LEADERSHIP AND SUCCESSION PLANNING IN FAMILY-OWNED BUSINESSES IN THE SOUTH DURBAN BASIN OF KWAZULU NATAL

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ABSTRACT

The study aimed to ascertain whether there are effective leadership and succession planning mechanisms in place to sustain effective business acumen and survival in small to medium-sized family-owned enterprises in the South Durban Basin of KwaZulu-Natal.

The study adopted an empirical, quantitative design. The population, which was targeted by the study was family-owned businesses in the South Durban Basin of KwaZulu-Natal. A target sample of 236 family-owned enterprises were selected from the eThekwini Database with a population of 2750 on the basis that they were in operation for at least 5 years; were situated within the Kwa Zulu -Natal region and were family-owned enterprises. A non-probability simple random sampling strategy as well as purposive sampling was used to get the sample size. In total, 236 questionnaires were despatched and 221 were returned which gave a 96% response rate. To analyse the data, which was collected, SPSS was used.

Several descriptive and inferential statistical techniques were utilised to analyse the data.

The main findings of the study are that: family businesses in the main do not have succession plans, have poor governance structures and that family conflict and sibling rivalry is common. It also found out that succession planning was predicted by task leadership style, performance, and governance.The study therefore recommends that family businesses should prepare a thorough succession plan after consultation with senior staff and family members. These plans should have constructive policies that clearly outline the roles, responsibilities, and procedures for undertaking duties diligently. This will help empower employees and family members for enhanced governance and business operations.While the study was confined to one locality, further research can be done in other areas where results can be compared.

DECLARATION

I, Ms R. Maharajh, do hereby declare that this dissertation is the result of my own work through an investigation and research, and has not been submitted in part or in full for any other degree to any other University.

This research was conducted at the Durban University of Technology under the supervision of Professor Shepherd Dhliwayo.

SUBMITTED BY:

R. Maharajh……………………   DATE: 28 /09/2021

A SPECIAL DEDICATION TO MY LATE DAD
(28.02.1928 to 14.09.2016)

I dedicate my studies to my loving dad who passed away in 2016. Daddy I have ensured that I fulfilled your wish in finally completing my studies.

Daddy you have been the greatest dad and role model to me. I miss you dearly and you are always in my thoughts and prayers.

Thank you for instilling in me, moral values of love, kindness, courtesy, friendliness and charity.

Daddy, you had always lived by a motto that is Nihil Sine Labour which means nothing is accomplished without hard work. I salute you for making sure that your principles have now become my philosophy and way of life.

I feel sad and hurt that you have left me which has created a void in my life. I also know that you are in a better place and constantly watching over my family and me. As much as I miss you dearly, I want you to know how much I loved and adored you for being you. You were my pillar of strength and support in my life.

Daddy, as I have completed my studies, I hope I have made you proud of me and I know you will continue to guide and protect me.

I miss you a lot daddy and I want you to know that I loved you dearly and will continue to love you in a special kind of way. **Bless you Daddy!!!**

Your Loving Daughter

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LIST OF ABBREVIATIONS / ACRONYMS

CEO	Chief Executive Office
FOB	Family-Owned Businesses
GDP	Gross Domestic Product
IFB	Institute for Family Business
JSE	Johannesburg Stock Exchange
KMO	Kaiser Meyer- Olkin
KZN	KwaZulu-Natal
NDP	National Development Plan
SME	Small, Medium Enterprise
SMMME	Small, Medium and Micro Enterprise
SP	Succession Planning
SPSS	Statistical Package for Social Science
TL	Transformational Leadership
U.K.	United Kingdom
U.S.	United States
SLT	Situational Leadership Theory

CHAPTER ONE: INTRODUCTION

Introduction

This chapter introduces the study of "Leadership and Succession Planning in Family-owned Businesses" by discussing factors leading to the study, as well presenting the conceptual and contextual settings of the study. The chapter also presents the justification and statement of the problem, aims and research questions, as well as the scope, limitations, and significance of the study.

1.1 Research background

Nevin's research (2006:29) clearly illustrates that up until 1994, 70% of South Africa's black population owned a paltry 5% of the private economy. After obtaining democracy, radical steps were taken to improve the lot of most of the Black people (Musengi, 2006). Hence, by 2006, the government's effort was crowned with success as more than 1 million businesses were black family owned, private enterprises that helped to boost the economy (Africa Investor, 2010).

"These families owned businesses not only contributed to job creation, but also helped to minimise the effects of poverty and its related consequences. This positive contribution was being marred by the low survival rates of such small enterprises largely because of low skills and educational qualifications, poor management and succession plans" (Farrington, 2009; Van der Merwe, Venter, & Ellis, 2009:11).

Family-owned businesses are amongst the most significant contributors to wealth and employment creation in essentially every economy in the world (Venter, Boschoff, & Mass, 2005:62005:6). However, the lack of sustainability of these businesses from generation to generation is a major cause for concern for many stakeholders, including the family, owners, and government (Van der Merwe, 2011:34; Williams, Zorn, Crook, & Combs, 2013:418). According to Williams et al. (2013:421), nearly 66% of family businesses fail during the transfer to the second generation, with only 15% surviving the third-generation transfer. Despite their positive contributions to the South African economy, the survival rate of new businesses in South Africa is generally very low (Farrington, 2009) and sustaining a family-owned business proves to be a difficult task for entrepreneurs and families. Furthermore, emerging economies are volatile and fragile, which endangers the survival of entrepreneurial ventures, including family businesses (Astrachan, 2010: 6-14).

Nevertheless, since succession planning is central to the continuity of any business (Gilding, Gregory, & Cosson, 2013:8) this study investigated the nature and transfer of leadership and ownership from one generation to the next generation amongst small and medium-sized family businesses in South Africa. Since South African family businesses generally do not engage in succession planning, most family businesses have no formal succession plans (Maas and Diederichs, 2007:27). The inadequate transfer of leadership and ownership from one generation to the next is a primary reason for the lack of longevity among small and medium sized family businesses (Venter & Boshoff, 2007:42).

It is, therefore, important to investigate exactly why leadership and succession planning are not given prominence in small family businesses (Maas & Diederichs, 2007:27) and if the business survival rate is low (Farrington, 2009:152) because of ineffective leadership and poor succession planning.

1.2 Contextualizing Family Businesses

Family-Owned Businesses comprise of the family and the business each operating within its own specific domain with its own value systems, roles and responsibilities (Rwigema and Venter, 2004:94). Since people are involved in both parts, it is not uncommon for there to be social emotional conflicts regarding the business as well as the family. Often, it is difficult to reconcile the pervading issues, and this could be a contributing factor as to why small businesses are not sustainable (Maas & Diederichs, 2007:204).

The family has a primary goal of ensuring that all family members are supported and developed, while providing equal opportunities and rewards for each member of the family. The primary goal of the business is to survive, generate goods or services, and to be viable (Burns, 2001:178). While the family business allows for positive and peaceful coexistence this is sometimes impossible, mores especially with the young generation who have different career aspirations and ideas (Muske, Fitzgerald & Kim 2002:382). According to Maas & Diederichs (2007), a family business is a business that is owned and directly influenced by members of the same family, who share the intention of creating wealth for future generations.

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. An assessment of the literature revealed a significant body of scholarly work that has been done on family business in South Africa (Nonkwelo, 2019:264; Phikiso & Tengeh, 2017:198; Buthelezi, 2018:126; Thage, 2017:95; Gomba & Kele, 2016:56).

Prior literature reviews have traditionally focused on selected aspects of succession, such as antecedents (De Massis, Chua, & Chrisman, 2008; Le Breton-Miller et al., 2004), psychological factors (Filser, Kraus, & Märk, 2013:754), research methods (Brockhaus, 2004), or theoretical perspectives (Nordqvist, Wennberg, & Hellerstedt, 2013:284). They have also put a stronger emphasis on management (Daspit, Chrisman, Sharma, Pearson, and Long, 2017), than on ownership (Nordqvist et al., 2013). According to several theorists one of the most important reasons why many first-generation family firms do not survive is because of the lack of constructive leadership, succession plans (Lansberg 1988; Morris, Williams, Allen, & Avila, 1997). Of significance, the literature reveals that some of the reasons for a lack of succession plan is the founder's attitude and stubbornness, lack of interest and differential views of the younger generation who have different aspirations (Ward, 1988; Handler, 1990; Venter, 2003; Davis & Harveston, 1999; Nieman, 2006).

The results of other studies concede that the incapability of family-owned businesses to ensure competent family leadership across generations is still a major problem today (Phikiso & Tengeh, 2017, 2019), which calls for further studies. In the main, the results revealed that most family-owned businesses were unable to identify their future needs with respect to talents; found it difficult to discuss potential successors with members of their families and could not generate a pool of suitable candidates. In contrast the current study focuses on governance and interpersonal relations, including the development of the successor and hence provides adequate guidelines for successors, because of the cordial relationships established (Nonkwelo, 2019:218) among members of the family in Indian owned businesses.

Hence, while a plethora of studies have been conducted on Family-owned businesses, this study is unique in that was conducted in Black Townships and focuses mainly on Indian owned family businesses that need to prepare for leadership/ownership and succession planning. Further, it is peculiar to Kwa Zulu Natal and no other townships and or urban areas.

It is envisaged that the findings of this study will contribute positively to the body of academic knowledge on succession planning and will help motivate families to appreciate the need for sustained succession planning to enhance business success. It is a well-established fact that family- owned businesses are vital towards job creation, the eradication of poverty and the creation of wealth (Williams et al., 2013). It is therefore important to investigate exactly why leadership and succession planning are not given prominence in small family businesses (Maas & Diederichs, 2007) and why their survival rate is low (Farrington, 2009:238).

Due to the paucity of education, training, and development, as well as the lack of effective leadership and lack of succession planning, the life span of small and medium sized business enterprises is limited (Venter & Boshoff, 2007:43; Maas & Diederichs, 2007:27). The cause of this apparent lack of succession in family-owned businesses is unclear. The findings of this study will provide clarity on this issue and will provide further scope for several other future research studies.

1.3 Problem statement

Due to the paucity of education, training, and development, as well as the lack of effective leadership and lack of succession planning, the life span of small and medium sized business enterprises is limited. The cause of this apparent lack of succession in family-owned businesses is unclear.

1.4 Primary aim of the study

The primary aim of the study was to establish the relationships between leadership, succession planning and family business factors, governance, family dynamics and leadership style in the South Durban Basin of Kwa-Zulu Natal.

1.4.1 Secondary aims of the study

To address the primary aim of the study, the following secondary aims were formulated:

- To establish the correlations between, succession planning, governance, family dynamics, different leadership styles and business performance in family businesses in the South Durban Basin of Kwa-Zulu Natal (Objective 1)
- To establish if family business factors are affected differently by select demographics of firms in the South Durban Basin of Kwa-Zulu Natal (Objective 2).
- To establish the family business factors that predict succession planning of firms in the South Durban Basin of Kwa-Zulu Natal (Objective 3).

To test the study aims, hypotheses were advanced. By implication, this hypothesis relates to the family businesses in the South Durban Basin of Kwa-Zulu Natal.

1.4.2 Study Hypotheses

1.4.2.1 Correlation between family business factors (Objective 1)

The study hypothesises (**H1.1)** that: There is a positive and statistically significant correlation between succession planning and the following family business factors;

H 1.1a: governance

H1.1b: family dynamics

H1.1c: middle of the road leadership style
H1.1d: task leadership style
H1.1e: team leadership style
H1.1f: business performance

Hypothesis H1.2 states that: There is a **positive and statistically significant correlation** between **governance** and the following family business factors;
H1. 2a: family dynamics
H1.2b: middle of the road leadership style
H1.2c: task leadership style
H1.2d: team leadership style
H1.2e: business performance

Hypothesis H1.3 states that: There is a **positive and statistically significant correlation** between, **family dynamics** and the following family business factors;
H1.3a: middle of the road leadership style
H1.3b: task leadership style
H1.3c: team leadership style
H1.3d: business performance

Hypothesis H1.4 states that: There is a **positive and statistically significant correlation** between **performance** and the following family business factors;
H1.4a: middle of the road leadership style
H1.4b: task leadership style
H1.4c: team leadership style

The second set of hypotheses assess whether the family business factors are affected differently by demographic factors; gender, age, level of education of owner, length of business operations, and generation of business ownership.

1.4.2.2 Demographics and family business factors: Hypotheses 2-6 (Objective 2)

Gender and Family business Factors: Hypothesis 2 states that:

There is no significant difference between female and male owned businesses with regards to the family business factors;

H2.1: governance

H2.2: family dynamics

H2.3: middle of the road leadership style

H2.4: task leadership style

H2.5: team leadership style

H2.6: performance

H2.7: succession planning

Age and Family business Factors: Hypothesis 3

There is no significant difference between owners in different age groups with regards to family business factors;

H3.1: governance

H3.2: family dynamics

H3.3: middle of the road leadership style

H3.4: task leadership style

H3.5: team leadership style

H3.6: performance

H3.7: succession planning

Levels of Education: Hypothesis 4

There is no significant difference between owners with different education levels with regards to family business factors;

H4.1: governance

H4.2: family dynamics

H4.3: middle of the road leadership style

H4.4: task leadership style

H4.5: team leadership style

H4.6: performance

H4.7: succession planning

Length of Business operations: Hypothesis 5

There is no significant difference between businesses with different length of operations with regards to family business factors;

H5.1: governance

H5.2: family dynamics

H5.3: middle of the road leadership style

H5.4: task leadership style

H5.5: team leadership style

H5.6: performance

H5.7: succession planning

Generation of the Business on selected factors: Hypothesis 6

The aim was to determine if there was a significant difference between family businesses in the first and second generations regarding business factors;

H6.1: governance

H6.2: family dynamics

H6.3: middle of the road leadership style

H6.4: task leadership style

H6.5: team leadership style

H6.6: performance

H6.7: succession planning

1.4.2.3: The influence of family business factors on succession planning (Objective 3)

Lastly, the study intended to establish the family business factors that predict succession planning. The following hypothesis were put forward:

Hypothesis 7. Succession planning is significantly influenced by the following family business factors;

H7.1: Governance

H7.2: Task leadership style

H7.3: Team leadership style

H7.4: Performance

1.5 Literature Overview

1.5.1 Definition of family-owned business

A family-owned business is defined as one where family members are involved in the day-to-day administration and are affected by the business decisions. However, there are several shades of meanings and each one is relative to the specific family circumstances (Brockhaus, 2004:167; Wilson, et al., 2013:37). Alternatively, it may be defined as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua et al., 1999:37). The latter definition incorporates the involvement of members (former definition). The study adopts the definition by Chua et al., (1999).

1.5.2 Definition of succession planning

According to White, Krinke & Geller (2004:67), succession planning involves a concerted effort by effective leaders to plan, project and implement a process flow chart aligned to the peculiar family circumstances and needs so that business operations continue without any failure by the heir apparent (Cater III & Justis, 2009:563).

An understanding of family-owned business and succession planning will help to contextualise the problem under investigation. Succession planning in family businesses implies the successful handover of the business to the following generation, through preparation and development.

- **First generation family business**

Beck et al., (2011:252) distinctly indicated that first-generation family businesses are those where the founder exercises ownership and management over the business.

- **Second generation family business**

A second-generation family business refers to ownership and management of the family business where the first generation has retired from the business or is deceased and the second-generation exercises ownership and management over the business (Sonfield & Lussier, 2004: 189).

1.5.3 Challenges facing family-owned business

As with any business venture, challenges are an inherent part of its survival. Family-owned businesses are no exceptions. The major challenges centre on size, location technology government rules and regulations power struggles as well as interpersonal familial rivalry and conflict (Sharma, et al., 2012:9; Le Breton-Miller, et al., 2004:305; Eddleston, et al., 2013:1179; Tanzwani, 2010:201; Ward, 2011:56; Poza and Daugherty, 2013:8; Farrington, 2009; Lee, 2006:105).

1.5.4 Succession planning in family-owned businesses within a South African context

For the survival of any business enterprise, more so for family-owned businesses, it is critical that the leaders/owners plan a thorough succession flowchart that will dispel the misery of family members and allow the business to flourish (Bocatto, et al., 2010:497; Brun de Pontet, et al., 2007:349). It is imperative for current owners to distinguish between ownership and management when drawing up their succession plans (Griffeth, et al., 2006:491). To provide some measure of support and guidelines, it is recommended that current family owners follow the framework of Dyck et al., (2002:148) which focused on four key factors of sequence, timing, baton passing and communication that must be adequately dealt with before successful transfer of business.

1.6. Research Methodology

1.6.1 Research design

An empirical, quantitative, design was adopted because it was important to collect a large quantity of data to lend credibility to the findings. A more effective use of this approach includes such situations where there are large numbers of respondents available, where quantitative techniques can be able to measure the data effectively, and where the data can be analysed using statistical tools (Saunders & Lewis, 2012:74).

1.6.2 Sampling

The snowball sampling and convenience approach were employed. The approach was used because it was difficult to access a reliable database on family businesses from the South Durban Basin of Kwa Zulu-Natal.

1.6.3 Data analysis

The data collected was statistically analysed using Statistics (Statsoft, 2010) and SPSS (SPSS, 2010). Each section in the questionnaire was treated as a single construct, underwent factorization, and was tested for validity and reliability.

Descriptive and inferential statistical techniques were utilised to analyse the data.

1.7 Scope and limitations of the study

According to Mugenda & Mugenda (1999:41), the scope of the study refers to the area, extent, or latitude that a study covers, while the limitations of the study address their restrictions that are imposed on the research. These limitations can be internal (i.e., related to the person conducting the study) or external (i.e., imposed by the environment in which the study is being conducted). Kwake (2007:20) observed that such restrictions can also arise from the type of study being conducted.

The study was limited to the study of family-owned businesses in the South Durban Basin of KwaZulu-Natal (South Africa). Only those businesses that had been in operation for a period of at least 5 years were studied. Though most of the sample were small to medium enterprises (SMEs), the focus was on “family businesses” and not on SMEs.

Succession Planning and Leadership in family-owned businesses was the main interest of the study. Out of the many “family business factors” that affect both succession and leadership, the researcher purposively selected governance, family dynamics and firm performance to analyze and understand the topic under study. As shown in literature, governance and family dynamics play a significant role in family business and succession (Chrisman et al., 2003:359; IFB, 2008:32; Lester et al., 2013:11; Poza & Daughtery 2013; Zellweger, 2017)

It is also a given fact that poor succession planning and leadership result in poor performance (Miller et al., 2010:201; Jaffe & Lane, 2004:73; Chrisman et al., 2003).

1.8 Format of the study

This study comprises of the following 6 chapters:

1.8.1 Chapter One: Introduction

The chapter provides the introduction and conceptual and contextual setting; justification and problem statement; primary and secondary aims of the study; synopsis of the literature study; scope of the study; and the structure of the study.

1.8.2 Chapter Two: Succession Planning in Family-Owned Businesses

This chapter presents a literature review aimed at formulating a firm understanding of family businesses. The context of the review was initiated at both global and local levels to gain a better understanding of the phenomena under investigation.

1.8.3 Chapter Three: Leadership and Succession Planning

This chapter focuses essentially on a theoretical background of leadership and the nature of leadership and management practice that will be effective in managing a family-owned business to ensure job satisfaction and business performance. In addition, the chapter explores the, planning, preparation, and selection of successors with the aid of the succession planning framework.

1.8.4 Chapter Four: Research Methodology

This chapter presents the research methodology of the study. A detailed explanation is provided about the design of the study, the area covered in the study, the target population, sampling and sample size, the research methods and procedures used to carry out the study.

1.8.5 Chapter Five: Research Findings

Chapter five presents and analyses the research findings. These are discussed in the context of the problem statement. In this chapter, a holistic view of the study is provided, and problems and insights are highlighted.

1.8.6 Chapter Six: Conclusions and Recommendations

This chapter summarises the research, i.e., the synopsis of the findings in relation to the reviewed literature as well as other insights and provides recommendations and proposals for further research as well as the overall conclusion of the study.

CHAPTER TWO: SUCCESSION PLANNING IN FAMILY-OWNED BUSINESSES

Introduction

Succession is the greatest long-term challenge that most family-owned businesses encounter. The founders' and/or owners' willingness to plan for their succession is often the key reason why many businesses fail or survive. In addition, psychological and / or cultural factors play a significant role in determining whether succession planning is on the agenda of many family-owned enterprises. Fear of mortality, reluctance to let go of power, worry about nepotism in the sense of favouring one child against another are some of the complex forces that prevent family owners from focussing on succession planning. This study investigates leadership and succession planning in family-owned businesses in the rural and urban areas of the South Durban Basin of KwaZulu-Natal, South Africa. Hence, the most appropriate operational research question that guides the study is, "do family-owned business have effective leadership and succession planning mechanisms in place to sustain their small to medium-sized enterprises?" The relevance of this question gains clarity and momentum as the chapter progresses since entrepreneurship has gained enormous global recognition as a very significant contributor towards economic growth through sustained leadership and successful succession planning, highlighting its competitive nature and financial gains (Antoncic & Hisrich, 2003:8; Urban, 2008:91).

Since entrepreneurship is a continuous process of success and failure, it is not uncommon for family-owned business to tap into all the opportunities it has to offer (Morris, et al., 2008:10; Schumpeter, 1934:74). This opinion is supported by the studies of Dhliwayo (2007:144) who found that despite an economic downturn, all entrepreneurial activities target opportunities for financial gain. Entrepreneurial thinking entails business opportunities that pose harsh realities of uncertain business conditions and its associated final outcomes (Dhliwayo, 2007:145). It becomes imperative for the family-owned businesses to focus on both leadership and succession planning to avert the harsh realities of uncertain business conditions and economic downturn.

While the study focuses on leadership and succession planning, this chapter provides a critical evaluation of succession planning in family-owned businesses. This chapter analyses four major themes that contribute to understanding the need for succession planning in family-owned enterprises:

- The dynamics of family businesses,

- Management succession in family businesses,
- Importance of succession planning, and
- Need to prepare for succession planning.

Subsequently, a discussion of the above themes reveals the characteristics and dynamics of family-owned businesses, as well as the resultant challenges and conflicts that emerge from family relationships. In addition, the chapter highlights the importance of family entrepreneurship and the economic roles of entrepreneurship. The presentation starts with a definition of what a “family business / family-owned business” is. The words “enterprise”, “firm” will be used interchangeably to denote a “business”.

2.1 Family-owned businesses

Family-owned businesses will be defined first and there after the characteristics of the explored.

2.1.1 Definition of a family-owned business

Family enterprises are the most common form of business entity in the world. Yet, their ownership, management, and family require special knowledge and skills to understand them.

Several authors have researched the topic dealing with family business and each one of them provided a different perspective of what it entails (Aronoff, 2004:58; Farrington, 2009; Brockhaus, 2004:168; Venter, et al., 2005:287). The consensus in terms of theory is that a family business revolves around management, ownership, family, and intention. For the purposes of this study, the researcher adopts the following definition which encompasses the views of Aronoff (2004:55); Farrington (2009); Brockhaus (2004:165) and Venter et al., (2005:283):

> *"a family business is one that is owned by members of the same family to shape and/or pursue the formal or implicit vision of the business and where it is the intention of the family members to hand the business over to the next generation or where the business has already been handed over to a family member to manage and/or control."*

Miller and Canella (2007:829) explained that family firms are those in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time.

The Family Business Association of Southern Africa (FABASA, 2013) offered a different version of the adopted definition. The association’s focus is on most shares held by the owner or a member of his family with a member holding an administrative management position. In the event the company being listed, then the owner must possess 25% voting rights and be a member of FABASA.

Poza and Daugherty (2013:7) explained that a family business cannot simply be defined through family involvement and intention to pass the business over to the next generation, rather it is a unique synthesis of the following:

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

Based on the above definitions it can be stated that in family-owned enterprises most decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child, or children's direct heirs.

Based on the multiple definitions of a family business/firm it becomes apparent that to define a family business remains problematic in family organizational research (Chua, Chrisman, & Sharma, 1999:31; Poza & Daughtery, 2013:7). Therefore, it is safe to allude that most definitions of family businesses vary in terms of the degree of family involvement which ultimately will impact on performance.

The definition adopted in this study centres around the following premises in conjunction with the definition of Venter et al., (2005:284):

> *Decision making is vested in the hands of the person who established the enterprise with his capital and that one family member be involved in the daily management of the business.*

This definition includes family firms which have not yet gone through the first generational transfer.

2.1.2 Characteristics of family businesses

Consequently, emerging from the above definitions and analysis thereof, the following aspects define the essence of family businesses:

- One family member must be present
- The multiple functions make succession difficult in the absence of growth
- There are several advantages obtained by contributions by family members
- It is the prized aspirations of the owner/founder to hand down his business to succeeding generations
- The strategic influence of non-economic family goals and values (Venter, et al., 2005:289, Le Miller, et al., 2007:829; Poza & Daughtery, 2013:62).

Within family businesses, there is a strong interrelationship between the family and the business. The family is formally and informally at the centre of the organization. This results in two structures encountering each other, namely the family and the business, hereby increasing the potential for conflict which affects both the family and the business sphere. Family businesses tend to focus on the firm's long-term sustainability rather than realizing short-term profits and on realizing generational changes in ownership and management. In line with this, family businesses are on average older than non-family businesses (Rautiainen, 2012:39).

When a firm is transferred to the next generation, in addition to passing on its financial assets, it also transfers its social and cultural capital (Machek, et al., 2013:67-70). The main considerations here are the value systems as well as the degree of management that is practiced. When it comes to management the stress is on either a paternalistic or materialistic management style. In either case issues of nepotism may creep in (Institute for Family Business (IFB), 2008:32).

Family businesses have characteristics contributing directly to the difficulty of transferring management to the next generation. Of interest are the characteristics which distinguish the management succession issues of family businesses from those of non-family businesses. Most of these characteristics are related to human interactions among family members and their inability to isolate family issues from business issues (Van der Merwe, et al., 2009:13). Intrafamily succession from parents to offspring, is relevant to management succession involving other stakeholders in family firms. This type of succession focuses on the tenants of social exchange and relate to perceptions of the value of the resources being exchanged, obligations and expectations that emerge regarding those exchanges, and the development and maintenance of often-complex social relationships resulting from recurring exchanges (Daspit et al., 2017). The degree of involvement by family members in family-owned business and non- family-owned business is the determining tenet that separates the two types of businesses which culminates in family business dynamics.

2.2 Theoretical Perspectives of the Family Business

To address the most predominant ways theory has been used to explain business succession previously and to provide some historical context to the study of family business succession, an overview of the most predominant theories is provided. While not necessarily the underlying theories of this study, these theories provide context to help explain the interactions between family and business and show the most predominant approaches that have been taken previously to explain the interactions. Besides a highlight of some of these theories, previous family business research topics are also summarised in Table 1. The topics are also briefly discussed.

Table 1: Family Business Research

Topic of family business research	Key references	Research focus
Definition of family business	Astrachan & Shanker, (2003:211)	Three definitions: broad, middle, or narrow
	Chua et al., (1999:31-53); Litz, (1995:71-81)	21 different definitions; three qualifying operational combinations of ownership and management
	Venter et al., (2005:283), Le Miller et al., (2004:308)	Complementary approaches: structure based and intention-based
	Chua, Chrisman, & Sharma, (1999); Poza & Daughtery, (2013)	Difficult to define family business
Family business models	Caspar, Dias, & Elstrodt , (2010:1-10)	Classic five-circle model
	Carrigan & Buckley, (2008: 656–666); Habbershon et al., 2003:451-465); Le Miller et al., (2004:320);	The unique bundle of resources a firm has because of the system’s

	Chrisman et al., (2006:719-729)	interaction between the family, its individual members, and the business
	Jensen & Meckling, (1976); Ross, (1973) Chrisman, Chua, & Sharma, (2005)	Agency model
	Ward (1987)	Multigenerational business model
	Barney, (1991); Sirmon & Hit (2003)	Resource based view theory (RBV)
	Daspi, Holt & Chrisman (2015)	Social exchange theory and its impact during transition
Family business management and dynamics	Chrisman et al., (2003:359-365); Le Miller et al., (2004:310) IFB, (2008:32); Lester et al., (2013:11-24)	Personal management style and lack of sharing control / sharing control (leadership style)
	Poza & Daughtery (2013)	Dynamics affected by bundle of resources available and a unique synthesis of ownership control by two or more members of a family or a partnership of families
	Zellweger (2017)	Focuses on succession, conflict and relation management in a family business. Strategic influence by family members on the management of the firm, whether by being active in management, by serving as advisors or board members or by being active shareholders; Concern for family relationships; and the dream (or possibility) of continuity across generations
	Miller et al., (2010:201-223)	Business growth by acquisitions

Family business performance and development	Jaffe & Lane, (2004:73-96)	Governance as a critical issue for long-term survival
	Chrisman et al., (2003:359-365)	Resource-based theory and agency-cost, theory explaining family business performance and behaviour
Succession in family Business	Davis & Harveston (1998:31-53); Miller et al., (2006:74); Morris et al., (1997:385-401)	Succession from the individual level, family level, and business level
	Chrisman et al., (2003:359-365)	Statistically differentiate intention in family succession
	Handler (1994:133)	Role of the founder in succession
	Tagiuri & Davis, (1982)	The Three Circle Model
	Daspi, et al., (2015)	Family firm succession from a Social Exchange perspective
	Behn et al., (2005); Van der Merwe (2011)	That the young generation are reluctant to take over the family business
	Eddleston, et al., (2013)	Succession planning is a continuous process
	Dave & Hverston (1998), Vallego (2008)	Found trust and loyalty to be very important during social exchange i.e. transition

Family business entrepreneurship	Kellermanns et al., (2008:1-14); Zahra (2005:23) Brenes & Haar (2012)	Entrepreneurial behaviour and growth, the family contributes to the likelihood of individuals becoming entrepreneurs Family-owned businesses that prosper are decisive, action oriented and innovative
	Erven (2016)	Solutions to problems are rarely pure business or pure family in nature so attempts at complete separation are counterproductive
	Williams, et al., (2013); Yu, et al., (2010)	Governance, ownership management and vision characterise family - owned businesses'/ similar findings lend credibility to the uniqueness of family enterprises and their modus operandi company founders
Differences between family and non-family firms	Sharma et al., (2004: 12-13) Machek, et al., (20130	Differentiation in goals, processes, and participants
	Daspit, et al., (2017)	Transfers its social and cultural capital during transition
Relationships in the family	Ward & Aronoff,1992; Williams,1009; Handler,1991; Kaslow,1993; Venter, 2003; Sharma & Rao, 2000, Dana, 2005, Perryer & Te, 2010; Lambrecht, 2005	Focussed on relationship among family members in respect of communication; trust; commitment; loyalty; family turmoil; sibling rivalry; jealousy / resentment, conflict; shared values and traditions
Leadership in family	Charan, et al., (2011); Drotter (2003)	Weakness in pipeline model Importance of pipeline model
	Mouton & Blake (1964)	Leadership Grid – Task, Middle of the Road and Team leadership styles

	Diederichs (2014)	Maintained that values include fairness that is a fair balance between the business and the family and stewardship

The major topics covered in Table1, include; definition of family businesses, family business models, management and dynamics, succession, and performance. Some of these topics are discussed in detail later in the chapter providing insight into the subject, family business succession. Table 1 provides the researchers on the different topics as well as the research areas or findings.

Sharma (2011:787) suggested that the study of the family as a differentiating factor in family businesses versus nonfamily businesses is a newer discipline and that much of family business research foundation has been based in agency theory and resource-based view theory. Sharma suggested that family business research trends are out of necessity starting to utilize additional theory for the field to continue to advance. Some of the life cycle models presented above are limited in the sense that they assume that the organization develops the managerial capabilities of the predecessor, and the organization develops in such a manner that ownership and management become separated.

Sharma's study attempted to understand the succession experience from multiple perspectives, namely successors, predecessors, and other family members in the business. The study by Sharma and other researchers listed above provided an insight into the complex subject of succession planning in family businesses. Some of the theories are now briefly discussed.

2.2.1 Agency Theory

Originating in organizational studies, agency theory is about the extent to which management works for owners. It is based on the idea that the separation of ownership and management in businesses leads to a principal-agent relationship and managers (agents) may not make decisions that are in the best interest of owners (principals) (Woodman, 2017; Sharma et al., 2012; Jensen & Meckling, 1976; Ross, 1973). The expectation is that an alignment of ownership and management within a family business eliminates issues of agency because individual family members engage in altruistic behaviours, subjugating their self-interests for the collective good of the family. Formal governance processes are viewed as an unnecessary expense that would decrease the business's financial performance because e management and ownership are aligned. (Sharma & Chrisman, 2004; Sharma et al., 2012, Woodman, 2017).

Schulze et al., (2003) and Woodman (2017) suggested that in family businesses, agency relationships are embedded in the child-parent relationship, which is rooted in altruism when ownership control places business resources at family members' discretion. They defined altruism as a moral value by which individuals act in a beneficial manner to others without expectation of external reward and suggested altruism can result in needs of individual family members taking precedence over business strategic needs, requiring family business owners and non-owner family members to consider whether the business or family should come first.

2.2.2 Resource Based View Theory (RBV)

Resource based view theory (RBV) has underlying assumptions, including: (a) businesses maximize profits at all costs, (b) leadership acts rationally, (c) competing businesses can possess different bundles of resources, and (d) these resource differentials can persist (Sharma et al., 2010/2012; Barney, 1991). Based on these assumptions, some businesses can possess resources that enable them to implement strategies than other businesses (Barney, 1991) more effectively. As with agency theory, an important weakness of the resource-based view approach is the underlying assumption that competitive advantage to create wealth is the sole goal of family businesses (Woodman, 2017; Sharma et al., 2012).

A resource-based view of a family business helps us understand how families identify and develop capabilities; transfer them to the next generation of leadership, and how these capabilities are adapted when disruptions occur. Sirmon & Hitt (2003: 186-190) provided an extensive application of RBV to family businesses. Distinguishing among five sources of business capital, including: (a) government structures, (b) human, (c) social, (d) survivability, and (e) patient capital. They suggested that family businesses use these resources differently than nonfamily businesses. As a result, these differences create competitive advantages in family businesses. Barney, Clark, & Alvarez (2002:85-98) suggested that family businesses may have an advantage in opportunity identification because of family members' increased openness with information between business employees and divisions.

Since succession planning has become an integrated process, one model cannot be universally applied; business leaders must find the best fitting system and adapt it to their business needs. In the early 1960s, succession planning was understood in terms of three "theories" known as "Common Sense", "Vicious Circle", and "Ritual Scapegoating" (Giambatista, et al., 2005:753). Whereas the Common-Sense theory contended that the wise choice of a successor and replacement of a known failure could bring performance benefits, the vicious circle suggested that decline could impel succession, which in turn could disrupt regular procedures causing more decline and succession.

Some researchers refuted the possibility of attaining post-succession organizational improvement, and hence described succession planning as a mere “ritual scapegoating process” (Giambatista, et al., 2005:964). In terms of the theories used, agency theory and resource-based view of the firm have dominated the discourse (Chrisman et al., 2010), though other theoretical perspectives such as the following have received attention as well.

2.2.3 The Common-Sense theory

The Common-Sense theory of succession suggests that replacing management due to inefficient operations will result in performance improvements and increased effectiveness. Good performance does not require any management changes. Advocates of this theory state the positive change of organizational output as the key reason for succession planning (Guest, 1962:49).

The Common-Sense theory expresses the positive relationship between senior leader succession and subsequent organizational performance. The positive relationship exists because the successor is likely to bring new perspectives and expertise to overcome the predecessor’s deficiencies. The Common- Sense theory of senior leader succession states that the decision maker chooses a person with the expertise and experience to enhance the organization’s performance to replace the outgoing senior leader (Kesner & Sebora, 1994:331).

2.2.4 The Vicious Cycle theory

In comparison, Grusky (1960:109) introduced the Vicious-Circle theory of succession planning arguing that administrative succession disrupts structures and relationships in all businesses. Frequent leadership changes have a reciprocal effect on performance and lead to lower employee motivation. The successor is often isolated from colleagues and finds himself/herself in a vicious circle. Because new management tends to alter known bureaucratic procedures people are afraid of change. Through replacing employees with people with whom the successor can trust and communicate with, he or she can overcome the vicious circle (Grusky, 1960:110).

The Vicious Cycle theory describes a negative relationship between senior leader succession and subsequent organizational performance. The negative relationship exists because the departure of a senior leader is believed to cause disruption to a struggling organisation. The disruption leads to poorer performance, leading to the removal of another senior leader, thus repeating the vicious cycle. The departure of such a leader will bring initial disruption to the organization, but in the long-term as suggested by the studies of (Grusky, 1960:107; Berrone, et al., 2012:59) it will have beneficial effects because the new incumbent will help the business survive.

2.2.5 Ritual-Scapegoat theory

In response to Grusky (1960:112), advocates of the Ritual-Scape goat theory contended that management succession has limited effect on the performance of a team or corporation. Powerful leaders will find a scapegoat to blame for poor performance (Gamson & Scotch, 1964:69). The Ritual Scapegoat theory asserts no relationship exists between senior leader succession and subsequent organizational performance. No relationship exists because the senior leader is only one of many factors that impact on an organization's performance. A senior leader succession is simply a symbolic act that has no impact on an organization's performance.

Consequently, it can be argued that in family businesses where there is an autocratic leader, the interpersonal relationships amongst employees and employer are non-existent; hence, in such a climate no effective succession planning will take place.

2.2.6 Leadership Pipeline model

The Leadership Pipeline model helps organizations grow leaders internally at every level, from entry level team leaders to senior managers. It provides a framework that can be used to identify future leaders, assesses their competence, plans their development, and measures results. Put simply, founders can use the model to think about how they will train their employees to take the next step up the leadership ladder. Leaders progress through six key transitions, or "passages" to succeed (Drotter, 2003:5-6), as depicted in Figure 1.

Figure 1: The Leadership Pipeline Model (Drotter, 2003:5)

Each leadership stage needs different skill sets and values, and, at each transition, leaders must develop these to lead successfully. According to the model, senior leaders in the organization should mentor more junior managers through each leadership transition, to ensure that they're using the appropriate skills for their current level. Staying "stuck" without the right skills, even if the manager progresses upward can cause leaders to stagnate, become ineffective, and, ultimately, fail.

By building a successful leadership pipeline that ensures strength and depth in lynchpin functions, organisations are effectively exercising the third option and growing their own leaders. While this is a major benefit, it encourages several by-products that are also advantageous. These benefits include:

- A significant reduction of resources required to attract outside talent;

- Retention of the organization’s best talent as they are engaged by the different opportunities becoming available to them and so do not need to seek these opportunities within competitors or alternate industries; and
- Opportunity for personal growth through valuable on the job experience for emerging talent. This benefits not only the individual, but the organization as well (Drotter 2003).

The Leadership Pipeline model analyses six career stages within an organization focussing on various areas and complexities of leadership. While every stage takes an average of three years to complete, leadership development challenges differ at each level and need to be addressed diversely. It is suggested to fill the leadership pipeline at all stages to avoid talent shortages and to have a vast pool of candidates to choose from for present and future leadership positions (Charan, et al., 2011:333). One weakness of the model is its focus on larger organizations that have large HR budgets (Charan, et al., 2011:341).

The researcher contends that the success of a Leadership Pipeline Model can be reduced to two pertinent criteria: being able to identify what the key leadership roles in the organization will be going forward, and the number of internal candidates who can assume these roles when needed. This conclusion appears to be easy but the extent to which an organization is successful depends on several factors such as talent management, organizational capacity, and the attitude of founders toward succession planning. From a pure talent perspective, however, the most significant benefit of the Pipeline Model is that the founder does not have to bring in stars to prime the leadership pump and unclog the pipeline. The leader can create his own stars up and down the line, beginning at the first level when people make the transition from managing themselves to managing others. However, the success of this strategy will be dependent upon the attitude of the founder and how willing the “stars” will be to comply.

The Common-Sense theory of succession, Vicious-Circle theory of succession and the Ritual-Scapegoating theory of succession are more prevalent in smaller family-owned businesses because of the desire to hold on to the reins for as long as is possible. In addition, while the theories lend themselves to both managerial disruptions as well as long-term success of the enterprise, the implementation success of each theory will be dependent on several success factors like the founder’s attitude towards succession planning, organization culture, etc. In the final analysis, the literature review indicates that irrespective of the size and nature of a family business, effective management, and succession planning, however simple, are critical success factors.

2.2.7 Theoretical Frameworks adopted

This study utilizes aspects of both the Pipeline Model (Drotter, 2003) as well as the Three Circle Model (Tagiuri & Davis, 1982). The principles are illustrated in Table 2 and Figure 4 respectively.

Figure 2: Three Circle Model (Tagiuri & Davis, 1982)

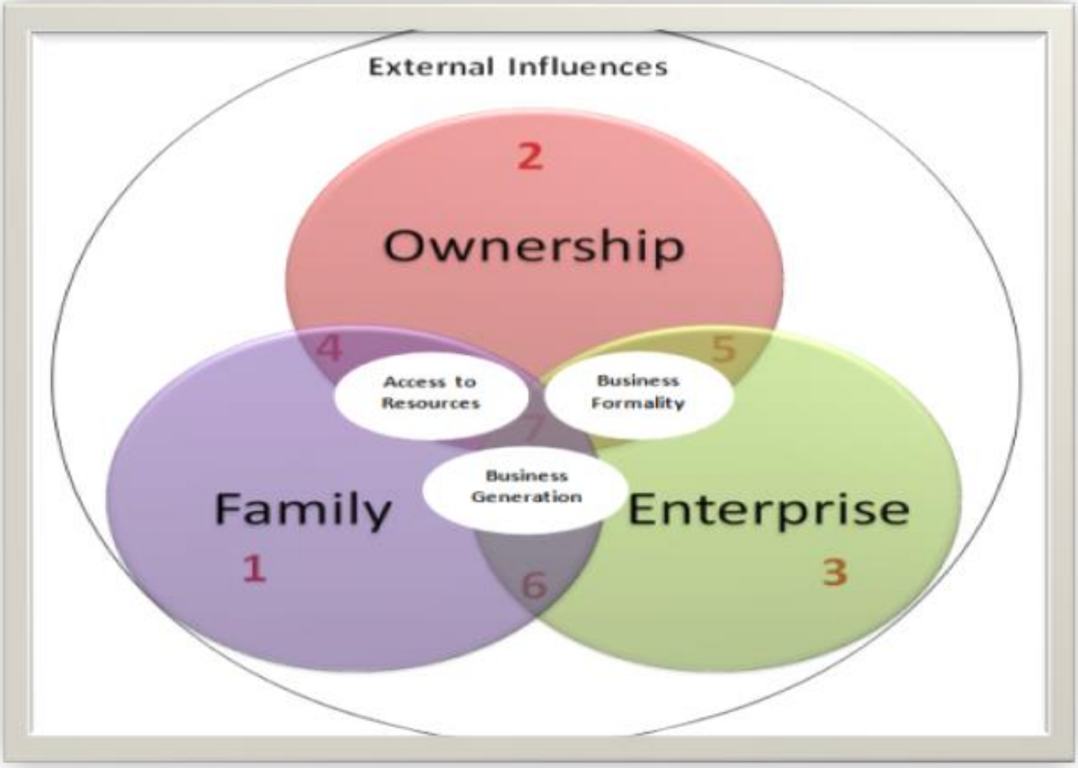


Table 2: Pipeline Model (Drotter, 2003)

	Role	**Example**
1	Family, neither owner nor employee	Spouses; younger descendants
2	Owner, neither family nor employee	Investors; third party trustees
3	Employee, neither family nor owner	Nonfamily managers; employees
4	Family-owner	Founder; descendants of founder
5	Nonfamily-owner employee/manager	Key executives and managers
6	Family employee	Spouse of descendant (in-laws)
7	Family owner and employee	Founder; CEO; other family employees

Tagiuri & Davis (1982) visualized the interaction between enterprise, family, and owner systems as the Three Circle Model, which has its basis in family systems theory and is consistent with the underlying systems theory. Intergenerational business succession planning is not a singular event or a static one but is addressed by how these systems interact. Succession preparation is ongoing and circular, as opposed to a linear process. Similarly, one cannot look at the Three Circle Model and see an ending point. Family systems theory has resulted in additional models to help explain family business sustainability, but none that addresses both the business sustainability and business revenue simultaneously. Family systems theory proposes that sustainability is a function of both business success and family functionality and focuses on how family members exchange resources across systems, particularly during disruptions (Stafford, Duncan, Danes, & Winter, 1999).

Specifically, within the family enterprise system, there are interactions that impact the level of succession planning. The organizational characteristics and business formality of the Davis and Harveston (1998) model are encompassed within the enterprise system. The owner characteristics are represented in the ownership system; and the family influence is addressed within the family system. These systems are interrelated to inform the extensiveness of business succession planning. The result of the interdependency of these parts is that potentially the business is stronger and the planning for succession is greater than it would be if succession resonated from any one system alone. This can be measured through the ongoing financial success of the business and the continuity of the family working as an economic unit from generation to generation as the successors shape the success or failure of the enterprise while meeting the challenges experienced in family businesses.

The Leadership Pipeline Model advocated by Drotter (2003:57) and the 3 Circles Model by Tagiuri & Davis (1982) if implemented by founders will assist the entry of the younger generation into the family business only if the founder knows about the opportunities that arise from training, development and empowerment programmes. Generally, family founders have the traditional attitude that "my son will learn from me and take over". There are exceptions to the rule as illustrated in the studies of Behn et al., (2005:179) and Van der Merwe (2011:41) that the young generation are reluctant to take over the family business. It is evident that employee sound interpersonal relations are crucial to the success of the organization. However, Azoury et al., (2013:16) cautioned that since family businesses are controlled by emotions rather than money, one needs to ensure that there is no scope for nepotism which could ultimately lead to conflict and cause harm to succession planning. The cause of conflict is family business dynamics, and this will be explored next.

According to the pipeline model, the different individual interests of family and non-family members must be accommodated for the success of the enterprise. This is not an easy feat. Therefore, family dynamics and governance (divergent interests) must be explored to better understand how they impact on succession planning and leadership and establish how best they can be managed to enhance business performance. In addition, according to the 3-circle model; it is an underlying expectation that business ownership remains within the family. So, irrespective of the "conflicts" that may result from the family- business interface, it is in the interest of the family members that the family business succeeds. The business must meet family members' economic (access to resources) and social interests (e.g., status within the community). Its continuity (succession) and performance (economic viability and sustenance) become paramount.

These divergent interests are also affected by demographic factors (both individual and enterprise). The study explores some select demographics to establish how they affect the family business factors differently. Some of these factors are explored further.

2.3 Family business dynamics

Family business dynamics is a very intricate and complicated affair because of the keen spirit of competition that prevails amongst family members. In many instances this spirit of competition leads to conflict and rivalry because family members are keen on sustaining the business so that it can be handed down to future generations (IFB, 2016:30). Hence it becomes imperative for all family-owned business to tap new markets and resources to sustain the business for generations to come (Spinelli & Adams, 2012:588).

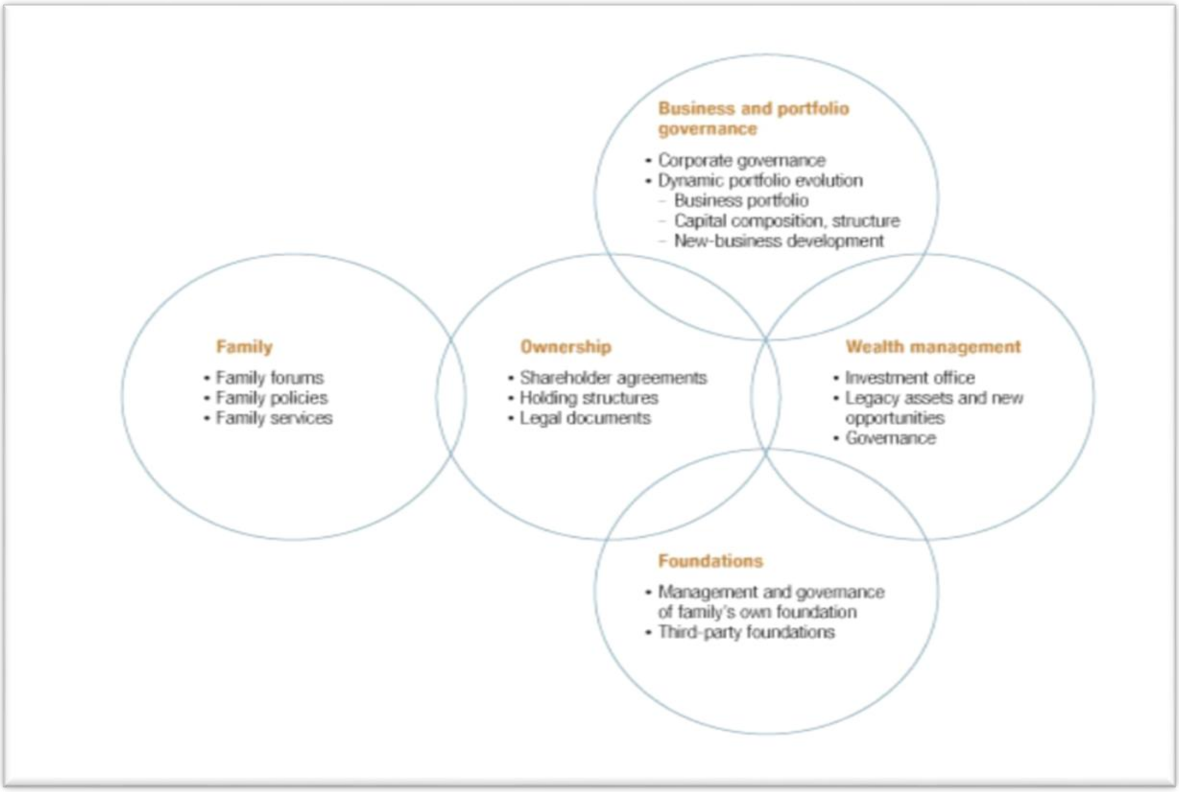
According to Brenes & Haar (2012:177), family-owned businesses that prosper are decisive, action oriented and innovative. These qualities promote the entrepreneurial spirit which in turn promotes successful business enterprises. On the opposite side of the business agenda, businesses that are not capturing market share are likely dominated by a leader-centric culture and ineffective management strategies that are barriers to successful entrepreneurship (Brenes & Haar, 2012:178). Successful enterprises thrive and survive when family members provide various forms of human, social and financial capital (Wilson, et al., 2013:1372), without this contribution, family-owned business will not be able to thrive and sustain themselves. In the main, social and human capital are interrelated because they focus on the contributions of family members inter alia interrelations, time, moral support and emotional support. Financial capital focuses on the provision of money and investments that act as mortgages against loans. The studies of Zellweger (2017) shed light on the provision of capital (an aspect of family dynamics) for the business. He stated that a negative correlation could arise between the older generation and the younger generation who prefer to forgo growth rather than take on debt which carries the risk of bankruptcy or equity which carries the risk of loss of control. Or alternatively, the negative correlation could be because younger and smaller firms, which have fewer options in terms of raising capital, rely primarily on family for capital.

A relationship does exist between succession planning and family dynamics. Three stages of development aptly describe family dynamics (Casper, et al., 2010:18). These are:

- The first entrepreneurial generation
- The second generation with more advanced and intricate management structures
- The third generation focusing on resolving complex business and interpersonal relationships

For the family business to be successful, it is imperative that the family members be guided by the 5 major attributes that contribute to business success as depicted in Figure 5 (Lester, et al., 2013:13). A discussion of these aspects follows, thereafter.

Figure 3: The five attributes of enduring family businesses (Caspar, et al., 2010:1)



2.3.1 The family

It is an accepted fact that successful family businesses that are handed down for many generations engage in effective business management with an acute sense of intent and ambition. The emphasis is on ensuring that there is a sharing of ideas, discussion, and debate during family forums on critical issues such as policies, services, family contributions as well as resolving interpersonal conflicts that may arise due to finances and, favouritism regarding succession and power struggles (Zellweger, 2017; Lu et al., 2012; Daspit et al., 2017).

2.3.2 Ownership

It is ultimately the responsibility of the founder to maintain control and ensure that there is enough capital to make the business viable and sustainable. In addition, it is his responsibility to the family business to regulate ownership issues for example, how shares can and cannot be traded inside and outside the family; to safeguard all legal documents and to plan.

2.3.3 Governance and the business portfolio

The two chief strategies that contribute to the success of family-owned firms are a strong board constitution and governance structure that is forward looking as well as an aggressive portfolio strategy (Rautiainen, 2012:47).

Members participate actively in the work of company boards, where they monitor performance diligently and draw on deep industry knowledge gained through a long history. This knowledge prepares them to seek long term growth and performance to avoid the risk of a "get rich quick scheme" that inevitably leads to destruction of the firm (Rautiainen, 2012:51).

2.3.4 Wealth management

The hard work of the governance structure culminating in wealth necessitates a management team to identify all types of investments and their status with plans for further reinvestment and capital enhancement to provide liquidity (Casper, et al., 2010:49). Williams et al., (2013:129) asserted that on most occasions where family members are involved in a family business, the business does not only serve as the family's main source of income but also a significant source of long-term wealth which includes both financial and socio-emotional support.

2.3.5 Charitable organizations

Sharing wealth is one of the cornerstones of all religions and it is, therefore, not uncommon for family-owned firms to donate large sums of money to the less fortunate and deserving institutions that engage in social corporate responsibility.

For any family-owned business, the driving forces are strong business performance and the stamina to sustain the business in place of the owner (Casper, et al., 2010:27). This contention endorses the earlier studies of Carrigan & Buckley (2008:656) that governance, ownership management and vision characterise family-owned businesses. In a more recent study by Williams, et al., (2013:425) similar findings lend credibility to the uniqueness of family enterprises and their modus operandi (Yu, et al., 2012; Bocatto, et al., 2010:512). All these factors contribute to both operational success and wealth generation.

Wilson et al., (2013:1375) and Lester et al., (2013:137), described this zest for success as being an offshoot of familiness which refers to the total aggregate of resources at the family's disposal for investment, reinvestment, and wealth generation. If the governance system is not strong then there is a likelihood that poor management will lead to the demise of the firm. Hence, it is imperative that all family members capitalise of this "familiness" and exploit its vision statement, mission statement as embodied by the intention and capabilities of family members to create wealth that can be handed down generations later (Poza & Daugherty, 2013:89; Chrisman, et al., 2006:187).

Family businesses mix business and family issues when family social occasions involve more business talk than family talk. Tranquillity and sound family relationships in a family that is in business together require acceptance of the double lives that family and business members lead. Family problems and decisions are mixed with business problems and decisions leading to strained relationships and possibly conflict (Zellweger, 2017). Solutions to problems are rarely pure business or pure family in nature so attempts at complete separation are counterproductive (Erven, 2016:7; Zellweger, 2017).

According to Frank, Kessler, Rusch, Suess–Reyes, & Weismeier–Sammer, (2017:119), familiness of a family business is a topic vividly discussed in family-business research and its original version, was defined from a resource-based perspective as a specific bundle of capabilities and resources unique to a business. Further attempts to explain familiness apply social capital and systems theory (Arregle, Hitt, Sirmon, & Very, 2007; Habbershon, 2006; Habbershon, Williams, & MacMillan, 2003; Pearson, Carr, & Shaw, 2008; Weismeier-Sammer, Frank, & von Schlippe, 2013), indicating an intense debate of this concept in family business research from different theoretical points of view.

Scholars agree that familiness is an important concept highlighting the uniqueness and heterogeneity of family businesses (Chrisman, Chua, & Litz, 2003; Chua, Chrisman, Steier, & Rau, 2012; Nordqvist, Sharma, & Chirico, 2014; Sharma, 2004; Westhead & Howorth, 2006) but to date no measures of familiness in terms of a sound scale development process have been generated. Although there are many studies aiming to capture family influence through the components of family involvement (Ensley & Pearson, 2005; Minichilli, Corbetta, & MacMillan, 2010), thereby excluding the nature of familiness in terms of behaviour (essence approach; Chrisman, Chua, & Steier, 2005; Chrisman et al., 2003; Chua et al., 1999) and organizational identity (identity approach), the focus on only one of these approaches risks offering an incomplete perspective on familiness (Zellweger et al., 2010).

Research on measures of familiness is still in its early stages, which is why the concept remains fuzzy (Irava & Moores, 2010:397). More than 15 years after Habbershon and Williams (1999:371) called for a quantitative examination of familiness, the development of a measure is still challenging. Yet this is not surprising, as it is hard to find theoretically based measures in family business studies in general although "due to the relatively complex nature of many concepts in family business research, the quality of measurement is crucial" (Godfrey & Hill, 1995:936) and for the mainstream of family business research to advance, proper measurement of constructs is essential (Pearson, Holt, & Carr, 2014:551).

Recent research showed that the new systems theory (Luhmann, 2000:208) is a proper theoretical frame for family business research in general (Simon, 2012; Von Schlippe & Frank, 2013:753) and especially for familiness (Frank, Lueger, Nose, & Suchy, 2010; Weismeier-Sammer et al., 2013:206). As a theory of great reach, new systems theory can grasp the potential complexities of different social systems such as organizations. Social systems are meaning systems that create themselves via communication (autopoiesis). Organizations create themselves via communicated decisions that are related to each other. Thus, communication is relevant for organizations only when relating to decisions. Decisions that are relevant for a multitude of future decisions are called decision premises. Family businesses are social systems that combine two coupled systems (family and business). Based on this coupling, the family can influence the business and vice versa (Luhmann, 1995:327; Von Schlippe & Frank, 2013:896). The focus of our scale is to measure how a business family influences the structures of the business via decision premises. Based on new systems theory, decision premises constitute the basal structures of an organization. We call those decision premises that are framed via the business families' influence on the business "familiness."

Instead of seeing individuals as the elements of a social system, key to the understanding of social systems is the pattern of how one communication connects to another, and the underlying expectations that generate these patterns. Accordingly, social systems are autopoietic, operationally closed systems that operate self-referentially. The concept of autopoiesis characterizes recursive operations of self-referential systems. That means they produce and change their own structures (Luhmann, 2000:208). Without such expectations, communicative connections would be arbitrary, and no social systems could exist because of missing structures (expectations). Thus, the focus is not placed on individual members and the relationships between them (Von Schlippe & Frank, 2013:896).

In families with only a few members it may occur that a single person tries to understand the other members, although this is usually not very promising. In bigger families and businesses, it is simply impossible to understand all the other members. Despite this lack of transparency, or even because of it, in complex systems the cooperation of persons that only know each other superficially succeeds day-to-day (Simon, 2012). The theoretical gain for research as well as for practice is that it is easier to describe the "rules of the game" than to understand the individual members. The new systems theory defines a family business as a communication system incorporating the decision premises shaped by a family with at least two family members actively involved in the business (Tagiuri & Davis, 1996; Ward, 1990) to enable business-related communication.

According to the new systems theory, "organizations like family businesses are "systems made up of decisions, and capable of completing decision[s] that make them up, through the decisions that make them up" (Luhmann, 2000:132). In doing so, they generate meaning and reduce complexity by communicating decisions based on former decisions. Thus, organizations emerge and reproduce themselves through the act of one decision communication connecting to another (Luhmann, 2000; Von Schlippe & Frank, 2013). This makes the organization efficient and provides an advantage over other social systems because it creates a network of decisions that are mutually meaningful and validate each other.

Family businesses may not provide opportunities that fit all family members' strengths. The current generation but more importantly the next generation may have strengths not applicable to the business. To illustrate, two children of the founder have limited mechanical, financial management and marketing skills and interests–the important keys to success in the next generation of the business. They do have outstanding carpentry skills; however, these skills fail to provide a strong pool of talent for facing the next generation's problems. Family businesses typically provide limited career growth opportunities for family members and employees given the small number of top managers and only one to three levels of management. So, even a highly motivated and talented 35-year-old may have a twenty-year wait for a promotion.

Health, marriage, climatic conditions, and economic calamities can impede even the strongest family businesses. Risk sharing strategies can only provide some of the protection needed. Finally, continuous change in the external and internal environment accompanies business management succession. The changes are diverse and pervasive: technology, public policies and regulations, growth and aging of people, and economic opportunities. Change must be managed simultaneously with attention to management succession (Erven, 2016:1; Nardoni, 2016:24).

The nature and characteristics of family businesses contribute to the dynamics of family businesses whereby issues of ownership, succession planning, challenges and benefits of family businesses, roles and responsibilities of family members and the founder are closely intertwined. In the main, it is the responsibility of the founder to provide not only capital but also quality leadership for sustainable growth and portfolio advancement.

While studies recognize the important role of parent-child relationships in shaping family business competence and commitment (Lubatkin et al., 2007), most focus on broad and aggregated conceptualizations of parental influence. For instance, McMullen and Warnick (2015) suggest that based on the extent of accountability expected from children and responsiveness toward their psychological needs, parents may adopt one of four parenting styles – neglectful, indulgent, authoritarian, and authoritative. As a constellation of attitudes, parenting styles provide the context and emotional backdrop for child rearing (Darling & Steinberg, 1993:823).

Attention has been directed towards improving the economy of the society through boosting the entrepreneurial spirit of family members and the younger generation. This situation aptly describes them as innovative entrepreneurs who are leading the society as change agents (Schumpeter, 1934:251; Kirby, 2005:511; Betta, et al., 2010:230; Brouwer, 2000:229). This viewpoint concurs with those of Betta et al., (2010:4) who found that while entrepreneurs are generally innovative, they handle business opportunities differently and still contribute to economic advancement.

2.4 Challenges experienced in family businesses

Family-owned businesses are heterogeneous and complex enterprises which experience a challenging spectrum of issues that in recent times have been steadily receiving incrementally expanding scholarly attention (Phikiso & Tengeh, 2017/ 2019; Sharma, et al., 2012:8). The challenges encountered differ significantly based on the size of the business, the location of the business, economic climate, technological change as well as governing regulations (Phikiso & Tengeh, 2017/ 2019; Tanzwani, 2010:201). Ward (2011:52) commented that maintaining continuity of a family-owned business is perhaps one of the toughest management jobs on the globe because, over and above the normal typical business challenges, family businesses also face challenges of handling the human emotions associated with family power struggles, sibling rivalry and upholding family values (Ward, 2011:56).

Some of the challenges encountered which can threaten the continuity of the family business include, conflict, secrecy, lack of information and low levels of family emotional intelligence (Poza & Daugherty, 2013:22). Tanzwani (2010:48) substantiated the importance of the role that emotional intelligence of the family members within a family business plays which enables decisions to be undertaken with maturity and trust, thus enabling business growth and sustainability. However, Poza and Daugherty (2013:329) warned that the distorting boundaries between family, management and ownership may expose the family-owned business to a potential problem of slow decision- making. The sentiments on the difficulty of managing and running the family business are also expressed by Phikiso & Tengeh, (2017/2019), Farrington (2009:28) and Lee (2006:26). In addition to managing the business family social and emotional problems must be managed. Some of these challenges include family conflict, emotional issues, sibling rivalry, autocratic paternalistic cultures, nepotism, and confusing organizational rigidity in innovation, succession, and resistance to change (Zellweger, 2017). Exchange relationships among family members can be crucial in creating harmony within the family and achieving a successful transition (Daspit, et al., 2017).

Some of these challenges are discussed further, starting with family relationships.

2.4.1 Strained family relationships

Family businesses are characterised by the concentration of ownership, control, and often, key management positions amongst family members, even after the retirement of the businesses' founders. These types of businesses are generally found in countries with weak legal structures where trust amongst family members may function as a substitute for lacklustre corporate governance and contractual enforcement (Zellweger, 2017:215; Brenes & Haar, 2012:179). Issues pertaining to the family relationships are a threat that influences the growth, success, and survival of family businesses. It is from conflict-laden family relationships that many family issues emanate (Molly, et al., 2010:141) while managing the family business appears to be a constant challenge facing family-business owners (Schuman, et al., 2010:25). Some family businesses do not focus solely on 'business agendas' (profit maximisation) but rather place more emphasis on 'family agendas' and broader 'social agendas' such as social cohesion, protection of a local culture and/or a minority language, employment of local people, and the utilisation of local suppliers.

2.4.2 Sibling rivalry

The fundamental psychological conflict in family businesses is rivalry, compounded by feelings of guilt when more than one family member is involved. The rivalry may be felt by the founder even though no relatives are in the business when he/she unconsciously senses that subordinates are threatening to remove him/her from the centre of power (Avolonti, et al., 2014:601; Zellweger, 2017:215). The job of operating a family-owned company is often grievously complicated by friction arising from rivalries involving a father (mother) and his (her) son / daughters, brothers, or other family members who hold positions in the business, or at least derive income from it. Unless the founders face up to their feelings of hostility, the business will suffer and may even die. The only real solution is to move toward professional management (Tanzwani, 2010:159; Zellweger, 2017: 215).

2.4.3 Nepotism

Nepotism refers to a management philosophy of selecting and promoting people based on family ties, while 'meritocracy' is a management philosophy of selecting and promoting people based solely on them being the most capable persons for the job (Katz & Green, 2014:7). Consequently, nepotism is a major challenge in the family-owned businesses as in most instances the successor does not have the competency and leadership qualities as the founding member to sustain business success (Astrachan & Shanker, 2003:215; Wiklund et al., 2013:1321).

2.4.4 Hiring and firing

Hiring and firing practices in the family business tend to be in the best interest of the family rather than the business. A common family challenge is the expectation that the oldest child (usually the son) will take over the business. Fishman (2007:1657) argued that the appropriate successor needs to have a passion for the business, the aptitude to run it, a vision for future business growth and development, and an empathetic personality. Sensitive issues in the family business include salary differences, non-family member's commitment and opportunities, disciplining relatives, or not hiring a child (Fishman, 2009:300). Relatively little is known about how family businesses share, disseminate, and harness their knowledge to build and strengthen their technological capabilities. Even less is known about how family businesses successfully manage the process of knowledge-sharing (Zahra, et al., 2007:1075). Family-business founders find it difficult to give up decision-making authority to family members, especially to children and grandchildren. Human resource management issues that continually surface in family businesses are striking a balance between nepotism and meritocracy, and managing privilege (Zahra, et al., 2010:1073). As noted by Lee (2006:26) because of these challenges, succession and appointment of the CEO is probably the biggest problems encountered by many family-owned businesses (Eddleston, et al., 2013:1181).

2.4.5 Conflict in family businesses

In a family business, conflict can be particularly problematic. Unfortunately, it is not uncommon for business-related problems to cause temporary or permanent rifts between family members, even between parents and their children (Zellweger, 2017; Molly, et al., 2010:132). Employment of family members raises several questions: Who gets to work in the family business? Who gets what jobs? Can spouses and in-laws work in the business? Will employment be based on what the families want (bloodline) or what the business needs (competencies)? How are these employment decisions made? If not effectively addressed, all these issues can turn into liabilities for both the family and the business.

Family businesses that maintain harmony and sustain themselves through generational transitions have conflict resolution plans in place to handle situations in which disagreements arise, communication breaks down, and the company's ability to manage itself is threatened (Molly, et al., 2010:133).

Conflict arises in family businesses over many issues such as who owns the company; how much each member is paid; and the role, if any, of outside executives. Another issue that often causes turmoil amongst family businesses is whether the business should stay in family hands, be sold, or merged (Katz & Green, 2014:420). Family members, especially between generations, can have different personal and business goals/values. These goals/values need to be clearly expressed and understood by all, to avoid unnecessary stress and potential conflict and negative correlations among family members (Zellweger, 2017; KPMG, 2011:1).

In addition, compensation, and the inappropriate use of compensation to achieve family or personal goals instead of business goals continues to be one of the most challenging issues facing family businesses. The expectations to be fair are often in conflict with the desire to treat family members equally. Emotions can run high when this topic is addressed. To regulate emotions, it is important that employees and family members distinguish their own emotional situations and those of other persons (Mayor, et al., 2004:201).

In family businesses, there are often some problems that arise between family members due to a certain position and personal issues. Family firms are always exposed to such conflicts more than any other firm; which can create bad feelings and negative emotions and reach poor performance at the end. Therefore, every member should be responsible and should care about the relations with all the members to avoid conflicts and increase commitment towards the family and the business. Table 3 provides a summary of challenges faced by family businesses, literature sources as well as suggested solutions.

Table 3: Summary of challenges with recommended solutions

Challenges of family-owned enterprises	Author	Suggested solution
Business survival	Zahra & Sharma, 2004; Astrachan & Shanker, (2003:55-59); Bocatto, et al., (2010:513-518)	Empowerment of founder, training and development; entrepreneurship
Strained family relationships	Molly, et al., (2010:131-136); Brenes & Haar (2012:177)	Professional management
Secrecy; low levels of emotional intelligence	Poza & Daugherty, (2013:8)	Transparency and open lines of communication
Nepotism	Astrachan & Shanker, (2003:55-59); Maas, (2014:101); Katz & Green, (2014:7-29)	Transparency, open lines of communication; professional management

Sibling rivalry	Katz & Green, (2014:7-29)	Professional management, appropriate hiring and firing procedures
Conflict	KPMG, (2011:); Molly, et al., (2010:131-136); Mayor, et al., (2004:198-201) Zellweger, (2017)	Professional management, open lines of communications, effective hiring procedures
Knowledge sharing	Zahra, et al., (2007:443-446)	Training and development practices regarding skills and knowledge sharing
Hiring and firing	Fishman, et al., (2007:1657-1659)	Professional management, appropriate hiring and firing procedures

The table above focuses mainly on emotional challenges in family relationships with some recommendations by author for alleviating these.

2.5 The role of the founder

According to Forbes (2013:1), the word 'founder' is a label with some amount of prestige. It carries connotations of creativity and innovation, determination, native intelligence, and a sense of fearlessness. Founders create something from nothing. Many entrepreneurship and start-up resources talk about founders, but most of them seem to assume that everyone knows what a founder is. In business the founders/ entrepreneurs are the people who establish the company, that is, they take on the risk and reward of creating something from nothing and ultimately become the CEO or the founder of the company. They are in control of a commercial undertaking and combine the factors of production with the resources required to exploit a business opportunity. Hence, they are either the managers or CEOs and oversee the future of the established enterprise.

Since ownership is a key element of a firm's existence it becomes necessary to understand the founder's role in the business because firms develop from family-owned businesses into managerially controlled enterprises with broadly shared ownership (Frank, et al., 2010:125).

Ownership of a family business is not seen as a liquid asset, but as property that is built and developed by the family over generations. Family businesses do not only thrive, but many also expand. With this expansion in size and scope, the family business comes up against limits in management capacity, financial capacity, and the human and technical resources that the family can offer. However, this expansion cannot come to fruition if the founder lacks the personality, drive, and characteristics to be an effective founder and take the business to greater heights (KPMG, 2014).

Ideally, the founder integrates management succession concerns into strategic planning, and he/ she has the responsibility of involving all members of the management team in strategic planning. The founder must also deal with the integration of plans for the business and plans for the family because "family issues ultimately shape the business strategy (Bhalla, & Kachaner, 2015:1). In the event, there is disagreement and disengagement amongst family members' consensus in shaping the business strategy will be hampered. Hence, there is a need for family and employee engagement when decisions are brainstormed or taken (Azoury, et al., 2013:13). This engagement/consultation process is more crucial when updating the mission statement that causes the management team to continuously answer the question, why are we in business? This question can easily be expanded to deal with questions of business and family values, human resources including employees, role in the community and industry, and long-run aspirations. Answering these questions requires careful communication within the family business as a family commitment rather than just a founder commitment to improved communication increases the chances of success (IFB-Succession Planning Guide, 2016:31).

The strategic planning and written mission statements allow each member of the management team to follow rules and regulations to ensure success of the business. Failure to do so results in conflicts, misallocation of resources and failure to deal with management succession (IFB-Succession Planning Guide, 2016:17).

The prime objectives of many family businesses are the same as those of other businesses, to maintain control and pass on a secure and sound business to the next generation (Harris, et al., 1994:161). This may lead to turnover growth and profitability being smaller, and the business being less likely to take risks, to diversify its offering, etc. The family owners are the stewards or custodians of the business, which also implies a different set of success criteria, rather than straightforward profitability. These criteria can include providing opportunities for family members, in the form of employment (Kellermanns, et al., 2008:321) and in the future e.g.

passing the business on (Miller and Le Breton-Miller, 2003); running the business in such a manner as to reflect well on the family owners; and social accomplishments (Miller and Le Breton-Miller, 2005:307; Berrone, et al., 2012:613) and preserving family cohesion wealth (Gomez-Mejia, et al., 2010:228), with profits being the result of pursuing these objectives.

2.5.1 Nature of businesses established by founders/entrepreneurs in South Africa

Family-business owners in South Africa agree that compliance with the regulatory environment affects them to such an extent that they become uncompetitive, while the financial incentives and assistance afforded to them are not enough. Furthermore, many family businesses do not have the expertise or financial resources to meet the regulatory compliance requirements. Family businesses experience external economic environmental challenges such as market conditions – which includes a lack of confidence in government, policy uncertainty and existing infrastructure (electricity, e-tolling, and taxes), exchange rate fluctuations, and government policy and regulation. Broad-based black economic empowerment (B-BBEE) is a challenge for family businesses in South Africa, especially with regards to the availability of qualified empowerment partners and the importance of a good 'fit' between the family-business culture and the culture of the empowerment partner. Internal challenges include a shortage of skilled labour and issues around cash flow and cost control (PwC, 2013:20).

Family members have different expectations from the family and from the business. Expectations with respect to employment, management, ownership, compensation, work assignments, training, use of business assets, etc. will vary among family members. These expectations need to be addressed and managed for the family and the business to operate smoothly. Left unattended or unmanaged, it will negatively impact family and business harmony, and challenge the long-term survival of the business (KPMG, 2011).

Governance structures and a family-business constitution, advisory committees, family forums, proper succession planning, as well as business ethics and values remain vital for family businesses to succeed. Diederichs (2014:59) maintained that values include fairness that is a fair balance between the business and the family and stewardship. Family-business leaders are true stewards when they believe that the businesses they serve are 'larger than them'. The inadequate transfer of leadership and ownership from one generation to the next is a primary reason for the lack of longevity among small and medium-sized family businesses (Venter & Boshoff, 2007:248). South African family businesses generally do not engage in succession planning. Consequently, most family businesses have no formal succession plan (Maas &

Diederichs, 2007:78). A lack of proper estate planning has an impact on the succession plan and ultimately on the transference of the family ‘goodwill’ which is identified as a family capital that typically contributes to the economic value of the business (Haygroup, 2014:31).

Maas & Diederichs (2007:89) identified the following areas which hamper the success and growth of the family business in South Africa: a lack of a sound business governance system that is agreed upon and implemented by the family business; a lack of knowledge of external environmental influences and their impact on family business is narrow; vision of what a family business is and of what its objective should be; and a reluctance to allow sufficient time to the discussion of “soft” issues such as the application of specific values and what each family member wants to contribute. Additional problems include family members who are appointed without real concern for expertise; a lack of shared expectations; family conflicts not being addressed; and family members emigrating. A further concern is the level of family-business management skills, as most heads of family businesses are not trained to manage their businesses successfully (Mass, 2014:368). According to Diederichs (2014:93), market demand and changes in the way business is conducted causes leadership to be less traditional and more adaptable. As family businesses grow into larger businesses, management teams from outside the immediate family assume broader leadership roles, changing inward thinking, especially towards customer and business opportunities.

A case in point; South Africa is also home to some of the most successful families in business, most notably; the Oppenheimer family (De Beers), the Rupert family (Tobacco & Luxury Goods), the Ackerman family (Pick 'n Pay), the Mouton family (PSG), the Venter family (Altron), Sacco family (Assore) and Motsepe family (African Rainbow Minerals) (Prior, 2012:58). However, even these well-known and successful families have had challenges of succession. A case-in-point is De Beers, the Oppenheimer family dominated the world diamond industry after Ernest Oppenheimer became chairman of De Beers in 1927. His grandson, Nicky, was chairman until the family sold their shares after 85 years. Analysts said the family did so because there was no clear successor in the family (Shevel, 2014: 7) to take over the reins; neither was there a succession plan in place to make an informed selection for the successor to continue with the business.

In South Africa, a sizeable proportion of family-owned businesses are classified as small-to-medium-sized enterprises (SMEs), with approximately 50% providing employment to less than 20 people per business (Van Buuren, 2007:356). The significance of SMEs in creating employment and generating economic wealth is recognised globally (Venter & Boshoff, 2007:439). Like in many other developed and developing economies, SMEs in South Africa continue to make a substantial and increasing contribution to economic activity and employment (Farrington, 2009:745).

It is realistic to conclude that formal succession planning will be a critical factor for consideration in small and medium enterprises and the succession planning will be largely determined by the founder's desire to step down and hand over the reins to the next best person. Nevertheless, irrespective of the size of the enterprise, all succession planning follows a definite theme; preparing for the challenge, developing effective successors, selecting the right successor, handing the business over (IFB, 2008:6-7). In smaller enterprises, succession planning will be informal whilst in larger enterprises, it will be expected to be more structured and formal (KPMG, 2011).

2.6 Importance of family businesses to the economy in South Africa

Family businesses constitute about 80% to 98% of all businesses in the global free markets and employ about 50% to 75% of the world's working population (Poza & Daugherty, 2013:66; Hjorth, 2016),). Globally, it is estimated that there are roughly 115 million families who are involved in the process of either starting new businesses or operating new or more established ones (Jennings, et al., 2013:475). Klein (2000:161) estimated that about 58% of all businesses active in the German economy with a turnover of more than €1million (or R14 million in 2014) per year are family-owned businesses.

The study is conceptualized in South Africa, where 60% of listed businesses on the Johannesburg Stock Exchange (JSE) are family businesses (Rabenowitz, Botha, Rossini, Du Preez, Geach & Goodall, 2018). Over the last 300 years, family businesses have been making a positive contribution towards the South African economy.

According to Van Burin (2007:369), approximately 80% of all businesses in South Africa have family ownership and about 60% of all the listed companies on the Johannesburg Stock Exchange (JSE) had some family involvement, at least during their start-up phase. The reality is that a sizeable proportion of family-owned businesses in South Africa can be classified as small to medium-sized enterprises, with approximately half of them providing employment to 20 people or less per business.

It is a business imperative that South Africa needs to create more wealth, employment and an environment that is more conducive to entrepreneurial businesses if the country is to achieve the vast number of economic, social, and personal objectives as set out in the 2012 National Development Plan (NDP). Musengi (2006:587) suggested that family-owned enterprises are increasingly being recognised as important residual employers, which may improve social welfare and alleviate poverty among South African citizens. However, prior to 1994, the economic and social contribution of family-owned enterprises was limited as it was driven by legislation, which restricted their establishment and development. Consequently, few studies have been conducted to date, which focus on family-owned businesses (Musengi, 2006:589).

In South Africa, the entrepreneur is perceived as undertakers who make things occur; consequently, entrepreneurs always disturb the processes of doing things as the change agents in small businesses (Kirby, 2005:511; Betta, et al., 2010:229). Within a family business, entrepreneurial skills must be managed within a continuing entrepreneurial culture. Too many businesses start off being entrepreneurial but lose this drive as the business develops and stabilises (Dane, et al., 2008:391). To remain dynamic and entrepreneurial, the family business needs a challenging and realistic vision of its future (Maas & Diederichs, 2007:82). This vision should be a motivating and energising statement and should be spread throughout the workforce. This will enable all family members to contribute to the entrepreneurial character of the business (Mass & Diederichs, 2007:83). A family business usually develops because of true entrepreneurship, with many family businesses being founded to meet a demand for a specific service or product while having developed the skill and know-how to deliver this (PwC, 2013:24). The rapid growth of Family-Owned Businesses in South Africa can be attributed to the government having embarked on several initiatives to support small and medium-sized enterprises (SMEs) (Hjorth, 2016:84).

Although the nature of Family-Owned Businesses and the vital role which they play in the economy may not have received adequate attention in the general management literature, it is indisputably important for any individual who intends working in the family business to plan effectively for the future (Jacobs, 2006:204).

South Africa lays claim to successful family businesses in various fields (KPMG South Africa, 2014), which have the following in common:

- Customer-centricity: a focus on the customer and the fostering of client relationships;

- Commitment to family values: family members may continue to hold the reins, but employees become 'part of the family';
- An inspirational founder(s): these businesses have been built from the ground up by entrepreneurs of tremendous determination, and energy, all the while leading from the front;
- Entrepreneurial spirit: the dynamism and opportunism on which the business was founded are given space to thrive; and
- Solid, persistent marketing: the product or service offering is supported by quality and on-going marketing efforts.

Even with such a significant contribution to national economies family businesses must, however, deal with complex family relationships and succession planning which sometimes threaten the sustainable existence of this kind of enterprise (Chrisman, et al., 2012:269).

2.7 Succession management

Succession management has become an important talent management initiative not only in family-owned businesses but in companies around the world. For some companies, succession management is a strategic process that minimizes leadership gaps for critical positions and provides opportunities for top talent to develop the skills necessary for future roles. With other companies, succession management is a constant struggle, viewed as an administrative exercise rather than as a competitive advantage. In strong economic times, it is easier to ignore deficiencies in the succession management process – but in the current economic downturn, the need to identify and develop top talent for critical roles has never been more important. Consequently, a study of succession management is critical to the survival of family-owned businesses (Daspit et al., 2016; Van der Merwe, et al., 2009:27).

Effective succession management enables companies to react quickly to change and endure difficult times. At its best, succession management allows a company to seamlessly merge its employees' capabilities and career aspirations with the company's business strategy and talent needs. Two of the most common stumbling blocks in succession management are:

- A lack of agreement on strategic direction: discussions about future business leaders will stall if everyone on the board has a different perspective on the future of the business.

- A lack of a coherent formal process for evaluating internal and external talent, or for linking the competencies and capabilities needed by the CEO to drive the business strategy.

Accordingly, several studies postulate that while there are many reasons why family-owned businesses fail, one of the most important reasons is their failure to manage the succession process from one generation to the next (Van der Merwe, et al., 2009; KPMG, 2011, IFB, 2016:30; Daspit et al., 2017). However, succession management is not unique to family businesses; it is an event that confronts virtually all viable organisations (Dyck, et al., 2002:687). According to Griffeth et al., (2006:492), the solution to the problem of succession is generally proposed as succession planning.

Succession planning is essential to organizations when preparing for management turnover (Behn, et al., 2005:169). However, the reality is that despite the conventional wisdom endorsing succession planning as a solution to succession and increased chances of survival, few family businesses adequately prepare for this inevitable change (Chrisman, et al., 2009: 52). Steier & Miller (2010:145) argued that succession is generally regarded as a transition within a business, where an incumbent leader passes on the management and responsibility for the operation of the business to a successor.

2.7.1 Succession planning process

Succession in the family business often comes with a few changes in the manner of doing business. This could be because of the change in the thought process between the stalwarts of the business and the new generation taking over (Blignaut, 2016:198). Often the younger generation looks to bring in a change to match the marketplace by modernizing the facilities of the business (Blignaut, 2016:198). Also, the family business inheritance often depends on the relationship that exists between the parent and the son (Blignaut, 2016:198), which naturally can be expected to be extended in the case of a daughter too. Without proper planning, some issues that are detrimental to the future of the company may arise, which could be difficult to alleviate in the longer run.

Family businesses are managed differently from non-family enterprises and succession is an inevitable step that requires meticulous planning. Several theories have been forwarded to explain how these entities work. The systems theory posits that being independent entities, family and business will always influence each other, whereas in the agency theory, the family members are the principals while the CEO takes on the agent role. The field theory suggests that family members interested in working in the business align their careers with the enterprise's activities while the Bernelli Entrepreneurial Model strongly suggests that children brought up in family businesses master entrepreneurship skills faster and better. Succession thus considers the strengths of different family members in relation to the external business environment with the females being chosen for HR positions while males take on the top leadership.

Generally, in any business organization succession-planning processes are characterized by four key components (Griffeth, et al., 2006:408):

- Management projecting organizational needs,
- Assessing the skills inventory of current managers,
- Addressing development needs that are established, and
- Making the appropriate appointment when time comes.

With respect to family-owned businesses the same components of succession planning are applicable. Dyck et al., (2002:148) proposed a framework for family-owned business succession planning that employs the analogy of a relay race. In this framework the succession planning process is paralleled to a relay race where four key factors, which are: 'sequence', 'timing', 'baton-passing technique' and 'communication' that need to be dealt with to successfully complete the race.

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

- Sequencing: during this stage the business leadership succession planning process is determined. The business's status and needs and the future requirements are identified to ensure a successor with suitable skills and experience will succeed the incumbent.
- Timing: this stage determines when the final handover to the next generation will occur. Good timing requires that both the incumbent and the potential successor be well prepared and positioned for a 'baton change'.

- Passing the baton: this stage marks the hand over/pass the baton to the successor. However, it can only be concluded after both parties agree on the release and acceptance conditions.
- Communication: good communication is critical during all stages to ensure common understanding and coordination of all succession planning activities so that the baton is not dropped.

Following on the work conducted by Dyck et al., (2002:191), Le Breton- Miller et al., (2004:745) proposed an integrative management succession model, which included important contextual variables, such as the business environment, cultural, social, and family norms embedded within the family business.

Some of the potential factors that need to be considered during final successor selection include the following i.e.

- Establishing ground rules for successor identification
- Developing successors
- Successor selection
- Handover or transition

These are the same stages proposed by Mqoteleni & Tumo (2016) and illustrated in figure 4.

Figure 3: Management succession planning process (Mqoteleni & Tumo, 2016)

Establishing ground rules for successor identification: According to several studies, unsuccessful successions in family-owned businesses have exposed that family disputes arise because of confusion about the ground rules of successor identification and selection (Weekley, 2005:164; Sullivan, 2008:35; Stadler, 2011:266, PwC, 2013:22). As a minimum, the successor identification rules must incorporate the following requirements: who is to participate in the succession planning process, who are to make the successor choices, based on which criteria, mechanisms for possibilities of appeal, processes and procedures for continual evaluation and selection and what constitute a population of candidates? (Le Breton-Miller, et al., 2004:314).

Developing successors: This step focuses on nurturing and developing identified potential successors. One of the critical aspects of successor development is ascertaining the gaps between the requirements of the different management positions within the business and the abilities of the potential successors (Stadler, 2011:271). Fleming (2000:192) as cited in Le Breton-Miller et al., (2004:335) argued that such an assessment is necessary in mapping individual development plans for the identified potential successors. Since business needs and the potential successors' abilities change with time, such development plans must be periodically reviewed to create the necessary alignment.

Successor selection: This step focuses on nurturing and developing identified potential successors. One of the critical aspects of successor development is ascertaining the gaps between the requirements of the different management positions within the business and the abilities of the potential successors (Stadler, 2011:271, Fleming, 2000:192). One of the early tasks in succession planning is identifying a successor (Van der Merwe, et al., 2009:218). Cater III & Justis (2009:124) concluded that the sequence of succession planning involves the process of identifying and educating the successors with an expectation of ensuring that they have the necessary leadership skills, business acumen and experience to manage the business. The criteria for identifying the potential successors must be developed based on the family goals about the business (Chrisman, et al., 2009:46). Such criteria must cater for a wide pool of talent, which can be developed over time, for instance gender diversity in the identification process will bring (Chrisman, et al., 2009:48).

Le Breton-Miller et al., (2004:87) emphasised that successor selection process is more effective when it is deliberate and supervised over many years. In this regard the Leadership Pipeline Model of succession (Drotter, 2003:296) provides guidelines on selecting the most suitable successor. The studies of Nawrocki (2005:48) revealed that the owner of a family business must have a plan ready to last a minimum of five ten years. It is important that there is broad agreement on these criteria well in advance of the succession. Judging from the literature, some of the potential factors that need to be considered are:

- Who should be performing the evaluation and selection?
- What criteria they should be using?
- When and how to carry out the assessment?
- The range of positions available to be filled.

The issue of successor selection is further analysed in detail in section 2.72.

Final hand-over to the chosen successor: A plan to gradually phase out the incumbent and phase in the successor over a determined period is critical at this stage of the succession process (Behn, et al., 2005:169). Depending on each situation, family businesses opt for the choice of a 'bridge' manager who will assist the successor in the transition process. It is as this stage of the succession process that the criteria for the performance management of the successor must be agreed upon by all stakeholders (Behn, et al., 2005:173).

Cabrera-Suarez and Martin-Santana (2012:138) suggested that successful succession implies ensuring the viability of the business, maintaining the integrity of the family and the satisfaction of the interests of all stakeholders involved. On the other hand, the success of the succession process must consider the complex emotional and relational dynamics that occur in this type of enterprise (Cabrera-Suarez et al., 2012:141).

This study involves a closer look at the identification, development, and selection steps in the succession process and how these factors influence management succession decisions and interpersonal relations across each step.

A clear process of leadership transfer from one generation to another based on clear criteria allows the current business leader to commence planning for succession and, possibly provides the opportunity to groom a new leader of the family-owned business who has the appropriate knowledge, skills, and abilities to successfully manage the business (Behn, et al., 2005:175). The entry of the younger generation into the family business should be voluntary and a personal choice for them. However, there is still doubt regarding what members of the younger generation desire to do, but the possibility of them being willing and able to join the family business in constructive roles as they grow up remains to be seen (Wiklund, et al., 2013:815).

2.7.2 Selection criteria

Even though the potential benefits of succession planning are numerous, they can only be realized with solid succession planning and selection criteria frameworks are in place. The development of such frameworks is a task that falls under the Human Resource function and the responsibility of senior management. Only through such critical collaboration can an organisation develop and implement suitable succession planning models that can ensure leadership continuity of the highest calibre. In fact, for most global businesses this is no longer a choice, but an absolute, objective must (Brockhaus, 2004:166; Van der Merwe, 2011:49).

According to Chrisman et al., (2009:49), the criteria for selecting a successor for the family business must originate from the family's goals and expectations. Van der Merwe et al., (2009:68) added that difficulties in selecting a successor can be avoided by developing clear criteria, which must be updated as circumstances or the marketplace changes. It is important to acknowledge that it is rare for potential successors to satisfy all the family's goals and expectations, therefore, trade-offs are often necessary (Chrisman, et al., 2009:52). An example of such trade-offs would be in selecting the eldest son as the leader; this may preserve family harmony, while selecting the youngest daughter may maximize business growth and profitability (Chrisman, et al., 2009:49).

Nawrocki (2005:34) proposed that letting the next generation or potential successor know of such criteria early is paramount to avoid hurt feelings. A well-chosen successor using a well-defined criterion will have the necessary skill set needed to continue the family business activities after the transition (Devany, 2006:27). In addition to the appropriate successor skills set and abilities, Cabrera-Suarez et al., (2012:109) claimed that commitment is one of the key factors traditionally linked with success in family business succession because committed successors often exhibit willingness to develop a career within the family business and to assume the functions of leadership in the business.

However, Chrisman et al., (2009:51) argued that for any successor to be committed to the business, he/she must first be interested in the business. The lack of interest on the part of the successor to take over the family business is a commonly cited reason for problematic succession because a reluctant successor will not be fully committed and may not cooperate in the transition process (van der Merwe, 2011:51).

According to Chrisman et al., (2009:59) the following salient factors concerning the selection criteria must be adhered to:

Step 1: Identify critical positions

Identifying critical positions are the focus of sound succession planning efforts. A risk assessment may be conducted and compared to current and future vacancies to identify critical positions within the organization.

Step 2: Identify competencies

A clear understanding of capabilities needed for successful performance in key areas and critical positions is essential for guiding learning and development plans, setting clear performance expectations, and for assessing performance. By completing the process of competency or position profiling within the organisation, current and future employees gain an understanding of the key responsibilities of the position including the qualifications and behavioural and technical competencies required to perform them successfully.

Step 3: Identify succession management strategies

Now that critical positions have been identified and have been profiled for competencies, the next step is to choose from a menu of several human resource strategies, including developing internal talent pools, and recruitment to address succession planning.

Step 4: Document and implement succession plans

Once strategies have been identified; the next step is to document the strategies in an action plan. The Succession Planning Action Plan provides a mechanism for clearly defining timelines and roles and responsibilities.

Step 5: Evaluate effectiveness

To ensure that the organization's succession planning efforts are successful, it is important to systematically monitor workforce data, evaluate activities and make necessary adjustments. Related to the selection criteria is the understanding of the next generation from which a successor is to be chosen and groomed. This is discussed next.

2.7.3 Perceptions of next generation

It should not be automatically assumed either for first generation businesses or those which had been passed on that their own children would take on the business, as may have been the case for earlier generations. Currently, for the majority it is more important to pass on to the next generation an entrepreneurial spirit, a better position in life, or improved access to opportunities, than the ownership and/or management of a business per se (Chua, et al., 2003:90).

The next generation's perspective may appear to be little more than the flip side of the founder's perspective as they have multiple perspectives owing to its composition: sons and daughters who enter the business, their siblings who do not enter the business, the spouses of the founder's children and the founder's employees (Wiklund, et al., 2013:415). For each of these four groups, there are issues of career and financial planning, career opportunity and career satisfaction, fairness of treatment by the founder, and family relations (IFB, 2016:30).

According to Garcia, Sharma, De Massis, Wright, & Scholes, (2019:224) the intention to pass on control of the business to the next generation is an important distinguishing factor between family and non-family firms. However, such intention can only become a reality when next-generation family members are willing and able to contribute to the success and continuity of their family firm (De Massis, Kotlar, Chua, & Chrisman, 2014:203). Despite the inherent importance of intrafamily succession to many incumbent family firm leaders, global studies reveal that next-generation family members have low levels of interest and intention to work in their parents' business (Zellweger, 2017:184). For instance, 80.3% of the 122,000 students surveyed in 1,000 universities across 50 countries intend to become employees upon graduation, 8.8% want to start their own business but only 2.7% expect to join their family business. Five years after graduation, a pattern of 'employee first, then founder' emerges, whereby 38.2% expect to own a business, but only 4.8% see themselves as working in their family business (Sieger, Fueglistaller, & Zellweger, 2016:226). In the context of an aging population and many family business leaders' desire to transfer their business to next generation family members, these numbers are alarming.

Despite the global succession crisis, understanding the factors influencing next generation engagement is limited. This gap reflects the skew of family business literature toward incumbents rather than next-generation members (De Massis, Sieger, Chua, & Vismara, 2016), and the emphasis of succession literature on firm level processes and outcomes rather than on individual or family level predictors (Daspit, Holt, Chrisman, & Long, 2016; Jaskiewicz & Dyer, 2017:268). Efforts are underway to integrate insights from family sciences (Jaskiewicz, Combs, Shanine, & Kacmar, 2017:201) and organizational behaviour (Gagné, Sharma, & De Massis, 2014:163) to better understand the nuances of intrafamily succession (Marler, Botero & De Massis, 2017:195). Nonetheless, there is much work to be done. While family relationships are strong predictors of intrafamily succession (Morris, Williams, Allen & Avila, 1997; Sharma, Chrisman, & Chua, 2003), we know little about how parental behaviours influence next-generation members 'motivation to engage in the family firm.

Regardless of how the founder may have conducted the affairs of the business, the next generation of managers face the certainty that success of a business is dependent on a complex milieu of financial, management, interpersonal and external factors (Nardoni, 2016:18; Chua, et al., 2003:647). Changing and growing the business to have a chance at long-term survival is a challenge the new management team may not be able to handle. Competition, inflation, shrinking profit margins, changing technology, and new customers with changing expectations will challenge even the best managers (KPMG, 2011).

The following factors impact on the next generation: personal need fulfilment, career interests, personal identity, life stage, mutual respect and understanding between generations, sibling accommodation, commitment to family business perpetuation and separation strains due to family involvement (Lee, 2006:103-109). While the next generation believe that to remain in the family business is part of tradition, the third generation believe that it is better to seek outside opportunities and lead one's own life.

Parents face the classic roots and wings paradox, simultaneously imbuing in their offspring a feeling of belonging and the confidence to fly independently. Finding the perfect balance is a major dilemma that is further intensified when one or both parents1 also serve as family firm leaders and desire to transfer this leadership role to their progeny. Deep roots without wings cause a lack of self-confidence that binds next-generation members to the family firm as they do not believe their skills are marketable (Sharma & Irving, 2005:537). But strong wings with shallow roots encourage them to fly away from their family firm (Sieger et al., 2016:84). This dilemma has encouraged researchers to frame succession from the founders' perspective.

Offspring of self-employed parents tend to feel confident about their entrepreneurial abilities (Sieger et al., 2016:193), but these individuals are also pessimistic about joining their parents' business due to a perceived loss of autonomy (Zellweger, Sieger, & Halter, 2011:184). However, those who join their family business based on either strong identification with the firm or perceived alignment of career interests with opportunities in the business perform well and enjoy fulfilling careers (Dawson, Sharma, Irving, Marcus, & Chirico, 2015:63).

Their performance is even stronger when perceived family obligation drives next-generation members to join their family firm (Dawson, Irving, Sharma, Chirico, & Marcus, 2014:173). This suggests family expectations serve as a strong binding force for next-generation members, positively affecting their performance. Thus, understanding the parental behaviours that influence next-generation members intentions regarding a career in their family firm requires theorizing from their perspective. In narrowing down our focus, we are steered by the rationale that individuals subjectively appraise the features of their environment, including the amount of parental support they receive (Garcia, Restubog, Toledano, Tolentino, & Rafferty, 2012:219). The extent to which parental behaviours influence next-generation engagement depends on whether these individuals perceive it as beneficial or constraining, rather than simply present.

The mix of management, financial, family and psychological factors affecting the next generation generates a need for expertise beyond that occurring in the typical family business. Hence, there is a dire need for ensuring the pivotal role of succession planning, talent management and recruiting the best talents in line with business competitors to ensure survival and sustainability of the business. There is an urgent need for entrepreneurship education and family-business-specific management training. Entrepreneurship education should not only aim to foster new family entrepreneurs, but to also promote entrepreneurial behaviour (including innovation) in existing family firms. This knowledge should enable heirs to re-invent the business, which is proven to be what keeps the company going from each generation.

2.7.4 Family vs. non-family member as successor(s)

Steier and Miller (2010:244) argued that decision-making during the succession phase is often accompanied by a keen desire to keep management within the family in order to maintain the element of inclusiveness. Griffeth et al., (2006:492) suggested that family business owners and their families generally favour a family member to take over the business because they believe that the business offers opportunities for the owner's children to nurture their creativity, have freedom, autonomy, personal growth, and the ability to control their own destinies by developing and maturing at their own individual rates. The implementation of the selection criteria is of paramount importance (Nawrocki, 2005:36) as this will remind the young generation that being involved in the business will not automatically guarantee that he/she will be the next leader. There is no scope of emotional involvement during the succession process even though family involvement increases managerial complexity (Lambrecht & Lievens

2008:283). They defined complexity as, "being the number of family members and the kind of relationships established among them, the number of generations alive at a given point in time, and so on" (Lambrecht & Lievens, 2008:295).

Nawrocki (2005:39) supported the view of non-family members as successors. He believed they provided guidance during the transition period when the older generation is ready to retire while the younger generation is still in their twenties and not ready for successorship. Such a bridge manager will continue to develop the business and develop the next generation leader of the business simultaneously. Giarmarco (2012:62) argued that another important aspect of deciding between a family and a non-family successor is the understanding that many family-owned businesses are reliant on one or two key employees who are important to the overall success of the business. Such employees are often required to assist in the management of the business during the transition period, as a result business succession planning must address methods to assure that such employees are retained within the business (Giarmarco, 2012:62).

Whether a family or non-family member is selected, the recommended selection criteria in terms of competences should be considered.

2.7.5 Gender and succession

There has been mixed evidence over the past thirty years of research as to whether men and women differ as leaders (Oshagbemi & Gill 2003:146; Eagly & Carli, 2003:87), but recent evidence has supported the existence of such differences (Booysen 1999:124; Eagly & Carli 2003:425). There are mixed results regarding evidence of gender difference in leadership. The proponents against gender difference in leadership found that similarities between women and men tend to outweigh the differences (Booysen & Nkomo, 2006:219). They argue that it should not really be surprising that there are more similarities than differences in male and female leadership styles because gender differences that are apparent in the general population tend to be less evident because of career self-selection and organizational selection. Women in family-owned firms have often been invisible successors and previous research indicates that they are rarely considered serious contenders for succession (Dumas, 1989:514). In a study of 91 women, Salganicoff (1990:265) discovered that only 27% expected to enter the family business. The reasons those 27% gave for wanting to join the business included helping the family, filling a position that no one wanted, and being dissatisfied at another job (Dumas 1998:521). According to Fėlix, & David, (2019:228) there is a double causality between the increased number of women in top management posts and changes in theories and practices of leadership. More recent theory of good leadership focusses on teamwork and collaboration and emphasises the ability to empower, support and engage workers.

Meroño-Cerdán & López-Nicolás (2017:186) argue that this improvement is more evident in middle management positions (Hoobler et al., 2011:725) than in top management (Dawley et al., 2004:108; Xing & Gonzalez, 2015:125). According to Rodríguez-Ariza et al., (2017:293), there is evidence of improvement in the case of family firms, where gender diversity among board members is greater than in non-family firms (Barrett & Moores, 2011:147).
Researchers who focus on the role of women directors in family firms suggest they are more likely to be affiliated to management through family ties rather than their professional experience and knowledge, being “family delegates” whose mission is to protect family interests via the control of corporate decisions (Ruigrok et al., 2007:127; Abdullah, 2013:98; Rodríguez-Ariza et al., 2017:261). In addition, in non-family firms, Xing & Gonzalez (2015) argue that most board positions occupied by women are those of independent directors, suggesting a limited influence of women on the firm’s day-to-day operations.

The presence of women on company boards may generate better firm performance if they bring an additional perspective to board decision making. Alternatively, women may have a negative impact if the decision to appoint female board members is motivated by societal pressure for greater gender equality (Campbell & Mínguez-Vera, 2008:691). Family firms are considered the pillars of the economy, providing increased employment in the case of family businesses, women have adopted important but subtle roles, to ensure their firms’ continuity and growth (Jimenez, 2009; Meroño-Cerdán & López-Nicolás, 2017: 875). The impact of women in management positions in family firms continues to be an important topic in the family business literature, as Campopiano et al., (2017) and Meroño-Cerdán & López-Nicolás (2017). This study will bring additional knowledge to this area, by analysing the impact of gender in management, on the family company’s performance.

Most frequently family businesses pass from father to son, or to another carefully chosen male relative. There is much precedence for this (Kaslow & Kaslow, 1992:105), and men are often groomed to assume control of the businesses as early as high school and continue through college and into the early phases of their careers. It is commonly believed that female-owned businesses are less successful and fail more often than male-owned businesses (Aldrich, 1989;

Cuba, Decenzo, & Anish, 198:153) although recently there has been enough research evidence that women in general do not adhere to the masculine management stereotype anymore (Booysen & Nkomo, 2006:154).

In a study of nine families, Keating & Little (1997:203) identified gender as the most important factor that determined the successor. These authors discovered that there was an implicit rule that daughters could not be family business successors. Instead, they were encouraged to train for other careers, whereas sons were encouraged to join the family business for an apprenticeship. In a study of 30 next-generation family members, Dumas, et al., (1995:150) discovered that more women than men sought training to work outside the family firm. These women did not believe they would take over the firm, even though more women than men pursued careers outside the family business. Gender is an important factor to consider in relation to succession. Father-daughter successions were found to be less competitive and had less conflict than father-son successions (Haberman & Danes, 2007:163).

The dilemma this poses for organizations with a growing need for experienced, dedicated, increasingly specialized managers and professionals is obvious. Companies can no longer take for granted that the quality managers they need at the top will emerge from a vast reservoir of aspiring managers in the lower ranks. The "quality" managers that once emerged because of the "quantity" of managers competing for top jobs are no longer assured. At the same time, the demands of upper-level managerial and professional positions have escalated. Technical skills unknown to the "generalists" of the past may be required. Business and financial skills have become more complex and new issues in the global economy need to be understood and managed. To identify, nurture, and retain quality managers in today's environment, more and more businesses are turning to formal succession planning and the data-intensive computer systems that support it.

2.7.6 Succession planning is a continuous process

Based on the literature study, the prevalence of formalized succession planning practices in organizations appears to be increasing, largely due to changing demographics, mind-sets and importance of succession planning to the survival of the business. In addition, increased importance is offered to family businesses as important contributors to the economy (Eddleston, et al., 2013:1177, Brockhaus, 2004:165; Poza & Draughty, 2013:322). However, because of a lack of entrepreneurial training, many family business leaders report low levels of confidence in their succession planning systems and processes.

Various theorists (Griffith, et al., 2006:493; Miller & le Brenton Miller, 2010:218; Giarmarco, 2012:85) agreed that succession planning is an important strategic business initiative for all organizations and advise that by starting early, embracing succession planning as a process, not a one-time event, objectively assessing candidates for key positions, and developing talent, using the Leadership Pipeline Succession Model (Drotter, 2003:48) founders can ensure that their organizations have effective leaders prepared to fill key roles to meet the business challenges of the future.

While the advantages of succession planning are numerous, the task of implementing one is rather daunting and very time-consuming. Some of the critical steps include:

- Identifying key business challenges facing the organization;
- Creating a leadership success profile;
- Assessing identified candidates for key roles;
- Creating transition plans for new leaders;
- Developing internal talent; and
- Tracking, documenting, and monitoring the process.

The very thought of this long and demanding process puts the actual process on the waiting list, and sometimes it becomes too late. Therefore, being proactive ensures that the leader and family members have enough knowledge and experience to step in and assume the full range of responsibilities; can build their leadership abilities and practice management, business development, marketing, strategic planning, and client services. These essential requirements are indicative of planning for the future.

The studies of succession planning by Sharma & Rao (2000:313) in Canadian and Indian families, Rautiainen (2012:522) in Finland, Kowaleuski et al., (2010:246) in Poland and Brenes & Haar (2012:178) in Latin America revealed similar characteristics and trends of studies conducted in Africa (Richardson, et al., 2004:16) and in South Africa (PWC, 2013:29; Prior, 2012:17; Tshabalala & Rankhumise, 2011:108; Dhliwayo, 2007:145).

These studies found that the sponsorship of senior leaders was a key success factor and that succession planning efforts were most effective when the process was embraced as a key strategic initiative for the whole organisation, not solely as an “HR initiative.” When there is a mismatch between what the founders want and what the family members want conflict and lack of communication prevail. Family members are loathed to share their feelings for fear of hurting the founder. The solution lies in teaching family members how to talk about their expectations of each other in an emotional sense and to express appreciation, recognition and love. Many families have a hard time doing this, and just take it for granted. It is evident from the literature study and the researcher’s experience, most families across the board, need to learn that the emotional bottom line in family-owned businesses is just as important, if not more important, than the financial bottom line. Appreciation, recognition, and love need to be expressed on a regular basis to mitigate risks.

There is ample evidence from the literature of the founders of family firms clinging to power for too long, to the detriment of their successors. Workaholics, suffering from a touch of megalomania, are one type of business leader who can, by undermining their successors or failing to give due credit or responsibility, bequeath a negative legacy to their family. In the final analysis for most family and closely held businesses, planning for succession is the toughest and most critical challenge they face. Yet succession planning can also be a great opportunity to maximize opportunities and create a multi-generational institution that embodies the family’s values and mission for generations to come. Where the objectives of family and firm are united, close networks of trust have the advantage of providing a combination of incentives, including effective monitoring and loyalty, to protect family wealth. The transition of a Family-Owned Business from one generation to the next is one of the biggest potential challenges that both the business and the associated family will face. The lines among family, business and ownership are often blurred in a family business which makes transitions highly emotive and complicated on all levels and what is suggested in these models though ideal it might be very complex to implement on the ground.

According to Daspit, et al., (2017:6) strategic formulation relates to the development of a specific strategy designed to carry out firm goals. For family firms, a core family-centred goal is the transgenerational transfer of control. Perhaps because so few firms survive beyond the second and third generations of family control, succession is among the most studied topic in family business literature. Succession is a multi-stage process consisting of planning, training, and development of successors, and transferring power (Le Breton-Miller et al., 2004:195). At each phase of the process, multiple levels of influence and team dynamics affect how the succession process unfolds (Cater III et al., 2016). In a review of the succession literature, Daspit et al., (2017:6) highlight the exchanges that occur between individual incumbents and successors within the family boundary as well as across the family boundary (i.e., with non-family stakeholders).

However, because numerous individuals and groups across various levels, are involved in the family firm succession process, much remains to be understood about how these actors work together, engaging in various forms of exchange to formulate and execute a successful transgenerational transfer of control. In line with the study by Marler (2017:25), understanding the micro-foundations of succession to predict when and how the transfer of power will occur remains a potentially fruitful area of research. Gagne et al., (2014:168) note numerous opportunities that exist for studying organizational behaviour in the context of family business. Indeed, further investigations of how individual and group-level factors such as power, trust, conflict, and motivation manifest to influence the strategic management process are needed.

2.8. Formulation of hypotheses

For most family and closely held businesses, planning for succession is the toughest and most critical challenge they face. Yet succession planning can also be a great opportunity to maximize opportunities and create a multi-generational institution that embodies the founder's mission and values long after he is gone.

A proper business succession plan seeks to alleviate or lessen the above issues by setting up a smooth transition between the family business owner and the future owners of the businesses. 88% of current family business owners believe the same family or families will control their business in five years, but succession statistics undermine this belief. Only about 30% of family and businesses survive into the second generation, 12% are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond. The statistics reveal a disconnection between the optimistic belief of today's family business owners and the reality of the massive failure of family companies to survive through the generations. Research indicates that family business failures can essentially be traced to one factor: an unfortunate lack of family business succession planning.

Given the lack of succession planning and the resultant survival problems, the study makes three broad assumptions:

- That there are correlations between succession planning, leadership style and other family business factors
- That succession planning, leadership and other family business factors are likely to be influenced differently by a select set of demographical factors
- And lastly, that succession planning is predicted by certain family business factors.

The following hypotheses were formulated from the discussion presented.

- There is a significant and positive statistical relationship between succession planning and family dynamics. A significant correlation was expected on the assumption that positive family dynamics would contribute positively to planning for succession. In situations where there was dysfunctional family dynamics, no time would be devoted to planning and trying to ensure continued and future success of the business.
- There is a significant and positive statistical relationship between succession planning and governance. The assumption is that, if there are strong governance structures and practices, the family might not see the need for succession planning, or this may be construed as succession plans being in place. On the other hand, good governance can be a sign of a future orientation and, therefore, succession planning. Stronger governance practices are therefore likely to be associated with higher succession plans.
- There is a positive and significant correlation between succession planning and the leadership styles (middle of the road, task management and team management). The founder or head of the business has a profound effect on the direction the business will head to. Depending therefore, on the management philosophy of the owner, the assumption would be that the increased practice or leaning in a certain leadership style might lead to a more propensity to succession planning while others may not. The researcher found it necessary to establish the significance and direction of the relationship between succession planning and leadership.
- There is a positive and significant correlation between succession planning and business performance. The assumption here is that succession planning is carried out to try ensuring future success, by preparing for the effective future replacement of the organization's leadership.

These family business factors are paired against each other to assess the correlations they have between each other, as part of hypothesis 1, (correlations outlined fully in chapter 1).

The second set of hypothesis relates to the possible differences in succession planning and business performance that may result from select demographic factors. In this respect, the following hypothesis were postulated:

The study hypothesises (**H1.1)** that: There is a positive and statistically significant correlation between succession planning and the following family business factors;

H 1.1a: governance

H1.1b: family dynamics

H1.1c: middle of the road leadership style
H1.1d: task leadership style
H1.1e: team leadership style
H1.1f: business performance

Hypothesis H1.2 states that: There is a **positive and statistically significant correlation** between **governance** and the following family business factors:
H1. 2a: family dynamics
H1.2b: middle of the road leadership style
H1.2c: task leadership style
H1.2d: team leadership style
H1.2e: business performance

Hypothesis H1.3 states that: There is a **positive and statistically significant correlation** between, **family dynamics** and the following family business factors;
H1.3a: middle of the road leadership style
H1.3b: task leadership style
H1.3c: team leadership style
H1.3d: business performance

Hypothesis H1.4 states that: There is a **positive and statistically significant correlation** between **performance** and the following family business factors;
H1.4a: middle of the road leadership style
H1.4b: task leadership style
H1.4c: team leadership style

Demographics and family business factors: Hypothesis 2 -6

Gender and Family business Factors: Hypothesis 2 states that:
There is no significant difference between female and male owned businesses with regards to the family business factors;

H2.1: governance

H2.2: family dynamics

H2.3: middle of the road leadership style

H2.4: task leadership style

H2.5: team leadership style

H2.6: performance

H2.7: succession planning

Age and Family business Factors: Hypothesis 3

There is no significant difference between owners in different age groups with regards to family business factors;

H3.1: governance

H3.2: family dynamics

H3.3: middle of the road leadership style

H3.4: task leadership style

H3.5: team leadership style

H3.6: performance

H3.7: succession planning

Levels of Education: Hypothesis 4

There is no significant difference between owners with different education levels with regards to family business factors;

H4.1: governance

H4.2: family dynamics

H4.3: middle of the road leadership style

H4.4: task leadership style

H4.5: team leadership style

H4.6: performance

H4.7: succession planning

Length of Business operations: Hypothesis 5

There is no significant difference between businesses with different length of operations with regards to family business factors;

H5.1: governance

H5.2: family dynamics

H5.3: middle of the road leadership style

H5.4: task leadership style

H5.5: team leadership style

H5.6: performance

H5.7: succession planning

Generation of the Business on selected factors: Hypothesis 6

The aim was to determine if there was a significant difference between family businesses in the first and second generations regarding business factors;

H6.1: governance

H6.2: family dynamics

H6.3: middle of the road leadership style

H6.4: task leadership style

H6.5: team leadership style

H6.6: performance

H6.7: succession planning.

Lastly, the study intended to establish the family business factors that predict succession planning in family businesses in the South Basin of KwaZulu Natal. The following hypothesis were put forward.

Hypothesis 7. Succession planning is significantly influenced by the following family business factors:

H7.1: Governance,

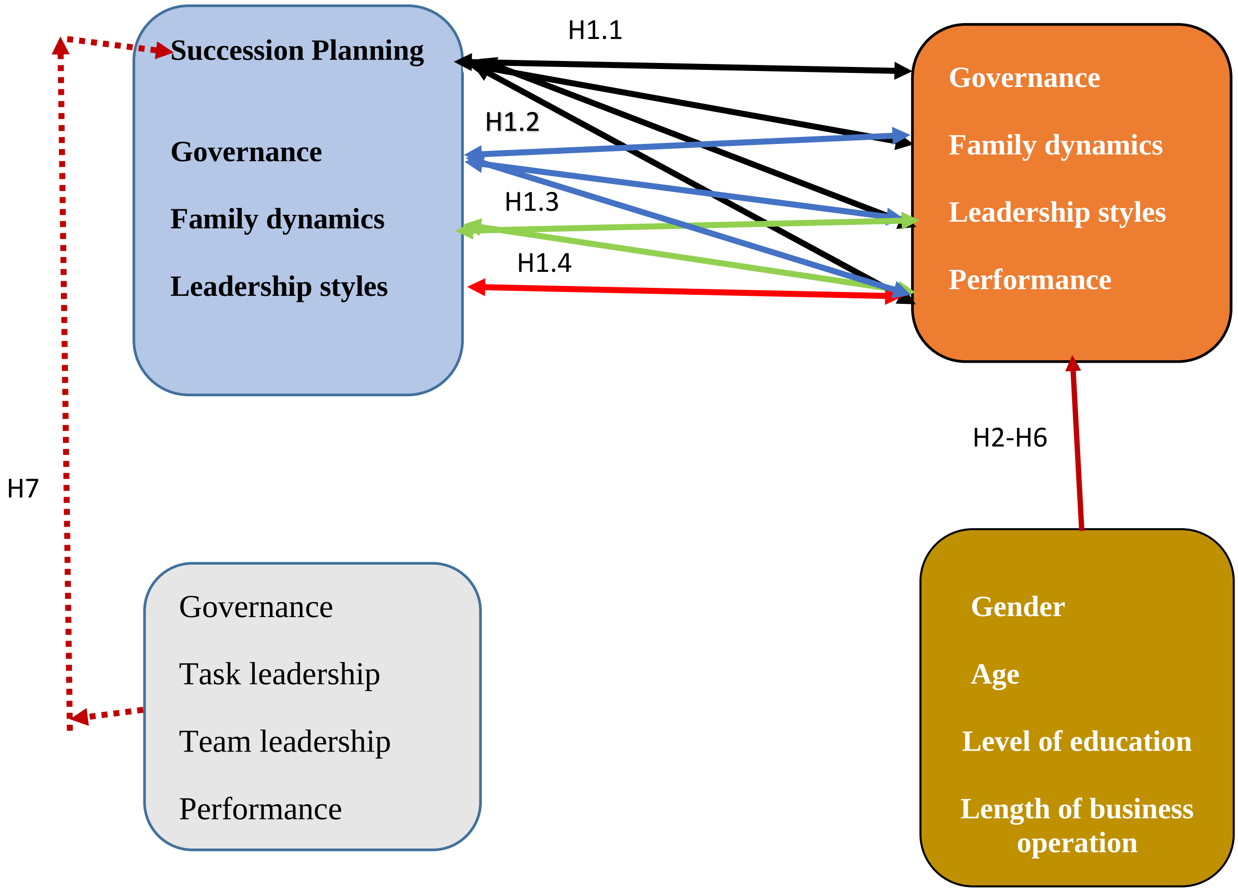
H7.2: Task leadership,

H7.3: Team leadership,

H7.4: Performance.

These hypotheses are presented in the conceptual framework in Figure 5.

Figure 4: Conceptual framework



It is prudent to advise that, knowledge of dependent variables is critical for advancing theoretical development in family business because it is needed to examine the efficacy of family business decisions, actions, organizational structure, strategies, and exploitation of resources. This is critical since efficacy can only be evaluated in terms of achieving the goals and objectives set by the family for the business. Hence, the significance of dependent variables in this study (Lu et al., 2012).

2.9. Conclusion

The chapter explored the literature on succession planning. It highlighted the different theories on succession planning, its importance, dynamics and how it should be successfully implemented. From this literature, the study assumptions and hypothesis were postulated. The researcher deemed it necessary to present further analysis and insight into the relationship between leadership and succession planning. This is done in the next chapter. It is leadership which largely determines the extent or success of succession planning. This additional literature review is in further support of the hypotheses put forward.

CHAPTER THREE: LEADERSHIP FOR SUCCESSION PLANNING

Introduction

Business owners, who are guiding their businesses for successful sustainability and survival during this rapid social change coupled with the recent economic flux, need to use all their resources to retain talent and prepare their successors for leadership and effective management to survive. This chapter focuses essentially on a theoretical background of leadership and the nature of leadership and management practice that will be effective in managing a family-owned business. In addition, some consideration is allocated to the impact of leadership styles on employee job satisfaction and small business performance.

Since management succession planning is the process of preparing an organization for transition into leadership, it is important that succession planning begins early in the life of the business to make the transition effective in the event of unforeseen circumstances. Hence, succession planning is helpful when management change occurs, such as the sudden death of the founder and or the CEO of the business. But succession planning is also important in ensuring a smooth transfer of power under normal circumstances such as retirement, career mobility, ill health, and termination. To avoid having to experience a leadership vacuum in the small business during a critical time, it is imperative to start planning, and harnessing talent at the very earliest.

Despite the many benefits of having a succession plan in place, many companies neglect to develop one. This oversight may occur because the CEO or business owner does not want to confront his or her own mortality, is reluctant to choose a successor, or does not have many interests beyond the business. One important aspect of management succession planning involves evaluating the skills of people in the organization and identifying those employees who have the potential to ascend to top management and leadership positions. In this way, succession planning encourages staff development and conveys the message to employees that the organization is serious about developing people and retaining talent. It may also persuade talented employees to remain with the company rather than looking elsewhere for growth opportunities. Therefore, it is essential for the founder or CEO to groom a successor from within the company because it can save time and expense of hiring a new leader from outside. It also aids in continuity, as an insider might be more likely to follow through with current plans and strategies (Ahmadi, et al., 2012:218).

Leadership succession planning is an ongoing practice focused on defining an organization's strategic vision, identifying the leadership and managerial skills necessary to carry out that vision, and recruiting, developing, and retaining individuals who have or who can develop those skills. Succession planning includes the following three components (Ahmadi, et al., 2012:218):

- Emergency Succession Planning,
- Strategic Leadership Development, and
- Departure Defined Transition Planning

Emergency Succession Planning – A plan to address an anticipated departure of an executive director, usually occurring within only a few days or weeks' notice. Emergency succession plans ensure the uninterrupted performance of essential functions by outlining steps for the temporary appointment of an executive director.

Strategic Leadership Development – An ongoing process that identifies the core competencies, skills and knowledge needed by the organization in the next five years along with a plan to develop those competencies in your existing talent or to recruit new talent.

Departure Defined Transition Planning – A course of action that boards and executives employ when an executive begins thinking about leaving an organization. The process focuses on communicating the transition to staff and stake holders, conducting and organizational assessment, recruiting a new executive and celebrating the transition.

The key to effective management succession planning is to focus on the most important characteristics and traits that an effective leader should have to take the business forward. The ensuing sections focus on leadership theories that will inform the founder cum CEO of the specific theorist type that will satisfy his/her requirements in an effective leader.

3.1 Definition of Leadership

Our understanding of leadership together with the ongoing research on leadership and business success have paved the way for the modern day thinking of business owners and facilitate their decisions when it comes to selecting the most appropriate leadership type to manage their businesses (Shekari, 2012:54-65). In addition, this information provides valuable clues about the values underpinning the principles of leadership practices and the impact of leadership style and behaviour on employee satisfaction and staff morale (Guillaume, et al., 2013:446).

The idea is that leadership is a characteristic ability of extraordinary individuals. This conception of leadership, known as the great man theory, evolved into the study of leadership traits, only to be supplanted later by several individual types of theories (Glynn & DeJordy, 2010:122).

Before discussing the different leadership theories, it is important to define the term leadership. The question of the correct definition of leadership is a major issue because research has revealed that there are 221 different definitions and conceptions of leadership (Rost, 1993:91). Some of those definitions are narrow while others offer broader conceptions. Hence, Bass (2008:182) argued that to search for a single definition of leadership was pointless. Suffice to say, the correct definition of leadership will depend largely on the specific aspect of leadership of interest to the individual (Bass, 2008:182).

This chapter adopts the above definition and focuses on three specific conceptions of leadership: situational, transformational, and transactional leadership. The author is aware of the other leadership theories, such as, trait, contingency, and behavioural theory. The limited discussion on the above enabled the researcher to focus on the styles that were measured in this study, namely, the team, middle of the road and task approaches (Blake & Mouton, 1964:813). The other focus of the chapter is on the effect of leadership styles on succession planning.

3.2 Theories of leadership

Much of what is known about leadership has emerged because of leadership theories, our admiration for certain great personalities with specific attributes, cultural disposition as well as charisma to lead and culture-specific traditions that differentiates good leaders from bad leaders.

Such knowledge and our understanding of leadership together with the ongoing research on business success have paved the way for the modern day thinking of business owners and facilitate their decisions when it comes to selecting the most appropriate leadership type to manage their businesses (Shekari, 2012:54). In addition, this information provides valuable clues about the values underpinning the principles of leadership practices and the impact of leadership style and behaviour on employee satisfaction and staff morale (Guillaume, et al., 2013:446).

The idea is that leadership is a characteristic ability of extraordinary individuals. This conception of leadership, known as the great man theory, evolved into the study of leadership

traits, only to be supplanted later by several individual types of theories (Glynn & DeJordy, 2010:122). Some of these are discussed below.

3.2.1 Situational leadership theory

Situational Leadership Theory (SLT) proposes that effective leadership requires a rational understanding of the situation and an appropriate response, rather than a charismatic leader with a large group of dedicated followers (Grint, 2011:3). SLT evolved from a task-oriented versus people-oriented leadership continuum (Conger, 1999:145; Lorsch, 2010:411). The continuum represented the extent that the leader focuses on the required tasks or focuses on their relations with their followers. Originally developed by Hersey & Blanchard (1969:26) SLT described leadership style and stressed the need to relate the leader's style to the maturity level of the followers. Task-oriented management leaders define the roles of followers, give definite instructions, create organizational patterns, and establish formal communication channels (Hersey & Blanchard, 1969:1981). In contrast, relation-oriented leaders practice concern for others, attempt to reduce emotional conflicts, seek harmonious relations, and regulate equal participation (Hersey & Blanchard, 1981:34; Shin, et al., 2011:167).

SLT focuses on leaders' behaviours as either task or people focused. This view supports its inclusion as a behavioural approach to leadership, like the leadership styles approach (autocratic, democratic, and laissez-faire) and the Michigan production-oriented versus employee-oriented approach (Bass, 2008:182; Glynn & DeJordy, 2010:122). It also portrays effective leadership as contingent on follower maturity. This fits in well with other contingency-based leadership theories including Fiedler's contingency theory, path-goal theory, leadership substitute's theory, and Vroom's normative contingency model (Glynn & DeJordy, 2010:122; Bass, 2008:182; Yukl, 2011:286). The effective leader engages in a mix of task and relation behaviours (Shin, et al., 2011:169; Yukl, 2011:288; Yukl & Mahsud, 2010:81). The level of job maturity and psychological maturity of followers determine the correct leadership style and relates to previous education and training interventions (Bass, 2008:180; Hersey & Blanchard, 1969:26).

While SLT was a popular conception of leadership it was not without some weaknesses. Nicholls (1985:2) described three flaws with SLT dealing with its consistency, continuity, and conformity. These three constructs are extremely significant when deciding upon a leadership theory for effective succession planning. In view of these flaws, SLT may not be the appropriate choice. However, it is prudent to advise that no leadership style was universally effective and behavioural theories relied on abstract leadership types that were difficult to identify (Glynn & DeJordy, 2010:122).

Larsson & Vinberg (2010:317) conducted a study to identify common leadership behaviours at a small group of successful companies and to organise those behaviours into suitable categories to discuss theoretical implications of situational aspects of effective leadership. The study attempted to uncover common leadership behaviours as they related to quality, effectiveness, environment, and health perceptions. The implicit questions included, which leadership behaviours relate to outcomes, situational aspects, effectiveness, productivity, quality, and job satisfaction (Larsson & Vinberg, 2010; 317; Sharma & Jain, 2013: 309). The study addressed the concepts of leadership effectiveness, task orientation, relation orientation, change leadership, and case study methodology. Larsson & Vinberg (2010:317) Sharma & Jain (2013:309) and Sharma et al., (2012) concluded that successful leadership includes both universally applicable elements (task-oriented) and contingency elements (relation and change-oriented).

The advantages of this leadership style centre on the maturity level of the followers as well as the leader. However, the leadership style can change at any given time depending largely on the situation. In effect, one can assume that such a leader in all probability will display an erratic form of leadership (relation and change-oriented behaviour). This view is supported by both Sharma & Jain (2013:309) and Nicholls (1985:2).

The next section presents the transformational leadership theory.

3.2.2 Transformational leadership theory

During the last three decades, Transformational Leadership (TL) has been “the single most studied and debated idea within the field of leadership” (Diaz-Saenz, 2011:299). Several studies point to the significant role of the CEO in transformational leadership success (Jung, et al., 2008:582); middle manager effectiveness (Singh & Krishnan, 2008:261) and cross-cultural leadership (Kirkman, et al., 2009; Diaz-Saenz, 2011:744). Undoubtedly, the role of the leader has serious implications for the survival, sustainability, and success of the business.

As early as 1978, Burns (1978:141) defined a transformational leader as “one who raises the followers’ level of consciousness about the importance and value of desired outcomes and the methods of reaching those outcomes”. The transformational leader convinced his followers to transcend their self-interest for the sake of the organization while elevating “the followers’ level of need from lower-level concerns for safety and security to higher-level needs for achievement and self-actualisation" (Bass, 2008:619).

As with all theoretical constructs, some form of evolution takes place. Hence, according to Bass (2000:18) transformational leadership identified four components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

Researchers frequently grouped the first two components together as charisma (Bass & Riggio, 2006:60; Sharma & Jain 2013:311). The transformational leader exhibited each of these four components to varying degrees to bring about desired organizational outcomes through their followers. Interestingly, this theory will prove to be very effective when engaging in succession planning in family-owned businesses as the trust is on developing staff and teamwork. Idealised influence incorporates two separate aspects of the follower relationship. Firstly, followers attribute the leader with certain qualities that followers wish to emulate as depicted in servant leadership (Guillaume, et al., 2013:445).

Secondly, leaders impress followers through their behaviours. Inspirational motivation involves behaviour to motivate and inspire followers by providing a shared meaning and a challenge to those followers. Since enthusiasm and optimism are key characteristics of inspirational motivation (Bass & Riggio, 2006:60) it stands to reason, that family-owned businesses will benefit from the implementation of this leadership style. Intellectual stimulation allows leaders to increase their followers' efforts at innovation by questioning assumptions, reframing known problems, applying new frameworks and perspectives to old and established situations and challenges. Intellectual stimulation requires openness and a caring attitude on the part of the leader (Spears, 2010:25). Openness without fear of criticism and increased levels of confidence in problem-solving situations combine to increase the self-efficacy of followers. Increased self-efficacy leads to increased effectiveness (Bandura, 1977:212; Guillaume, et al., 2013:446). Individualised consideration involves acting as a coach or mentor in order to assist followers in reaching their full potential. Leaders provide learning opportunities and a supportive climate (Bass & Riggio, 2006:63). These four components combine to make leaders transformational figures.

Accordingly, this theory emphasises the fact that when an individual interacts with others and can create a solid relationship that results in a high percentage of trust, and an increase in intrinsic and extrinsic motivation, in both, leaders and followers develop. Consequently, transformational leaders are defined as leaders who can motivate their followers into setting and attaining performance outcomes that exceed what was expected of them. They motivate their followers and employees by using ideals and values which they then use to define goals and inspire their followers into realising them. Transformational leadership has several desirable characteristics. A significant correlation has linked leaders of the transformational category with increased effectiveness amongst their followers, increased job satisfaction and followers tend to believe that they are exerting extra effort because of this (Stone, et al., 2003:52; Shekari, 2012:58).

The essence of transformational theories is that leaders transform their followers through their inspirational nature and charismatic personalities. Rules and regulations are flexible, guided by group norms. These attributes provide a sense of belonging to the followers as they can easily identify with the leader and its purpose (Yukl, 2010:94; Egner, 2009:65).

The suitability of transformational leadership varies according to context, the need for additional empirical work on the relationship between transformational leadership and team outcomes exists, but no previous empirical studies on work adjustment in international settings as an outcome of leader behaviours exist (Gundersen, et al., 2012:49). Gundersen et al., (2012:55) argued that knowledge of the drivers of organisational effectiveness relating specifically, to transformational leadership behaviours affect performance on various work-related assignments in a variety of complex positive ways by contributing to work adjustment and positive outcomes. These implications apply to high-stakes organizational outcomes including selection of organizational leaders.

This type of leadership behaviour can be favourably compared to Blake and Mouton's (1964) Team Management Style. The leaders focus on the business intently so that it invariably impacts positively on performance as alluded to by Gunderson et al., (2012:46). In addition, the staff can build strong bonds with this type of leader because his charismatic qualities lead to enhanced performance and job satisfaction as alluded to by Shekari (2012:58).

The next section explores transactional leadership theory.

3.2.3 Transactional leadership theory

The transactional leadership theory is defined by different elements. The first, *contingent reward*, describes the extent to which effective transaction and exchange is set-up between leaders and followers (Sharma & Jain, 2013:312).

Leaders practicing contingent reward relate to statements such as “I provide others with assistance in exchange for their efforts” and “I express satisfaction when others meet expectations.” (Sharma & Jain, 2013:312; Stone, et al., 2003:357; Bass 2008:215). The second dimension, *management-by-exception*, describes whether leaders act to either prevent (active management) or resolve (passive management) problems as they arise (Stone, et al., 2003:360; Bass, 2008:216). Someone who practices passive management-by-exception would respond to statements such as “I fail to interfere until problems become serious,” while those adhering to active management-by-exception might instead relate to “I concentre my full attention on dealing with mistakes, complaints, and failures.” Finally, the absence or avoidance of any leadership behaviours is termed “laissez-faire leadership” (Bass, et al., 2003:207). This type of leadership is least effective and can be compared with Blake and Morton’s Middle of the Road Management style. Leadership generally requires a good degree of natural authority and decisiveness, so a style which lacks these aspects has much room for improvement.

The power of transformational leaders comes from their ability to stimulate and inspire others to produce exceptional work. In contrast, transactional leadership describes more of a “give and take” working relationship – rapport between leader and follower is established through exchange, such as a rewards system for meeting objectives.

Transactional theories, also known as exchange theories of leadership, are characterised by a transaction made between the leader and the followers. In fact, the theory values a positive and mutually beneficial relationship (Yukl, 2010:81; Sharma & Jain, 2013:313). For transactional theories to be effective and have motivational value, the leader must find means to adequately reward (or punish) his followers, for performing leader-assigned tasks. In other words, transactional leaders are most efficient when they develop a mutual reinforcing environment, for which the individual and the organizational goals are in sync. Transactional leadership, also known as managerial leadership, focuses on the role of supervision, organization, and group performance. Leaders who implement this style focus on specific tasks and use rewards and punishments to motivate followers (Yukl, 2010:81; Bass, 2008:216).

The transactional theorists state that humans, in general, seek to maximise pleasurable experiences and to diminish unpleasurable experiences. The transactional leaders fulfil their roles in organisations by exercising their bureaucratic authority (task management). The leaders typically focus on task assignments, workplace standards and their employees’ or follower’s compliance by exercising their powers within the firm. They use some sort of reward and punishment system in order to influence and focus employee behaviour (Zhu, et al., 2012:186).

Transactional leadership focuses on the exchanges that occur between leaders and followers (Bass, 2008:216; Burns, 1978:100; Sharma & Jain 2013:312). These exchanges allow leaders to accomplish their performance objectives, complete required tasks, maintain the current organizational situation, motivate followers through contractual agreement, direct behaviour of followers toward achievement of established goals, emphasise extrinsic rewards, avoid unnecessary risks, and focus on improving organizational efficiency. In turn, transactional leadership allows followers to fulfil their own self-interests, minimise workplace anxiety, and concentrate on clear organizational objectives such as increased quality, customer service, reduced costs, and increased production (Sadeghi & Pihie, 2012:186).

The transactional leadership style will not be popular amongst employees because it uses a one-size-fits-all universal approach to leadership and disregards situational and contextual factors related to organizational challenges (Beyer, 1999; Yukl, 1999:85; 2011:290; Yukl & Mahsud, 2010:90). It can only be useful if used in conjunction with both transactional and transformational behaviours (Gundersen, et al., 2012:46; Liu, et al., 2011:282).

3.3 Assumptions and overview of leadership styles

Transformational-transactional leadership theory is one way in which the behaviours of leaders can be described and evaluated. Transformational leaders exhibit charisma and shared vision with their followers, stimulating others to produce exceptional work. Transactional leadership describes more of a "give and take" working relationship – rapport between leader and follower is established through exchange, such as a rewards system for meeting particular objectives. Depending on the situation this type of leadership will in all probability be useful in succession planning in family-owned enterprises.

A close study of the leadership theories reveals that transformational leadership is correlated to more positive outcomes than any other leadership style, and it also predicts better contextual performance, describing follower performance above and beyond what is delineated by job requirements alone. Given that good leaders do have an impact on their employees and organisations, it is for this reason alone, that founders and CEOs of family-owned businesses must be wary of selecting a successor who fails to demonstrate effective leadership qualities over a sustained period. Similarly, it points to the salient fact, that succession planning is a long- drawn-out affair with no shortcuts. The emphasis is on ensuring that succession planning begins very early in the life of the business. Succession plans can provide several important benefits for companies that develop them. For example, a succession plan may help a business retain key employees, reduce its tax burden, and maintain the value of its stock and assets during a management or ownership transition. Succession plans may also prove valuable in allowing a business owner to retire in comfort and continue to provide for family members who may be involved with the company.

One notable difference between these three leadership theories involves the subject of charisma (Conger, 1999:146; Conger & Hunt, 1999:121). Research revealed that many scholars combined idealised influence and inspirational motivation under the heading charismatic-inspirational leadership or simply charismatic leadership (Bass, 2008:16; Bass & Riggio, 2006:66; Hunt, 1999:129; Sharma & Jain 2013:309). In contrast to transformational leadership, both situational and transactional leadership theories ignored the role of individual differences between leaders (Bass, 2008:64). Charisma is a key example of one such individual difference. Business leadership and business acumen are the most important qualities for a manager to possess.

The three leadership styles discussed can be summarised into the Black and Morton leadership grid. The transactional leadership approach emphasises "task performance" at the expense of "employee interests". This is the Task management leadership style. This type of managers usually believe that subordinates' needs are relatively unimportant. Efficiency in operations, however, should be the dominant orientation. To boost performance, managers try to make subordinates comply by using tangible rewards such as monetary bonuses. Managers may even use their coercive powers to punish subordinates if targets are not being met. This style is largely based on McGregor's Theory X that states that employees generally have little ambition, avoid responsibilities, and are mostly extrinsically motivated.

With task management style the emphasis is on focusing on the tasks and getting the work done. This type of leader is autocratic and directive with strong emphasis for work regulations, policies and procedures. The leadership style thrives on results and production to impress the organization by neglecting the staff's morale and needs. This could ultimately affect the overall performance of the team and will find it a challenge to retain a competent workforce.

On the other hand, Black and Morton's Team Leadership approach is equated to the transformational leadership. In this case, the leader provides guidance, support direction to their staff. Their modus operandi is one where they optimize on results and goal attainment. With this style, there is cohesion and synergy as the team knows where their direction and focus are. This style is often considered to be the most effective and is recommended for managers because organization members work together to accomplish tasks and maintain good relationships. This management style is largely in line with McGregor's Theory Y that states that employees are intrinsically motivated, enjoy their job, and want to work to better themselves without a direct reward in return. Team Management forms the best basis for exercising sound leadership.

With middle of the road management style there is an attempt to balance people and results. Performance is mediocrity, due to compromises, to meet a continuum of performance and staff's needs. Leaders attempt to balance between an organization's performance targets and the needs of employees. This is essentially a compromising approach in which the manager tries to avoid conflict with subordinates whilst pushing for moderate production. The major downside of this approach is the danger that neither (aspect concern for task nor concern for people) is delivered to satisfactorily levels.

The researcher focuses mainly on the task approaches, team approach and middle of road approaches. These management styles have been incorporated in the management theories discussed. It is assumed that succession planning will be positively influenced by the different leadership styles.

Since there are many advantages and disadvantages attached to each leadership style, it is preferable to speak of an effective leader rather than a transformational leader or a transactional leader, because during the life cycle of a day, the leader cum businessman will have to change his behaviour to support the current situation. He may be autocratic when staff have not met deadlines and may be over-lenient when staffs have completed the work to his satisfaction. So, while theory stipulates that the transformational leader is most effective and well-liked by staff, as a human being such leaders have emotions which are likely to be expressed according to the management situation one finds oneself in.

3.4 Leadership style and Performance

Several studies have found that there is a very strong relationship between leadership and employee job satisfaction and performance. Hence, it is imperative that the successor for the business has all the qualities of an effective leader to promote effective leadership which will ultimately improve business performance and staff morale (Weddle, 2013:11).

Deci et al., (1989:580) found that "management style and business designs that allow greater employee participation in decision-making and autonomy in performing their duties were found to be positively correlated with employee satisfaction, quality of work life and work performance".

Liu et al., (2003:131) went further than most leadership performance studies, by drawing on leadership and strategic human resource management literature, to propose a model of employment mode-leadership style fit. In formulating the model, the researcher took into consideration the existing research that has established a link between leadership style and employee behaviour, productivity, performance, and attitudes (Avolio, Howell, & Avolia, 2010). The model matches employment modes and leadership styles to enhance employee performance in any family-owned businesses (Liu, et al., 2003:144).

Transactional leaders seem to be happy with their power position. They realise that if they limit the sharing of their power, authority, and knowledge with others, they will be able to remain in control of the situation. These types of leaders are less likely to plan for succession compared to those practicing team leadership.

Transformational and empowering business owners are more likely to plan for succession than directive leaders. Such leaders are group-oriented, and their relationships are based on trust (Stone, et al., 2003:56; McCann, et al., 2014:23). Status and power are not as important to them as it is to directive leaders. Transformational and empowering leaders are the most likely leaders to work with potential successors in developing a succession plan because they are not threatened by the fact that they will eventually have to share their power and authority with someone else if their business is to survive in the long-term.

Transformational leaders gain their positions because of their desirable personality attributes (Stone, et al., 2003:58). Transformational leaders are charismatic leaders who have high regard for others and have a desire to please (McCann, et al., 2014:24). In the case of both leadership styles, individual motivation and achievement are paramount, hence, both types of leaders are interested in maximising their own rewards and will, therefore, plan for succession.

It is therefore hypothesised that the more characteristics that a leader displays in terms of either "team approach", "task approach" or "middle of the road " the more or less the probability to succession planning. A correlation between each of these leadership style and succession planning and other family business factors, dynamics, governance, and performance is expected.

The select different demographic factors are not expected to have different effects on the leadership styles. The family environment in which the leadership styles are applied is expected to present a common front to these demographic factors.

3.5 Leadership styles and decision-making

Differentiating effective leaders from ineffective leaders is a major management concern. One way of differentiation may be the quality of decision-making since effective leaders make good decisions or choices that yield favourable outcomes for the organisation (Schoderbek, et al., 1988:484). In addition to leadership ability, employee perception often plays a big role in influencing the implementation and outcome of decisions (Weddle, 2013:17).

In a centralised organization as in family-owned enterprises, there is little or no provision for decisions or input from lower-level staff. Directives are handed down and strict obedience is expected. Leadership in these organizations tends to be directive (task oriented) rather than transformational. Hence, the location of decision-making, which is the functional specialisation of the organisation, determines the style of leadership that is called for (Ibara, 2010:392). Managers who set clear goals maximise employee productivity. The managerial style also influences how goals are set. Therefore, a transformational leader uses high energy and inspiration to motivate employees to succeed whilst providing to specific goals and tools they need to reach those goals.

According to Daspit et al., (2017:194), founder-managers tend to be intuitive, emotionally involved and have a very personal and charismatic management style whereas professional managers tend to be characterised as more analytical and rational in their decision-making and have a more impersonal management style.

As has been alluded to above, different situations will demand different leadership styles which will ultimately result in participative decision-making or conflict. Family conflict is often an unfortunate part of family businesses and given the fact that so many family-owned businesses will be transferring their leadership from one generation to the next in the upcoming years, the potential for families to feud will be great.

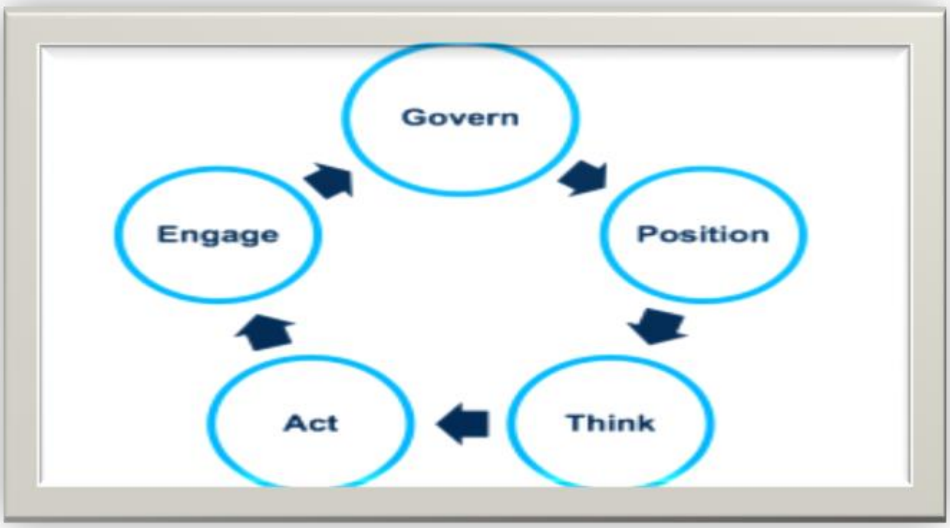
Depending upon the nature and size of the business, as well as the situation, it can be hypothesised that different firms will at some time or the other accommodate all levels and styles of leadership. Different leadership styles may be called for depending on the degree of existing goal congruence in an organisation (Diaz-Saenz, 2011:299). The leader's own behaviour is then a key influence on the outcome of the change process and the leader needs to behave appropriately if the change is to be managed successfully (Weddle, 2013:11).

When family and business concerns become intertwined, sound decisions may not be made either in terms of the business or the family. Further, family norms for conflict resolution may be carried over into the business setting and families may deal with conflict in ways that would be viewed as inappropriate in many business settings. In addition, when family roles and power dynamics are translated into business settings, conflicts may emerge because business partners and colleagues may feel like they are being treated in inappropriate ways.

3.6 Governance and succession planning

Good governance practices and a thoughtful succession process can ensure organizational sustainability while effectively leveraging a transition into a strategic opportunity. If good governance includes effective stewardship of the resources - financial, human, artistic, and physical - that allow an organization to fulfil its mission and serve its community, then leadership succession planning is clearly a governance imperative. Lambert, (2020:294), provides a framework for good governance (figure 6).

Figure 5: Framework for Good Governance (Lambert, 2020)



Family business continuity plans commonly establish a governance structure for the family and for the family business. The purpose of those structures is to improve strategy and control mechanisms of the family business and, to organize the communication and relationship between family owners and business executives (Brenes, Madrigal & Requena 2011:294).

According to Lambert (2020:295), good governance practices, should be ready for the transition. Readiness is reflected in an existing “culture”. The culture should accommodate the transition to take place (govern and positioning). The governance structures should enable the organisation to “think, act and engage” (Lambert, 2020:295) and be able to come with the best candidate to carry the organisation forward. The different stages are briefly discussed.

Step 1: Govern

Strategic leadership transition begins with an organization that has practiced good governance and is therefore resilient and prepared to weather change. Leadership transitions work best when the organization has a shared sense of mission, vision, and values, and all members work and govern from the same page in a culture that is supportive of succession planning and improvement of the Family-Owned Business (O’Conner & Day, 2007:253). The important point here is the existence of a culture that will enable succession planning to take place. The lack of good governance will inhibit planning.

Step 2: Position

With good governance practices in place, and when the founder or CEO decides to leave, the organization's first step is to position itself for the transition. This entails amongst other things, looking for the next successor, preparing and training him / her for the position (Nardoni, 2016:374). According to Nardoni (2016:374), several some key considerations that require attention include for example: recognition and celebration of the person's tenure, impact, and legacy; a unified voice communication on behalf of the organization and the selection of a transitional authority to ensure that current initiatives from losing ground while a new successor is being sought and prepared.

Step 3: Think; Step 4: Act

Members should understand the extent of its authority within the governance and decision-making structure of the organization and have the time to commit to the process (Lambert 2020). Governance should prioritize inclusion, diversity, equity, and access in the process to attract a diverse pool of candidates. This stage enhances the chances of acceptance of the outcome.

Step 5: Engage

Effective leadership transitions include preparing new executive leaders for success upon arrival. During this critical step, new leaders should be introduced to the organization and the community, engaging with various stakeholders (Salvato, et al., 2012:274). They start to learn more about the organization's history and culture beyond what was disclosed during the search. When engaging with a new leader, an organization's governance should provide; urgent issues is the organization facing; the mutually agreed upon goals for the first year of this person's tenure and the organisation's expectation in the medium to long term.

The hiring of a qualified and new leader does not absolve the organization of its responsibility for good governance with regard successor training and leadership. In fact, strong governance ensures that the new leader has the framework of mission and organizational vision from which to achieve success. Additionally, sound governance practice includes the board's duty and an effective process to evaluate and provide feedback as the new leader's tenure unfolds. Most importantly, the success of any organization depends upon good governance, regardless of who fills the top managerial leadership roles. Good governance includes leadership succession planning, and so the cycle continues.

By practicing good governance and thinking proactively about succession planning - even before knowing of a transition, Family-Owned Businesses ensure that they have the capacity to survive long after any leadership transitions. As pointed out by Sarbah & Xiao (2015:95), good corporate governance contributes to sustainable economic development by enhancing the performance of companies, it is imperative that companies adopt good corporate governance structures to enable them grow.

In this study, governance is considered as one of the family business factors. It is assumed to have relations with other business factors. It is also assumed that, as one of the business factors, it will be affected by different demographic factors. Lastly, governance is assumed to be a significant contributory factor to succession planning in family businesses. All these assumptions are tested in the study.

3.7 Leadership and the development of the successor in family businesses

For family-owned businesses faced with more demanding leadership requirements in a changing, more competitive business environment, the installation and use of a process for succession planning is the single most important human capital investment they can make (Salvato, et al., 2012:210; Nardoni, 2016:206). This process, which more than ever requires a computerized succession planning information system, can provide benefits that go well beyond the traditional reason for succession planning, which has always been to assure the continuity of leadership at the top. Although the basic process of succession planning has not changed dramatically, the technical and business requirements have evolved over the decades.

The development of a capable successor is an important factor in family business succession (Salvato, et al., 2012:213; Van der Merwe, et al., 2009:14). Failure to impart the potential successor with the essential expertise to take over the management of the business may result in succession not taking place because such underdevelopment possibly will either lead the successor to decline the position or cause the family and business to reject the potential successor (De Massis, et al., 2008:184). However, it is important to note that it can take many years to develop the right successor to enable the existing business owner to walk away from the day-to-day operations (Giarmarco, 2012:61; Salvato, et al., 2012:208).

Ward (1987) as cited in Le Breton-Miller et al., (2004:310) revealed that the successor's development and preparation was one of the fundamental factors in safeguarding successful family-owned businesses succession. Le Breton-Miller et al., (2004:318) and Venter and Boshoff (2007:43) postulated that one of the core tasks associated with succession planning is the training of family members to acquire the knowledge and develop the necessary business capabilities while improving their credibility and legitimacy within the business (Salvato, et al., 2012:211). However, the development of the potential successor should be tailored to the specific individual needs and should at least be based on a formal leadership and management development plan (Van der Merwe, 2011:36). A precise assessment of the developmental gaps between the skills required for the business and the capabilities of a potential successor is essential in establishing a suitable development plan. If such gaps are not appropriately assessed, the potential successor's grooming process may not be suitable, and this could delay the appointment of such a successor (De Massis, et al., 2008:184; Corbetta & Salvato, 2013:239).

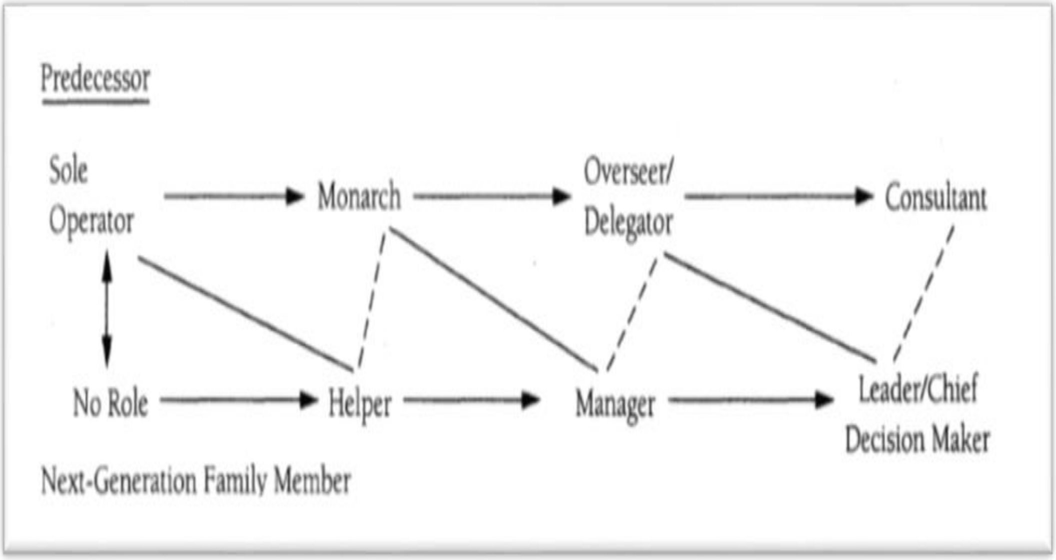
The growth and grooming of the successor within a family business follow a series of actionable steps with an expectation to develop the necessary competencies and commitment that the potential successor requires (Corbetta & Salvato, 2013:241). These competencies could be formal education, on-the-job training, career development and (or) outside work experience (Le Breton-Miller, et al., 2004:312; Van der Merwe, et al., 2009:16; Corbetta & Salvato, 2013:242). According to Barnes (1976:105) and Correll (1989:303) as cited in Brockhaus

(2004:165), external experience assists the successor in developing a unique identity and coping mechanisms in dealing with a wider range of problems that may confront the small business. Such external experience will help the successor acquire a personality and practise for a broader range of difficulties that may potentially face the business. Griffeth et al., (2006:507) added that such outside training and experience would also encourage self-confidence and self-belief and reverse the discouraging aspects of inheritance. Chrisman et al., (2009:51) further proposed that the next generation leaders can also be developed within the family business, through but not limited to involving them at an early age, hiring them immediately after they finish their formal education, and designing positions within the business that match their interests and skills. Exchange relationships among family members can be crucial in creating harmony within the firm and achieving a successful transition (Bachkaniwala et al., 2001 in Daspit et al., 2017). Hence, the importance of an open family culture wherein the presence of such preconditions enhances the inheritance and exchange system and reinforces individual contributions to the system.

These roles will change as the successor acquires the necessary skills and knowledge to manage the business. Giarmarco (2012:59) suggested that a gradual transfer of roles and responsibilities between the incumbent and the successor offers the successor time to develop into his/her new position and provides the incumbent with adequate time to become accustomed to his/her diminishing role and increasing confidence in the new leadership/team (Daspit et al., 2017, Corbetta & Salvato, 2013:230; Salvato, et al., 2012:220).

Upon joining the family-owned business, the potential successor first becomes a student of the business and in doing so he/she gains the necessary knowledge about the business processes and its stakeholders. As the potential successor fully grasps the working of the business, he/she progresses into being 'a helper to the incumbent'. At this stage, generally, the successor will then be equipped with the necessary skills and capabilities to move into a lower management position. The incumbent naturally falls back into a supervisory role to guide the successor through day-to-day operations of the business. The last stage of development is when the successor becomes the leader of the business. In most cases, the incumbent plays an inactive role of a business consultant (Corbetta & Salvator, 2013:231).

***Figure 6: The Succession Process: Mutual Role Adjustment between Predecessor and Next-Generation Family Member(s) (Handler, 1990:47*)**

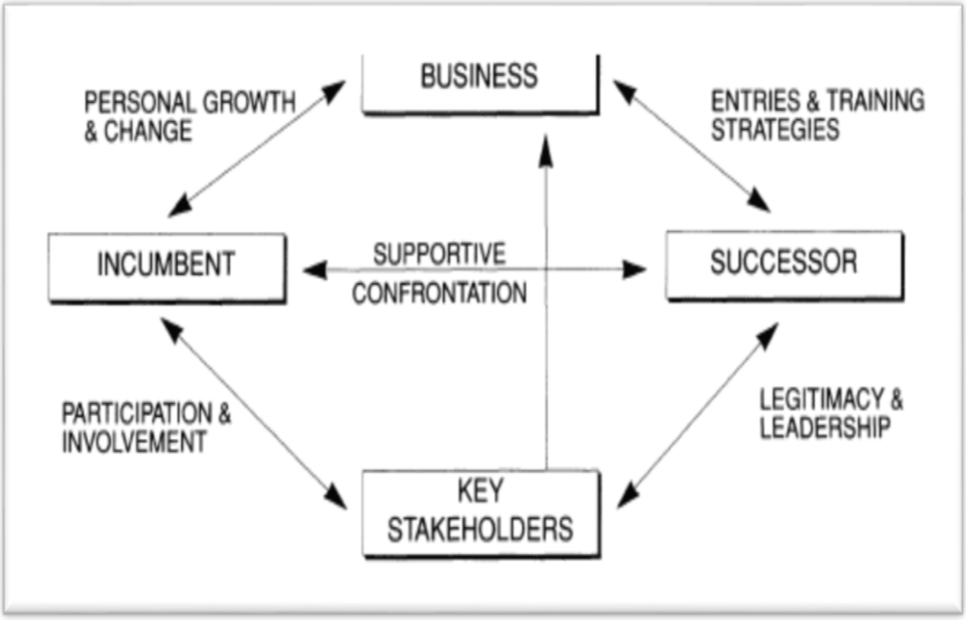


According to Handler (1990:37), the role transition is a slow and subtle process where there may be a lag in the role transition of the predecessor in contrast to that of the successor. This lag is because founders may hold on to former roles (Handler, 1990:48) as they have yet not identified a successor with the type of leadership qualities that will sustain the business. Handler's (1990) succession model provided interesting aspects to the process of succession in family-owned enterprises as it was developed from the perspective of next- generation family members.

The relationship between the incumbent and the success of the family business is a very critical one; hence, it is imperative for the founder to make the right decision in the interest of the firm's viability. The leader elect and his commitment to the business are of supreme importance and it is the responsibility of the founder to empower the leader incumbent/elect to sustain the survival of the small business and maintain relationships with all stakeholders.

At the core of succession are six critical relationships that must be managed during any takeover of the business, stakeholders, the incumbents, and the successor. The relationship between the incumbent and the business is of supreme importance to succession because the inability of the founder to lessen control can lead to ineffective succession and possibly business failure (Fox, et al., 1996:21). Hence, there is a need for supporting and developing the successor incumbent.

Figure 7: Framework for managing succession planning with all stakeholders (Fox, et al., 1996:22)



3.8 Importance of succession planning

Succession planning is an essential part of doing business, no matter how certain the future appears. While it is easy to put off planning when everything seems to be progressing, an effective leader nevertheless plans in order that the social structures that define, condition, and constrain succession processes in family firms are fully understood and appreciated by all members in order to retain the ability to fully incorporate individual motives and agency (Daspit et al., 2017:164; Sharma et al., 2012:285., Woodman, 2017:284).

There are several reasons for immediate and effective succession planning (IFB, 2016:30; Giarmarco, 2012:63; Groves, 2007:525; Devany, 2006:14).

- Succession planning prepares one for disaster and risk management. Whether it's an unforeseen illness, a natural disaster, or a CEO's decision to suddenly retire, the reasons for having a succession plan in place before it is needed are endless. The effective leaders will put into place a series of contingencies that will help the company stay afloat if a catastrophe occurs.
- Succession planning benefits the business now. Just as business practices have evolved over the years, succession planning has also grown and changed. It's no longer a plan that can only be accessed when leadership is going to change; a succession plan can be used before its "real" intent is necessary. It can be used to build strong leadership, help

a business survive the daily changes in the marketplace, and force executives to review and examine the company's current goals.

- The process of succession planning gives family members an opportunity to express their needs and concerns. Giving them that voice also helps create a sense of responsibility throughout the organization, which is critical for successful succession planning. It is not necessary for the leader to carry the entire weight of creating and then sustaining a plan.
- A succession plan can help sustain income and support expenses. Talking about money should be a priority. People generally don't want to work for free and things don't pay for themselves. A succession plan can provide answers as to what staff expectations are in terms of salary and remuneration. Questions about the annual income and other benefits including health and dental insurance for you and your dependents, life insurance premiums paid for by the company, your car, professional memberships, and other business-related expenses need to be planned.
- Succession planning gives one a big picture. Some companies mistakenly focus solely on replacing high-level executives. A good succession plan can go further, however, and force one to examine all levels of employees. The people who do the day-to-day work are the ones keeping the business going. Neglecting to add them to the succession planning mix could have dire consequences. As the plan develops, incorporate all layers of management and their direct reports.
- Succession planning strengthens departmental relationships. When regular communication occurs between departments the leader is more likely to experience synergy, which breeds a culture of strength. Ensure that the succession planning activities are linked with human resources. After all, HR is about people. By including HR in succession planning, one can incorporate elements of the employee-evaluation process, which can help when deciding whether to fill vacancies with internal candidates.
- Change is a major component of a succession plan. While it is exciting and can bring a company unforeseen rewards, change can be a source of tremendous stress, especially when people's livelihoods are at stake.
- Planning is exciting and, if done correctly, can inspire the workers to stay involved and maintain company loyalty. It's true that a plan is often put in place to avert a catastrophe,

but it's also a company's way of embracing the future—a business strategy that is essential for survival.

The above exposition clearly illustrates the importance and need for succession planning in a business, especially family-owned businesses where individuals involved have multiple expectations on the firm. However, if the founder/leader does not possess a strong personality and leadership qualities to manage succession planning, all the positive factors of succession planning will be of no value. In such cases, the business will be handed over to the next generation without much training and development (Giarmarco, 2012:64). Hence, the need for a prospective successor as well as the founder/leader to possess sound leadership qualities and principles to see the business succeed in the next cycle.

3.9 Conclusion

This chapter traced the importance of effective leadership for succession purposes in SME's. Literature on several leadership theories was examined to lend credibility to the qualities that an effective leader should possess should he be elected as the successor of an SME. In the main attention was focussed on the leadership theory and the respective leadership style that would be most suitable for a successor in a family-owned business.

The importance of governance, training and developing successors for managing SMEs was highlighted while the advantages of planning for succession were advanced. It has been deduced that the critical significance of effective leadership, strong personalities as well as constructive succession planning mechanisms contribute to business success and sustainability of SME's. The next chapter describes the research methodology that was adopted to collect the primary data.

CHAPTER FOUR: RESEARCH DESIGN AND METHODOLOGY

Introduction

This chapter describes and justifies the research design and methodology that has been used to obtain the relevant data required for this study. It lays down the sampling strategy, justifies the data collection instrument used and describes how the data collected was analysed. The chapter also describes the pilot testing, the tests performed to ensure validity and reliability, as well as the measures that were taken to ensure adherence to the ethical aspects of the study.

4.1 Rationale for the methodology

Saunders et al., (2009:5) and Zikmund et al., (2013:5) defined research as something that people undertake to find out things in a systematic way. This means that the research carried out is based on logical relationships rather than just beliefs (Saunders, et al., 2009:5). Scientific research entails seeking for the unknown to understand the world and its purpose in a systematic process of collecting, analysing, and interpreting the data to increase the existing level of understanding of a phenomenon. Through the research activities, incomplete knowledge and issues of importance can be resolved by asking questions that seek solutions through a systematic research process (Zikmund, et al., 2013:44; Leedy & Ormrod, 2005:1).

The purpose of the current study is to build on existing literature concerning the dynamics of leadership and succession planning in family-owned businesses and ascertain whether family-owned enterprises do in fact plan for succession or not. It is envisaged that the research will generate adequate interest for debate and discussion and the way forward since family businesses do contribute to employment and poverty alleviation in some measure.

4.2 The Research philosophy

The research philosophy or paradigm is a way of examining a social phenomenon in order to understand the latter and thus be able to provide an explanation (Saunders, et al., 2009:118).

Several theorists have identified three research philosophies, namely positivism, interpretivism and realism (Babbie, 2016:138; Zikmund, et al., 2013:6; Williams, 2011:1).

Positivism refers to the adoption of the philosophical position of natural science (Saunders, et al., 2009:113). It is based on a very well-structured method through which observations can be quantified and which evaluates results through statistical methods (Williams, 2011:1).

Interpretivism is more about the understanding of the difference between humans and their behaviour in society rather than the study of differences between objects (Saunders, et al., 2009:116). According to Williams (2011:2), interpretivism philosophers not only interact with the environment but also seek to make sense through the interpretation of events and draw conclusions.

Realism infers that whatever senses show as reality is the truth and it is independent of the mind (Saunders, et al., 2009:116). Realism research philosophers believe that external reality influences the social interpretation and behaviour of people (Williams, 2011:2). For this study, the positivist philosophy was adopted since the answers to the hypotheses were based only on the numerical analysis of the data collected.

The next section reveals how the research was designed.

4.3 Research design

The research design is about creating a research structure to be followed regarding the data to be collected for the purposes of analysis (Zikmund, et al., 2013:65; Leedy & Ormrod, 2005:85). Prior to conducting the research study, it is important to prepare the most effective research design that will facilitate data gathering, measuring, and analysis for the investigation in order to find solutions to all the research questions (Zikmund, et al., 2013:65; Saunders, et al., 2009:113).

4.3.1Types of research designs

A research design is about the specific research strategy that the researcher adopts to solve the research problem (Babbie, 2016:88; Saunders, et al., 2009:113). Saunders et al., (2009:138) suggested that the research design can be classified into the following three principal categories:

Exploratory: The exploratory study is useful when the understanding of a problem is to be clarified and when the exact nature of the problem is not clear (Saunders, et al., 2009:139). Exploratory research can be conducted in three main categories which are:

- The search of the literature,
- Interviewing ‘experts’ on the subject, and
- Conducting focus group interviews.

- Explanatory research studies the causal relationship between variables (Saunders et al., 2009:140). The importance of this research lies in the study of a problem in order to explain the relationship between the different variables (Saunders et al., 2009:140).

Descriptive research can be the extension of an exploratory or an explanatory research. The objective of a descriptive research is to describe an event or situation (Zikmund et al., 2013:53; Saunders et al., 2009:140). According to researchers, there are two types of research designs that can be employed in either the Exploratory or Descriptive categories. These include the qualitative and the quantitative designs.

For the purposes of this study, a descriptive, quantitative approach was found to be the more appropriate and was utilized. A quantitative approach features the use of self-report measures on carefully selected samples. It is a flexible approach that can be used to study a wide variety of basic and applied research questions. The approach was also found appropriate, given that results taken from a "large sample" relative to a qualitative study, can be generalised to similar environments. Generalisation is important given the critical problems of succession and performance in family business. Descriptive statistics was employed to further substantiate the significance of the findings which led to conceptualizing the context under study. A descriptive study is one in which information is collected without changing the environment (i.e., nothing is manipulated). The descriptive approach was used to better understand the nature of respondents under study.

The goal in conducting a quantitative research study is to determine the relationship between an independent variable and another dependent or outcome variable within a population (Babbie, 2016:411; Zikmund et al., 2015:135). Quantitative research designs are either descriptive subjects where the respondents are usually measured once or experimental where the respondents or subjects are measured before and after a treatment. A descriptive study establishes only associations between variables; an experimental study establishes causality.

Quantitative research deals with numbers, logic, and an objective stance; focuses on numeric and unchanging data and detailed, convergent reasoning rather than divergent reasoning (Babbie, 2016:412). The strengths of the quantitative paradigm are that its methods produce quantifiable, reliable data that are usually generalizable to some larger population. Research participants are selected randomly from the study population in an unbiased manner, and statistical methods are used to test predetermined hypotheses regarding the relationships between specific variables. A major shortcoming in this approach is its heavy reliance numbers and logic rather than on human behaviour.

4.4 Data collection

This section of describes how the actual data was collected and instrument that was used to collect data.

4.4.1 Primary data collection method

Scientific studies necessitate three approaches to gather the research data for statistical analysis. These approaches include observation, experimentation, and surveys (Babbie, 2016:116; Zikmund, et al., 2015:237; Salkind, 2006:203). For the purposes of this study emphasis is placed on surveys as it was the approach utilised in this study.

Survey

A survey is defined as a primary data collection tool that is based primarily on communication sample representatives of the research respondents; the survey method mostly gathers primary data by means of questioning research respondents directly (Babbie, 2016: 248). It is suitable for the research questions to include individual beliefs, personal opinions, the general characteristics and the past and present behavioural patterns of the research respondents (Zikmund, et al., 2015:341). Research questionnaires are vital tools in collecting survey data. Research data on personal attitudes including opinions, knowledge, awareness, perceptions, preferences, and intentions can easily be gathered by means of research surveys. The main objective of the survey is to obtain data sets that are easily compared across subsets of a specific sample to determine possible similarities and any form of differences in the research outcomes (Babbie, 2016:247).

Surveys can help gauge the representativeness of individual views and experiences. When done well, surveys provide hard numbers on people's opinions and behaviours that can be used to make important decisions. It was for this reason that the method was adopted for this study. The method enables the collection of data on, individual beliefs, personal opinions, the general characteristics and the past and present behavioural patterns of the research respondents (Zikmund, et al., 2015:341). The researcher wanted to find out personal opinions of family businesses in KwaZulu Natal, with regards to succession planning and leadership within the businesses. Self- administered questionnaires were found to be vital tools in collecting survey data.

4.4.2 Secondary data studies

Secondary data refers to data that was collected by someone other than the user (Zikmund, et al., 2015:160; Zikmund & Babin, 2007:160). Common sources of secondary data for social science include censuses, information collected by government departments, organizational records and data that was originally collected for other research purposes. Primary data, by contrast, are collected by the investigator conducting the research.

In this study, an extensive literature study on the research topic was reviewed to formulate hypotheses that enhanced the quality of questions included in the questionnaires. Primary data was collected through the survey method.

4.5 Population and sampling design

The study population and the sampling theory and design used is discussed.

4.5.1 Population

The term population refers to the total collection of elements about which an investigation is to be made (Babbie, 2016:116; Cooper & Schindler, 2003:179). The identification of family-owned organisations to be included in the population proved to be a major and time-consuming challenge, given that there was no generally accepted ranking list of family-owned businesses in the South Durban Basin of Kwa Zulu Natal.

It was established from the eThekwini database listing available that there were 4500 businesses in Kwa Zulu -Natal. This is, therefore, considered the population of businesses in area of study.

4.5.2 Sampling

A sample is defined as a part of a large population (Babbie, 2016:186; Saunders, et al., 2009:600). Sampling is done since it is quite difficult to collect data from an entire population (Saunders, et al., 2009:212). It has been established that performing a survey with an entire population takes more time and financial resources as compared to surveying a sample. While the entire population generates more data, the researcher will find it impossible to process, analyse and to interpret the population data to prepare a research report. In sampling, the financial resources, time, and other skilful resources can be better deployed for maximum productivity (Saunders, et al., 2009:212).

4.5.2.1 Sampling techniques

Sampling techniques can be divided into the following broad two types, probability (or representative sampling), and Non-probability (or judgemental sampling), (Babbie, 2016:186; Saunders, et al., 2009:213).

4.5.2.2 Probability sampling

Probability sampling refers to the sampling techniques in which the chance of each case being selected from the population is known and is not zero (Babbie, 2016:190; Saunders, et al., 2009:598). According to Saunders et al., (2009:222), the following five main techniques can be used to select a probability sample:

Table 4: Five main techniques used to select a probability sample

Probability Sampling Techniques	Description
Random Sampling	It is the most basic type of sampling Everyone has an equal chance of being selected (Babbie, 2016:106)
Systematic Sampling	It is a simple, periodic process. It can be carried out by selecting the first person randomly, and then selecting every second or third person who satisfies the selection criteria (Babbie, 2016:208)
Stratified Random Sampling	Method of selecting respondents based on or grouped according to age, gender, occupation, age etc. This method allows interest groups to be formed (Zikmund & Babin, 2007:215)
Cluster Random Sampling	This method enables random sampling to take place while curtailing costs, time and size. Clusters of respondents can be selected depending upon interest

	groups, organizations etc. The research population is divided into an internally homogeneous subgroup (Cooper & Schindler, 2008).

4.5.2.3 Sampling methods employed in this study

In the absence of a data on family business for the South Basin region of Kwa-Zulu Natal, initial contacts with 23 businesses were made through random telephone and physical calls on the available data base and those referred to by individual acquaintances. This was the total (initial) number that agreed to participate in the study after about 50 calls from the available directory. A total of 18 businesses were from the data base and 5 referred from acquaintances. The selection criteria were to establish if the business was (1) family owned and (2) has been operational for at least five years.

The snowball sampling and convenience approaches were employed to collect data. Snowball sampling was chosen because of the limited ability to establish a sampling frame hence the process increased the efficiency of the study. The snowball sampling method is extensively used in business research where a population is unknown and rare and is difficult to select subjects to samples for research (Saunders, et al., 2009). Snowball sampling or chain-referral sampling is a non-probability sampling technique.

Through convenient, random, and snowballing, a total of 536 questionnaires were despatched via mail and fax and 221 were returned which gave a 41.2% response rate. Each questionnaire was sent with a cover letter to guarantee the anonymity of the respondents. The sample size used in the study was therefore 221.

4.6 Gathering the research data

In this study, a quantitative data-collection method was used to address the research questions.

4.6.1 Survey questionnaire

A self-administered, structured questionnaire was used to collect data on the attitudes and perceptions of the respondents towards leadership and succession planning in family-owned enterprises. Closed-ended questions were used to sample the opinion of the owners/leaders and employees in family-owned enterprises.

A self-administered questionnaire was developed based on the information obtained from the literature review. Relevant leadership and succession planning literature as discussed in Chapters 2 and 3 were consulted and used as sources for the development of the questionnaires. The questionnaire comprised of the following 6 sections: Each one of these will be discussed next, to show the actual measure, its elements and its theoretical grounding. We start with demographic factors. The unit of study was the family business.

4.6.1.1 Sections A and B. Demographic Factors

The study wanted to have an overview of the study subjects. Questions such as, gender, age, race, and level of education of the majority owner of the business. Other demographic factors included, type of business, number of years in operation, generation of business, and type of sector. These were single item measures to be responded to. Some of these demographics were used as independent variables to assess if there were significant differences in how they influence family business factors; governance, family dynamics, leadership styles, performance, and succession planning. The select demographics were gender, age, educational level, length of business operation and family generation.

4.6.1.2 Section C. Family Dynamics (Harmony) (FD)

The elements that make up the construct “family dynamics” are shown in Table 5 and thereafter the theoretical grounding is indicated.

Table 5: Family dynamics elements

	Section C. Family Dynamics (Harmony) (FD)
1.	Communication within the family business is good.
2.	Employees share the same values
3.	The younger generation are given greater responsibilities
4.	Family members enjoy working together
5.	The family operates as a team in the business
6.	The business is obligated to offer every family member and in -laws a job
7.	Family members know where they stand in the business, in terms of opportunities and limits
8.	Family members are free and willing to openly express differences of opinion.

Family dynamics was measured by 8 elements. Respondents were asked to rank their agreement with the statements (elements) on a 5-point Likert scale representing; 1 = *Strongly agree*, 2 = *Agree,* 3 = *Neutral*, 4 = *Disagree*, and 5 = *Strongly Disagree*). This Family dynamics was constructed from the following literature:

The construct's base is Levin's (1951) Field Theory which explains the social system. The theory views family business participation as a trending behaviour that exists in a complex set-up (Riordan & Riordan, 1993). The field theory (which is a part of the systems theory) explains why relatives choose to participate in the family business and their subsequent interactions. According to Kjellman, 2014 a successful family business will attract the family members to participate actively towards the success of the business. The success of a family business relies on the existence of peaceful relationships between family members. These relationships are usually affected during the succession period and thus planning for the succession and discussing it openly reduces the occurrence of family feuds. The chosen successor should not only have business acumen but should also demonstrate the dedication to family, ensuring that positive relations are maintained (Vincent, Embugus, Idoko & Idika, 2017). Harmonious existence post succession effectively predicts a satisfying and happy life within the family network and subsequently, the maximisation of profits, growth and expansion of business enterprises (Vincent et al., 2017).

Most individuals in the family find it difficult to communicate with their relatives about matters of succession but at some point, the issue must be discussed. Communication is usually critical during these periods because, if done ineffectively, it ruins the relationship between family members (Phikiso & Tengeh, 2017). Cooper, Kidwell & Eddleston's (2013) work addresses the possible challenges that family member employees grapple with when making role shifts between their family roles and their work roles (Cooper et al., 2013). The management of family business is always analysed through the lenses of systems theory as stated in Von Schlippe & Frank (2013), although a previous article by Taguiri & Davis (1996) on intersecting structures in family businesses has been dominant in the way scholars view the family business, (Von Schlippe & Frank, 2013; Taguiri & Davis, 1996). The system theory sees the world from the dimension of the interrelationship of objects (Davies, 2018). The family-owned businesses also operate like systems and this is mostly envisioned as a relatively closed set of interactions which exist between the respondents. When a family decides to open and run a business, there is the creation of an open system which predominates and emphasises the interaction between the family and the business (Miller & Rice, 2013).

The system theory perceives the family and business as independent systems that merge at some point. The theory diagrammatically represents family businesses as two overlapping circles as they influence and affect each other (see figure: 2; Three Circle Model Tagiuri & Davis, 1982), (Barrett, 2014). According to Barrett (2014), the family may positively or negatively affect the family business. Negative influence can be seen in the firm's HR practices while positive influence is observed in the co- ordination among the entrepreneurs to elevate the business (Barrett, 2014). As pointed out earlier in the previous chapter, agency (agency theory) would likely be minimised by common family interests.

The systems theory also analyses the role of the other family members, who may be participating in the business, and the extent of their influence or their ambition over the ownership issues (Miller & Rice, 2013). The "role conflict" can be deduced from Table 2 as outlined in the Pipeline Model (Drotter, 2003).

The sustainable family business theory results from the general systems theory and gives recognition to both family and business and to their interplay in achieving mutual sustainability (Stafford et al., 1999: 721; Danes et al., 2007:192; Lee et al., 2010:106). According to this business sustainability is a function of the success of both the business and family functionality (Stafford et al., 1999:721). The theory proposes that it is possible to analyse aspects related to the owning family and the business owner that are not within the firm, but which have impacts on its results and sustainability (Stafford et al., 1999:721; Danes et al., 2007: 192). The overlapping of family and business varies from one firm to another, resulting in diverging objectives and results, which leads to the heterogeneity characterising these companies.

4.6.1.3 Section D. Succession Planning (SP)

Table 6: Succession planning elements

Section D. Succession Planning (SP)
1. A single person makes the decisions
2. The family can successfully continue running the business in the event of the key owner's sudden death
3. Necessary financial provision has been made for a loss
4. Business processes are in place to ensure continuity after retirement or death
5. A succession plan exists in the event of retirement or death
6. The necessary legal documents are in place to ensure succession
7. Business is adapting to technological advances
8. There is an active development plan for the next generation
9. The owner prepares one of the family members to succeed him/her/them
10. The offspring of the business owners receive equal shares in the business whether they work in the business or not

Respondents were asked to rate their agreement with the 10 statements (elements) in Table 6, on a 5-point Likert scale representing; 1 = *Strongly agree*, 2 = *Agree*, 3 = *Neutral*, 4 = *Disagree*, and 5 = *Strongly Disagree*).

A lot has been written on what succession planning is from which the construct's elements can be derived from. The main underlying theory for succession planning in family business could be the Agency theory. The theory focuses on the introduction of both the ownership and family business succession circle (Neubauer & Lank, 2016). It points to the inherent conflict of interest which may exist between the owner-managers and their succession plan. Further to that, the theory is mostly used in explaining the way most of the female gender are disadvantaged by their male counterparts in the succession plan and the conflict therein (Neubauer & Lank, 2016).

In the mindset of families in business, leadership succession, and thus the continuation of the business across generations, plays a crucial role in generating transgenerational value (Nordqvist & Melin, 2010). Despite being a major risk, transition to the next generation is still the least planned event within family businesses (Poulin et al., 2007).

A success factor in intergenerational succession is to prepare members of the next generation to assume the leadership role (Ward, 2011) by cultivating, developing and enhancing their knowledge, which includes the knowledge transferred from predecessor to successor (Cabrera-Suarez et al., 2001). Creating a knowledge-oriented culture requires an understanding of how to strategically manage knowledge (North & Kumta, 2014). Although knowledge transfer is essential in all daily business activities, it is particularly relevant in the succession of the firm (Trevinyo-Rodríguez & Tàpies, 2010) since knowledge must be transferred to offer new opportunities and perspectives to ensure sustainability.

The main issues covered in this brief discussion, in relation to the 10 elements, include, preparation and development of successor, knowledge transfer, equality in offspring shareholding and business continuity.

4.6.1.4 Section E. Governance (G)

Table 7: Governance elements

Section E. Governance (G)	
1.	A family council is an integral part of the family owned business
2.	The family business comprises of both internal and external people in its management
3.	There is a clear policy in place on who should serve on governance structures
4.	Non – family members are free and willing to openly challenge the leadership strategies and decisions
5.	Owners are held accountable for family council resolutions
6.	Family councils nominate qualified family members to be directors and for other governance positions of the family business
7.	Family councils serve as an effective communication link to address conflict resolution
8.	The business is evaluated on performance management

Governance consisted of 8 statements which were also measured on a similar 5-point Likert scale.

The agency theory, widely applied in corporate governance, introduces the concept of principal and agents where the CEO is the agent while the owners are the principals. The theory supposes that there is always conflict between these two entities that it attempts to resolve. The typical manager-owner conflict arises when a third party manages the family business. The role of the family (the principal one) is to influence the manager to meet the goals of the family business which may result in that manager's self-interests ultimately leading to conflict (Barrett, 2014). In adopting the theory, several instances of management threats that may arise in case of family succession feuding can be avoided. However, the fact that agencies can become a threat is often ignored (Schulze, Lubatkin, Dino & Buchholtz, 2001).

The agency theory was further refined into the behavioural agency theory (BAM) and the stewardship theory (Woodman, 2017). BAM focuses on the minimisation of risks and losses by controlling the behaviour of the agents who may be risk averse, neutral or risk seeking, depending on the business situation. Stewardship theory, on the other hand, encourages the integration of the role agents and principals for harmonious working within the business. This concept is especially important in family business where both the principal and the agents may be drawn from the family and it is important that they have a harmonious existence (Barrett, 2014; Kumeto, 2015). Woodman (2017) concludes that potential successors choose careers that align with their family business with the hope of participating in it in the future. Alternatively, observing the challenges in the business may also prompt them to take different paths that may involve working elsewhere (Woodman, 2017). Kumeto (2015) also adds that the agents in the family business make decisions that will minimise losses to protect the family's wealth.

Governance in family businesses can be viewed as the result of a set of decisions made by the dominant coalition to direct and control the behaviour of the business and family members (Carney, 2005; Steier et al., 2015; Daily et al., 2003). These governance mechanisms include developing adequate structures to satisfy family businesses main stakeholders (e.g., Freeman, 1984; Neubauer & Lank, 1998; Ward, 1991) and to be able to effectively manage the overlap between the family and business systems (Samara & Paul, 2019). These family governance mechanisms essentially include family meetings, namely family councils (Gallo & Kenyon-Rouvinez, 2005), and written documents containing certain rules in the form of constitutions, board of directors, executive committee, and family constitution (Aronoff & Ward, 1996; Gersick et al., 1997; Ward, 1987) cited in Parada, Gimeno, Samara & Saris (2020).

Implementing different governance structures have been argued, leads to enhanced performance (Gimeno et al., 2010). Structures play a critical role in this. On the one hand, Family governance is particularly important for building cohesion, developing a shared vision, and reducing conflicts (Mustakallio et al., 2002).

4.6.1.5 Section F. Effective Leadership (EL)

Elements which make up "succession planning" are shown in Table 8.

Table 8: Effective Leadership elements

Section F. Effective Leadership (EL)
1. Leaders give instructions to staff on how to carry out their work
2. Employees need to be supervised closely, or else they will not do their jobs
3. Providing guidance without pressure is the key to be a good leader
4. Effective leaders give orders and clarify procedures
5. Leadership requires staying out of the way of employees as they do their work
6. The leader is willing to take risks in-order to achieve goals
7. Leadership is the ability to get people to work for you because they want to
8. Leaders have vision and can foresee the future of the family business
9. Leader is not afraid to break the mould to find different ways of doing things
10. Leader urges an employee to work as a team with other managers/supervisors who report them
11. In general, it is best to leave subordinates alone to find solutions
12. Employees want to be part of a decision-making process
13. The leader takes a role as mentor or coach to the subordinates
14. Effective leaders motivate and inspire their subordinates
15. Effective leadership is one who can lead others to lead themselves
16. Effective leaders share consensual decision making with their subordinates
17. Effective leaders give constructive feedback to enhance subordinates task performance
18. Effective leaders believe that team members obey their leader when they accept the job
19. Effective leaders remunerate subordinates in return for their effort and compliance

Effective leadership was made up of 19 elements. We sort to find out the extent respondents agreed with the statements. This was measured on a 5-point Likert scale as the other constructs.

The construct is based on several leadership theories, most of which consider tasks to be performed and the concern for employees. These include the Situational leadership originally developed by Hersey & Blanchard (1969:26); and Blake & Mouton Leadership grid (1964). Effective leadership engages in a mix of task and relation behaviours (Shin, et al., 2011:169; Yukl, 2011:288; Yukl & Mahsud, 2010:81-93); Larsson & Vinberg (2010:317; Sharma & Jain, 2013:309).

4.6.1.6 Section G. Performance (P)

Seven elements measured performance (Table 9). Respondents were asked to rate the extend they agreed with the statements on a 5-point Likert scale. The key issues include, preserving family ownership of the business, successful wealth management which help preserve harmony and sustainability and providing meaningful jobs for family members. Performance is primarily based on the work by Caspar, et al., (2010) and is discussed in section 2.3 in detail. Figure 3 summarises the performance aspects. Additional sources include, Cesaroni, Del Baldo, Demartini & Paoloni, (2015) and Neubauer & Lank, (2016).

Table 9: Performance elements

Section G. Performance (P)
1. Critical issues such as policies, family contributions and resolving conflicts over money are discussed during family forums
2. The responsibility of the owner is to maintain control and ensure that there is enough capital to make the business viable and sustainable
3. The owner's responsibility is to regulate ownership issues that is how shares can and cannot be traded inside and outside the family for sustainability
4. Family members monitor performance diligently where they draw knowledge from a long history in the industry
5. Successful family businesses seek steady long-term growth and performance to avoid risking the family's wealth and control of the business
6. By diversifying risk and providing a source of cash to the family with liquidity events, successful wealth management helps preserve harmony and sustainability
7. Charity is an important element in keeping families committed to the business by providing meaning full jobs for the family members

There were 61 items in total. A 5-point Likert scale (strongly agree, agree, neutral, disagree and strongly disagree) was used to obtain the perceptions of the respondents on each item of section C to G of the questionnaire

4.6.2 Pilot study

Conducting a pretest with the questionnaire is a step to minimize problems before the actual data collection begins (Bryman & Bell, 2015:35; Wiid & Diggines, 2015:98). One of the first ways to check the instrument is to read it over to see if there are any uncertain or vague questions. Then, after this preliminary check, a pretest or trial run of the data collection method is conducted. The questionnaire is generally revised or rewritten if the pretest indicates that changes are needed (Bryman & Bell, 2015:35; Wiid & Diggines, 2015:98).

The pre-test for this study was conducted using a convenience sample of 10 business owners in the South Durban Basin of KwaZulu-Natal. The aim was primarily to ensure the clarity of the questions and to measure whether the questionnaire could be completed within a reasonable period (about 15 minutes), and secondly, to elicit some comments about the content validity, as respondents were asked to describe any difficulties, they had in completing the questionnaire accurately.

The survey instrument was modified based on comments and suggestions made by the pre-test subjects. Re-wording of the questionnaire was necessary to remove any jargon, inconsistencies or leading questions. The 10 pretest respondents were not included in the final study. The final questionnaire appears as Annexure A.

4.7 Research Variables

Since knowledge of dependent and independent variables is needed to advance theory building, this section focuses attention on the variables that were measured in this study to gain insight into family businesses operate Chua et al., (2003). The findings are described and discussed in the next chapter.

The following tables illustrate the dependent and independent variables measured in this study. The theory constructs for each hypothesis have been extensively dealt with in Chapters 2 and 3 and therefore will not be repeated here.

This was justified since the intervals between the responses (e.g., 1 = *Strongly agree*, 2 = *Agree*, 3 = *Undecided*, 4 = *Disagree*, and 5 = *Strongly Disagree*) are generally assumed by social scientists

4.8 Validity and reliability

The two research elements, validity and reliability are important in quantitative studies. They form the scientific base for the acceptance of a study.

4.8.1 Validity

Validity determines whether the research truly measures that which it was intended to measure, or how truthful the research results are. Validity can be defined as an overall evaluative judgement of the extent to which empirical evidence and/or the theoretical rationale support the adequacy and appropriateness of interpretations and actions based on data generated through any means; whereas reliability can be defined as the extent to which results are consistent over time; the degree to which a measurement, given repeatedly, remains the same. Internal validity seeks to demonstrate that the explanation of an event, issue or set of data which a researcher provides can be sustained by the data (Bryman & Bell, 2015:29; Wiid & Diggines, 2015:145). To some degree, this concerns accuracy, which can be applied to quantitative and qualitative research. External validity refers to the degree to which the results can be generalised to the wider population, cases, or situations (Bryman & Bell, 2015:30; Wiid & Diggines, 2015:144).

Validity is an important key to effective research (Zikmund, et al., 2015:304). It is about whether the findings are really about what they appear to be about (Saunders, et al., 2009:157). The validity of the data was assessed through the following stages:

- **Face validity** which refers to the conformity that a question, scale or measure appears logically to reflect the accuracy of what it is intended to measure (Zikmund, et al., 2015:303; Saunders et al., 2009:592). In short, face validity refers to whether the questionnaire superficially appears to make sense (Saunders, et al., 2009:394). Face validity was ensured by extracting questions that are in line with the literature review.
- **Content Validity** shows that the questionnaire covers the field that it is supposed to cover (Babbie, 2016:150; Zikmund, et al., 2015:304). Each section of the questionnaire dealt with the research objective as described in Chapter 1 and the subject content in Chapters 2 and 3.
- **Criterion Validity** refers to the prediction of some outcome or estimation of the existence of some current condition (Babbie, 2016:149; Zikmund, et al., 2015:304; Kothari, 2004:74). In other words, criterion-related validity is concerned with the ability to measure the questions to make accurate predictions (Saunders, et al.,

2009:373). The accuracy of predictions was made by using the Likert scale throughout the questionnaire.

- **Concurrent Validity** measures how well the results of the test coincide with the results of other tests or instruments which are assessing the same performance simultaneously (Zikmund, et al., 2015:304; Cohen, et al., 2007:163).

4.9 Elimination of bias

Researcher bias is a form of response bias that occurs whenever there is a flaw in a survey's research design or when any tendency prevents unprejudiced consideration of a question. This systematic error can be caused by problems with various aspects of a study's research methodology (Babbie, 2016:252).

In research, bias occurs when "systematic error is introduced into sampling or testing by selecting or encouraging one outcome or answer over others" (Babbie, 2016:235). Bias can occur at any phase of research, including study design or data collection, as well as in the process of data analysis and publication.

Bias is a form of systematic error, and there are innumerable causes. The causes of bias can be related to the way study subjects are chosen, the method in which study variables are collected or measured, the attitudes or preferences of an investigator, and the lack of control of confounding variables (a distortion of observed associations by additional, sometimes not readily apparent, variables). In epidemiologic terms bias can lead to incorrect estimates of association, or, more simply, the observed study results will tend to be in error and different from the true results (Rothman, 2002:126). Bias should be considered primarily a function of the study process (i.e., design and methods) and not of the results (Szklo & Nieto, 2000:151).

In this study, bias was avoided at every stage of the research process as follows:

- The instrument was carefully designed to cater for the needs of all respondents
- The researcher ensured that the correct questions were asked when formulating the research instrument.
- The researcher endeavoured to select the most appropriate respondents even though convenience sampling was used to make up for shortfalls in the target population.
- The researcher clearly defined the respondent requirements to meet the survey objectives before beginning of the study.

- All potential respondents were given an equal chance to participate in the survey.
- To avoid misinterpreting the data results a qualified statistician was employed to help with the analysis and interpretation of the data. This form of bias is caused by gathering information and then later developing a data analysis strategy. To avoid this type of bias, the researcher created a data analysis plan before preparing the survey.
- The questionnaire was written in English, as all employees understand the language since it is the formal written and spoken language used.
- Finally, the questionnaire made no discriminatory difference as regards to gender, race or physical condition.

4.10 Ethical Considerations

Saunders et al., (2009:193) state that there are a certain number of ethical issues which are associated with data collection. In a general manner, the research population should not be embarrassed, disadvantaged or undergo any kind of harm (Saunders, et al., 2009:160).

- **Ensuring respondents have given informed consent**

It is important that respondents agree to participate in a research (Babbie, 2016:62; Saunders, et al., 2009:190). However, participating in a research does not always imply that the respondent has given consent about the use of data (Babbie, 2016:63; Saunders, et al., 2009:190).

- **Obtaining informed consent**

One of the foundations of research ethics is the idea of informed consent. Simply put, informed consent means that respondents should understand that (a) they are taking part in research and (b) what the research requires of them. Such information may include the purpose of the research, the methods being used, the possible outcomes of the research, as well as associated demands, discomforts, inconveniences, and risks that the respondents may face (Babbie, 2016:63; Saunders, et al., 2009:193).

In this study, no respondent was forced to respond to the questionnaire and all respondents were informed about the nature of the study prior to completing the questionnaire.

The purpose of the study and what the questionnaire was about were briefly explained to the respondents. Each questionnaire was accompanied by a cover letter which indicated the voluntary and confidentiality aspect of the research. Another component of informed consent is the principle that should be volunteers, taking part without having been coerced and deceived. All respondents were advised that they could withdraw from the study at any time without adverse implications.

- **Ensuring no harm comes to the participant**

A potential respondent might feel that he or she can be disadvantaged or undergo prejudice by participating in a research, or even feel that his or her privacy is being intruded (Babbie, 2016: 63; Saunders, et al., 2009:193). There are several types of harm that respondents can be subjected to (Babbie, 2016:211). These include:

- Physical harm to respondents,
- Psychological distress and discomfort,
- Social disadvantage,
- Harm to respondents and
- An invasion of' respondents' privacy.

Avoiding mental harm includes treating subjects with respect and reporting findings in a respectful way in research publications.

How sensitive a subject matter is and what the limits of privacy are, depend primarily on the research subjects themselves. If the subjects know what matters will be dealt with based on the information that is supplied to them, by giving consent they have demonstrated their willingness to participate in the study while being aware of the study's scope and methods. If subjects participate in a study by writing about their experiences or answering a questionnaire, they regulate their own participation by avoiding matters and questions that they consider damaging or harmful.

People experience things in different ways. The same research questions or topics can arouse different reactions in different people. Research situations can and may include the same kind of mental strain and feelings (disappointment, joy, sadness, hate, shame, frustration, etc.) as in everyday life in dealing with different aspects of human life.

If a study includes interaction with subjects (respondents' observation, experimental study, questionnaires), subjects must be treated politely and with respect for their human dignity.

In this study, the researcher ensured that the principle of voluntary participation was also observed in situations where there was interaction with subjects. A subject's annoyance, embarrassment, fearfulness, or physical fatigue can be enough grounds for the researcher to discontinue the study as far as the subject is concerned, even if the subject does not expressly refuse to continue. It was essential for the researcher to be observant and vigilant to ensure that respondents were participating voluntarily when questioning them in the workplace. Unnecessary mental strain can be avoided by testing in advance how much time subjects' participation will take (Babbie, 2016:64-65).

- **Ensuring confidentiality and anonymity repetition**

It should be ensured that the identity of all respondents is protected (Saunders, et al., 2009:194). As such, all information which can give away anonymity should be kept confidential (Saunders, et al., 2009:194). Data collected were kept confidential and were protected.

Whilst it is possible that research respondents may be hurt in some way if the data collection methods used are somehow insensitive, there is perhaps a greater danger that harm can be caused once data has been collected. This occurs when data is not treated confidentially, whether in terms of the storage of data, its analysis, or during the publication process. In this study, the researcher sought the permissions of all respondents for use of confidential information as part of the research findings.

All respondents were assured that identifiers (e.g., vernacular terms, names, geographical cues, etc.) will be removed from the final document. In this way, according to Babbie, (2016:66) anonymity and confidentiality will be ensured and sustained.

- **Ensuring that permission is obtained**

It is important that permission is obtained to use the name of an organization, to undertake research within the organisation and to identify respondents within that organisation (Saunders, et al., 2009:173). Written permission was obtained to proceed with the research. And finally, during the data collection phase, the researcher identified herself and provided accurate information regarding the study and its envisaged contributions to leadership and succession planning in family-owned enterprises. All respondents volunteered to participate in the study as they were comfortable and secure that no harm would befall them.

An ethics clearance letter was obtained from the university on the 21st July 2016.

4.11 Conclusion

In this chapter, the research methodology and design used to obtain the relevant data required for the study was justified. The sampling strategy was discussed and substantiated, the choice of the research instrument was discussed, and the data analysis was described. Furthermore, the pilot testing and the validity and reliability tests performed were described. The variables are clearly identified and tabled. Finally, the measures taken to adhere to the ethical aspect of the study were laid out.

In the next chapter, the results obtained from the research will be analyzed. The analysis of the results will be presented together with the discussion and the interpretation of the findings.

CHAPTER 5: RESEARCH FINDINGS

Introduction

The purpose of the study was to ascertain whether there are effective leadership and succession planning mechanisms in place to sustain business success and survival in family-owned businesses in the South Basin Region of KZN. This chapter presents the demographics of respondents, reliability tests, and statistical tests as well as the findings of the primary study in the form of tables and graphs. The research findings are also discussed in this chapter. The findings are based on data collected from 221 respondents. The data collected from the responses was analysed with SPSS version 24.0.

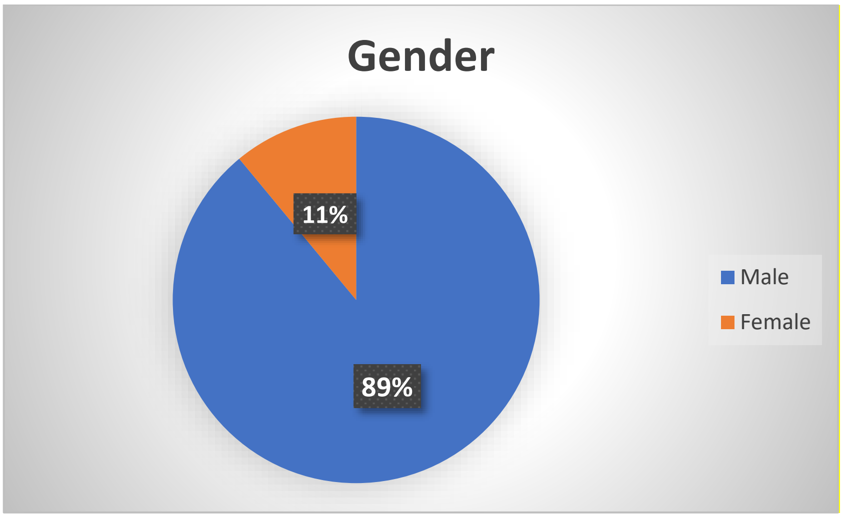
5.1 Descriptive statistics

This section focuses on the descriptive analysis and summarizes the demographic characteristics of the respondents as well as characteristics related to the business. The demographic characteristics serves as an important measure to determine gender, age, the dominant racial groups and highest levels of education distributions in family-owned businesses. In addition, the type of business, number of years in operation, generation of business, and the sector in which the businesses are operating is also analysed. Gender analysis is presented first.

5.1.1 Gender

The aim was to determine the gender distribution of the business respondents in order to establish if there is gender parity in the sample. This is particularly important in determining the gender ownership positions in family-owned business. Figure 10 below shows the overall gender distribution.

Figure 8: Gender of the respondents

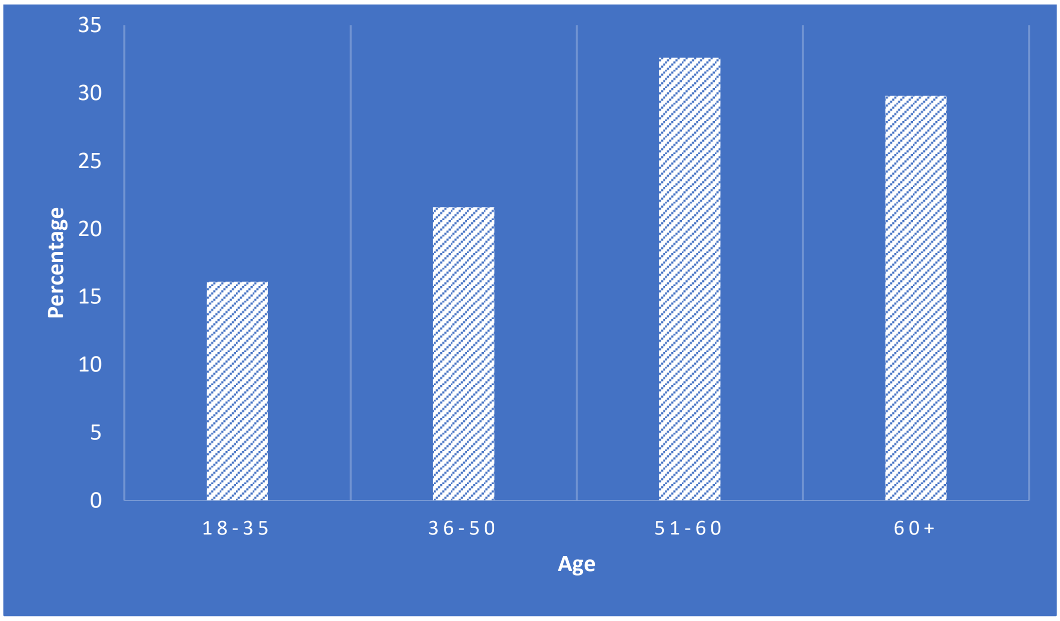


The figure indicates that 89% of respondents were males whilst females only accounted for 11% of the respondents. This is indicative of the status quo and prevalence of male dominance within family-owned businesses. It can be concluded that family-owned businesses in the South Basin Region of Kwazulu-Natal are largely patriarchal in nature.

5.1.2 Age of owner

Figure 10 shows the overall age distribution. The aim was to determine the age of the business owners and the results indicates that the age group with the highest percentage were the 51 – 60 years (32.6%) and followed by the 61 years and older (29.8%). The youth owned (18-35 years) businesses comprise only about 15% of the sample. This distribution reflects the need and importance of succession planning and good leadership. Majority ownership is in older age groups (likely to retire first), but it is also this group who has the expertise and business acumen accumulated over the years. In these circumstances, succession planning becomes an imperative.

Figure 9: Age distribution of respondents



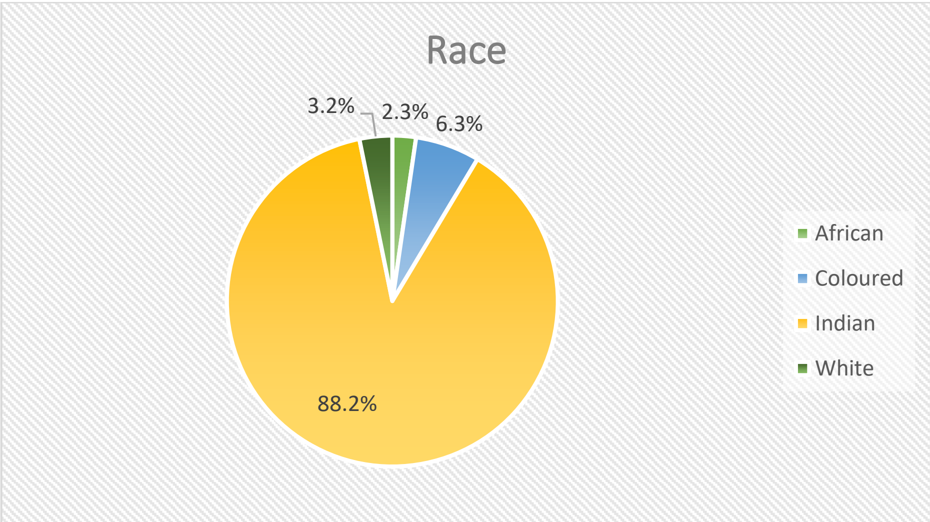
5.1.3 Race

Figure 11 shows the racial compositions of the sampled respondents. The race of the respondents was specifically asked to determine the percentage of profiles in the South Basin

Region of KZN. Although most respondents are of Indian origin, this does not suggest the correlation between family-owned business and race. It is a known fact that the South Durban Basin of KZN was historically a former Indian township. This might be one of the attributes to explain the outright domination of one race. The table below indicates that 88.2% of respondents were of the Indian Origin.

There were significantly more Indian respondents (88, 2%) than the other racial profiles. Reason being that in the areas of Jacobs, Merebank and Chatsworth, the Indian businesses were of a larger population and in the majority. The racial group with the second largest percentage was Coloureds (6, 3%). This, therefore, re-emphasizes the fact why there are fewer Africans and Whites family business in the area under discussion.

Figure 10: Racial composition of respondents

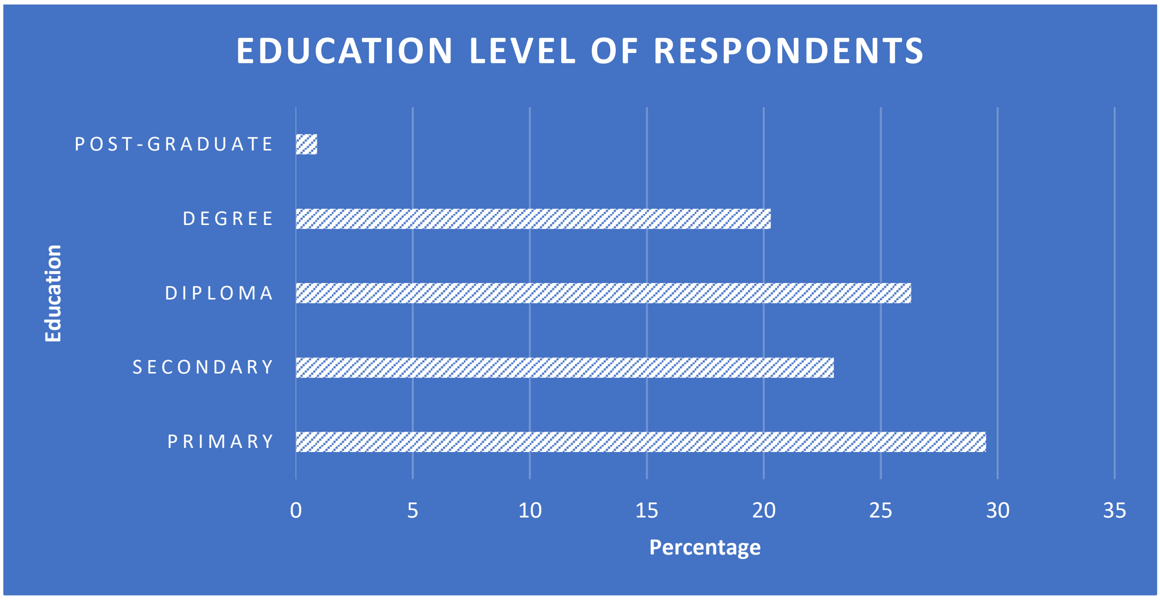


The statistics from the eThekwini report dated 30 March 2009, revealed the racial profiles within the South Basin Region as skewed by removals during the apartheid regime (Phakama Consortium, 2006). Census 2001 reported on the dominant language being English (50% being their home language) whilst the other languages include IsiZulu (27.5 %) and a very small percentage of Afrikaans. However, the original intention of the study was kept, to accommodate the other smaller racial groupings (ownership), and because of this result, the generalization of results should be kept in mind as this is one of the limitations of the study.

5.1.4 Educational level

Figure 12 shows the education levels of the respondents in the family businesses. Gauging from the status of results on age distribution, one sees a trend of the 61 years and above (33. %) and (31%) being between the ages of 51-60 years having stability and strong foundations in running the family business. Hence, the highest qualification was the level of primary education (29.5%), followed by post-secondary (22.9%), and degree (20.2%). This clearly denotes that experience and wisdom capacitated over the years cultivated the overall knowledge management in the mechanics of the family business. Most of the respondents have primary and secondary school education. Education is assumed to influence succession planning and type of leadership style.

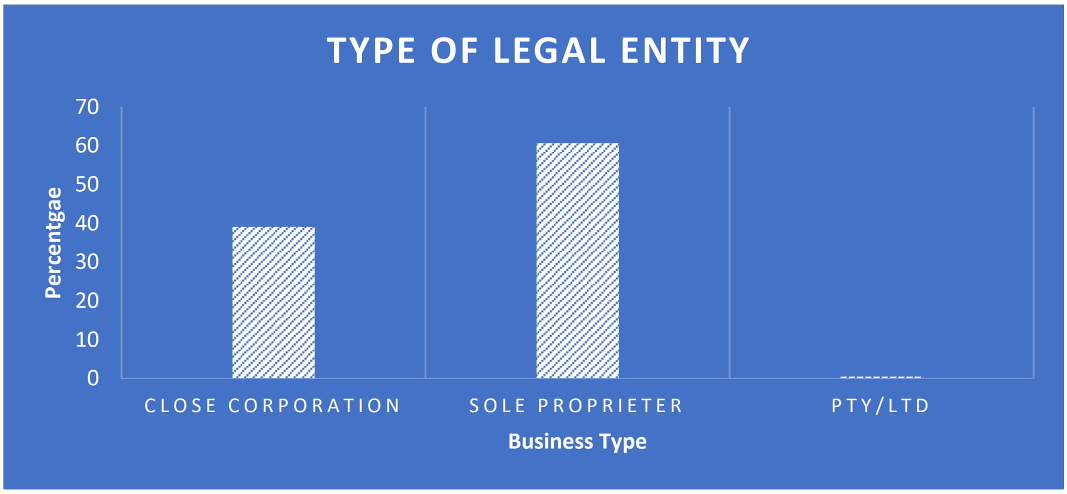
Figure 11: Education Level of respondents in Percentage



5.1.5 Type of business ownership

Figure 13 shows the type of business ownership. Type of ownership of the business is important in understanding who the active owner is and whether there are multiple ownerships or a single individual making the business decisions. There were more sole proprietors (60.6%) as compared to close corporation (39.0%) and private limited companies (Pty Limited) (0.5). This was consistent with previous studies which revealed that most businesses are sole proprietors, are in retailing, 10 to 19 years old, at the first generation with about 3 full-time family member employee (Venter, Boshoff & Maas, 2005). The fact that nearly 40% of the businesses are incorporated, is an indication of a bit of sophistication in how the businesses are operated. There are several statutory requirements for close corporations. Governance levels are expected to be higher in the incorporated entities.

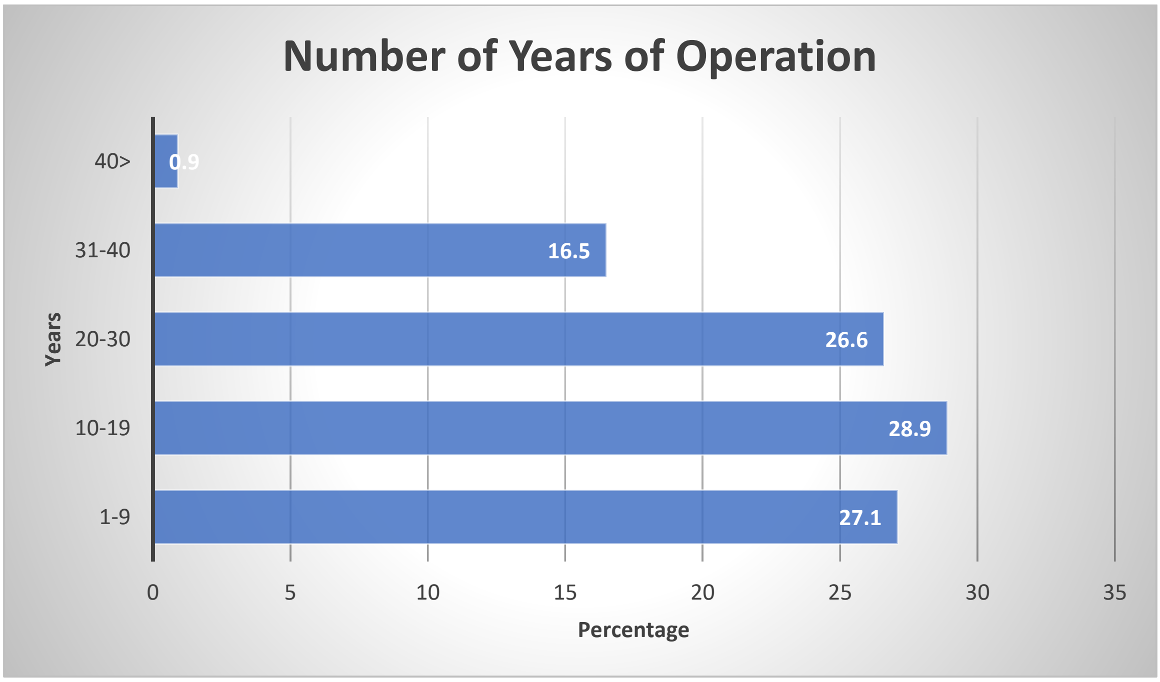
Figure 12: Type of Ownership of the Business



5.1.6 Number of years in operation

Figure 14 shows that 28.9% of the respondents were in existence for more than 10 years, 27.1% for 5 to 9 years and 26.6% for more 20 to 30 years. Family businesses tend to focus on the firm's long-term sustainability rather than realizing short-term profits and on realizing generational changes in ownership and management. The fact that 73% of the businesses are older than 10 years reflects a good sample to assess succession. In line with this, family businesses are on average older than non-family businesses (Rautiainen, 2012: 39).

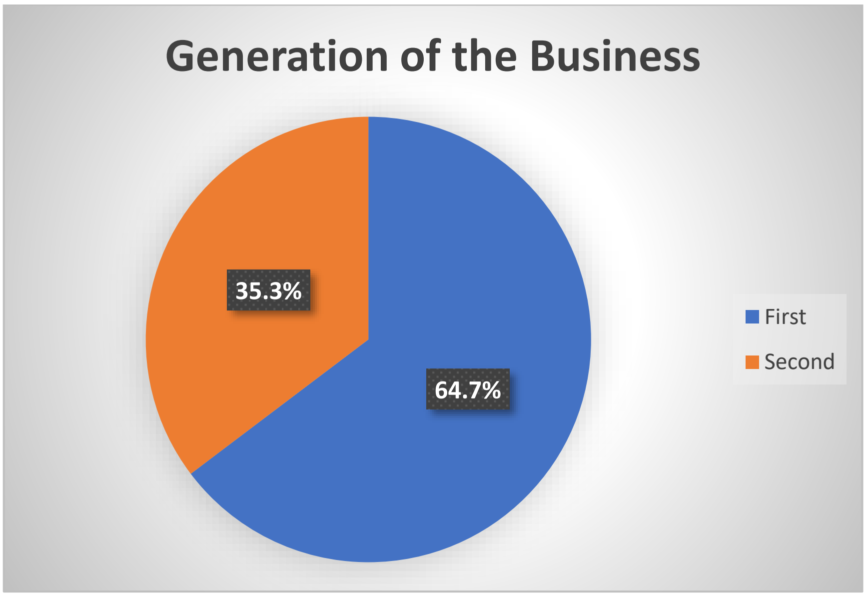
Figure 13: Number of years in operation



5.1.7 Generation of Business

Beckhard & Dyer (1983) asserted that only about 30% of the family businesses make the transition to the second generation. Although respondents were provided with up to fourth generation, responses were only limited to the first and second generation with 64.3% and 35.7%, respectively, as illustrated in the figure below.

Figure 14: Generation of the business



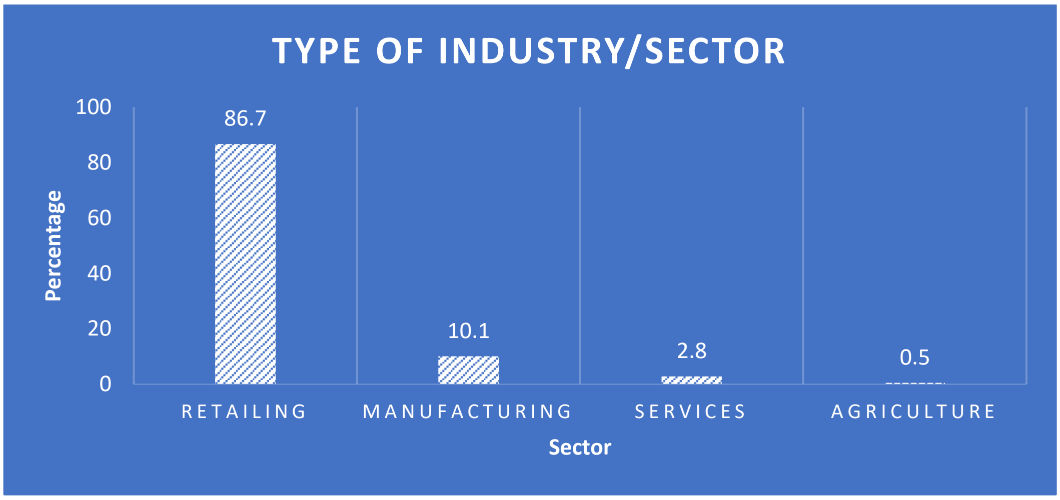
The results are to some extent comparable to research that suggests that only 30% of family firms in the USA and in the UK survive into the second generation of family ownership. The fact that very few family businesses survive beyond the first generation is thus rather universal and independent of cultural context or economic/business environment.

According to Bjuggren & Sund (2001:16), a reason for the low survival rate amongst family businesses is the practice by families in handing over their businesses to their offspring's, instead of to more competent professional managers. It was suggested that the third generation, being born with a silver spoon, lack the drive to sustain, let alone expand the family business. Instead, they take the accomplishments of their parents and grandparents for granted and concentrate on enjoying the fruits of labour of their ancestors. Several studies in succession planning have been conducted to identify the factors that are important to ensure a successful hand over of a family business from one generation to another. Studies have also suggested that failures and break-ups of family businesses occur due to power struggles and internal feuds amongst siblings and members of the extended family (Klein, 2000:162).

5.1.8 Type of sector

Figure 16 shows the type of ownership of the business. Significantly more respondents were involved with retailing (86.7%). The results for manufacturing are 10.1%, services 2.8% and agriculture, 0.5%. This is a good reflection of the type of businesses in the South Durban Basin of KZN.

Figure 15: Type of industry/sector the business operations are concentrated



5.2 Construct validation

5.2.1 Factor analysis

Prior to the factor analysis the internal consistency of the survey items (i.e. the 61 questions were tested by computing the Cronbach's alpha measure. The measure determines the reliability of the responses and more specifically, alpha is a lower bound for the true reliability of the survey. Mathematically, reliability is defined as the proportion of the variability in the responses to the survey that is the result of differences in the respondents. That is, answers to a reliable survey will differ because respondents have different opinions, not because the survey is confusing or has multiple interpretations. The computation of Cronbach's alpha is based on the number of items on the survey (k) and the ratio of the average inter-item covariance to the average item variance.

$$\alpha = k\left(\frac{cov}{var}\right)1 + \ (k-1)\left(\frac{cov}{var}\right)$$

Under the assumption that the item variances are all equal, this ratio simplifies to the average inter-item correlation, and the result is known as the Standardized item alpha (or Spearman-Brown stepped-up reliability coefficient).

$$\alpha = kr1 + (k-1)r$$

5.2.2. Results of the Cronbach's Alpha and KMO measures and Bartlett's test of Sphericity

The initial measure of Cronbach's alpha was computed to test the internal consistency of the questionnaire. Field (2009) advises that a Cronbach's alpha of 0.8 is considered reliable. The results for the Cronbach's alpha measure are indicated in table 10.

Table 10: Cronbach's Alpha for internal consistency for the Employer/Owner (all variables)

	Reliability Statistics		
	Cronbach's Alpha[1]	**Cronbach's Alpha Based on Standardized Items**	**N of Items (variables)**
Questionnaire	0.815	0.811	61

The resulting output of 0.815 for the employer questionnaire thus indicates that the questionnaire is reliable, and deletion of certain items (variables) would not have had much impact on the Cronbach's Alpha. This also qualifies all variables (related to the constructs) that are included in the questionnaire, are eligible for inclusion.

A factor analysis was conducted to determine if the items in each of the constructs are effectively grouped together. Factor analysis is a statistical technique whose main goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent several questions with a small number of hypothetical factors. For example, as part of a national survey on political opinions, respondents may answer three separate questions regarding environmental policy, reflecting issues at the local, state and national level. Each question, by itself, would be an inadequate measure of attitude towards environmental policy, but *together* they may provide a better measure of the attitude. Factor analysis can be used to establish whether the three measures do, in fact, measure the same thing. If so, they can then be combined to create a new variable, a factor score variable that contains a score for each respondent on the factor. Factor techniques are applicable to a variety of situations. A researcher may want to know if the skills required to be a decathlete are as varied as the ten events, or if a small number of core skills are needed to be successful in a decathlon. You need not believe that factors exist in order to perform a factor analysis, but in practice the factors are usually interpreted, given names, and spoken of as real things.

For factor analysis the matrix tables (with resulting factors) are preceded by a summarised table that reflects the results of Kaiser-Meyer-Oklin (KMO) measure of sampling adequacy which indicates the proportion of variance in your variables that might be caused by underlying factors and the Bartlett's Test of Sphericity which hypothesises that your correlation matrix is an identity matrix, which would indicate that your variables are unrelated and, therefore, unsuitable for structure detection. The requirement is that KMO measure should be greater than 0.50 and high values (close to 1.0) generally indicate that a factor analysis may be useful with your data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful. For the Bartlett's Test of Sphericity values less than 0.05 of the significance level indicate that a factor analysis may be useful for your data. In all instances if the conditions are satisfied factor analysis may be the suitable analysis procedure.

There are two main types of factor analysis (Babbie, 2016: 473-475; White & McBurney, 2013: 289), these are:

- Principal component analysis, that provides a unique solution so that the original data can be reconstructed from the results. Thus, this method not only provides a solution but also works the other way around, i.e., provides data from the solution. The solution generated includes as many factors as there are variables.
- Common factor analysis which uses an estimate of common difference or variance among the original variables to generate the solution. Due to this, the number of factors will always be less than the number of original factors. So, factor analysis refers to common factor analysis.

In this instance the technique of common factor analysis appeared to be most effective. As opposed to a global factor analysis which discusses the entire study (all 61 questions considered for factor analysis), a factor analysis was conducted on each of the constructs indicated in the study.

Before the analysis was carried out the suitability of the data to conduct factor analysis was assessed. Several research advises that for data to be suitable to conduct factor analysis, the sample size of the data should be 200 and above and since the sample for the study consists of 213 cases, the suitability of the data is therefore confirmed. When conducting factor analysis, the initial step would be to determine the correlation between the variables/constructs under discussion. If the variables are correlated the extent of such correlation should also be determined. Tabachnick & Fidell (2001) advises that factor analysis producing correlations less than 0.3 is questionable and that a substantial number of variables should be correlated.

The results of the correlation matrix for each construct indicated a substantial number of large correlations which thus confirms the appropriateness of common factor analysis. (See Appendix A: Construct correlations).

Based on the information indicated above the KMO and Bartlett’s Test of Spherity were conducted on the 5 constructs. Results are as per table 5.4.1 below.

Table 11: KMO and Bartlett’s Test of Sphericity (Business/Owners)

		Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Bartlett's Test of Sphericity		
			Approx. Chi-Square	df	Sig.
C	The Family Dynamics	0.765	722.323	28	0.000
D	Succession Planning	0.847	1492.877	45	0.000
E	Governance	0.690	812.279	21	0.000
G	Effective Leadership	0.725	1480.287	120	0.000
H	Performance	0.571	368.918	28	0.000

All the KMO measures of the five constructs discussed in the business/owner’s questionnaire was above 0,5 and thus satisfy the criteria as discussed above. The significance levels for the Bartlett’s test of Sphericity were below 0,01 therefore indicating the significance of the constructs and the ability of the study to continue with the conducting of factor analysis.

5.2.2: Factorial design

Factorial design is used because several factors are involved. The method allows for analysis of several independent variables and several dependent variables in a single study. This is cost effective and effective in utilizing capital .This study is multidimensional and so it is reasonable to study the several dimensions and their relationships simultaneously, instead of studying one variable at a time.

According to Cooper & Schindler (2001:475) exploratory data analysis (EDA) simplifies the goal of learning about data as much as is possible. It provides a perspective and set of tools for searching for clues and patterns.

Table 12: Factor loadings for family dynamics

Rotated Component Matrix[a]			
C	Component		
	Team effectiveness 1	Responsibilities 2	Values 3
Communication within the family business is good.	0.579	0.506	0.256
Employees share the same values	0.172	-0.053	0.812
The younger generation are given greater responsibilities	0.400	0.638	0.251
Family members enjoy working together	0.906	0.234	0.042
The family operates as a team in the business	0.915	0.149	0.061
The business is obligated to offer every family member and in -laws a job	-0.027	0.270	0.691
Family members know where they stand in the business, in terms of opportunities and limits	0.266	0.839	0.100
Family members are free and willing to openly express differences of opinion.	0.080	0.822	0.017
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

Family Dynamics as a construct was designed to measure the effects of Family Dynamics within the communication of family-owned businesses. Component one contains eight variables or more than 42% of the total variables included in the study. Three variables load in the good to excellent range. Four variables, representing 38% of the total variables, load at .20 or higher in component two. Four of the variables load in the good to excellent range. In component three, there are two loadings representing 39% of the total variables while others are in the fair range.

The resultant variables generated three components i.e., team effectiveness, responsibilities, and values with approximately 71.73 of the variance are explained by the 3 components with Cronbach's Alpha of the eight items (0.815) and the eigenvalues (of the first 3 items are greater than 1and therefore should be retained. The alpha coefficient for the eight items is 0.815, suggesting that the eight items have relatively high internal consistency ***Resulting in each factor being good and reliable.***

Table 13: Factor loadings for Succession Planning

Rotated Component Matrix[a]		
	Component	
D	Succession 1	Business Continuity 2
A single person makes the decisions	-0.217	0.636
The family can successfully continue running the business in the event of the key owners’ sudden death	0.475	0.593
Necessary financial provision has been made for a loss	0.496	0.653
Business processes are in place to ensure continuity after retirement or death	0.793	0.102
A succession plan exists in the event of retirement or death	0.933	0.016
The necessary legal documents are in place to ensure succession	0.909	0.095
Business is adapting to technological advances	-0.029	0.717
There is an active development plan for the next generation	0.883	0.064
The owner prepares one of the family members to succeed him/her/them	0.891	0.151
The offspring of the business owners receive equal shares in the business whether they work in the business or not	0.686	-0.232
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

Succession planning as a secondary objective was designed to measure whether succession planning is an important consideration for family-owned businesses. Component one contains ten variables or 50% of the total variables included in the study. Six variables load in the good to excellent range while others load in the range of 0.20 and above. Four variables, representing 60% of the total variables, load at .60 or higher in component two. While the remaining of the variables load in the fair range. The resultant variables generated two components i.e. succession and business continuity with approximately 66.83 of the variance explained and the eigenvalues of the first 2 items are greater than 1and therefore should be retained.

The alpha coefficient for the ten items is (0.815), suggesting that the 10 items have relatively high internal consistency. ***The measure is therefore structurally sound and reliable.***

Table 14: Factor loadings for Governance

Rotated Component Matrix[a]		
E	Component	
	Family council 1	Governance 2
A family council is an integral part of the family owned business	0.745	-0.068
The family business comprises of both internal and external people in its management	-0.281	0.757
There is a clear policy in place on who should serve on governance structures	0.087	0.713
Non – family members are free and willing to openly challenge the leadership strategies and decisions	0.063	0.897
Owners are held accountable for family council resolutions	0.902	0.033
Family councils nominate qualified family members to be directors and for other governance positions of the family business	0.927	0.016
Family councils serve as an effective communication link to address conflict resolution	0.830	-0.058
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

Governance as a construct was designed to measure whether there is existence of a family council and if there was a policy in place and further to this whose accountability was it for council resolutions variables. Component one contains seven variables or 60% of the total variables included in the study. Four variables load in the good to excellent range. Four variables, representing 38% of the total variables, load at .20 or higher in component two. Three of the variables load in the good to excellent range.

The resultant variables generated two components i.e., family council and governance approximately 66.83% of the variance are explained by the 2 components i.e., succession and business continuity and the eigenvalues of the first 2 items are greater than 1 and therefore should be retained. The alpha coefficient for the five items is (0.815), suggesting that they have relatively high internal consistency. ***Resulting in each factor being good and reliable.***

__Table 15: Factor loadings for Effective Leadership__

Rotated Component Matrix[a]					
G	Component				
	1	2	3	4	5
Leaders give instructions to staff on how to carry out their work	0.660	0.141	-0.012	-0.154	0.369
Employees need to be supervised closely, or else they will not do their jobs	-0.075	-0.293	0.097	-0.229	0.734
Effective leaders give orders and clarify procedures	0.255	0.057	0.018	-0.083	0.751
Leadership requires staying out of the way of employees as they do their work	0.062	0.207	-0.025	0.641	-0.228
The leader is willing to take risks in-order to achieve goals	0.214	0.183	0.684	0.026	0.390
Leadership is the ability to get people to work for you because they want to	0.277	0.795	-0.069	0.156	-0.152
Leaders have vision and can foresee the future of the family business	0.743	0.237	0.311	0.138	0.099
Leader is not afraid to break the mould to find different ways of doing things	0.768	0.231	0.309	0.091	-0.103
In general, it is best to leave subordinates alone to find solutions	0.106	0.171	-0.058	0.805	-0.150
Employees want to be part of a decision-making process	0.022	0.151	-0.054	0.819	0.012
The leader takes a role as mentor or coach to the subordinates	0.088	-0.017	0.851	-0.171	-0.058
Effective leaders motivate and inspire their subordinates	0.335	0.078	0.836	0.003	-0.020
Effective leadership is one who can lead others to lead themselves	0.368	0.419	0.212	0.222	-0.273
Effective leaders give constructive feedback to enhance subordinates task performance	0.499	-0.130	0.274	0.267	0.129
Effective leaders believe that team members obey their leader when they accept the job	-0.396	0.721	0.190	0.327	0.199
Effective leaders remunerate subordinates in return for their effort and compliance	0.264	0.802	0.107	0.214	-0.058
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 10 iterations.					

Effective Leadership as a secondary objective and a construct was designed to measure which leadership orientation is most likely to plan for succession and to identify which leadership style is more inclined in developing and implementing a succession plan. Component one contains nineteen variables or 42% of the total variables included in the study. Four variables load in the good to excellent range. Three variables, representing 38% of the total variables, load at 0.20 or higher in component two. Four of the variables load in the good to excellent range. In component three, there are four loadings representing 39% of the total variables while three variables load in an excellent range. In the case of component four, only three variables load in an excellent range while four others are in fair range. In component five, only two variables are in good range while others are in the fair range.

The initial construct had nineteen items, however when rotated the resultant variables generated three new components i.e., Middle of the Road (EL6, EL13 and EL 14) as a new construct with Cronbach's Alpha of 0.797 for the above 3 statements having a variance of 0.009 . The Team Management style as a new construct comprised of statements i.e., EL8, EL 9 and EL 17 whereby Cronbach's Alpha was 0.763 for the 3 items with a variance of 0.049 and Task Management as new construct comprised of EL 2, EL 5, EL 10 AND EL 11 with Cronbach's Alpha at 0.696 for the 4 items with a variance of 0.005. Hence all variables loaded high on the respective components. ***The results are indicative of a positive outcome and reliable.*** It should be noted that the terms Team management style and Task management style may be replaced by Team leadership and Task leadership respectively. They are assumed to mean the same thing in this study.

Table 16: Factor loadings for Performance

Rotated Component Matrix[a]			
H	Component		
	Ownership 1	Responsibility 2	Profits 3
How would you characterize your business' profits in the last years?	-0.043	-0.141	0.621
Critical issues such as policies, family contributions and resolving conflicts over money are discussed during family forums	0.039	0.059	0.862
The responsibility of the owner is to maintain control and ensure that there is sufficient capital to make the business viable and sustainable	0.143	0.723	0.039
The owners responsibility is to regulate ownership issues that is how shares can and cannot be traded inside and outside the family for sustainability	0.839	0.085	0.013
Family members monitor performance diligently where they draw knowledge from a long history in the industry	-0.168	0.822	-0.004

Successful family businesses seek steady long-term growth and performance to avoid risking the family's wealth and control of the business	0.088	0.792	-0.220
By diversifying risk and providing a source of cash to the family with liquidity events, successful wealth management helps preserve harmony and sustainability	0.869	-0.091	0.188
Charity is an important element in keeping families committed to the business by providing meaning full jobs for the family members	0.709	0.091	-0.353
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

Performance as a construct was designed to measure whether there was sufficient capital to ensure the business is viable for sustainability which resulted in three components i.e., ownership , responsibility, and profits with approximately 65.40 of the variance explained by the three components and the eigenvalues of the first 3 items are greater than 1 and therefore should be retained. Component one contains eight variables or 42% of the total variables included in the study. Only three variables load in the good to excellent range. In component two, three of the variables load in the good to excellent range. In component three, two are four loadings representing 39% of the total variables. Nunnally & Bernstein (1994), Tabachnick & Fidell (2001), and Stevens (2009) advised caution when interpreting components with few variables. According to Stevens (2009), components with at least four loadings greater than .60 or at least three loadings greater than .80 are considered reliable.

The alpha coefficient for the eight items is 0.815 suggesting that the items have relatively high internal consistency and ***should be retained as reliable.***

In summary the following family business factors were tested and confirmed to be reliable, and so will be used in the study; succession planning, family dynamics, governance, team leadership, middle of the road leadership, Task leadership, and performance. The key focus areas of the study are succession planning and leadership in family businesses. The study's objectives are revisited, and hypothesis postulated to in the next section.

5.3 Study aims and hypothesis

The primary aim of the study was to establish the relationships between leadership, succession planning and family business factors, governance, family dynamics and leadership style in the South Durban Basin of Kwa-Zulu Natal.

Secondary aims of the study were:

- To establish the correlations between, succession planning, governance, family dynamics, different leadership styles and business performance in family business in the South Durban Basin of Kwa-Zulu Natal.
- To establish if family business factors are affected differently by select demographics in the South Durban Basin of Kwa-Zulu Natal.
- To establish the family business factors that predict succession planning.

5.3.1 Objective 1: Correlations between family business factors

The correlations were tested at both the 0.01 and 0.05 significance level. Only the 0.01significant level (Table 17) will be discussed. The first relationship to be tested was between succession planning and other family business factors. Each factor is correlated with the rest of the other factors.

Broadly, one would expect that a firm which succession planning in place will perform better, and that better leadership will likely also result in better performance. The inverse relationships would also likely hold true. In addition to these relationships, other family business factors such as family dynamics and governance are also expected to have a relationship with the other factors. For example, the better the governance of an enterprise, the easier it might be to effect succession plan, or the better performance might be. It is based on these assumptions which are supported by literature, as shown in the study's literature reviews that hypothesis on correlations were made. A Pearson's correlation matrix was used to test the hypotheses and the results are shown in table 17.

The hypothesis is stated first, and the discussion follows.

Table 17: Correlations between family business factors

Correlations								
		Succession_Planning	Governance	Family_Dynamics	Middle_of_the_Road	Task_Management	Team_Management	Performance
Succession_Planning	Pearson Correlation	1	-.222**	.134*	0,103	-0,020	0,103	.434**
	Sig. (2-tailed)		0,001	0,048	0,130	0,772	0,130	0,000
	N	218	218	218	218	218	218	218
Governance	Pearson Correlation	-.222**	1	0,069	.249**	-0,080	.298**	-0,100
	Sig. (2-tailed)	0,001		0,312	0,000	0,238	0,000	0,142
	N	218	218	218	218	218	218	218
Family_Dynamics	Pearson Correlation	.134*	0,069	1	-0,017	.231**	0,119	.256**
	Sig. (2-tailed)	0,048	0,312		0,808	0,001	0,080	0,000
	N	218	218	218	218	218	218	218
Middle_of_the_Road	Pearson Correlation	0,103	.249**	-0,017	1	-0,043	.499**	0,044
	Sig. (2-tailed)	0,130	0,000	0,808		0,527	0,000	0,523
	N	218	218	218	218	218	218	218
Task_Management	Pearson Correlation	-0,020	-0,080	.231**	-0,043	1	.201**	.354**
	Sig. (2-tailed)	0,772	0,238	0,001	0,527		0,003	0,000
	N	218	218	218	218	218	218	218
Team_Management	Pearson Correlation	0,103	.298**	0,119	.499**	.201**	1	.151*
	Sig. (2-tailed)	0,130	0,000	0,080	0,000	0,003		0,026
	N	218	218	218	218	218	218	218
Performance	Pearson Correlation	.434**	-0,100	.256**	0,044	.354**	.151*	1
	Sig. (2-tailed)	0,000	0,142	0,000	0,523	0,000	0,026	
	N	218	218	218	218	218	218	218

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

5.3.1.1 Succession planning and other family business factors correlations

Hypothesis H1.1a: Succession Planning and Governance

There is a positive and statistically significant correlation between succession planning and governance in family firms in the in the South Durban Basin of Kwa-Zulu Natal. In the results in Table 31, there is a negative, and significant relationship between succession planning and governance as shown by a p- value of, 0.001 and a correlation co-efficient of - 244. Hypothesis 1.1a is therefore rejected. This means that governance has a negative and significant relationship with succession planning. This implies that in situations where there is strong governance, succession planning is weak. This could be because the strong governance tends to replace the need to plan, resulting therefore in the negative relationship. The more you have of one element, the less you need of the other. As pointed out by Rautiainen, (2012:47) the maximum pursuance of short-term performance (governance issues) tends to be at the expense of long-term company health, in this case planning for succession.

Hypothesis H1.1b: Succession Planning and Family dynamics.

There is a positive and statistically significant correlation between succession planning and family dynamics within firms in the South Durban Basin of Kwa-Zulu Natal.

Results show that there is a positive relationship between succession planning and family dynamics, as shown by a correlation coefficient of 0.134 and a p- value of 0.048. However, this is not significant at the 0.01 level and the hypothesis is rejected. Though the relationship is positive, it is not significant at this level, but at 0.05. This means that positive family dynamics as a factor positively correlate to planning for succession and the opposite also holds. The hypothesis is therefore rejected. Aspects of positive family dynamics include open communications and the young knowing where they stand in the business and its future direction. A positive outlook is likely to result in more chances of succession planning.

Hypothesis H1.1c: Succession planning and middle of the road leadership style

There is a positive and statistically significant correlation between succession planning and middle of the road leadership style within family firms in the South Durban Basin of Kwa-Zulu Natal.

From the results in Table 17, the p value of 0.130 signifies a weak, insignificant, but positive correlation between succession planning and middle of the road leadership style. The hypothesis is rejected.

Hypothesis H1.1d: Succession Planning and Task Management leadership style.

There is a positive and statistically significant correlation between succession planning and task management leadership style within family **firms in the South Durban Basin of Kwa-Zulu Natal.**

The correlation coefficient between the two factors is -0.020. The correlation is negative and not significant at the < 0.00 level. Therefore, the hypothesis is rejected.

Task orientation entails executing various tasks that require every aspect of discovery, evaluation, and the exploitation in order to introduce new products and services and to coordinate resources (Shane, 2004:4), and this may be at the expense of long term, future planning. This may explain the negative correlation between the two factors.

Task orientation emphasises production (performance) at the expense of employees' welfare. It is not therefore surprising that in family business, where "familliness" is important a task orientation may not be well received. Participative decision-making is, therefore, crucial in all family firms' irrespective of the size of the business. In this way the second-generation individuals learn about the business as they have their own mind-sets and do not take kindly to directions and formal on the job training by the founder (Dyer, 1989; Corbetta & Salvato, 2013:337, Daspit et al., 2017). It is this less orientation on employee welfare that led to this inverse relationship. The other explanation could be that, unlike team leaders, who are likely to transformational and strategic in orientation, a task leader would tend to be operational and not focus on succession planning (a strategic issue). This result is therefore justifiable.

Hypothesis H1.1e: Succession planning and team management leadership style

There is a positive and statistically significant correlation between succession planning and team management leadership style within a family firms in the South Durban Basin of Kwa-Zulu Natal.

The p value of 0.130 shows an insignificant, positive correlation between succession planning and team management. The hypothesis is rejected. Wilson et al., (2013: 1375) contended that as family members interact with the business, their alignment with the components of "familiness" is important to prevent negative social capital that could potentially accumulate. Unlike non-family businesses, family businesses are greatly affected by family or "team" dynamics (Lester et al., 2013: 14). It is for this reason that all members of the family must collectively pursue the components of familiness. This "familiness" is not significantly correlated to succession planning.

Hypothesis H1.1f: Succession Planning and Performance.

There is a positive and statistically significant correlation between succession planning and performance within family firms in the South Durban Basin of Kwa-Zulu Natal.

There is a positive and significant correlation between succession planning and performance as shown by a correlation coefficient of 0.434 and a p value of 0.00. The hypothesis is accepted.

Family businesses do not only thrive, but many are also expanding. With this expansion in size and scope, the family business comes up against limits in management capacity, financial capacity, and the human and technical resources that the family can offer. However, this expansion cannot come to fruition if the founder lacks the personality, drive and characteristics to be an effective founder and take the business to greater heights (KPMG, 2014).

It is essential for the founder or CEO to groom a successor from within the company because it can save time and expense of hiring a new leader from outside. It also aids in continuity, as an insider might be more likely to follow through with current plans and strategies (Ahmadi, et al., 2012:218). It is important to note that performance in the context of this study is measured by three key components; ownership, responsibility, and profits. This is about "retaining family ownership, being responsible to family and business issues such as financial performance of the business (profitability) and growth.

Hypothesis H1.2a: Governance and Family Dynamics.

There is a positive and statistically significant correlation between governance and family dynamics within family firms in the South Durban Basin of Kwa-Zulu Natal.

The p value is 0.312 which implies that there is positive non-significant relationship between governance and family dynamics (0.069). Therefore, the hypothesis is rejected.

Hypothesis H1.2b: Governance and Middle of the road.

There is a positive and statistically significant correlation between governance and middle of the road within family firms in the South Durban Basin of Kwa-Zulu Natal.

The p value is < 0.001 which implies that there is a significant and positive relationship between governance and middle of the road (coefficient, 0.249). The hypothesis is accepted. The middle of the road leadership style entails balancing concern for task performance and concern for people. The result implies that the more this balance is maintained the more the governance of the business is assured or assured. Governance relates to the rules and regulations in task performance makes sense. After all governance is about balancing / controlling business operations which aligns well with this leadership style.

Hypothesis H1.2c: Governance and Task Management style.

There is a positive and statistically significant correlation between governance and task management within family firms in the South Durban Basin of Kwa-Zulu Natal.

The results show that there is a weak and negative relationship between governance and task management (correlation coefficient, -0.080) with the p value being 0.238. Therefore, the hypothesis is rejected. It seems that the ethos of emphasizing task performance or rules and regulations (governance) is against family values hence the negative relationship between the two factors. A negative correlation is also recorded between governance and performance (-0.100). It reflects that family members are not positively driven by governance issues to perform or by a task management leadership approach.

Hypothesis H1.2d: Governance and Team Management

There is a positive and statistically significant correlation between governance and team management family firms in the South Durban Basin of Kwa-Zulu Natal.

From the results, in Table 17, there is a positive and significant correlation between governance and team management as shown by the p value of 0.005. Therefore, the hypothesis is accepted. This implies that the team "rules" are accepted by the family, and therefore this leadership style is positively and significantly correlated to positive "family business governance".

Hypothesis H1.2e: Governance and Performance.

There is a positive and statistically significant correlation between governance and performance within family firms in the South Durban Basin of Kwa-Zulu Natal.

The results show that there is a non-significant negative correlation between governance and performance with the p value being 0.142. Therefore, the hypothesis is rejected. The result contradicts, Hillman et al., (2002) findings which postulated that governance drives business performance.

According to Carrigan & Buckley (2008:68), family business research adopts the view that family businesses intrinsically hold several distinctive features, which relate to their governance, ownership, management, and vision. Williams et al., (2013:425), Yu, Lumpkin, Sorenson & Grigham (2012) concurred that what makes them unique is the interaction of the family with business.

In addition, Bocatto, Gispert & Rialp (2010:512) argued that it is the formation of "familiness”, used strategically and operationally to aide business growth that should be understood. Williams et al., (2013:129) asserted that on most occasions where family members are involved in a family business, the business does not only serve as the family's main source of income but also a significant source of long-term wealth which includes both financial and socio-emotional support. Thus, sustainability and longevity are major challenges facing this kind of an enterprise. Consequently, it is important that effort be made to safeguard the stability and long-term existence of family- owned businesses. This may explain why family governance would have a negative correlation with, succession planning, task leadership style and performance. The key aspect of governance is the existence of a “family council” to which all are accountable. This structure may negatively affect the “familiness” dynamics hence the negative relationships.

Good governance practices and a thoughtful succession process can ensure organizational sustainability while effectively leveraging a transition into a strategic opportunity. If good governance includes effective stewardship of the resources - financial, human, artistic, and physical - that allow an organization to fulfil its mission and serve its community, then leadership succession planning is clearly a governance imperative (Lambert, 2020). The findings of this study clearly support the need for constructive governance and leadership as espoused by Lamert (2020).

Hypothesis H1.3a: Family Dynamics and Middle of the Road

There is a positive and statistically significant correlation between family dynamics and middle of the road within family firms in the South Durban Basin of Kwa-Zulu Natal.

The results show that there is an insignificant negative correlation between family dynamics and middle of the road leadership style as shown by a correlation coefficient of -0.017 and the p value of 0.808. Therefore, the hypothesis is rejected.

With middle of the road management style there is an attempt to balance people and results. Performance is mediocrity, due to compromises, to meet a continuum of performance and staff's needs. The major downside of this approach is the danger that neither (aspect concern for task nor concern for people) is delivered to satisfactorily levels. Transactional leadership is least effective and can be compared with Blake and Morton's Middle of the Road Management style. Leadership generally requires a good degree of natural authority and decisiveness, so a style which lacks these aspects has much room for improvement (Sharma & Jain, 2013:312). The findings of this study refute the views of Sharma & Jain (2013) because in a family situation there is always a relation of trust and not one of give and take.

Hypothesis H1.3b: Family Dynamics and Task Management.

There are a positive and statistically significant correlations between family dynamics and task management within family firms in the South Durban Basin of Kwa-Zulu Natal.

There is a positive and significant correlation between the family dynamics and task management. The correlation coefficient is 0.231 and the p value is 0. 001. Therefore, the hypothesis is accepted. This implies that performance of tasks in the family is paramount as the business is seen as an extension of the family and vice versa.

This leadership style can be compared very favourably with SLT (Grint, 2011:3-14). SLT evolved from a task-oriented versus people-oriented leadership continuum (Conger, 1999:145; Lorsch, 2010:411). The findings of this study do not concur with the views of Grint (2011) and Lorsch (2010) because leaders today are concerned with people and realize that only when staff are happy, they can be productive, irrespective of the situation. The result may also imply that family business employees will respond positively to the call to perform tasks that they are required to carry out and not see this in a negative light. The feeling might be that they are "working for themselves" and the "task management style" may not be viewed as negative.

Hypothesis H1.3c: Family Dynamics and Team Management.

There is a positive and statistically significant correlation between family dynamics and team management within family firms in the South Durban Basin of Kwa-Zulu Natal.

The results show that there is an insignificant positive correlation between the factors team management and family dynamics as reflected by a coefficient correlation score of 0.0119 and a p value of 0.080. The hypothesis is rejected.

Hypothesis H1.3d: Family Dynamics and Performance.

There is a positive and statistically significant correlation between family dynamics and performance within family firms in the South Durban Basin of Kwa-Zulu Natal.

There are positive and significant correlations between family dynamics and performance as reflected by p value of 0.005 and the relationship is positive as shown by a correlation coefficient value of 0.256. The hypothesis is accepted.

Hypothesis H1.4a: Performance and Middle of the Road

There is a positive and statistically significant correlation between middle of the road and performance within family firms in the South Durban Basin of Kwa-Zulu Natal.

From the results, the p value of 0.523 > than 0.01 therefore the relationship, though positive is not significant. Therefore, the hypothesis is rejected. Compared to the relationship between task orientation and performance, (which is significant), the reason for non-significance could be the higher importance family members place on task performance. It seems task performance cannot be easily traded for "concern for employees" as prescribed by the middle of the road leadership style.

Hypothesis H1.4b: Performance and Task Management

There is a positive and statistically significant correlation between task management and performance within family firms in the South Durban Basin of Kwa-Zulu Natal.

Results show that the p value, 0.000 is <0.01 and therefore there is a positive and significant relationship between the 2 factors. The hypothesis is therefore accepted.

Directives are handed down and strict obedience is expected. Leadership in these organizations tends to be directive rather than participative or laissez-faire. Hence, the location of decision-making, which is the functional specialization of the organization, determines the style of leadership that is called for (Ibara, 2010). Entrepreneur- founders share several leadership characteristics with the autocratic leadership model. Autocratic leaders are typically reluctant to share power. Autocratic leaders tend to retain as much, if not all, of the key business information, as well as the decision-making authority in a business (Salvato, et al., 2012).

Boje (2000) asserted that the leader with this style organizes, initiates, and coordinates the work group's activities, provides a detailed definition of how the work is to be carried out; ensures that there are clear communication channels; emphasizes goal attainment and provides technical assistance and solutions to problems. In addition, the leader criticizes unsatisfactory work and makes sure that employees follow procedures and work to the best of their capability. The task-oriented leader is strongly focused on targets and closely supervises subordinates (Doyle & Smith, 2009:5). The above observations are important to note, given that the "team leadership style" (discussed hereafter) which is usually viewed more favourably, did not provide a significant correlation with performance and neither did the "middle of the road style.

Hypothesis H1.4c: Performance and team management.

There is a positive and statistically significant correlation between team management and performance within family firms in the South Durban Basin of Kwa-Zulu Natal.

The results in Table 17 show that there is an insignificant, positive correlation between team management and performance as shown by a p value 0.026 > 0.01. The hypothesis is rejected. Participative decision-making (team leadership) is the extent to which employers allow or encourage employees to share or participate in organizational decision-making (Probst, 2005). According to Bass (2008), participative leadership (team leadership) is one of the many ways in which an organization can make decisions regarding its future succession plans. Brenda, (2001), noted that, by sharing decision-making with other employees, respondents may eventually achieve organizational objectives that will influence them in the future when the succession plan in place incorporates them. The fact that the relationship between team management and performance is insignificant hints at why there is lower succession planning in family business.

The success of an organization relies on its leadership performance. The leader is responsible for the development of strategic planning. Northouse (2010) defined leadership as a process that influence follower to achieve an institution's mission. In short, leadership is the main driver leading to organizational effectiveness. Therefore, a leader must focus on the needs of subordinates, both within and outside the organization to ensure that they are consistently moving forward towards the common goal. Rothwell (2005) emphasized that succession planning and management should support each other and act as a catalyst for the career path and for developing future leaders. It provides a platform to retain and sustain the organizational competitiveness, organizational need of efficient and effective leaders to generate ideas, to elevate spirits and motivation for continuity of the organization regardless of any challenges ahead.

Deci et al., (1989:580) found that "management style and business designs that allow greater employee participation in decision-making and autonomy in performing their duties were found to be positively correlated with employee satisfaction, quality of work life and work performance". Effective employment modes and leadership styles are necessary to enhance employee performance in any family-owned business or other corporate organization (Liu, et al., 2003:144). This result may imply that employees are more concerned to perform their tasks "as instructed" then to be participating in the design, execution, and management of tasks as part of a team (Participatory leadership).

5.3.1.2 Objective 2: Select demographics and family business factors (tests on differences)

The following factors: gender, age, educational status, length of business operations and generation of the family business will be the basis of comparisons in analysing the business factors, governance, family dynamics, succession planning, task management, team management, middle of the road management and performance. The aim was to find if variations in each of the demographics would affect the business factors differently. The demographics are independent variables, and the family business factors dependant variables. Hypothesis were postulated and appropriate tests carried out to either accept or reject the hypotheses. The first test was on gender and family business factors.

5.3.1.3 Gender and Family business factors

The aim was to determine if gender affected the different business factors in the same way or in significantly different ways. The gender aspect was considered very important and was analysed despite the skewed distribution by gender of the businesses in the area if study (89% male and 11% female). It was therefore hypothesized, Hypothesis 2, that: There is no significant difference between male and female owned businesses in the South Durban Basin of Kwa-Zulu Natal, with regards to governance, family dynamics, middle of the road leadership style**,** task leadership style, team leadership style**,** business performance and succession planning.

A t-test method was used to test the hypothesis to find out if the stated variables were affected by gender. The t-test was used because the means of two variable, males and females are being compared. The hypothesis can also be stated as “there is no significance difference between the means of males and female owned businesses in the South Durban Basin of Kwa-Zulu Natal with regards to the factors identified.

The results are shown in Table 18 and the discussion follows thereafter.

Table 18: Independent Samples t-test of business factors and gender

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Governance	Equal variances assumed	0,290	0,591	-1,754	216	0,081	-0,08172	0,04659	-0,17356	0,01011
	Equal variances not assumed			-1,806	29,477	0,081	-0,08172	0,04525	-0,17421	0,01076
Family_Dynamics	Equal variances assumed	0,196	0,658	0,404	216	0,687	0,04328	0,10714	-0,16789	0,25444
	Equal variances not assumed			0,484	32,809	0,632	0,04328	0,08939	-0,13864	0,22519
Middle_of_the_Road	Equal variances assumed	0,011	0,916	-0,272	216	0,786	-0,00888	0,03263	-0,07319	0,05544
	Equal variances not assumed			-0,297	30,610	0,768	-0,00888	0,02986	-0,06980	0,05205
Task_Management	Equal variances assumed	4,592	0,033	-1,814	216	0,071	-0,16581	0,09141	-0,34597	0,01436
	Equal variances not assumed			-1,454	26,316	0,158	-0,16581	0,11403	-0,40006	0,06845
Team_Management	Equal variances assumed	44,155	0,000	-3,919	216	0,000	-0,14261	0,03639	-0,21434	-0,07088
	Equal variances not assumed			-2,120	24,027	0,045	-0,14261	0,06728	-0,28146	-0,00377
Performance	Equal variances assumed	0,002	0,967	-0,440	216	0,661	-0,04482	0,10192	-0,24570	0,15607
	Equal variances not assumed			-0,462	29,847	0,647	-0,04482	0,09697	-0,24289	0,15326
Succession_Planning	Equal variances assumed	4,367	0,038	2,195	216	0,029	0,12887	0,05871	0,01314	0,24459
	Equal variances not assumed			1,825	26,660	0,079	0,12887	0,07061	-0,01611	0,27384

Sig level = 0.05

Hypothesis: H2.1 (governance), H2.2 (family dynamics), H2.3 (middle of the road), H 2.4 (task leadership), are all accepted while H2.5, (team leadership) and H2.7 (succession planning) are rejected.

There is no significant difference between gender and the factors governance, family dynamics, middle of the road, task leadership, while a significant difference exists between female and male owned businesses with regards to team leadership and succession planning. The p values, 0.081, 0.687, 0.786, 0.158, 0.661, respectively are greater than > 0.05, p value 0.000 < 0.05 for team leadership and p value, 0.029 < 0.05 for succession planning are therefore significant.

When it comes to succession planning, Wang (2010) argued that the succession process is heavily biased on gender by underestimation daughters in the succession process which resulted from macro- and micro factors which render their capabilities almost invisible. However, Glover (2014) suggested that even when a father acknowledges his daughter, the directions on decision making are about the future activities rather than on daily operations, which may hinder the daughter's preparedness for a future leadership role. The perception of patriarchal societies is the norm that the oldest son is predestined to take the reins of a family business due to birth right being traditional in various cultures, because gender and age determine succession (Keating & Little 1997).

Lansberg (1988) concurred that even the oldest daughters who had been selected as successors did not receive adequate coaching and training therefore their chances to succeed in leading positions were minimal if ever. The preference for male successors over female successors is currently very much in existence in the world because the wishes of parents who ultimately influence the succession criteria and the whole succession process (Haberman & Danes 2007; Otten-Pappas 2013). Even in countries with a high level of gender equality and female leadership participation, it seems that this precedent remains an issue with the perception of gender norms and discrimination from within the family and society.

It is basically, the issue of existing and imbedded patriarchy which explains the significant gender differences in succession planning within family businesses. With regards to team leadership, though Sonfield & Lussier (2009) pointed out that there are no fundamental differences between male and female family leaders in respect of leadership style, significant differences could prevail since men prefer rationality, dominance and risk-taking (Schmitt et al., 2008), whilst women prefer cooperation, communication and creative solutions (Eagly et al., 2003).

5.3.1.4 Age and Family business Factors: Hypothesis 3

The aim was to determine the if there was a significant difference between family businesses in the South Durban Basin of Kwa-Zulu Natal owned by people of different age groups regarding business factors of governance, family dynamics, succession planning, task management, team management, middle of the road management, performance, and succession planning.

There is no significant difference between owners in different age groups with regards to family business factors i.e., to governance, family dynamics, middle of the road leadership style**,** task leadership style, team leadership style**,** business performance and succession planning.

The Analysis of Variance (ANOVA) was carried out to test the hypothesis and the results are shown in Table 19.

Table 19: ANOVA for age of the family business owner and business factors

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Governance	Between Groups	0,061	3	0,020	0,429	0,733
	Within Groups	10,096	214	0,047		
	Total	10,157	217			
Family_Dynamics	Between Groups	0,416	3	0,139	0,564	0,639
	Within Groups	52,576	214	0,246		
	Total	52,992	217			
Middle_of_the_Road	Between Groups	0,062	3	0,021	0,913	0,436
	Within Groups	4,852	214	0,023		
	Total	4,914	217			
Task_Management	Between Groups	4,040	3	1,347	8,212	0,000
	Within Groups	35,092	214	0,164		
	Total	39,132	217			
Team_Management	Between Groups	0,112	3	0,037	1,237	0,297
	Within Groups	6,433	214	0,030		
	Total	6,544	217			
Performance	Between Groups	4,616	3	1,539	7,597	0,000
	Within Groups	43,347	214	0,203		
	Total	47,964	217			
Succession_Planning	Between Groups	0,413	3	0,138	1,861	0,137
	Within Groups	15,845	214	0,074		
	Total	16,258	217			

Sig level = 0.05

The results (Table 19) show that, the p values are 0.733 (governance), 0.639 (family dynamics) 0.000, 0.436 (middle of the road leadership), 0,297 (team management), and 0.137 (succession planning) are all greater than > 0.05 which shows that there is no significant difference between age of family businesses owner and these business factors. **Therefore, the hypothesis H3.1, H3.2, H3.3, H3.5, and H3.7 are all accepted. Hypothesis, H3.4 (task management) and H3.6 (performance), whose p- values of 0.000 < 0.05 are rejected.** There is therefore a statistically significant difference between the different age groups with regards to team management and performance.

5.3.1.5 Education levels and Family business Factors (Hypothesis 4)

The aim was to determine if there was a statistical significance difference among businesses in the South Durban Basin of Kwa-Zulu Natal, owned by people with varied education levels with regards to family businesses factors.

It was hypothesized (Hypothesis 4) that: There is no significant difference between owners of different education levels with regards to family business factors i.e., to governance, family dynamics, middle of the road leadership style**,** task leadership style, team leadership style**,** business performance and succession planning.

The Analysis of Variance (ANOVA) was carried out to test the hypothesis. The results are shown in Table 20.

Table 20: ANOVA for levels of education and family business factors

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Governance	Between Groups	0,019	3	0,006	0,134	0,940
	Within Groups	10,136	211	0,048		
	Total	10,156	214			
Family_Dynamics	Between Groups	0,930	3	0,310	1,258	0,290
	Within Groups	51,979	211	0,246		
	Total	52,908	214			
Middle_of_the_Road	Between Groups	0,129	3	0,043	1,895	0,131
	Within Groups	4,784	211	0,023		
	Total	4,913	214			
Task_Management	Between Groups	4,117	3	1,372	8,281	0,000
	Within Groups	34,971	211	0,166		
	Total	39,089	214			
Team_Management	Between Groups	0,047	3	0,016	0,505	0,679
	Within Groups	6,493	211	0,031		
	Total	6,540	214			
Performance	Between Groups	2,768	3	0,923	4,341	0,005
	Within Groups	44,843	211	0,213		
	Total	47,610	214			
Succession_Planning	Between Groups	0,097	3	0,032	0,424	0,736
	Within Groups	16,158	211	0,077		
	Total	16,255	214			

Sig level = 0.05

Results show that there is no significant difference between owners' level of education and the business factors i.e., governance (with a p value of 0.940), family dynamics (with a p value of 0,290), middle of the road management (with a p value of 0,131), team management (with a p value of 0,679), and succession planning (with a p value of 0,736), because all the p – values are bigger than > 0.05. There is, however, a significant difference when it comes to task management (with a p value of 0,000), and performance (with a p value of 0,005) because the p values are smaller than < 0.05.

Hypothesis, **H4.1** (governance), **H4.2** (family dynamics), **H4.3** (middle of the road leadership), **H4.5** (team leadership) and **H4.7** (succession planning), are all accepted, while hypothesis **H4.4**: task leadership and **H4.6**: performance is rejected.

5.3.1.6 Length of Business operations: Hypothesis 5

The aim was to determine if there was a significant difference between family businesses in the South Durban Basin of Kwa-Zulu Natal with different operating periods with regards business factors; governance, family dynamics, succession planning, task management, team management, middle of the road management, performance, and succession planning.

It was hypothesized that: There is no significant difference between businesses with different lengths of operations with regards to family business factors i.e., to governance, family dynamics, middle of the road leadership style**,** task leadership style, team leadership style**,** business performance and succession planning.

The Analysis of Variance (ANOVA) was carried out to test the hypothesis and the results are shown in Table 21.

Table 21: Length of business operation and business factors ANOVA.

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Governance	Between Groups	0,133	3	0,044	0,939	0,423
	Within Groups	10,023	212	0,047		
	Total	10,156	215			
Family_Dynamics	Between Groups	0,352	3	0,117	0,478	0,698
	Within Groups	52,046	212	0,246		
	Total	52,398	215			
Middle_of_the_Road	Between Groups	0,019	3	0,006	0,301	0,824
	Within Groups	4,474	212	0,021		
	Total	4,493	215			
Task_Management	Between Groups	1,470	3	0,490	2,789	0,042
	Within Groups	37,248	212	0,176		
	Total	38,718	215			
Team_Management	Between Groups	0,025	3	0,008	0,273	0,845
	Within Groups	6,516	212	0,031		
	Total	6,541	215			
Performance	Between Groups	1,627	3	0,542	2,487	0,062
	Within Groups	46,241	212	0,218		
	Total	47,868	215			
Succession_Planning	Between Groups	0,460	3	0,153	2,060	0,107
	Within Groups	15,796	212	0,075		
	Total	16,256	215			

Sig level= 0.05

Hypothesis 5.1, 5.2, 5. 3, 5.5, 5.6 and 5.7 are all accepted because all the p values are larger than 0.05. Only the p- value of factor, middle of the road leadership, 0,042 is larger than < 0.05 and therefore, the hypothesis (5.4 task management) is rejected.

According to Diederichs (2014:93), market demand and changes in the way business is conducted causes leadership to be less traditional and more adaptable. As family businesses operate for longer periods and probably grow into larger businesses, management teams from outside the immediate family assume broader leadership roles, changing inward thinking, especially towards customer and business opportunities. This could explain why there is no significant differences among most of these business factors. However, the issue of the type of leadership practiced within the family still features as significant.

5.3.1.7 Generation of the Business on selected factors: Hypothesis 6.

The aim was to determine if there was a significant difference between family businesses in the first and second generations regarding business factors i.e., to governance, family dynamics, middle of the road leadership style**,** task leadership style, team leadership style**,** business performance and succession planning.

A t-test was carried out to ascertain if the means of the first and second generations were different, and the results are shown in Table 22. A t-test was used because two variables are being compared.

Table 22: T-test of selected factors and generation of business

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Governance	Equal variances assumed	0,142	0,707	-0,222	216	0,825	-0,00682	0,03072	-0,06737	0,05374
	Equal variances not assumed			-0,222	157,252	0,824	-0,00682	0,03066	-0,06738	0,05375
Family_Dynamics	Equal variances assumed	11,061	0,001	-2,361	216	0,019	-0,16363	0,06930	-0,30021	-0,02704
	Equal variances not assumed			-2,541	191,016	0,012	-0,16363	0,06440	-0,29066	-0,03660
Middle_of_the_Road	Equal variances assumed	0,003	0,954	0,185	216	0,853	0,00396	0,02137	-0,03816	0,04608
	Equal variances not assumed			0,175	132,178	0,861	0,00396	0,02266	-0,04085	0,04878
Task_Management	Equal variances assumed	1,924	0,167	-2,645	216	0,009	-0,15702	0,05936	-0,27402	-0,04002
	Equal variances not assumed			-2,650	157,260	0,009	-0,15702	0,05924	-0,27403	-0,04001
Team_Management	Equal variances assumed	10,786	0,001	1,689	216	0,093	0,04139	0,02450	-0,00691	0,08968
	Equal variances not assumed			2,021	214,491	0,044	0,04139	0,02047	0,00103	0,08174
Performance	Equal variances assumed	2,264	0,134	-3,833	216	0,000	-0,24767	0,06461	-0,37502	-0,12032
	Equal variances not assumed			-3,671	137,932	0,000	-0,24767	0,06747	-0,38109	-0,11426
Succession_Planning	Equal variances assumed	1,010	0,316	-0,907	216	0,365	-0,03520	0,03880	-0,11168	0,04128
	Equal variances not assumed			-0,828	120,907	0,409	-0,03520	0,04249	-0,11932	0,04892

Sig level = 0.05

Results show that there is no significant difference between the two generations with regards to business factors i.e., governance (p=0.825), middle of the road management (p=0.853) and succession planning (p=0. 316) because the p values are all bigger than > 0.05. Hypothesis H6.1 (governance), H6.3 (middle of the road) and H 6.7 (succession planning) are all accepted. Hypotheses, H6.2 (family dynamics p=0.012), H6.4 (task management, p=0.009), H6.5 (team management p=0.044) and H.6.6 (performance, p = 0.00) are all rejected because the p values are smaller < than 0.05. There is a significant difference between the first- and second-year generations with regards to family dynamics, task management, team management and performance.

5.3.1.8 Objective 3: The influence of family business factors on succession planning

Lastly, the study intended to establish the family business factors that predict succession planning. The following hypothesis were put forward.

Hypothesis 7. Succession planning is significantly predicted by the following family business factors i.e., governance, task leadership style, team leadership style and performance.

The hypothesis was tested using multiple linear regression. The first procedure was to verify that the data did not violate the underlying assumption of regression. According to Field (2013) there are six assumptions that are prerequisites for multiple linear regression for a valid result. The conditions are; Dependency, Independence: Outliers: Homoscedasticity: Linearity and Normality. The dependant variable, Succession Planning was computed on a continuous basis. Linearity between the dependant variable and predictors was established through Pearson Correlation (Table 23). The data set demonstrated homoscedasticity (homogeneity of variance), no outliers and showed normal distribution. All the conditions were met.

The next multiple linear regression procedures are reflected in Tables 23 to 26. The model summary of all the variables is shown in Table 24. The independent variables accounted for 27% of the total variability in succession planning (R square = 0.278). Table 25 is the ANOVA table, which allows for significance verification of the model. The value of the F statistic indicates that the regression model fits the data better than the intercept-only model (F = 20.504, p=0.000). This shows that the independent variables in the model improve the fit. Hence, we conclude that governance, task leadership, team leadership and performance are important factors in the succession planning of family businesses.

Table 23: Correlations, succession planning and family factors

Correlations						
		Succession Planning	Governance	Task Management	Team Management	Performance
Pearson Correlation	Succession Planning	1.000	-0.222	-0.020	0.103	0.434
	Governance	-0.222	1.000	-0.080	0.298	-0.100
	Task Management	-0.020	-0.080	1.000	0.201	0.354
	Team Management	0.103	0.298	0.201	1.000	0.151
	Performance	0.434	-0.100	0.354	0.151	1.000

Sig. (1-tailed)	Succession Planning		0.000	0.386	0.065	0.000
	Governance	0.000		0.119	0.000	0.071
	Task Management	0.386	0.119		0.001	0.000
	Team Management	0.065	0.000	0.001		0.013
	Performance	0.000	0.071	0.000	0.013	
N	Succession Planning	218	218	218	218	218
	Governance	218	218	218	218	218
	Task Management	218	218	218	218	218
	Team Management	218	218	218	218	218
	Performance	218	218	218	218	218

Table 24: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.527[a]	0.278	0.264	0.23475
a. Predictors: (Constant), Performance, Governance, Team Management, Task Management				
b. Dependent Variable: Succession Planning				

Table 25: ANOVA

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.520	4	1.130	20.504	.000[b]
	Residual	11.738	213	0.055		
	Total	16.258	217			
a. Dependent Variable: Succession Planning						
b. Predictors: (Constant), Performance, Governance, Team Management, Task Management						

Table 26: Coefficients

Coefficients [a]										
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2.033	0.422		4.814	0.000	1.201	2.866		
	Governance	-0.303	0.079	-0.239	-3.857	0.000	-0.458	-0.148	0.880	1.137
	Task Management	-0.152	0.041	-0.236	-3.725	0.000	-0.233	-0.072	0.843	1.187
	Team Management	0.238	0.100	0.151	2.386	0.018	0.041	0.434	0.848	1.179
	Performance	0.274	0.037	0.471	7.494	0.000	0.202	0.346	0.857	1.166
a. Dependent Variable: Succession Planning										

Succession planning was evaluated against the predictors using multiple linear regression analysis. Table 24 shows that succession planning is significantly influenced by the investigated family business factors: governance, task leadership, team leadership and performance as the p-value for each of the independent variables is less than 0.05 ($p<0.05$). Moreover, the result reveals that team leadership and performance both have significant positive influence on succession planning while governance and task leadership both have significant negative influence on succession planning. Hence, we accept the hypothesis 7; that succession planning is significantly influenced by governance, task leadership, team leadership and performance. The regression coefficient results in Table 26 imply that if family business factors are set to zero then succession planning = 2.033. If elements of governance were to be increased by say 1 unit, then succession planning will decrease by a factor of 0.239 units, while 1 unit increase in task leadership will result in a decrease in succession planning by a factor of 0.236, and 1 unit increase in each of team leadership and performance will result in an increase in succession planning by a factor of 0.151 and 0.471, respectively.

The model can be best summarised by the following equation:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

$$= 2.033 - 0.303 - 0.152 + 0.238 + 0.274 + \epsilon$$

Where:

- Y: Succession planning
- a : Intercept
- X_1 : Governance
- X_2 : Task leadership
- X_3 : Team leadership
- X_4 : Performance
- ϵ : Residual (error)

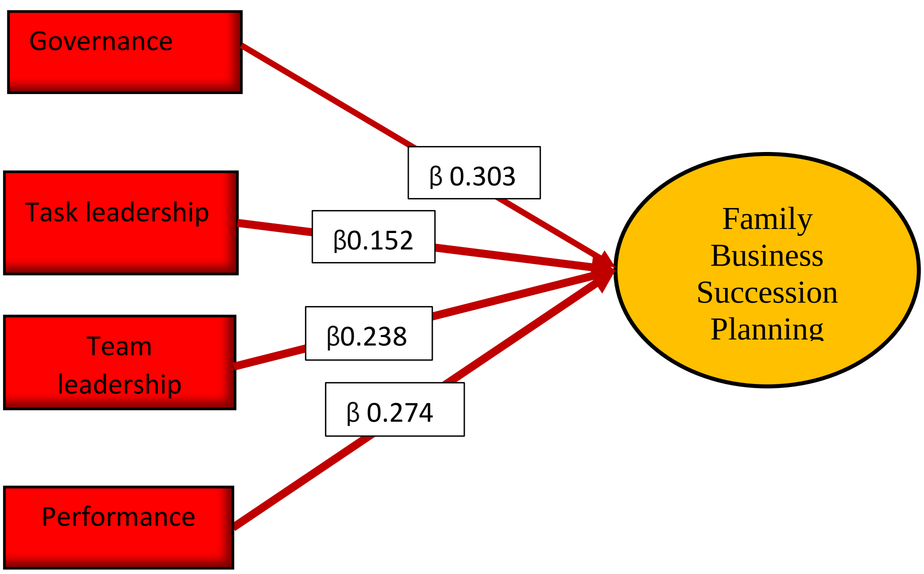
5.4 Conceptual framework on family business succession planning

Given the lack of succession planning and the resultant survival problems, the study made three broad assumptions in chapters 2 and 3, one of which was that: Succession planning (SP) is predicted by the following family business factors: governance, family dynamics, middle of the road leadership style, task leadership style, team leadership style and business performance. After the regression analysis it was found out that Succession planning is predicted by: Governance, Task leadership, team leadership and Performance. In the final model, family dynamics, middle of the road leadership style fell of the radar as shown in the final equation below:

*Succession planning = 2.033 – 0.303 ∗ governance – 0.152 * task leadership + 0.238 * team leadership + 0.274 * performance + error term*

The study therefore recommends a succession planning model as shown in Figure 17. This is derived from the study's main findings. The implications of the model is explained thereafter.

Figure 16: Succession planning model for family businesses



The result reveals that team leadership and performance have significant positive influences on succession planning while governance and task leadership h have significant negative influences on succession planning.

Governance comprised mainly of two aspects, family councils and the composition of family and non-family members in management. According to the factors of "familiness" it can be deduced that the "rules and regulations" brought about by the family council and governance structures negatively predict succession planning.

The other negative predictor of succession planning is task leadership style. This factor is not supportive of family welfare. For example, some of its measures included: "Effective leaders remunerate subordinates in return for their effort and compliance" and "Effective leaders believe that team members obey their leader when they accept the job" (Table 15). It is common knowledge that family members' engagement goes further than remuneration and leadership. These factors are governed more by family factors.

Team leadership is a positive predictor of succession planning. It has an opposite effect when compared to task leadership. A family business resonates well with team leadership. This empowering and participatory leadership approach promotes succession planning.

If the family business is performing well (in terms of family ownership, responsibilities and profitability (Table16), then succession planning is enhanced. This is because family control of the business will be safe, and profitability will imply that the business' future is bright.

It is prudent to advise that, knowledge of dependent variables is critical for advancing theoretical development in family business because it is needed to examine the efficacy of family business decisions, actions, organizational structure, strategies, and exploitation of resources. This is critical since efficacy can only be evaluated in terms of achieving the goals and objectives set by the family for the business (Chua et al., 2003:362 in Lu et al., 2012: 148).

5.5 Conclusion

This chapter presented all the findings relating to demographics of respondents, reliability tests, and statistical tests that were conducted on the data collected using questionnaires. The Factor analysis revealed the questions that were loaded for each component and were therefore, significant for each construct. There was positive correlation between performance and succession planning, performance and family dynamics and performance and task management. Tests were also carried out to determine if there was a significant difference between select demographic factors with regards business factors; governance, family dynamics, succession planning, task management, team management, middle of the road management, performance, and succession planning. Overall, the results show that Governance, Task leadership, Team leadership, and Performance significantly influence succession planning. The primary findings were justified by selected literature studies from Chapters 2 and 3.

The next chapter provides the conclusions and recommendations emanating from the analysis of the primary data.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter concludes the study. A summary of both the primary and secondary findings are presented in this chapter. Recommendations as well as study limitations are presented.

6.1 Conclusions

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

It is a well-established fact that family-owned businesses play a vital role in job creation, the eradication of poverty and the creation of wealth (Williams et al., 2013). It was, therefore, important to investigate exactly why leadership and succession planning are not given prominence in small family businesses and why their survival rate is low.

The inadequate transfer of leadership and ownership from one generation to the next is a primary reason for the lack of longevity among family businesses (Venter & Boshoff, 2007). South African family businesses generally do not engage in succession planning. Consequently, many family businesses have no formal succession plans (Maas & Diederichs, 2014).

Although several research studies including the above, recognize the significance of succession planning processes to growth and survival of the family business, earlier studies have not extensively examined management succession in family-owned businesses. The problem that needed to be addressed was that there is an apparent lack of succession in family-owned businesses and the cause for this is unclear.

This study is supported by the understanding that little research focusing on the nature and functioning of family businesses has been conducted in the Indian community in Kwa Zulu Natal. This thought is further supported by the fact that family businesses play a significant role in economics (Morris, et al., 1997).

The primary aim of the study was to determine the relationships between leadership, succession planning and other family business factors.

To address the primary aim of the study, the following secondary aims were formulated:

- To establish the correlation between the different family business factors
- To establish if family business factors are affected differently by select demographics
- To establish if succession planning is significantly predicted by family business factors

The aims were achieved through stated hypothesis and the conclusions were derived from the tested hypotheses. Based on the findings of the study, the following are some of the main conclusions.

6.2.1 Objective 1: The hypotheses testing the correlations are restated and the decisions indicated

Hypothesis H1.1a:

There is a positive and statistically significant correlation between succession planning and governance within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected)**.

Hypothesis H1.1b:

There is a positive and statistically significant correlation between succession planning and family dynamics within family businesses in the South Durban Basin of Kwa-Zulu Natal **(rejected).**

Hypothesis H1.1c:

There is a positive and statistically significant correlation between succession planning and middle of the road leadership style within family businesses in the South Durban Basin of Kwa-Zulu Natal **(rejected).**

Hypothesis H1.1d:

There is a positive and statistically significant correlation between succession planning and task management leadership style within family businesses in the South Durban Basin of Kwa-Zulu Natal **(rejected**).

Hypothesis H1.1e:

There is a positive and statistically significant correlation between succession planning and team management leadership style within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected**).

Hypothesis H1.1f:

There is a positive and statistically significant correlation between succession planning and performance within family businesses in the South Durban Basin of Kwa-Zulu Natal (**accepted)**.

Hypothesis H1.2a:

There is a positive and statistically significant correlation between governance and family dynamics within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected)**.

Hypothesis H1.2b:

There is a positive and statistically significant correlation between governance and middle of the road within family businesses in the South Durban Basin of Kwa-Zulu Natal (**accepted**).

Hypothesis H1.2c:

There is a positive and statistically significant correlation between governance and task management within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected**).

Hypothesis H1.2d:

There is a positive and statistically significant correlation between governance and team management within family businesses in the South Durban Basin of Kwa-Zulu Natal (**accepted**).

Hypothesis H1.2e:

There is a positive and statistically significant correlation between governance and performance within family businesses in the South Durban Basin of Kwa-Zulu Natal **(rejected).**

Hypothesis H1.3a:

There is a positive and statistically significant correlation between family dynamics and middle of the road within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected**).

Hypothesis H1.3b:

There is a positive and statistically significant correlation between family dynamics and task management within family businesses in the South Durban Basin of Kwa-Zulu Natal (**accepted**).

Hypothesis H1.3c:

There is a positive and statistically significant correlation between family dynamics and team management within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected**).

Hypothesis H1.3d:

There is a positive and statistically significant correlation between family dynamics and performance within family businesses in the South Durban Basin of Kwa-Zulu Natal (**accepted**).

Hypothesis H1.4a:

There is a positive and statistically significant correlation between middle of the road and performance within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected)**.

Hypothesis H1.4b:

There is a positive and statistically significant correlation between task management and performance within family businesses in the South Durban Basin of Kwa-Zulu Natal (**accepted**).

Hypothesis H1.4c:

There is a positive and statistically significant correlation between team management and performance within family businesses in the South Durban Basin of Kwa-Zulu Natal (**rejected**). The aim of establishing the correlation between the different family business factors was therefore achieved. The next aim was to establish if variations in select demographics would affect the business factors differently. Hypothesis were postulated and appropriate tests carried out to either accept or reject the hypotheses. The first test was on gender and family business factors.

6.2.2 Objective 2: Demographics and business factors

6.2.2.1 Gender and family business factors

Hypothesis 2: There is no significant difference between male and female owned businesses in the South Durban Basin of Kwa-Zulu Natal with regards to governance (**accepted**), family dynamics (**accepted**), middle of the road leadership style (**accepted**), task leadership style (**accepted**), team leadership style (**rejected),** business performance (**accepted**) and succession planning (**rejected)**

6.2.2.2 Age groups

Hypothesis 3: There is no significant difference between owners in different age groups with regards to family business factors in the South Durban Basin of Kwa-Zulu Natal and the results were that governance (**accepted**), family dynamics (**accepted**), middle of the road leadership (**accepted**), task leadership (**rejected**), team leadership (**accepted**), performance (**rejected**) and succession planning (**accepted**)

6.2.2.3 Education levels and family business factors

Hypothesis 4 stated that: There is no significant difference between owners with different education levels with regards to family business factors in firms within the South Durban Basin of Kwa-Zulu Natal and the results were that governance (**accepted**), family dynamics (**accepted**), middle of the road leadership (**accepted**), task leadership (**rejected**), team leadership (**accepted**), performance (**rejected**) and succession planning (**accepted**)

6.2.2.4 Length of business operation; Hypothesis 5

The aim was to determine if there was a significant difference between family businesses with different operating periods with regards business factors; governance, family dynamics, succession planning, task management, team management, middle of the road management, performance, and succession planning. The results show that was no significant difference between businesses with different lengths of operations with regards to family business factors:

H5.1: governance, **H5.2:** family dynamics, **H5.3**: middle of the road leadership, **H5.5**: team leadership, **H5.6**: performance, **H5.7**: succession planning, but a significant difference with regards to **H5.4**: task leadership.

6.2.2.5 Generation of the business on selected factors. Hypothesis 6.

The aim was to determine if firms in the South Durban Basin of Kwa-Zulu Natal had a significant difference between family businesses in the first and second generations regarding business factors and the results are governance, family dynamics, middle of the road leadership, task leadership, team leadership, performance, and succession planning

Results show that there is no significant difference between the generations with regards to business factors i.e., governance, middle of the road management and succession planning while there was a significant difference between the first- and second-year generations with regards to family dynamics, task leadership, team leadership and performance.

6.2.3. Objective 3: Succession planning predictors

Lastly, the study intended to establish the family business factors that significantly influenced succession planning. The results show that, governance, task leadership, team leadership and performance significantly influenced succession planning.

All the study aims were therefore successfully achieved.

It is envisaged that the findings of this study will contribute positively to the body of academic knowledge on succession planning and will help motivate families to appreciate the need for sustained succession planning.

6.3 Recommendations

After an analysis of both primary and secondary data, the following recommendations are offered:

6.3.1 Training and development

Training and development are one of the leading factors, which can govern the transition of family-based organizations from one generation to another. Just like in any other business, training and development plays a huge role in ensuring the overall organizational success. It should be noted that training does not just entail arming the employees with the requisite skills that they require to carry out their jobs, it also contributes to employee commitment to their work. It is also perceived to reflect the overall strategy of the organization, which entails adding value rather than reducing costs. Several companies that are highly successful are always aware of the significance of training as well as development for their organizations. Training and development enable firms to not only attract but also to retain their best employees.

Training and development of the members of the family run businesses also improves their satisfaction levels, motivation levels as well as their morale within the family run organizations. Training and development also play a major role in effectively addressing the weaknesses of the employees. A training program enables them to strengthen those skills, which the members of the family run businesses need to improve. It is worth pointing out that a development program ensures that all the employees are brought to a higher level in such a way that they have same knowledge and skills. This is highly beneficial in minimizing the weak links within the firm who depend hugely on others for the completion of basic tasks. The provision of the requisite training creates an overall knowledgeable staff in which the employees can take over for each other should there be need.

This study, therefore, recommends that since training and development is paramount to successful business administration, effective training and development programs be instituted for family members who manage the businesses to ensure that they are well equipped with the right skills, knowledge, competencies, and right experiences, required execute their functions.

6.3.2 Improving business strategies

Managing a family business as a team can be quite hectic without expertly formulated strategies. Well-formulated strategies enhance the success of the company from one generation to the other due to the continuous growth and development of the company. Lack of effective strategies may result in internal conflicts among the members of the family, which may hinder the success of the business in the competitive business environment. There are various measures, or strategies, which family-owned businesses could adopt in order to ensure that there is an improvement in their performance levels. Based on the findings of the study, effective leadership, effective team management, proper training and development, effective governance strategies and proper succession planning can be highly effective tools for improving the performance of the family businesses. Hence, at any given time upper management must ensure that the vision and mission statements of the organisation are embedded in the staff so that they are always promoting the strategic vision.

6.3.3 Leadership training

It is strongly recommended that leadership developmental programmes be implemented and monitored regularly to enhance leadership style (Burke, 2003). More especially middle of the road management styles. This type of leadership training can be intertwined with general training and developmental programmes which must have a set agenda on the work schedule for each month. These must be carefully recorded, reported, and monitored by interviewing staff with regards to the manager's leadership performance. Such training and development practices are identified to ensure that the potential successors receive adequate development opportunities on a regular basis (Burke, 2003).

While the retired owner continues to mentor the new successor as part of the development and training programme; it is advisable that this situation be gradually reduced because there are differences in leadership styles between the young generation as well as owner. The continued involvement of the owner may lead to conflict.

Hence to avoid such emotional issues, it is recommended that the family engage the services of an external consultant when developing and implementing a succession plan strategy. Thus, soliciting for external advice on a regular basis only helps the family members to implement the succession plans and business governance issues objectively and rationally.

It is strongly recommended that in-house training, external team-building exercises, and regularly scheduled family get togethers become a way of life in developing the succession strategy. The knowledge gained from family functions help in informing the other family members on how to successfully manage the relationship between family and business. In this way all family members are fully informed and involved.

It is recommended that successors must be trained to identify the core competencies and skill sets for assessing performance and identifying gaps within the current workforce and serve as a framework for recruiting the talent required to meet strategic goals and key objectives. This recommendation must be work- shopped with external consultants who are better able to see the bigger picture. It also minimizes emotional issues.

The findings of this study noted that the overall success of the family businesses is dependent on the style of leadership, which is adopted. As a result, the right leadership style should always be used. Even though family businesses contribute significantly to economic growth and job creation, several of them face challenges of failed leadership, which affects their growth after succession (Nwuke, 2017). This study thus recommends the following measures, which can be put into place to ensure that there is highly effective leadership.

Recognition: Recognition of employees' contribution is one of the main characteristics of good leadership. Recognizing contributions made by family members to the business will reduce conflicts and enhance performance and productivity (Nwuke, 2017).

Another feature that helps cultivate effective leadership in a family business is emphasizing on development that will help the business achieve its goals. Leaders should stay focused to the original course of the founder; the business vision and mission of the business should guide them so that they can be able to achieve the objective of the business (Nwuke, 2017).

Shared vision -A major trait of transformational leadership is the fact that there is always a shared vision. Effectiveness of next-generation leadership in a family business is strongly affected by a lack of shared vision (Miller, 2014). It is, therefore, recommended that leaders should share in the vision of the founder.

Authority: This criterion enhances and facilitates good leadership in a family business (Miller, 2014). Intergenerational authority is said to have negative effects on effective leadership in a family business. This is explained as exercising of unquestionable rules and authority by the senior generation. This kind of authority will result in failed leadership because it generates resistance form the rest of the family members involved in running the business. Authority should be exercised with caution; for example, the decision-making processes should not be one way but instead should be inclusive of both the senior and junior family business members. Decisions should be made inclusively where every member of the family is given the chance to share their ideas. This is the reason why open communication is a significant contributor to effective leadership in a family business (Miller, 2014).

Open communication: Open communication cultivates a positive culture of shared visions in a family business. Communication is a crucial aspect for the success of any business entity. The relevant person should update all the family members with all the information that pertains to the business. This enables everybody to be on par with what is happening in the business; hence, it minimizes conflicts in the family that might be brought by misunderstanding. The active medium of communication should be chosen to enhance the effective dissemination of crucial information. Proper team management involves passing down of information effectively and efficiently from the top-level management to the employees. Culture in a family business is created and recreated through communication and other modes of social interaction (Hall & Nordqvist, 2008). Therefore, communication and social interaction is a significant way of improving team management in a family business as it allows knowledge and practices to be passed down the generation line.

Work engagement: The other notable aspect, which is associated with effective leadership, is work engagement. Leaders should lead by example; work engagement, unlike burnout, is a positive attribute related to fulfilment at work. Effective leadership in a family business can be enhanced through work engagement; leaders should be committed to the business by showing dedication and vigour while executing their duties. Work engagement helps develop effective leadership traits for the next generation after succession (Miller, 2014). This aspect is embodied by Task Management / leadership style which has been very prominent in the findings of this study. For example, results show that different demographics did not agree on their task leadership in the family business while there was general agreement on the other. Various strategies can be embraced to enhance leadership effectiveness in family businesses. They include trust and accountability, work engagement, shared vision, and transformational leadership. Leaders in a family business should share in the vision of the business founder and apply transformational leadership style, which is aimed at motivating the employees and enhancing business culture, and ethical values that govern the family business. These leaders should also be fully engaged in attaining the business objectives and being accountable in all the operations.

6.3.4 Team Management strategies

The study recommends that team management strategies be introduced to improve performance of family businesses.

The findings of a study that was carried out by scholars like Hall & Nordqvist (2008) indicated that family businesses are generally influenced by special family dynamics and culture. Values, norms, culture, and other family practices have a significant impact on family business management. Team leadership in a family business where management is fully dominated by family members has proven to provide better performance compared to nonfamily team management. Successful team management in the family business is determined by various factors such as low wages, use of labour efficiently and long-term employment. Family businesses have the benefit of experience and knowledge that has been passed down from one generation to the other (Astrachan & Zellweger 2017. Proper team management in family business plays a significant role in ensuring growth and success. Proper team management has made it possible for family businesses to attain better performance compared to other forms of business.

6.3.5 Family dynamics in a family business

It is recommended that policies should be formulated to enhance the smooth flow of activities and improve family dynamics. The business should have a code of ethics and conduct that should be adhered to by all the individuals despite the seniority in the organization. This policy will outline procedures for dealing with various issues in the business for the long-term success with minimal family conflicts. All the transactions should be maintained in the books of accounts for transparency and accountability in business. The apparent financial report should be prepared for the presentation during the annual business meeting to ascertain the progress of the business. This requirement enables the family members to ascertain the areas that need more attention and investment in terms of human resources and financial resources for the growth and success of the business in the competitive business environment.

To ensure that there is effective management of teams in family businesses, there is need for clarification of various roles and responsibilities. Individuals perform to their best if they are sure of their roles and duties in a business organization. This implies that each member of the family must be assigned a role to play for the achievement of the business goals and objectives. With clear responsibilities, it shall be clear to establish the individuals who might not be giving their best for the success of the business to facilitate effective action such as deployment. With clear roles and responsibilities, of the member of the family commits him/herself in the assigned duties to avoid the aspect of business failure. The precise job description for each member of the family shall enhance the success of the business due to the minimal conflicts because all the members of the family shall feel part and parcel of the business. During the family meetings, the skills of everybody should be ascertained to assign each person a role based on his or her skills for the adequate performance of the business.

For teams to be managed in the right manner, there is need for measures to be put in place to ensure that everything is handled in a professional manner. For the success of the family business, the issues in the business should be handled professionally.

Culture and symbolic interaction also influence the management of teams in family businesses. Culture, in this case, is defined as the shared values and practices, which inform people on what is expected of them; these values are communicated in symbolic forms. One of the recommended ways team management can be improved in the family business is having a well-defined culture. A well-defined business culture will help interpret required actions and define the role of each family member in the business (Hall & Nordqvist, 2008). Culture will make it clear to its members on what is right or wrong, ethically right, or wrong and good or bad within the business. Therefore, the family business must have strong cultural values that are shared among its family members.

6.3.6 Governance strategies that can be used by family businesses to improve their success

It is recommended that governance strategies be improved for competitive advantage and good interpersonal relations. It is common for family businesses to reach certain levels of complexity where decision making, and planning become difficult. In such a situation owner deal with such complexities through creating more conflict. Family businesses that experience conflicts of management need to develop strong and effective governance structures (Sun, 2014). This is important to ensure that the organization and the family establish a reliable business performance and existence of harmony in their operations. Many family businesses are affected by a casual attitude of always doing things in a similar way. This attitude ignores operational and competitive advantages that accrue from good governance. Dismissing governance as an important pillar in success of family businesses does not consider modern realities that are influenced by marketplace disruptions (Sun, 2014). Therefore, this study provides the following recommendations for implementing governance strategies for success of family businesses.

The reality of the marketplace is changing because of disruptions caused by technological advancements and several recommendations can be made to improve performance.

Firstly, this study recommends family business to develop and implement strong financial controls alongside cyber security. Audited financial statement pretext within a determined annual budget is highly effective (Astrachan, 2010). Additionally, having a strong cyber security strategy is important because family businesses operate within an environment characterized by high levels of informality and trust. It is common for employees to receive emails and communication that are false. Consulting a cyber-security firm to offer training will reduce chances of employee manipulations.

Secondly, it is crucial for the family businesses to formalize good philosophies of governance, provide necessary framework and structural operations. Successful family businesses should be committed to proper management and transparent decision-making approaches (Abdellatif et al., 2009). This is important for treating all owners and other non-family executives equally. The family businesses should have a strong organizational structure with clear-cut roles, responsibilities, and centres for reporting. To complement this recommendation, the organization should undertake annual governance and risk assessments. Also, family business owners should invest in educating themselves about governance issues.

Thirdly, this study recommends that family businesses should institute well-functioning board of directors that will act as a basis for governance and a mediator between the family and external perspectives. The board should provide an opportunity for the family business to look extensively at all corners, but its composition should have independent members with legal, finance, strategic and risk management capabilities (Sarbah & Xiao, 2013). The independence of a board is consistent with the changing marketplace environment. They should provide skills and capabilities that fill gaps through provision of necessary expertise. A family business that has a high-functioning board, requires a risk and audit committee. Hence, it is recommended that that the management of family business establish a risk and audit committee comprised of independent and family members. Also, a compensational committee is required to provide transparency in determining salaries and other benefits for both family members and non-family executives.

It is also recommended for the family businesses to formalize clear succession plans. Success in family business is a clear indication of many years of hard work and dedication to realize their objectives (Fahed-Sreih, 2009). However, existence of a planning regime for the future is required to extend the culture of the business. It is essential that such a structure should list family members who should lead the business but permit transparency for others who are not directly involved. This is important to bridge the transition of family members from its owners to the third generation (Peng & Jiang, 2010). A good succession plan will provide the organization with an opportunity to change leadership progressively in a planned and non-disrupted manner. As such, it will offer an environment to maintain a requisite balance of skills and experience for the organization.

6.4 Contributions of this study

With the research that was conducted in the South Basin Region of KZN, there is evidence that there is a paucity of research studies conducted on leadership. From a global perspective, various research was undertaken in UK, USA, and Germany etc. on succession planning and not on leadership per se. This study combined the two areas of succession planning and leadership to establish how they are affected by family business factors. The study has contributed to the empirical studies on these two aspects in a South African context. More such studies on family businesses are always welcome, especially given the contribution they make to the country' economy.

In addition to the other findings of the study, the major contribution of the study is the succession planning in family business model (framework) recommended from the study. The framework (Figure 17) shows that succession planning is predicted by, governance, task leadership, team leadership and performance.

6.5 Significance of the study

The study focuses specifically on the nature and functioning of the family business with an emphasis on succession planning and leadership. Family businesses are experiencing growing challenges with regards to succession planning and its related issues (Royer, Holt, Hamill, 2008:15–30). This view is emphasised by Beckhard & Dyer (1983:5) who asserted that only about 30% of the family businesses make the transition to the second generation. Family businesses lack the capacity to, firstly, ensure that a succession plan exists (Pricewaterhouse Coopers (PWC), 2011:36-37); and secondly, to ensure that succession planning is effectively conducted (Fox, et al., 1996:15). The later part relates to leadership problems. A lot of studies have been carried out on succession planning on family businesses and many more continue to be done. This study's contribution has been on assessing the interaction of various family business factors as they apply to two issues, succession planning and leadership. For example, the study found out that the task leadership style was a predictor of succession planning among other business factors. This is an important literature contribution to the relationship between the succession planning and leadership in family businesses.

The other literature and empirical contribution of the study has been on the focus area of study, KwaZulu-Natal. This is the first known study on succession planning and leadership in family businesses known to have been carried out in the area. The findings and recommendations therefore have an important contribution to both academia and businesses in the area and the rest of the country. Family businesses will have the benefit of added practical insight into how they approach succession planning.

This study is supported by the understanding that little research which focuses on the nature and functioning of family businesses has been conducted. This contention is further supported by the fact that family businesses play a significant role in economics (Morris, Roy, Williams, Jeffrey & Ramon 1997: 385). The application of succession planning and effective leadership as recommended in this study, will enhance the performance and growth of family businesses. This will result in improved contribution of these firms to the economy. Though this will be an indirect input from this study, this is an important contribution of the study. Direct recommendations have been made to benefit the firms concerned, but the whole small and medium business sector may also benefit since most family businesses fall into this sector. 8 Limitations of the study

Limitations are potential weaknesses in the study and are out of the researcher's control (Simon & Goes, 2013). The study was cross sectional as opposed to longitudinal, carried out at a time and so the responses could be different if survey is done at a different time. The sample studied was limited to family business owners in the South Basin of KwaZulu-Natal who have been operating for 5 years and more. The results cannot, therefore, be generalized to other geographical regions of South Africa or other parts of the world.

The snowball sampling method used for study group is a limitation because it has the potential to introduce possible bias into the statistical findings. Therefore, the results of the study should generally apply to a larger population taking this into account.

Only owners who were willing to participate in this study were surveyed. Because some of the data gathered could be sensitive issues in most family businesses, only owners who perceived their businesses to be legal or successful, might have chosen to participate in this study. This study may only reflect businesses where the owner felt that the study would not put them in a negative light. This self-selection bias, however problematic, is common in family business research.

The researcher would like to point out that, in cases where significant differences between the means were found, and the hypothesis rejected, further ANOVA tests such as the Tukey's could have been carried out to find source of the significance, for example, which age group caused the significance. This is an acknowledged weakness, which if done could have enhanced the quality of analysis.

7. Future research recommendations

The same study could be done to have a more national coverage. This will be more representative than to have a regional understanding of family as is the case with this study. It would also be more appropriate to compare national results with other regions of the world. More studies need to be conducted to assess the relationship between professionalism and family decision making for sustainability. The study found out that governance, task leadership, team leadership and performance significantly influenced succession planning. Other internal factors could be assessed in future studies to determine if they significantly influence succession planning.

It would be beneficial if the study was conducted in other counties globally to ascertain whether the results would display familiarity or not. The study sample was mainly of Indian descent due to areas being visited. It would also assist if this research is conducted at a broader coverage of cultures, so that a review can be done to ascertain if the results are similar or not.

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Appendix 1: Questionnaire

For office use only

A	A1

SECTION A: GENERAL INFORMATION ABOUT THE FAMILY BUSINESS

Important: (Please mark the appropriate box with an (X) and explain where necessary).

SOCIO – DEMOGRAPHICS

1. **Indicate your gender**

Male	
Female	
Other (specify)	

2. **Indicate your age**	
18 – 35	
36 – 50	
51 – 60	
61 and above	

3. **Race**	
African	
Coloured	
Indian	
White	

4. **Highest level of Education**

Primary	
Secondary	
Diploma	
Degree	
Post – Graduate	
Other	

5. **What form of Legal Entity is the family owned business?**

Close Corporation	
Sole Proprietor	
Partnership	
PTY / LTD	

6. **How long has the family business been operating?**

1 – 9 years	
10 – 19 years	
20 - 30 years	
31 - 40 years	
More than 40 years	

7. **What generation is the family business in now?**

First	
Second	
Third	
Fourth	
Other - Specify	

8. **In which industry or sector are the operations mainly concentrated**

Retailing	

Manufacturing	
Services	
Agriculture	

SECTION: B

BUSINESS OWNERSHIP

9. **Number of employees in the family business?**

	Full Time	**Part Time**	**Total**
From within the family			
From outside the family			

10. **Rank the obstacles you currently face in the family business**

	Biggest (1)	**Very Big (2)**	**Average (3)**	**Very Small (4)**	**Smallest (5)**		**In your view rank the top 5 obstacles you face in the family business (1 = biggest), 5 = smallest)**
The economy							
Obtaining finance							
Cash flow							
Recruiting and Retention of staff							
Keeping up with new technology							

Availability/cost of suitable premises							
Competition in the market							
Shortage of skills generally and managerial expertise							
Lack of financial management skills							

SECTION C: THE FAMILY DYNAMICS (Harmony)

Please mark with an (X) the box which best explains your level of agreement to a statement.

Statements	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
11. Communication within the family business is good.					
12. Employees share the same values					
13. The younger generation are given greater responsibilities					
14. Family members enjoy working together					
15. The family operates as a team in the business					
16. The business is obligated to offer every family member and in -laws a job					
17. Family members know where they stand in the business, in terms of opportunities and limits					

18. Family members are free and willing to openly express differences of opinion.					

<u>SECTION: D</u> <u>SUCCESSION PLANNING</u>

Please mark the following statements with (X) in the appropriate box to a statement

	Strongly Agree (1)	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
19. A single person makes the decisions					
20. The family can successfully continue running the business in the event of the key owner's sudden death					
21. Necessary financial provision has been made for a loss					
22. Business processes are in place to ensure continuity after retirement or death					
23. A succession plan exists in the event of retirement or death					
24. The necessary legal documents are in place to ensure succession					
25. Business is adapting to technological advances					
26. There is an active development plan for the next generation					
27. The owner prepares one of the family members to succeed him/her/them					
28. The offspring of the business owners receive equal shares in the business whether they work in the business or not					

<u>SECTION E:</u> <u>GOVERNANCE</u>

To what extent would you agree with the following statements on the presence of non-family members in your business?

Please mark the following statements with (X) in the appropriate box to a statement that best suits your choice.

Statements	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
29. A family council is an integral part of the family-owned business					
30. The family business comprises of both internal and external people in its management					
31. There is a clear policy in place on who should serve on governance structures					
32. Non – family members are free and willing to openly challenge the leadership strategies and decisions					
33. Owners are held accountable for family council resolutions					
34. Family councils nominate qualified family members to be directors and for other governance positions of the family business					
35. Family councils serve as an effective communication link to address conflict resolution					
36. The business is evaluated on performance management					

<u>Section G:</u> <u>Effective Leadership</u>

Purpose:

1- **To identify the owner's style of leadership**
2- **To examine how the owner's leadership style relates to other styles of leadership**

Directions:

1- **For each of the statements below, tick the number that indicates the degree to which you agree or disagree with the statement**
2- **Give your immediate impressions. There is no right or wrong answers.**

(1) – Strongly Agree (2) - Agree (3) – Neutral (4) – Disagree (5) - Strongly Disagree

	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
37. Leaders give instructions to staff on how to carry out their work					
38. Employees need to be supervised closely, or else they will not do their jobs					
39. Providing guidance without pressure is the key to be a good leader					
40. Effective leaders give orders and clarify procedures					
41. Leadership requires staying out of the way of employees as they do their work					
42. The leader is willing to take risks in-order to achieve goals					

43. Leadership is the ability to get people to work for you because they want to					
44. Leaders have vision and can foresee the future of the family business					
45. Leader is not afraid to break the mould to find different ways of doing things					
46. Leader urges an employee to work as a team with other managers/supervisors who report them					
47. In general, it is best to leave subordinates alone to find solutions					
48. Employees want to be part of a decision-making process					
49. The leader takes a role as mentor or coach to the subordinates					
50. Effective leaders motivate and inspire their subordinates					
51. Effective leadership is one who can lead others to lead themselves					
52. Effective leaders share consensual decision making with their subordinates					
53. Effective leaders give constructive feedback to enhance subordinates task performance					
54. Effective leaders believe that team members					

obey their leader when they accept the job					
55. Effective leaders remunerate subordinates in return for their effort and compliance					

Section H: Performance

Please rate the business' performance in the past 5 years in respect of profitability

Please mark the following statements with an (X) in the appropriate box to a statement that suits your choice.

56. , How would you characterize your business' profits in the last 5 years? Choose one answer.

declined significantly	
declined somewhat	
stayed about the same	
increased somewhat	
increased significantly	

Statements	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
57. Critical issues such as policies, family contributions and resolving conflicts over money are discussed during family forums					
58. The responsibility of the owner is to maintain control and ensure that there is enough capital to					

make the business viable and sustainable					
59. The owner's responsibility is to regulate ownership issues that is how shares can and cannot be traded inside and outside the family for sustainability					
60. Family members monitor performance diligently where they draw knowledge from a long history in the industry					
61. Successful family businesses seek steady long-term growth and performance to avoid risking the family's wealth and control of the business					
62. By diversifying risk and providing a source of cash to the family with liquidity events, successful wealth management helps preserve harmony and sustainability					
63. Charity is an important element in keeping families committed to the business by providing meaning full jobs for the family members					

Thank you for your time
R. Maharajh