindly fill in the questionnaire, indicate your answer by making an X in the appropriate box and please return the completed questionnaire to Ziyanda Phikiso. I would really appreciate your co-operation in answering each question thoughtfully and truthfully.

Your kind and timely response will be highly appreciated. Instruction: Kindly answer all. Indicate your choice by making an X in the appropriate box.

**Appendix D: Questionnaire for Owners/Managers**

**Section A (Demographic Information)**

**Please place an X in the appropriate box only**

1. Please, indicate if you are the owner or manager of the business.

Owner	1
Manager	2

2. Gender

Male	1
Female	2

3. Age

Below 30	1
30 – 39	2
40 – 49	3
50 and Above	4

4. Please, indicate your highest educational qualification.

No formal education	1
Primary school	2
Secondary school	4
Post-Matric school certificate	5
High certificate or diploma	6
Bachelor's degree	7
Other (please specify) .....	

5. Please indicate the ethnic background of your family?

Asian	1
Coloured	2
Black	3
White	4
Other (please specify) .....	

**Section B (Business Profile)**

6. Please, indicate the type of entity

Sole Proprietorship	1
Partnership	2
Close corporation	3
Private company	4
Business Trust	5
Other (Please specify) .....	

7. Please, indicate type of business you are operating?

Retailer	1
Services	2
Tourism	3
Wholesaler	4
Manufacturing	5
Other (Please specify) .....	

8. How many family members work full time in the business?

One	1
Two	2
Three to Four	3
Five or more	4

9. For how long has the business been operating as a family business?

0 to 5 years	1	5 to 10 years	2	More than 10 years	3
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10. What percentage of the business does your family control?

Less than 25%	1	25% to 50%	2	More than 50%	3
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**Section C (Characteristics of potential successor in a family owned business)**

11. Please, indicate the level of importance of the statements below when selecting a successor.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
12.	A potential successor should have decent business management skills.	1	2	3	4	5
13.	A potential successor should have the ability to maintain leadership.	1	2	3	4	5
14.	A potential successor must have positive	1	2	3	4	5

	family relationships.					
15.	The candidate should show interest to serve as successor.	1	2	3	4	5
16.	The candidate should be the brighter among other members of the family.	1	2	3	4	5
17.	A potential successor should be an idealistic family member.	1	2	3	4	5
18.	The successor should be competent.	1	2	3	4	5
19.	A potential successor should be a trustworthy person.	1	2	3	4	5
20.	The successor should show commitment to the business.	1	2	3	4	5
21.	A potential successor should have sufficient business management experience.	1	2	3	4	5
22.	A potential successor must be the one of owners' children.	1	2	3	4	5
23.	The potential successor must be capable of balancing the balancing the interests of the family and that business.	1	2	3	4	5

**Drivers to succession planning in family owned businesses?**

24. Do you think it is important to have a succession plan in place for the family businesses? Please justify your answer.

Yes	1	No	2
-----	---	----	---

.....  
 .....

**Please, indicate the level of importance with regards to the drivers of succession planning.**

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
25.	A succession plan in place would ensure that the family business can survive if there is a loss of the owner or manager of the business.	1	2	3	4	5
26.	A succession planning would ensure the formation of a strong leadership.	1	2	3	4	5
27.	A successions plan in place would ensure the current management to dedicate more time to review and examine the business goals.	1	2	3	4	5
28.	A succession plan would assist in maintaining good relationships among family members and maintain good family business values	1	2	3	4	5
29.	The relationships among family members are positive since I took over the management/ leadership of the family business	1	2	3	4	5

**The challenges to succession planning in family owned businesses.**

Please, indicate the level of importance with regards to the challenges of succession plan.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
30.	It is difficult to communicate about the successor to family members.	1	2	3	4	5
31.	There is inability to identify the future talent needs of the organization.	1	2	3	4	5
32.	The inability to locate or create a pool of active and passive candidates in the business.	1	2	3	4	5
33.	The lack of interest from family members.	1	2	3	4	5
34.	Conflict among family members.	1	2	3	4	5
35.	The ownership of the family business should remain among family.	1	2	3	4	5

36. What is the degree of family involvement in the decision-making process?

Are all decisions made only by the manager/owner?	1
Are your children and spouse involved in decision making?	2
Are the different goals among family members	3

37. Please give an example to illustrate how your family business has been successful after the succession process?

.....  
 .....

38. Is there a family member who has been identified as the next business leader?

Yes	1	No	2
-----	---	----	---

39. What factors could affect the survival of the business?

Lack of co-operation	1	Availability of potential successor	3
Family management	2	Family wrangles	4

40. Do you have any plans to take a break from the family business and work for any other organization? What would be the underlying reasons?

.....

41. Can the survival of your business be attributed to strategic succession planning?

Yes	1	No	2
-----	---	----	---

Explain.....

.....

42. Does the business encounter any obstacles currently?

Yes	1	No	2
-----	---	----	---

42.1. If the answer to question 41 is yes, briefly describe the main obstacles that you encounter.

.....

43. Has it been agreed that your business will continue in family ownership?

Yes	1	No	2
-----	---	----	---

Thank you for your participation

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## Appendix E: Interview Guide

### Section A. Demographics Information

**1. What percentage of the business does your family control?**

Less than 25%    25%-50%    More than 50%

**2. For how long has the business been operating as a family business? (Select only one.)**

0-5 years    5-10 years    more than 10 years

Research question	Interview guide questions
<p><b><u>Main Research Question</u></b></p> <p>What are the drivers of the planning of succession planning and the challenges which militate against smooth succession in family-owned businesses?</p>	
<p><b><u>Sub-research Question 1</u></b></p> <p>What are the qualities which family-owned businesses desire in a potential successor?</p>	<p>2) In your opinion, what must family businesses look for in a potential successor?</p> <p>3) In your opinion, should the candidate be brighter than other members of the family?</p>
<p><b><u>Sub-research Question 2</u></b></p> <p>What are the challenges which militate against the successful planning for succession in family-owned businesses?</p>	<p>4) Is it difficult to communicate about the succession to family members?</p> <p>5) Is it necessary that the ownership of the family business should remain among the family?</p> <p>6) What type of challenges do you face while running a family business?</p>

<p><b><u>Sub-research Question 3</u></b></p> <p>What are the drivers of the planning of succession in family-owned businesses?</p>	<p>7) In your opinion what drives families into getting into family owned businesses?</p> <p>8) Why must family owned businesses have a succession plan in place, whether written or verbal?</p>

Appendix F: Grammarian Certificate

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26 - 06 - 2017

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**TO WHOM IT MAY CONCERN**

This is to certify that the thesis titled “Key drivers and challenges of succession planning in family-owned businesses in a selected township in Cape Town, South Africa” by Ziyanda Phikiso has been edited by David Masters.

Should anyone wish to discuss or clarify any points of grammar, I may be contated by e-mail at [gailfrank@nahoonreef.co.za](mailto:gailfrank@nahoonreef.co.za) and my telephone number at home is (043) 726 4829

Yours sincerely,

David Masters