AN EXPLORATORY STUDY OF FAMILY HARMONY IN FAMILY BUSINESSES

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ABSTRACT

Family businesses are one of the driving forces behind economic growth in South Africa. It is therefore very important to understand all the different aspects of family businesses to ensure sustainability and continuity through different generations. The reasons for their failure are often predictable and the fact that the 'family dynamics' and family business issues is not well understood. Family harmony is a situation where family members acknowledge each other's achievements, that they are emotionally attached and close to each other, where they support and care for each other's welfare and this gives them a competitive advantage and as a result are in a better position to work together, trust each other, and react faster to the changing economic environment. It also leads to better, wiser decisions being taken, leading to success in business.

The research was conducted by means of a literature and empirical study. The literature study entails literature on the key dynamics of family businesses and factors that influence harmony in family businesses. A convenience sample, by means of a snowball sample technique was used to identify family businesses. A total of 13 family businesses and 91 respondents participated in the Lejweleputswa District in the Free State province in South Africa.

Literature revealed that there are thirteen latent variables that could be used to assess family harmony in family businesses. These determinants of family harmony are: open communication, mutual trust and respect, conflict between family members, family commitment, personal needs alignment, division of labour, fairness, leadership, governance, non-active family members, non-family members, senior generation of family members and financial performance.

The reliability of the questionnaire was determined by calculating the Cronbach alpha coefficient of the variables. The Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the data.

The participating family members had the highest level of agreement with the following variables concerning the statements in the questionnaire; **Family Commitment** ($\bar{x}$ =5.877), **Financial performance** ($\bar{x}$ = 5.723) and **Mutual trust and respect** ($\bar{x}$ = 5.716). Mutual trust, respect and leadership are the more preferable variables for the participating family members because they have the highest correlation to family harmony in family businesses. In the relationships of, active and inactive family members and the gender of the family members in regard with family harmony (dependable variable) and the perceived future continuity (independent variable) there is never a practical significant difference.

Recommendations are made to improve family harmony in family businesses and subsequently the sustainability and longevity of the businesses

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Balshaw (2003: 20) states that family businesses are the backbone of South Africa's economy, and their qualities provide stability and flexibility in the changing landscape of the society. Yet, familial strength can also be the reason for their fragility. The general description of a family business is that it could be seen as 'clogs to clogs in three generations'- which means that the first generation establishes the business, the second builds and the third destroys. According to Balshaw (2003: 20), it is found that about one-third of family businesses survive through all three generations and those that survive are sold off in the last stage. The reasons for their failure are often predictable – it is clear that the 'family dynamics' and family business issues are not well understood. Maas, Van der Merwe and Venter (2005: 8) estimated that only 30% of family businesses are transferred successfully to the second generation and 10% is transferred successfully to the third generation. The lack of confidence, uncertainty and emotional baggage stemming from the child/parent relationship is just some of the problems successful succession processes endure.

According to Van der Merwe and Ellis (2007: 2), family business' longevity is a major concern for the most family businesses. Kaslow (2006: 269) indicated a study on the Chief Executive Officer's of family businesses that was expected to retire in one to five years, and they found that the succession solution was a compromise between tax efficiency, *family harmony* and business requirements.

Pickard (1999: 1) stated that a business that is run by a family is like a merger; the merging of the unique and diverse recourses that each individual in the family brings to the business. If you wish to understand the dynamics of the inner workings of the family business, you must look at the business and the family as one.

According to Timmons and Spinelli (2007: 79), entrepreneurship is a way of thinking, reasoning, and acting that is "opportunity obsessed, holistic in approach, and leadership balanced." It is thought that the entrepreneur is vital to economic growth and development. The entrepreneur is the one who develops new ideas (or put them in practice), who develops new markets, who takes risks in the pursuit of profit and creates employment and income. Pickard (1999: 1) stated that family businesses are entrepreneurial, although the principles they adhere to are not always considered to be entrepreneurial.

Michaud (2008) states "the bone is the strongest where the break heals". This gives family firms a competitive edge. Unresolved conflicts are harmful and put the family and business at risk, but alternatively businesses that have developed effective ways of managing conflict are those most likely to survive and thrive. These individuals are able to enjoy a competitive advantage and as a result are in a better position to work together, trust each other, and react faster to the changing economic environment. It also leads to better, wiser decisions being taken, leading to success in business.

While family businesses can be rewarding because success is shared with loved ones, they can become challenging when communication fails. According to Michaud (2008), the key to resolving most family business problems effectively is the issue of communication. According to Aronoff, Astrachan and Ward (1996: 66), where there is a high degree of family harmony in a family business, there will also be a high level of business continuity planning. The high degree of family harmony will also make the continuity planning process more tolerable.

Neubauer and Lank (1998: 142) and Van der Merwe and Ellis (2007) pointed out that *family harmony* is a situation where family members acknowledge each other's achievements, that they are emotionally attached and close to each other, where they support and care for each other's welfare.

For the purpose of this study, the definition of Ibrahim and Ellis (2004: 5) has been adopted. They define a family business as follows: at least 51% of the business is owned by a single family; at least two family members are involved in the management or operational activities in the business; and the transfer of leadership to the next generation family members is anticipated.

The South African National Small Business Act (1996) and National Small Business Amendment Act (29/2004) classify micro, very small, small and medium-sized businesses as businesses that employ fewer than 200 full-time equivalent of paid employees. The focus of this study is thus small and medium-sized family businesses in South Africa.

In this chapter the importance of family businesses will be discussed, as well as the problem statement, objectives of the study, scope of the study, research methodology, limitations of the study and finally the layout of the study.

1.2 IMPORTANCE OF FAMILY BUSINESSES

According to PricewaterhouseCoopers (2007: 2), family businesses drive the economy locally, nationally and globally. A large proportion of business in South Africa (and around the world) is generated by entities that are privately owned, and more specifically, family controlled (Pricewaterhousecoopers, 2007: 2). Family firms play a crucial role in the global economy. One measure of their importance is the proportion of registered companies that are family-controlled by means of a figure, which ranges from more than 50% in the European Union (EU) to between 65% and 90% in Latin America and over 95% in the United States (US). A second aspect is their economic power (Pricewaterhousecoopers, 2007: 2).

Family businesses can focus on serving local markets, sustaining the family's lifestyle, or providing jobs to family members. Families comprise the dominant form of business organisation worldwide and provide more resources for the entrepreneurial economy than any other source (Timmons & Spinelli, 2007: 562).

It is also recognised that family businesses generate between 35% and 65% of the gross national product (GNP) of the European Union member states, about 40-45% of the gross national product of North America, between 50% and 70% of the gross national product of Latin America, and between 65% and 82% of the gross national product of Asia. As a result it can be seen that the family firm is the dominant form of business structure worldwide (PricewaterhouseCoopers, 2007: 7).

Kenyon-Rouvinez and Ward (2005: 2) stated that family businesses are not only pervasive and important, but they also perform well economically. A recent study that has been done on family controlled firms, on the CAC 40 (Compagnie Nationale des Agents des Change) and the S&P 500 (Standard and Poor's stock price index), has had a surprising conclusion in that family firms outperformed non-family firms. To add to this, a study on other private companies in the United States showed that family firms average 25% more return on investment than non-family firms. Resent research confirmed that on average, family firms achieved superior financial performances than non-family businesses (Kenyon-Rouvinez & Ward, 2005: 2).

According to Maas *et al.* (2005: 10), there is an increase in the importance of family businesses spread over all ethnic groups in South Africa, in terms of their supportive role to promote economic growth, development and the contribution that they can make towards the social stability of the country.

According to Ibrahim and Ellis (2004: 5), family businesses have been the "engine of growth" in many industries. Some of the industries that exist today were created and developed by family businesses; Henry Ford's mass production idea changed the entire automobile industry, Paul Galvin was the founder of Motorola, and when his son, Robert Galvin took over the family business, he introduced the first cellular phone to the world and this family business invented the cell phone industry. The driving force in the brewery industry is mainly contributed to a few family businesses like, Anheuser-Bush, Coors, Heineken, Carlsberg, Moslon, Interbrew and Holsten, to name a few. In the publishing and newspaper industries there are also a few family business that is the driving force; the New York Times, the Washington Post, Knight Rider, Hollinger International to name a few.

1.3 PROBLEM STATEMENT

Family businesses contribute a great deal to the economic growth and wealth creation of the world. Important is the fact that they create new jobs for the employed and unemployed. Carlock and Ward (2001: 3) pointed out that all businesses, family-owned or otherwise, find it difficult to continue long-term. It is thus very important to look at the factors that influence the success and the long-term future of the family business.

A major concern in most family businesses is the question of their longevity. Astrachan and McMillan (2003: 1) make no secret of the fact that history is filled with incidences of family businesses that failed to survive to the next generation because family members could not resolve their differences or communicate successfully with each other. Conflict and the failure to communicate contribute significantly to the failure of many business-owning families (Ibrahim & Ellis, 2004; Astrachan & McMillian, 2003:21, 53; Aronoff, Astrachan & Ward, 2002; Carlock & Ward, 2001). Many family business scholars are of the opinion that close family ties and strong working relationships are vital to the longevity of a family business (Venter & Boshoff, 2006: 19; Santiago, 2000: 29; Sharma, 1997: 64; Malone, 1989:349).

The number of family businesses is expected to increase in the near future due to the fact that the formal sector is not able to create new jobs for all the unemployed in South Africa. The notion of entrepreneurship inherent in people is being developed and they are starting new ventures to provide for themselves and to ensure a future for their children. It is thus foreseen that family businesses can therefore play a major role in the economic development of the South African economy.

It can be agreed upon that, in order for family ventures to succeed, certain issues are of utmost importance to stop "the family boat from sinking". As a result, this study specifically focuses on the determinants of family harmony in family businesses and the effect that it has on the future on the family business.

1.4 OBJECTIVES OF THE STUDY

1.4.1 Primary objective

The primary objective of this study was to empirically explore various determinants of harmonious family relationships in small and medium-sized family businesses in South Africa.

1.4.2 Secondary objectives

In order to realise the primary objective, the following secondary objectives were formulated, which was to:

- Establish what a family business is.
- Gain insight into the nature and essence of a family business by means of a literature study.
- Identify the items that could measure the determinants of family harmony in family businesses.
- Determine the reliability of the questionnaire used in this study.
- Explore the correlation/relationship between family harmony and the determinants of family harmony.
- Examine the relationship between the demographical variables and the variables measuring family harmony.
- Suggest practical recommendations to members of a family business on how to improve harmonious relationships in family businesses.

1.5 SCOPE OF THE STUDY

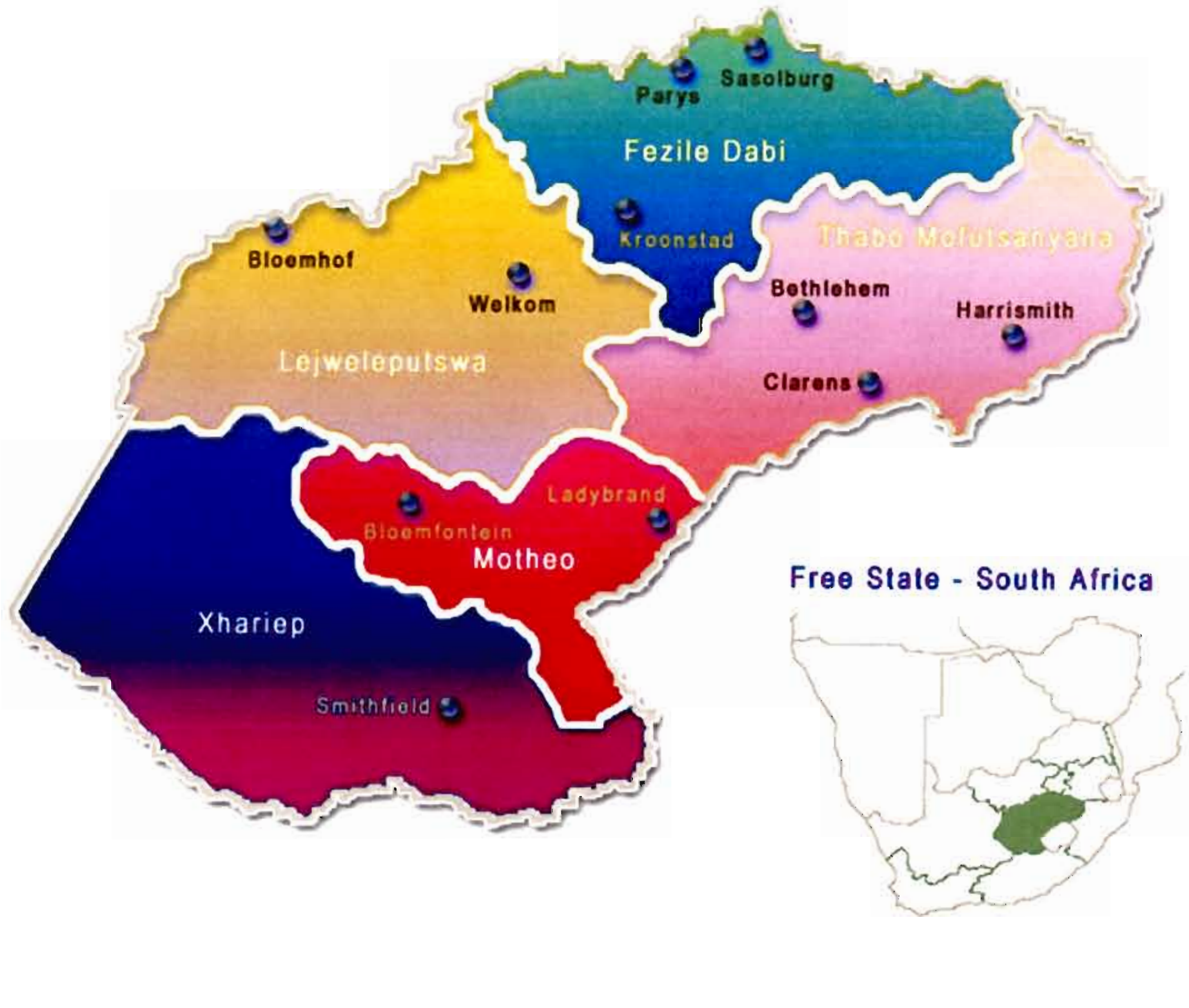
1.5.1 Field of the study

This study falls within the learning area of entrepreneurship with specific references to the contribution of the various identified determinants of family harmony in small and medium-sized family businesses.

1.5.2 Geographical demarcation of the study

The study includes small and medium-sized family businesses in the Welkom and Odendaalsrus area, forming part of the Mathjabeng Municipality situated in the Lejweleputswa District of the Free State. This area was identified because the researcher lives in this area and is an inactive family member of a family business in the area. The economic activities in this area stems from the discovery of gold in the late 1950s, subsequently all these businesses primarily are directly or indirectly dependent on mining activities in this area. The other significant sector in the economy is agriculture based. These sectors share the same economic challenges and are very dependent on the micro economy of this region. Figures 1.1 below shows the Lejweleputswa District in the Free State province in South Africa were the research took place.

Figure 1.1: Map of the Free State, showing the where about of the Lejweleputswa District



Source: THE FSTA (2007)

1.6 RESEARCH METHODOLOGY

This study was conducted in two phases, which initially involves a literature review of family businesses, followed by an empirical study that investigated the determinants of family harmony in family businesses in the Lejweleputswa District in the Free State, South Africa.

1.6.1 Literature review

Information was gathered from both secondary and primary sources.

1.6.1.1 Secondary resources

Information was gathered from various publications such as textbooks, journals, the Internet, and previous studies on the subject and related subjects.

1.6.1.2 Primary resources

Information was gathered by means of an empirical study. Respondents (active and inactive members of the family business) were requested to complete a structured questionnaire.

1.6.2 Empirical study

An empirical study consists of obtaining data from participants by making use of questionnaires or conducting structured interviews based on the questionnaire (Struwig & Stead, 2001: 222).

1.6.2.1 Study population

Numerous attempts were made to secure a database of family businesses in the Lejweleputswa District in the Free State, but with no success. Therefore, it was decided to use a convenience sample, by means of a snowball sample technique, to identify family businesses. Convenience sampling is chosen on the basis of its availability. Respondents are selected because they are accessible and articulate (Struwig & Stead, 2001: 111). In snowball sampling data is collected on the few members of the target population that can be collected, and then information is obtained from those individuals to locate other members from that specific population study (De Vos, Strydom, Fouche & Delport, 2002: 336). The researcher to obtain the sample for this study followed this method.

Keeping above issues in mind, the target population for this specific study was chosen to be small and medium-size family businesses in the Welkom and Odendaalsrus area, situated in the Lejweleputswa District of the Free State. A list of 21 possible family businesses where generated by contacting well-known business people in the Lejweleputswa District area who could supply names of suitable businesses.

1.6.2.2 Data collection

Out of the 21 family businesses that were contacted, only 17 of the businesses were willing to participate in this study. The questionnaires were personally delivered to the 17 family businesses that were willing to participate and the questionnaires and what it entailed were explained to them. This was followed up by interviews by telephone and by means of e-mail. The questionnaires had to be completed by the active (members employed by the business) as well as inactive members of the family business. A letter that guaranteed the confidentiality of the respondents accompanied the questionnaires. A total of 91 usable questionnaires were returned from 13 family businesses, thus comprising the sample population. A total of 55 active family members and 36 inactive family members completed the questionnaire that was distributed to them. These completed questionnaires were subjected to further statistical analysis.

1.6.2.3 Constructing the questionnaires

The major advantages of a questionnaire are that the response can be quantified and easily summarized, it is relative easy to use with large samples, relatively inexpensive and can obtain large volumes of data. Questionnaires can vary in scope, some measuring selected aspects of organizations and others assessing more comprehensive organisational characteristics. They also can vary in the extent to which they are either standardised or tailored to a specific organization (Cummings & Worley, 2005: 117).

The literature research provided valuable insight into the identification of the determinants of family harmony in family businesses. Based on the literature research, thirteen latent variables, which could be used to assess family harmony were identified. These determinants of family harmony are: open communication, mutual trust and respect, conflict between family members, family commitment, personal needs alignment, division of labour, fairness, leadership, governance, non-active family members, non-family members and senior generation of family members. Subsequently, a comprehensive measuring questionnaire was designed by Van der Merwe, Venter and Farrington to evaluate these constructs. Refer to Appendix A for the family harmony diagnostic questionnaire for the active family members and Appendix B for the inactive family member questionnaire.

The measuring questionnaire used in this study asses the thirteen latent constructs with 96 statements on the basis of a 7-point Likert type scale ranging from Strongly Disagree (1) to Strongly Agree (7).

Demographic information, which included the distinction between active and inactive family members, age group classification, gender, martial status, relationship to the senior generation owner-managers, highest academic qualifications and shareholding percentages, were collected. Information on the structure of the participating family businesses that was also gathered included the number of permanent employees, annual turnover, industry focus, the age of the business, the generation of family members managing the business and the legal status of the participating family business.

1.6.2.4 Statistical analysis

The data collected were statistically analysed, using Statistica (Statsoft, 2008) and SPSS (SPSS, 2008). Calculating Cronbach alpha coefficients assessed the reliability of the questionnaires. The constructs measuring family harmony were furthermore assessed by means of descriptive statistics. The correlation between the determinants of family harmony and the variables of family harmony were furthermore assessed, by calculating Pearson's correlation coefficients. The relationship between the demographical variables and the constructs measuring family harmony were also explored by means of independent t-tests and effect sizes.

1.7 LIMITATIONS OF THE STUDY

On limitations to the study, the following was noted:

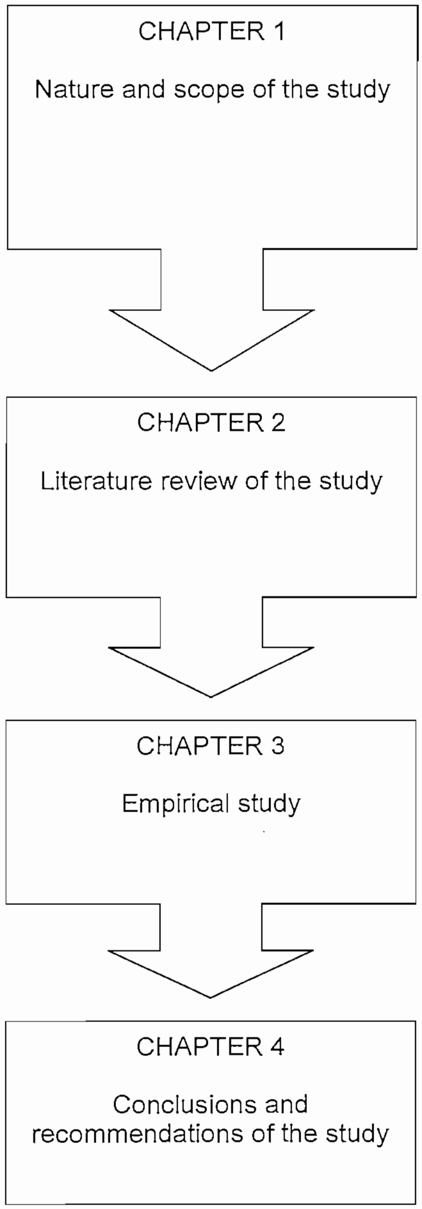
- The literature study was universal of nature, but the empirical research was limited to the Welkom and Odendaalsrus area in the Lejweleputswa District in the Free State. Therefore, the results and the recommendations of the study cannot be generalised to the rest of South Africa.
- The study was limited to small and medium-sized family businesses and can therefore not be applied to all family businesses.
- The focus of the study was on family harmony in family businesses and the operational aspects of the family business were excluded for this specific study.
- The snowball sampling technique that was used can cause that certain family businesses be excluded from the study.

The limitations of the study must be taken into consideration when the results and conclusions of the mini-dissertation are applied to other family businesses, although it should be kept in mind that businesses function basically on the same principle.

1.8 LAYOUT OF THE STUDY

The demarcation of this study is shown is Figure 1.2. This study consists of four chapters and the layout can be summarised as follows.

Figure 1.2: Schematic layout of the study



It should also be noted that each chapter contains the following info:

Chapter one contained the introduction, importance of family businesses, the problem statement, the primary and secondary objectives of the study, scope of the study, research methodology, limitations and the layout of the study.

Chapter two consists of a comprehensive literature review that is going to form the basis of the empirical study. The following topics will be included: an introduction, definition of family businesses, uniqueness of family businesses, advantages and disadvantages of family businesses, family harmony in family businesses and a review of the determinants of family harmony.

Chapter three contains the construction of the questionnaire, the study population, the gathering of the data and the presentation and discussion of the results emerging from the empirical study.

Chapter four concludes the study with the conclusions and recommendations, a critical evaluation of the study and suggestions for further research.

CHAPTER 2

LITERATURE REVIEW OF FAMILY BUSINESSES

2.1 INTRODUCTION

"Family businesses are much more about family than it is about business. The problems and difficulties inherent in managing and owning a family enterprise is more human and relationship orientated than they are technical and money orientated" (Rivers, 2005: 2). Rivers (2005: 2) furthers that with family businesses, families are the first priority. Family business begins as a family unit and each family has its own unique unwritten rules, values, histories and communication methods. These variables each have an impact on the business in different ways, sometimes positive and sometimes negative.

It is accepted that families or groups of related individuals own family businesses. They each bring their unique mixture of values, history and emotional relationships into the family business. The family members use a family business to their advantage, in their search for stability, closeness, sense of community and the belonging to something meaningful (Hess, 2006: ix).

Family firms are the most common form of business structure; many millions of people are employed in this set-up; and a considerable amount of the world's wealth is generated. Indeed, they often deliver better returns than non-family owned companies, with a wider shareholder base, through this avenue (PricewaterhouseCoopers, 2007: 5).

The story of every successful family business starts with someone who has the passion, confidence, and courage to put his/her money where his/her mouth is and such persons are called entrepreneurs. Family business has been categorised as a sub-discipline of entrepreneurship, it seems more correct to state that there are a number of issues that overlap for example, often enough entrepreneurs happen to be family business owners as well, and that research based on entrepreneurship may have ventured into the family business domain (Bornheim, 2000: 22).

Entrepreneurs are typically creative over-achievers; they can see opportunities where others might not, and are utterly single-minded about pursuing them. They work incredibly hard, make things happen, are positive without being unrealistic and possess the resourcefulness to overcome all sorts of hurdles. They are also socially adept, capable of communicating effectively and good at inspiring others. The entrepreneur's life is often a lonely one and this is true of entrepreneurs everywhere, regardless of where they live or what kinds of businesses they run. In later years some of the decisions they must make – such as whether certain family members should be allowed to work in the business and which roles different relatives should play, may be personally as well as commercially problematic (PricewaterhouseCoopers, 2007: 5).

2.2 DEFINING FAMILY BUSINESSES

According to Balshaw (2003: 24), there can be a broad and narrow definition of family businesses: the broad definition would require families to have some degree of control over the strategic direction of the business, an intention for the business to remain in the family. The narrow definition would require multigenerational involvement in the management and the day-to-day operations. Jaffe (1991: 27) points out that any business where more than one member of a family take the management and/or the active ownership responsibility can be regarded as a family business.

Criteria often used to define family businesses include percentage ownership, active family members' involvement in management, voting control, control over strategic directions, involvement of more than one generation, and attitude of family members towards the business (Balshaw, 2003: 24). Cummings and Worley (2005: 580) assert that the most common definition of a family business is that it is an organisation where ownership and/or management control rests with family (or families).

Family businesses are not defined by size, quality of management, or whether ownership is private or public. Aronoff, Astrachan and Ward (2002: 2) stated that a family firm is one that includes two or more members of a family that has financial control of the business. Sometimes all family members are of the same generation.

More often businesses are recognised as a family business when at least two generations are involved.

Family businesses can furthermore be defined as those businesses in which at least 51% of ownership lies with family or related families, where the family members comprise the majority of the senior management team, and the owners have day–to-day responsibility for the management of the business (PricewaterhouseCoopers, 2007: 3).

Neubauer and Lank (1998: 5) point out that there are a few elements that can be used to define a family business, and they are:

- The percentage of the shares that is owned by the family.
- Employment of owning family in executive or other positions.
- The existence of non-family executives or employees.
- The extent to which the intention is to maintain family involvement in the future.
- The number of generations involved in the family business.
- The number of families involved in managing or ownership.
- The family accepts that it controls its own enterprise.
- Non-family members accept that it is a family business.
- The size of the family business, mainly the number of employees.

It should be recognised that this list is neither complete nor mutually exclusive.

A working definition by Poza (2004: 6) stated that a family business is a unique combination of the following:

- Ownership control is 15% or more, by two or more members of a family or a partnership of families.
- Strategic influence by family members on the management of the business.
- Concern for family relationships.
- The vision and dream to continue the family business over generations.

Apart from the above family business definitions, Aronoff *et al.* (2002: 2) highlight that there are two major types of family businesses, namely a single generation family business and a cross-generation family business. Jaffe (1991: 27) then points out that a single generation family business can be divided into two more definitions, firstly when the family business is started when the founder entrepreneur invites other family members from the same generation to share in the management or ownership of the business. Then secondly, a family business could be defined as the actions when two or more relatives of the same generation start a business together. Cross-generational family businesses usually arise later in the business life cycle. This is when the founding generation has developed the business to a point where it can accommodate the next generation (Jaffe, 1991: 27).

For the purpose of this study, the definition of Ibrahim and Ellis (2004: 5) has been adopted. They define a family business as follows, which is when: at least 51% of the business is owned by a single family; at least two family members are involved in the management or operational activities in the business; and the transfer of leadership to the next generation family members is anticipated.

2.3 THE UNIQUENESS OF FAMILY BUSINESSES

"You get families, you get businesses, and then you get family businesses." Family businesses are unique in the sense that they differ in various extremely important ways from non-family businesses. According to Ibrahim and Ellis (2004: 44), the overriding characteristic of most family businesses is a unique atmosphere that creates a "sense of belonging" and an enhanced common purpose among the whole workforce (Leach, Ball & Duncan, 2002: 5).

Family members have to earn their 'voice' in the business governance by showing and developing qualifications that convey the right to be heard. The business in turn needs to be accountable to the family (Carlock & Ward, 2001: 146). It is also necessary that owners need a sound understanding of business and family concepts (Carlock & Ward, 2001: 146).

Jaffe (1991: xiv) found that successful family businesses all have the same qualities in common, just in varying degrees and these qualities are:

- **Shared values:** this is about people, work and money.
- **Shared power:** this is about cross generations, between spouses, among siblings.
- **Shared activities for maintaining relationships:** members that maintain their sense of humour, demonstrate the ability to have fun and play together, are putting 'relationship currency' into the family bank and then when there is a disagreement they can draw from the reserve in the bank.
- **Traditions:** is what makes families special and also what sets them apart from the 'rest'.
- **Willingness to learn and grow:** the family is open to new ideas and the approaches they take can solve any problem.
- **Genuine caring:** open expression of feelings of concern for each other.
- **Mutual respect:** evidence by trust between and among family members, this trust is built by a history of keeping one's word.
- **Privacy:** respect for each other's individual space and for the private space required in each family unit within the extended family.
- **Well-defined interpersonal boundaries:** to keep individuals from getting caught in the middle. Well kept boundaries stops conflict between two family members from involving a third person.

The structure of the family business in large part defines the process of family business relationships – therefore, one of the focuses of many advisors is to help the family inject appropriately designed structure into their family enterprises. Structure is best considered by looking at the boundaries between different individuals, between different generations, and between family and non-family. It is typically thought that boundaries are divisions between 'parcels' of land or other physical entities. When applied to human interactions it is somewhat similar (McClendon & Kadis, 2004: 37).

Leadership in a family business is a far different challenge than leadership in any other kind of business, because a family business is far more complex. In a non-family business, the leader is concerned with only one system: the business organisation. However, family firms are special in that they involve three systems: the business, the family, and the ownership. All three systems are interconnected and interdependent, and each of the systems are in need of their own leadership. Leadership becomes trickier with each succeeding generation as the family and the business grow larger and more complex and as the number of owners, often all related to each other, increase as well (Aronoff *et al.*, 2002: 1).

The fact that family businesses need leadership in three co-existing systems is only one way that leadership differs from that of other businesses. While emotion is always a factor in any business, the fact that family is involved in family firms means that their leaders will have to deal with emotion to a much greater extent because family members tend to have passionate feelings which are either positive and/or negative, about the business. Trust and loyalty are also more significant issues in family businesses (Aronoff *et al.*, 2002: 9).

Family business owners have multiple goals. Owners want to increase shareholder value, but as family members they may also want to pass the asset on to the next generation, provide employment for the next generation, transmit the family's values through the business to the employees and the community, create a name for the family and meet charitable goals. It is easier to lead toward a single, very specific goal like increasing shareholder value than it is to have to weigh a number of goals simultaneously and provide leadership toward their achievement (Aronoff *et al.*, 2002: 9).

Culture, values and legacy are important to all businesses, but nowhere are they more important than in family-owned businesses. The most successful family business leaders strike a critical balance between being respectful of the past without being immobilized by loyalty to what came before (Aronoff *et al.*, 2002: 9).

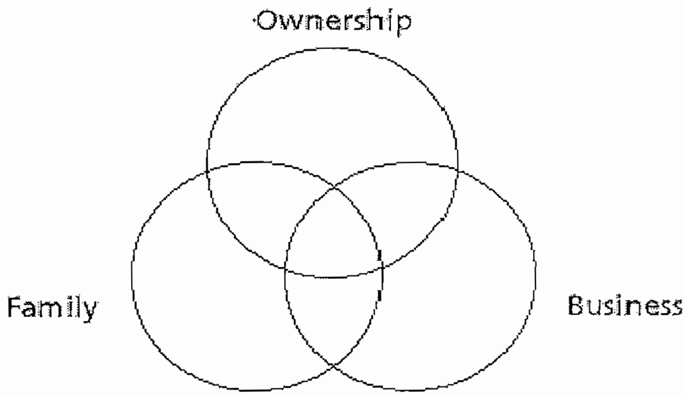
Leadership in a family business must change to meet the needs of the business in each new generation. Not only will the leaders change, but also so should leadership itself. The founder in the first generation typically runs the business in a very hands-on, authoritarian manner. What he/she says should be done and he/she does not find it necessary to answer to no one. When the children take over, it is required from them to work together as a sibling team. To be able to function as co-owners and be willing to accept leadership from one another or from just one sibling is important. They will also need to be answerable to one another and would find it necessary to meet the challenges of a business environment unlike the one that faced the founder. To accomplish this, a new generation will have to lead in a different way than their parent did (Aronoff *et al.*, 2002: 22).

2.3.1 The Three-Circle model

It is imperative to notice that the family members in a family business are its greatest assets. The network of dedicated family members who will guide the business and act as the stewards of the business because of the fact that the future generations are its real wealth – its human and intellectual capital. A business-owning family aiming to successfully preserve its wealth and well-being, therefore must cherish and retain its people (McClendon & Kadis, 2004: 37).

Figure 2.1 illustrates the Three-Circle Model of Family Businesses.

Figure 2.1: The Three-Circle Model



Source: Aronoff and Ward (1996: 5)

This commonly used model illustrates family business as three overlapping systems – the business, the family, and ownership. Individuals can fit into any one of these systems or into all three. You might be a family member but not a shareholder or an employee of the business. Or you might be both an owner and a family member but not work in the business. You might be a non-family executive in the business and also own a small stake in the business. This model demonstrates how complicated life can be in a family business or business-owning family (Aronoff & Ward, 1996: 5). Kenyon-Rouvinez and Ward (2005: 8) add that within the family business system the different people involved each have their different ideas of how things should be done.

Poza (2004: 8) indicated that each subsystem has its own boundaries. These boundaries separate the subsystems from each other and the general external environment within which the family business operates. For each subsystem there is an implicit or explicit plan that determines how the objectives will be achieved and a governance structure that represents the people in the system. In small family businesses, there can be a complete overlap in the membership of the family council, the shareholder forum, and the board of directors (Cummings & Worley, 2005: 580).

According to Cummings and Worley (2005: 580), the business system consists of family and non-family organisation members, the strategic plan, as well as the governance structure represented by a board of advisors or directors. The strategic plan outlines the business goals, objectives, strategies and organization design. The board of advisors or directors counsels the business's leader(s) on strategy implementation, organization form, and other key business policy decisions. The membership for the system is the employees, managers and customers. Characteristics of this system are that members should be task-orientated, it demands productivity from the members and an outward focus on its customers (Jaffe, 1991: 52).

The *shareholder system* consists of the business's owners, the shareholder plan, and a governance structure represented by the shareholder forum. The shareholder plan outlines the owners' business goals and objectives including risk tolerance, return on investment, and liquidity. The owners who meet to develop and oversee the shareholder plan compile the shareholder forum. Shareholder belief, including the buy-sell agreement, ownership succession, dividend policies, and investment options for the business proceeds are relevant topics for this forum. Shareholders are responsible for reviewing the family plan and determining the relevant gaols and policies to represent at the board of advisors/directors (Cummings & Worley, 2005: 580). Jaffe (1991: 52) also calls this the ownership system and the members consist of all the shareholders, family and non-family members. The members own the business, oversee and create policies and hire top management.

The *family system* includes all family members, even those who have married into the family, their plan, and their governance structure, as well as the family council. The family plan outlines the family's viewpoint, goals and objectives for the business as well as for the family activities, such as community service, family gatherings, and philanthropy (Cummings & Worley, 2005: 580). According to Jaffe (1991: 52), the members of this system are the personal family, children and their spouses and its characteristics are emotion-based, orientated toward security, nature, fun and growth. It also represents an inward focus on its members.

Because it can also happen that these three systems are interrelated and support each other to a certain degree, the membership of these three groups can overlap and one person can also be a member of one or all three of the systems (Jaffe, 1991: 53).

Central to the family business model a set of core values can be found. They represent a key integration point for aligning the three subsystems. Values also best illustrate the differences between family and non-family firms. The complexity of the family business is a function of not only the interplay between the family, business, and the shareholder system, but the different (and often opposing) values that lie at the core of each system and is illustrated in table 2.1 on the next page (Cummings & Worley, 2005: 582).

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Table 2.1: Family vs. business system values

Family	Business
Security	Risk
Equality	Equitability
Inward orientation	Outward orientation
Status quo/equilibrium	Change
Unity & Support	Competitive
Relationship based	Result based
Emotion based	Rationally based
Born into	Hired into
Secrecy	Transparency

Source: Cummings and Worley (2005: 582)

When table 2.1 is deliberated upon, its shows that the family system is subjected to values of security and equality. There is a strong inward focus on the family's dynamics, strong goals of keeping the system in equilibrium (even if it is an unhealthy equilibrium), and strong interest in maintaining unity and support. The family's continuity, even if the business does not prosper, produces a preference for stability and risk aversion. Relationships are most important, there is a great deal of emotion built into decisions, and one can only be born into (or married into) this system. Businesses hire the person that fits the organisation's needs based on knowledge, skills, and abilities; however, there's no job description to be a good family member. The family system places high importance on family and business privacy. Families tend to covet financial, family dynamics, and business information; often they do not want business information shared even within the broader family (Cummings & Worley, 2005: 581).

On the other hand, the values inherent to the business system revolve around risk and equitability in the organisation. Change, competition, results, clearness, and an outward orientation characterize business system values. Ideally, decisions are made rationally and objectively, and the system is composed of an often-changing mix of people who are hired into the organization. A family involved in a business can pursue its own objectives even when these are at odds with generally accepted business practices (Cummings & Worley, 2005: 581).

Other issues such as compensation, dividends, treatment of family and business expenses, performance evaluation and promotion as well as the budget process are practices that can be subjective to family factors. Emotional relations in the family can lead to tension in the business. Family relationships are personal, often complex, and can be seen as the result of a lifetime of positive and negative experiences. These relationships influence business decisions overtly and covertly, as every family members is, in part, defined by their relationship to the business (Cummings & Worley, 2005: 581).

Ibrahim and Ellis (2004: 109) are of the opinion that a "family first" view can distract and drain management and weaken the competitiveness of the business and sharply increase the potential of conflict between mangers and shareholders. Thus, when the family system is a priority, business issues and needs are abandoned. Family business members can also over-emphasize their thinking about matters at home to the detriment of their business concerns. A desire to make everyone happy can result in unqualified family employees entering the business, which can be threatening to effective next generation leadership (Carlock & Ward, 2001: 6). The business that places the family first often neglects making objective performance appraisals and leadership development plans for family members.

According to Poza (2004: 9), the subsystem of family business will not be understood if each separate system is considered on its own. Each issue must be considered to function within the entire system within it exists. Furthermore the understanding of the three subsystems could only be realized when they are studied in their totality with all their interactions and interdependencies. Poza (2004: 10) indicates that problems can arise due to the complexity implicit in a system that is composed of three subsystems, each potentially with different goals and operating principles. Subsequently, family businesses are vulnerable to suffering the consequences of blurred boundaries amongst the family, the business and the ownership subsystems.

2.4 SEPARATING THE BUSINESS AND THE FAMILY

What must be acknowledged is that there are two systems to the family business – the *family*, and the *business*! In the midst of conflict and uncertainty it is suggested that a family member step back and ask whether the matter he/she is dealing with, is a business issue or a family issue (Balshaw, 2003: 30). Rivers (2005: 75) made it clear that although family members may love each other, they may not like each other very much as business partners, complicating human relationships.

Balshaw (2003: 28) furthermore states that many families are, unfortunately, never free from the business, because it completely dominates every aspect of their lives, and the business should be run as though it is an extension of the family. It also dominates dinner-table discussions, family get-togethers, leisure activities, investment decisions, family times and holidays. Eventually, the family is found to be trapped in the overlap of the family and business system, not knowing how to enjoy a normal family life and savour the fruits of a successful family business.

Table 2.2 below illustrates the different characteristics of a family and business system.

Table 2.2: Emotion-based family system vs. task-based business system

Emotion-based family system	Task-based business system
• Inward-looking	• Outward-looking
• Expresses feelings	• Unemotional
• Caring	• Rewards performance
• Protects low achievers	• Perform or leave
• Family leadership succession	• Embrace changes
• Lifetime membership	• Risk-taking
• Avers to change	• Reinvests capital
• Averse to risk	• Best person for the job
• High dividends	• Best-qualified applicant
• Recruits family first	• Meritocracy
• Equality	• Wealth creation
• Wealth preservation	

Source: Rivers (2005: 3)

When table 2.2 is considered, it shows that the characteristics of family business system revolve around love, caring, unconditional acceptances, generational hierarchy, emotion, informality, closeness, loyalty, commitment, stability, relationships, growth and development, safety, support and tradition. Families are constantly changing because the people within these parameters are constantly changing. Families, like businesses, have definable, traceable life phases that are important factors in how they function (Rivers, 2005: 3). These phases are discussed below.

The first phase; 'The Dreamers':

The Dreamers are generally newly-wed or have not been married for a long time and are adjusting to married life. Family business owners generally start their enterprises in the Dreamer stage. Unfortunately, in the dreamer stage, the spouse who is not working in the family company begins to resent the amount of time and energy the business demands from the other partner (Rivers, 2005: 4).

The second phase; 'Letting Go':

Rivers (2005: 5) points out that this phase begins 10 to 15 years after the Dreamers phase. The business is still on a track of growth. The early phase of struggling for a proper income and checking every expense for savings is in the past, and the business operations have become more stable. The family business owner or the 'co-preneur' couple has had to let go of some of the business operations to avoid throttling business growth. To ease constraints they now have a staff of competent people who can take care of many basic day-to-day functions.

The third phase; 'Testing':

This phase comes 10 to 15 years after the 'Letting go' phase. Rivers (2005: 5) highlights that now, for the first time, the in-laws are introduced into the nuclear family. Children are grown, have children of their own, and have their own ideas about how to do things. Some of the children have likely entered the family company while others have not (Rivers, 2005: 5).

The fourth phase; 'Transition':

This phase involves sharing and/or passing leadership with/to the family and the business. Families in the transition stage are trying to achieve a delicate balance. The senior generation may be interested in 'passing the baton', but they may have 20 to 30 more years of life ahead. The head of the business is finding it desperately hard to separate him/herself from the company to which he/she devoted his/her life for 40 years. The transition phase is one of the most vulnerable times for conflict, argument, and anxiety in the family or the family firm. A vital job for the head of the family business is to prepare for a smooth 'passing of the baton' to the next generation (Rivers, 2005: 6).

Rivers (2005: 7) is of the opinion that a business is a visible world for action and reaction and is measured by the amount of profit are produces. According to him, the life span of a business also involves four phases, which are named: Wonder, Thunder, Plunder and Blunder (Rivers, 2005: 7).

The fifth phase; 'Wonder':

The entrepreneur strikes out on his/her own with little more than faith in him/herself that he/she can give birth to a successful business. In the Wonder stage he/she is never sure whether there is truly a market for what he/she does. Day-to-day survival is a struggle, and workdays are 12 hours or longer. The quest to create a successful business consumes the entrepreneur (Rivers, 2005: 7).

The 'Thunder' phase:

Rivers (2005: 7) points out that in this stage life become a little easier. The entrepreneur has come to the realization that there is a market for what he/she provides. He/she is making name for him/herself, and, while the tasks are still difficult, he/she can see the light at the end of the tunnel. He/she still works hard, but now there are other employees to share the load and the cash flow is a little less fragile.

The 'Plunder' phase:

The business is maturing and has created a comfortable market niche for itself. People and systems are humming along, and the business has become a 'cash cow' for the entrepreneur. While the Plunder phase has its rewards, the entrepreneur experiences increasing opportunities, but also feels the greatly increased stress that comes from growth (Rivers, 2005: 7).

The 'Blunder' phase:

This is the final stage of business life and the company's growth surpasses the ability of the entrepreneur to lead it. It is rare to find a person who starts a business and retains the perspective to admit that he/she does not have the skills necessary to provide the professional management needed to take the enterprise to the next level.

It does not take long before the senior managers in the organisation realise that the hands on, controlling style upon which the company was founded and built is unworkable for the future. It is thus found then that family members and top senior managers either stagnate or move on to other companies where they can follow a professional leadership track (Rivers, 2005: 9).

Timmons and Spinelli (2007: 535), on the other hand, explain the growth of a family business as being in five stages, which are according to them, Wonder, Blunder, Thunder, Plunder and Asunder stages. Timmons and Spinelli (2007: 261) add the research and development stage before the 'Wonder' phase. It is when an entrepreneur or small team starts to investigate on their business idea. This stage can be a few months or a few years in duration. Timmons and Spinelli (2007: 261) explained that their startup stage covers the first two to three years and is characterised by the direct and exhausting drive, energy and the entrepreneurial talent of a lead entrepreneur. The Wonder stage is the period that is filled with hard work and uncertainty about the survival. The Blunder is the period of growth when many firms stumble and fall. The Thunder stage occurs when growth is strong and the entrepreneur has built a solid management team. During the Plunder stage the cash is strong, but in the Asunder stage, the firm needs to bring in renewed strategies or else it will decline.

2.5 ADVANTAGES AND DISADVANTAGES OF FAMILY BUSINESSES

By bringing family members together in the same working or business environment, many small business owners believe that this is the answer to create a harmonious collection of employees (Leach & Bogod, 1999: 5). This in itself offers specific advantages, but surely also implies definite disadvantages.

2.5.1. Advantages of family business

The definition of an advantage according to the Paperback Oxford English Dictionary (2001: 10) is a condition or circumstance that gives one superiority or success, puts you in a favourable position. According to Cummings and Worley (2005: 580), family firms have numerous potential advantages that other organisations do not have. These include higher employee loyalty (family and non-family), the ability to quickly move in and out of market niches due to their flexible form of organisation, long-term (vs. short term) orientation that is often termed "patient capital", a higher attention to quality due to the family's reputation and their strong interest in their communities, and finally, the benefits of being privately owned, as other firms find it difficult to determine a family firm's unique capabilities.

Leach, Ball and Duncan (2002: 6) state that there are a number of very concrete and positive attributes that can serve to give family businesses a significant competitive edge, which are:

- **Commitment:** Leach and Bogod (1999:5) are of the opinion that an entrepreneur who starts his or her own business usually becomes very passionate about it. They consider the business to be their creation. They build it up, nurture it and for many, their business is their life. This affection for the business translates into dedication and commitment and this extends to the rest of the family members that have a stake in the family business. If the family is enthusiastic about the business, it will lead to added commitment and loyalty from the workforce (Leach *et al.*, 2002: 6).

- **Knowledge:** The extensive expertise of family businesses can lead to an important competitive advantage for the family business (Kets de Vries, 1996: 18). Leach *et al.* (2002: 6) and Kets de Vries (1996: 23) pointed out that family businesses sometimes have specific ways of doing things in their specific line of work that the competitors have or do not have. In a family business, this specific way of doing things can be coveted and protected, but in a commercial environment it becomes general information very easily and promptly. In depth business knowledge gives family members a head start over executives entering the business at a later stage. Ibrahim and Ellis (1994:6) mentioned that studies have indicated that most entrepreneurs come from entrepreneurial families.

- **Flexibility:** In a general commercial environment, it is supposed that, when the work is done, the employee must be paid. In a family business, the employees, family members, do the work and they are paid at a time when the business can afford it. Another aspect is that when the work should be done, the family will jump in and do it and there will be no negotiation of overtime rates. The family will do what is needed to do to get the work done. Families must decide how much money they can safely draw from the business for their personal needs and at the same time preserving the business' financial flexibility and its ability to invest. Flexibility in time, work, and money creates a great competitive advantage for family businesses (Leach *et al.*, 2002: 6). Aronoff and Ward (1996:334) and Ibrahim and Ellis (1994:6) argue that family businesses are less hierarchical and bureaucratic than professionally managed businesses, thus more flexibility allows the family business to respond quickly and effectively to a changing environment.

- **Long-range thinking:** Leach and Bogod (1999: 9) and Leach *et al.* (2002: 6) indicate that because family members behave as stewards of the business and its capital needs for the benefit of the next generation, they tend to take a long-term view regarding their investments. Families usually have a clear view of their commercial objectives for the next 10 or 15 years and this represents a considerable advantage. Families in family businesses are good at thinking long term, but sometimes the thinking could be undisciplined and this makes it difficult for them to keep on the right path to achieve their goals in future. If the right environment where they can build on the vision for the future and focus on getting "there" surrounds the family members, they should be able to succeed.

- **A stable culture:** in the family business the CEO has usually been around for many years and the important personal also and they are all committed to the success of the business and they also have been in business for a long time. The relationships in the business have had some years to develop and stabilize, so did the working practices and the business procedural ethics. A stable culture also has got the negative side that the work and ways have been done in a certain way for many years and the people do not want to change or do it differently (Leach *et al.*, 2002: 6).

- **Timely decision-making:** Carlock and Ward (2001:192) pointed out that the management and staff of large businesses often misuses precious business time on political warfare and they end up paying very highly for this. Leach *et al.* (2002: 6) argue that the decision-making process is normally restricted to one or two key individuals, which mean that when you want the company to "do something" you must "go and ask the boss". This makes the process of getting a 'yes' or 'no' from the boss very fast and it saves a lot of time, rather than going through the whole process of making use of the decisions of a board.

- **Reliability and pride:** commitment and a stable culture is the basis of a very solid and reliable structure in the family business. Many clients prefer doing business with a business that has been "around" for a long time, which means that they have already built relationships with the management and staff which causes clients to feel a sense of commitment towards the business. The people that run the family business are normally proud of the business and what they have achieved and the staff are also proud of being part of the family business creating client commitment. This pride that the individuals have towards their family business can be seen as a significant marketing tool (Leach *et al.*, 2002: 6).

Ibrahim and Ellis (2004; 6) add other advantages, which are:

- **Shared values:** beliefs and vision; the family is held together by 'glue', and in a family business the glue is their deeply entrenched values and beliefs (Ibrahim &Ellis, 2004: 6). Cummings and Worley (2005:580) indicated that values are at the centre of a family business as it represents the integrating point for aligning the business, shareholder and family systems.

- **Common goals and strong sense of mission:** because of the high stakes that the family members have in the family business, they are dedicated to the success of the family business. The acknowledgement of the fact that the family is building for future generations encourages the long-term thinking needed for growth and success of the family business (Ibrahim & Ellis, 2004: 6). Kets de Vries (1996:16) makes the statement that compared to publicly held companies; family businesses in general tend to have a common goal and strong sense of mission. Family businesses are not fly-by-night businesses; playing only for short-term gains at the cost of long-term investments.

- **The family spirit:** the biological bond that ties the family members together plays an important part in the success of the family business and also helps to overcome crises in the family business and promote family unity in difficult times (Ibrahim & Ellis, 2004: 6).

Carlock and Ward (2001: 11) highlight that trust in a business is a very important "business capital" that is vital to all organisational relationships. Trust in a family business is a unique competitive advantage because it is a result of the effort it took in building and maintaining trust between family members.

According to Poza (2004: 16), family businesses have got certain resources that they can use to their advantage to create competitive advantages, and they are:

- The overlapping of responsibilities of the owners and managers, along with small business size, which enables direct access to the market.
- Concentrated ownership structure leads to higher overall corporate productivity.
- By focusing on customers and market niches can result in higher returns on investments.
- The desire to protect the family name and reputation often translates into high product or service quality, which could lead to higher return on investments.
- The nature of family-ownership-management interaction, family unity, and ownership commitment support client capital, lower administrative costs, skills/knowledge transfer, as well as discernment towards rapid changing markets.

For a family business to capitalise on these advantages, it will depend on the quality of the interaction between the family and the business, which in turn could also cause disadvantages.

2.5.2 Disadvantages of family businesses

The definition of a disadvantage according to the Paperback Oxford English Dictionary (2001: 210) is an unfavourable condition: things that tend to prevent succeeding, making progress.

Leach and Bogod (1999: 11) state that the weaknesses that family businesses experience are not unique. The disadvantages or pitfalls for a family business are:

- **Rigidity:** the definition of rigid according to the Paperback Oxford English Dictionary (2001: 648) means unable to bend or be forced out of shape. In family business it is very easy to "do the same thing, in the same way, for too long". Change can involve overturning philosophies and upsetting practices established by family members (Leach & Bogod 1999: 12).

- **Business challenges:** includes modernising outdated skills, managing transition and raising capital, which are:
    - ***Modernising outdated skills***: the skills that are possessed by the members of a family business are often a product of history and as a result of developments in technology, these skills can quickly become outdated. The problems in this area can be triggered by drastic changes or subtle changes.
    - ***Managing transitions***: this can be the 'make' or 'break' of a family business. It happens when the founder is nearing the retirement stage and the heir is convinced that things in the family business should be run differently. This situation is potential for conflict and can cause uncertainty among the staff, suppliers and clients.
    - ***Raising capital:*** family businesses have limited options for raising capital. This is a problem especially when it comes to the situation where long-term capital needed, like when creating a new vision for the business.

- **Succession** at one time in a family business: at this stage there is going to be passages from one generation to the next generation and with this change of leadership comes a period that is loaded with difficulty (Leach & Bogod 1999: 12). According to Ibrahim and Ellis (1994:139), one the most agonising experiences family businesses face is the transfer of one generation of the top management to the following generation. Ibrahim and Ellis (1994:223) caution that not many family businesses survive intact beyond the first or second generation. A variety of maladies can lead to their downfall, but none is more lethal than the problem of succession.

- **Emotional issues:** in the family business such issues can limit the commercial action of the business. Family businesses consist of two different domains, which are: the family domain, which is emotion-based, emphasising care and loyalty, while the business domain is task-based, and focuses on performance and results. These two domains together can be very powerful, but can also cause great difficulties. Patterns of emotional behaviour can emerge in the business, which in a commercial context is deeply irrational and inappropriate (Leach & Bogod 1999: 12).

- **Leadership and legitimacy** in the family business: there can be the lack of leadership where there is no-one in the family business who has the power to take charge. The importance of someone taking charge, becomes more important as the number of generations increase (Leach & Bogod 1999: 13).

Ibrahim and Ellis (2004: 9) also add the following disadvantages of family businesses, which are:

- **Family infighting:** Conflict occurring between the interests of the family and those of the business as a whole, can create emotional issues unheard of in non-family businesses (Aronoff *et al.,* 2002:5). The infighting between the different family members occur regularly and this causes undesirable behaviour, confusion, poor performance goal conflict and at the end can lead to the 'death' of the business (Ibrahim & Ellis, 2004: 9). Kets de Vries (1996: 15) note that infighting could become extremely complex in family businesses that have survived a number of generations and are run by large families.

- **Nepotism:** this is where family members are promoted on the basis of the family relationship, rather than their qualifications. Non-family members' qualifications and performances are often ignored because a less qualified family member is promoted or hired (Ibrahim & Ellis, 2004: 9). Kets de Vries (1996:23) pointed out that nepotism entails dominance of family reasons over business logic and can include an unfair reward system.

- **Supervising relatives:** it is very difficult for family members to criticise and evaluate other family members - this is even worse when the supervisor is younger than the subordinate. If the family business does not have a proper appraisal measure, it can lead to severe conflict and at the end to family infighting (Ibrahim & Ellis, 2004: 9).

- **Inward-looking:** family businesses tend to look inward rather than outward for ideas and this often deprives the family business from talented professionals and of new blood that could revitalize the business (Ibrahim & Ellis, 2004: 9).

- **Family interest vs. shareholder's values:** it is believed that a family business will sacrifice the shareholder's value to protect the family's interest (Ibrahim & Ellis, 2004: 9).

- **The spoiled kid syndrome:** this is when the principal protagonist is a hard working entrepreneur who is obsessed with his/her business. This type of entrepreneur becomes estranged from his/her immediate family and the rest of the family. They start paying off their family with expensive gifts to try to make up for the time that they do not spend with the family. They are trying to give their children what they never had and are trying to create a better life for them with good intentions. The entrepreneur does not realise that his/her behaviour is causing serious problems. The children in the end will suffer; they will lack a set of well-internalised values, feelings for affection, mutual respect and they will impose great importance on physical possessions (Kets De Vries, 1996: 20).

2.6 FAMILY HARMONY IN FAMILY BUSINESSES

The desire to keep harmony in the family causes most families to go to desperate lengths to avoid discussing controversial or potential hurtful issues. Avoiding controversial issues does not make them go away; it simply means that family members engage in wishful thinking and in this way hope that the stressful issues will disappear. It also happens that family business owners are able to meet other challenges head-on, but family communication challenges are avoided like the plaque! (Rivers, 2005: 99).

Astrachan and McMillian (2003: 52) argue that one of the reasons why family members are together is that they want to work together to enjoy the fruits of their labour as a family. However, according to Carlock and Ward (2001: 73), all families experience relationship problems. Family businesses, however, face even bigger problems because the family works so closely together. This closeness often means that family disputes overshadow work and business, even though the business often continues to function normally (Carlock & Ward, 2001: 73). In other words, family relationships affect the business, and the business relationships in turn affect the family (Voeller, Fairburn & Thompson, 2002: 30).

According to Leach and Bogod (1999: 30), harmony amongst family members (active and inactive) requires the correct balance between the 'overlap' of the family and the family business. To be able to effectively manage the overlap needs special awareness, careful communication, and an extreme effort. The correct degree of balance between the family and the business is obtained only through effective management and could therefore result in family harmony.

Cohesion and cohesiveness, the terms used to refer to the interpersonal bonds that exist in groups such as the family or a work group, the sense of belonging to the same unit, of "being on the same wave-length" as your partners, of sharing the same values and goals is universally recognized as the single most consistent factor that defines the healthy family. Accepting these conditions, leads those involved to surmise that the development of cohesiveness is probably the single most important goal of the business-owning family (McClendon & Kadis, 2004: 74).

Hoover and Hoover (1999: 1) argue that family businesses revolve around the business of relationships and that the relationships between the family members are the biggest factor in the success or failure of the family business. Furthermore, they state that relationships are at the heart of the family business. The characteristics of harmonious family relationships could be found in the following situations where family members:

- Get along with one another, inside and outside the working environment (Carlock & Ward, 2001: 73).
- Appreciate each other's differences (Astrachan & McMillian, 2003: 1).

- Acknowledge each other's achievements (Neubauer & Lank, 1998: 142).
- Are emotionally attached and close to each other (Neubauer & Lank, 1998: 142).
- Support each other (Neubauer & Lank, 1998: 142).
- Care for each other (Neubauer & Lank, 1998: 142).
- Are having fun and therefore encouraging each other in order to increase their efforts (Swart, 2005: 73).

Such boundaries can be seen as a set of invincible characteristics by which individuals and groups distinguish themselves from one another. With the multiplicity of relationships, functions, obligations and loyalties, business-owning families have the greatest opportunities for success when relationship boundaries are clear (McClendon & Kadis, 2004: 38).

On the other hand, the structure of a family business presents some unique problems. Running a family business is arguably more difficult than running any other kind of business, precisely because it involves family ties as well as commercial relationships (PricewaterhouseCoopers, 2007: 7).

Rivers (2005: 100) stated that relationships are the key to family business success and sound relationships do not happen by themselves. The foundation to good relationships is found in the following:

- **Open and honest communication:** the family members, active or inactive, must be willing to address issues that are sensitive or controversial. Active listening is an important part to achieving good communications.
- **Common values:** it is very important that business families do agree upon the values that are vitally important to their respective families. Values include; honesty, trustworthy, stewardship, loyalty, hard work, harmony, tolerance and courtesy.
- **Shared vision:** this is a topic that families in business seldom talk about, but building meaningful and caring relationships requires agreement on the outcomes all parties would like to see.

- **Expectations:** agreeing on the expectations of all is important and related issues must be made clear to all family members to avoid unfairness.
- **Accountability:** there must be accountability for actions within the family just as there is accountability for responsibilities in the business.
- **Attitude:** this is important because attitude goes a long way toward establishing mutually fulfilling or mending broken relationships. Attitude is not just words, it includes body language and eye contact also.
- **Contact:** by spending time together, the family members are strengthening family bonds, particularly in situations away from the office. Avoid talking about business during family and social gatherings. Family members must participate in social gatherings, because this can help them to understand each other better.
- **Decision-making processes:** business families need to understand what authorities will be shared at work (the business), as well as at home. It must be made clear to the family members who makes the decisions and when they can be expected to be involved in the process.
- **Conflict resolution:** firstly families must acknowledge that conflict exists. Misunderstandings and hurt feelings can be prevented when conflict arises if a written understanding of the conflict resolution process exists, before the conflict arises.

2.7 THE DETERMINANTS OF FAMILY HARMONY

2.7.1 Open communication

Rivers (2005: 89) points out that every family conversation in a family business has got the potential of 'bringing to light' uncomfortable moments in the history of the business or the family. The baggage that is inherited in family relationships could interfere in open and straight-forward communication. Robbins and DeCenzo (2005: 388) assert that the term communication must be thought of as a 'process of flow'. Communication problems occur when there are deviations or blockages in that flow. Before communication can take place, a purpose, expressed as a message to be conveyed, is needed. It passes between a source (the sender) and a receiver. The message is encoded and is passed by way of a medium to the receiver, who translates the messages initiated by the sender. The result is transference of meaning from one person to another.

According to Kreitner and Kinicki (2004: 520), on the other hand, communication can be seen as the exchange of information between a sender and a receiver, and the inference (perception) of meaning between the individuals involved. Astrachan and McMillian (2003: 15) pointed out that there are different patterns of communications in different families. The communication pattern in the specific family can be adopted or rejected by the next generation. When in-laws from a family are brought into the family and/or family business there can be difficulties when the communication styles are different. Awareness of the differences in communication styles must be developed and accommodations must be made to assure mutual comfort. According to Maas *et al.* (2005: 119), effective communication is the basis of family harmony.

Leach *et al.* (2002: 69) argue that if quality communication is desired the following has to be considered, which is that:

- Improving one's communications skills means:
  - organizing thoughts before speaking;
  - listening;
  - practicing give-and take;
  - using paraphrasing to confirm understanding; and
  - asking for and providing feedback.
- Avoiding miscommunications such as:
  - hidden messages;
  - misattributions (hearing hidden messages);
  - projecting ideas and values on to other people; and
  - forecasting conversations rather than actually taking part.
- Tailoring communications to be appropriate to both the message itself and to the receiver: a different approach is needed depending on your assessment of who you are dealing with.
- Thinking about appropriate times and places for communication.

- Setting up opportunities for creative communications.

2.7.2 Mutual trust and respect

Family trust can only be created by means of openness and inclusion, family trust in its turn leads to family harmony (Astrachan & McMillian, 2003: 24).

Rivers (2005: 100) stated that relationships are the key to family business success and sound relationships do not happen by themselves. Some of the foundations to good relationships are mutual respect and trust. By conducting yourself in a consistent and honourable way, you will get respect. Trust is the most important agreement in solid family relationships. Trust is not something you get; it is earned over time. Trust can also be easily lost and when trust in a relationship is broken, it is difficult and hard to rebuild.

Mutual trust is an important issue that underlines the completive advantage and distinctiveness of a family business (Carlock & Ward, 2001: 11). According to Astrachan and McMillian (2003: 25), mutual trust and respect should be earned, it cannot be demanded. It is also evident that acting different that what individuals usually behave can easily destroy a lifetime of trust and respect. Mutual trust and respect amongst family members is a special and unique form of business capital that is crucial to all organisational relationships (Carlock & Ward, 2001: 11).

Rivers (2005: 159) asserts that healthy families trust one another to be dependable. It is clear that one of the easiest ways lo loose a person's trust is to be undependable. Mutual trust and respect is indispensable to people who need one another in order to stay in business. When it breaks down, the only alternative to ending the relationship is to rebuild it "brick by brick" (Kaye, 2005: 109).

Kaye (2005: 109) also argues that nothing in life can succeed without trust, especially in a family business. The whole process of creating an enterprise that will survive its founder means to entrust it to others; and often one of the reasons owners bring family members into their business in the first place, is because they believe it will be easier to trust kin than non-kin. Kaye (2005: 109) also differentiates between three kinds of trust and respect: one that has to do with honesty, another with intentions and lastly with competence. If the members of a family adhere to these components it will lead to the enhancement of trust. If a business culture emphasises these values, it could also reinforce trust. It is clear that family businesses can create trust between members of the family if they work according to a plan in order to solve problems (Carlock & Ward, 2001: 10).

Kaye (2005: 113) also states that trust is always being built, tested, strengthened, or weakened. Trust never works one way, not for long. It has to be a trusting-trusted relationship.

Robbins and DeCenzo (2005: 376) further that trust is the belief in integrity, character, and the ability of the leader and that there are five dimensions of trust, which are, integrity, competence, consistence, loyalty, and openness.

Kreitner and Kinicki (2004: 459) suggested six guidelines for building and maintaining trust, and they are:

- **Communication:** keep team members and employees informed by explaining policies and decisions and providing accurate feedback.
- **Support:** be available and approachable. Provide help, advice, coaching, and support for team members' ideas.
- **Respect:** delegation, in the form of real decision-making authority, is the most important expression of managerial respect. Empowerment is not possible without respect.
- **Fairness:** be quick to give credit and recognition to those who deserve it. Make sure all performance appraisals and evaluations are objective and impartial.
- **Predictability:** be consistent and predictable in your daily affairs. Keep both expressed and implied promises.
- **Competence:** enhance your credibility by demonstrating good business sense, technical ability, and professionalism.

Aronoff and Ward (2000: 27) add the following to the above list of guidelines for building trust:

- Be consistent. Do what you say you will do.
- Avoid making exceptions or changing your mind just because you have the power to do so.
- Let yourself be open and vulnerable.
- Share information and power.
- Be compassionate and show empathy.
- Extend trust to others.
- Let family members know how much you trust your non-family executives.

It can be concluded that family enterprises that demonstrate their commitment to partners or to the communities where they do business, win confidence and trust. They make commitments more quickly, and their commitments tend to be long-lasting. Because reliable, trusting relationships seem rare in today's business world, they cannot be taken for granted. "Smart business people know that trust reduces the cost of doing business" (Aronoff *et al.*, 2002: 19).

2.7.3 Family conflict

Another issue that Rivers (2005: 89) singles out is that families have the mistaken idea that the measure of a successful or healthy family is the lack of conflict. This is far from the truth. It is the method, which the family uses to react to conflict that is the true measure of health and emotional maturity.

Neubauer and Lank (1998: 73) mentioned that there are four ways of looking at defining conflict, which are:

- The competitive or opposing actions of incompatibles.
- An antagonistic state or action (as of divergent ideas, interest or persons).
- A hostile encounter: fight, battle, and war.
- A type of behaviour that occurs when two or more parties are in opposition or at loggerheads as a result of a perceived deprivation by another or others.

The definition of conflict according to Kreitner and Kinicki (2004: 486), is that is it a process in which one party perceives that its interest is being opposed or negatively affected by another party. The word perceives reminds him that the sources of conflict and issues can be real or imagined. The resulting conflict is the same. Conflict can escalate (strengthen) or de-escalate (weaken) over time.

According to Kreitner and Kinicki (2004: 489), there are situations that produce more conflict than others. By bearing knowledge of the antecedents of conflict, managers/leaders are better able to anticipate it and take steps to resolve it if it becomes dysfunctional.

Among the situations tending to produce either functional or dysfunctional conflict according to Kreitner and Kinicki (2004: 489) are:

- Incompatible personalities or value systems.
- Overlapping or unclear job boundaries.
- Competition for limited resources.
- Interdepartmental /inter-group competition.
- Inadequate communication.
- Interdependent tasks (e.g., one person cannot complete his or her assignment until others have completed their work).
- Unreasonable or unclear policies, standards, or rules.
- Unreasonable deadlines or extreme time pressure.
- Collective decision-making.
- Decision making by consensus.
- Unresolved or suppressed conflicts (Kreitner & Kinicki, 2004: 489).

It is clear that family firms combine all the tensions of family life with those of business life, so it is hardly surprising that conflicts tend to erupt. As a company matures, it is increasingly probable that some of the shareholders are not involved in the day-to-day running of the business and that they may periodically disagree with the way in which their relatives are managing it (Kreitner & Kinicki, 2004: 489).

According to a survey by PricewaterhouseCoopers in 2007, there are several issues that could generate 'heat'. At least 20% of respondents reported that decisions about who can and cannot work in the family business, failure to consult with the wider family on key issues and the role of the "in-laws", have sometimes caused strains. Discussions about the future strategy of the business and the competence of family members actively involved in the business are most likely to trigger a dispute. Thirty-four percent of respondents say that they have quarrelled about the future direction of the business and 27% indicated that they have quarrelled about the performance of family members employed within the firm (PricewaterhouseCoopers, 2007: 41).

Neubauer and Lank (1998: 74) said that strong, healthy families, implicitly or explicitly, have accepted and internalised in their own value systems the six following propositions (which they believe is true):

- Over time conflict is inevitable within families (and between the family and the business).
- Conflict is not inherently bad; it can be healthy or unhealthy, functional or dysfunctional.
- How conflict is managed is a determinant of the degree to which a family (and it's business) remains healthy and strong.
- There are several conflict management strategies; no single one can be seen as a 'magic cure'.
- Pre-establishment of the 'rules of the game' can obviate many family (and family business) conflicts.
- The goal should be to maximise the 'win-win' prospects of all the parties concerned and arrive at the best decision, given the family's (and the family business's) mission, goals and objectives.

Leach *et al.* (2002: 63) state that some common factors could be found in family conflicts, which are:

- At the beginning the denial phase occurs, when the following is said: " We do not have a problem, it is just a difference of opinion."

- The factual issues are often obscured by hurt feelings.
- The real issues – self-assertion and fear – are easily obscured by apparent money and power conflicts.
- Conflicts have a tendency to become personalized – " He/she is the problem: he/she caused the problem."
- Conflicts cannot be resolved unless the relational problem is acknowledged.

Carlock and Ward (2001: 74) pointed out why it is important to address conflict because; the cost of avoiding conflict is high, honest relationships and trust is repressed. The family loses the healthy tension needed for personal growth and change and at the same time an unhealthy kind of tension that stems from limiting individual's expressions build up. They also point out that family members need to realize that working together and preparing a family and a business for the future requires uncomfortable changes, mistakes and confronting conflict. Effective conflict management is an important skill in family business management (Ibrahim & Ellis, 2004: 137).

According to Neubauer and Lank (1998: 74), it is believed that there are three strategic options in conflict management that are available to the parties in conflict situations namely avoidance, referral and confrontation, and they are:

Avoidance: The parties may choose to ignore the conflict. This does not necessarily mean that they do not know that it exists. They choose to ignore conflict either because they do not have the courage to mention the matter or because they feel it is too unimportant to make an issue out of it. *Withdrawal* implies there has been at least an initial admission by one or both parties that conflict exists, but a choice is made to disregard the issue in the hope that the arguable issue will disappear. *Denial,* where one or the other parties denies that conflict exists, may be honest or dishonest, conscious or unconscious (Neubauer & Lank, 1998: 74). Robbins and DeCenzo (2005: 410) argue by saying that conflict is insignificant when emotions are running high and time is needed to cool them down, or when the potential disruption from assertive action outweighs the benefits of resolution.

Referral: When this strategy is used, there is acknowledged conflict but the parties are unable or unwilling to resolve it themselves. This is a common feature in families, and the parents or older siblings often find themselves in the role of official or unofficial arbitrator. A second option is for the parties to engage in triangulation, that is, to use a third party as a go-between and spokesman for one or the other person in the confliction situation. This approach rarely resolves the underlying tensions. The third one is to refer conflict to fate. Here the conflict is acknowledged to exist, but no-one is prepared to meet it head-on or to use triangulation or arbitration (Neubauer & Lank, 1998: 75).

Confrontation: It is Neubauer and Lank' s belief (1998: 75) that the greater the stakes and the more serious the (actual or potential) conflict is, the more appropriate the confrontation strategy is. This involves face-to-face dialogue between the parties to identify the basic problem, its causes and alternative solutions.

Ciuffo (2004: 33) pointed out that mostly conflict can be softened with open and honest communication. According to Cummings and Worley (2005: 583), conflicts and rivalries occur regularly in family firms and are often the result of value differences. Family member compensation, roles and responsibilities, authority, and opportunity are some of the critical issues that ignite conflict between family members. The family system is an emotional one, and when placed together in a business setting, family members often revert back to the family roles they played while growing up. Another source of conflict lies in the secret nature of families. Ciuffo (2004: 33) also mentioned that a lot of the time conflict could be diffused with open and honest communication and recommends regular weekly meeting in the family business and to improve the relationships they can also adhere to the three C's, which follows:

The Three C's of conflict resolution can be summarised as follows (Ciuffo, 2004: 52):

- **C**ommunications means talking about the concerns and disagreement, before they fester into a full-blown problem. Many controversies can be headed off by communicating thoughts to other siblings or partners.
- **C**ompassion means to put yourself into the other person's shoes to see how you feel had you been in their place.
- **C**ompromise is the major key to conflict resolution. As the saying goes;" Give a little, take a little, but make it a win-win situation." All the parties that are included should feel comfortable and believe that all the parties are winners (Ciuffo, 2004: 52).

Leach *et al.* (2002:63) mention a positive issue by stating that business families do tend to have a little bit of a 'head-start' when it comes to conflict resolution and conflict management, because possession of these skills is generally one of the hallmarks of strong families, and lasting family businesses are usually owned by strong families.

Astrachan and McMillian (2003: 11) give a sign of hope by saying that conflict has positive aspects. Conflict offers the opportunity to be creative and to strengthen human relationships. If family members work together to resolve disagreements, they usually come up with solutions that are superiour to the ones that they would have come up with if they had compromised or given in to one another. By working through conflict in a civilized way could prevent that the family from being torn apart. Lastly they said that open conflict is a sign of caring, if people, family members, are willing to get emotional with each other and to be openly angry, it shows that they are attached to each other and this must be treasured.

Kaye (2005: 106) highlights that conflict is unavoidable and indicates that it is healthy for a family businesses and that a conflict resolution system is vital for any business team, but especially where family issues and the business issues meet.

Astrachan and Ward (2003: 12) point out that when everyone is involved in conflict and they put in the time and the honest effort to work through the conflict to a resolution, their relationship with one another will become stronger and more rewarding.

2.7.4 Family commitment

Commitment reflects the extent to which an individual is involved in whatever he or she is doing. Committed people have a sense of purpose and do not give up under pressure because they tend to invest in themselves in the situation (Kreitner & Kinicki, 2004: 698).

Commitment of family is really what makes a business a family business. Disenchanted, reluctant, or disinterested family owners, board members, managers and employees are clearly problematic. Commitment presupposes passion and ambition for an active relationship within the family business. Committed owners must be willing to give something of themselves to contribute to the collective family values and dreams and support the family business. Commitment is based on pride in the family business. Family members who do not personally support or believe that the business should remain a family business, or do not wish to accept responsibility for their respective roles, especially in relation to ownership, would often be better off if they sought an exit strategy from the family business (Balshaw, 2003: 25).

Healthy families are committed to each other as individuals and to the family as a whole. The commitment should be strong and unwavering. They also know that there is no greater source of strength, support, nurturing, and love than the nucleus and extended family. It should be recognised that the family is the source of training and the 'launching pad' for everything that individuals become in life as adults. The commitment to family should always come forth (Rivers, 2005: 156).

Family commitment should be at the heart of the family business. The issue of who is committed to keep the business in the family is probably one of the most important questions facing individual family members (Carlock & Ward, 2001: 51). Carlock and Ward (2001: 38) also state that family commitment is the basis for creating unity of purpose and maintaining family harmony. Family commitment is a very challenging process for the family members; it requires them to openly discuss their values, goals, and expectations that they may have in the family/family business. Maintaining and building trust in the family business is an ongoing process with new challenges every day. The initial commitment may change in later stages of the planning process, due to new business information or changes in the family's goals, but in the process the family must always have a fundamental agreement on commitment (Carlock & Ward, 2001: 38).

2.7.5 Personal needs alignment

According to Robbins and DeCenzo (2005: 320), a need is an internal state that makes certain outcomes appear attractive. An unsatisfied need creates tension that stimulates drives within an individual. These drives generate search behaviour to find particular goals that, if attained, will satisfy the need and reduce the tension. Needs are physiological or psychological deficiencies that arouse behaviour. They can be strong or weak and are influenced by environmental factors. Because of this, human needs may vary over time and place (Kreitner & Kinicki, 2004: 263).

Aligned family commitment is the heart of the family business, but so is personal needs alignment also at the heart of the family business. If individuals are unwillingly forced into positions, "the highway towards a disastrous end is widely tarred" (Carlock & Ward, 2001: 51).

For a family business to remain a close unit, the individual family members that are involved in the family business must align their personal goals, visions and values to that of the family business (Maas *et al.*, 2005: 19). That is why it is very important for individuals to understand that working for the family business must be due to their own choice and not because they are forced, or a result of them not being able to get another job except for the one at the family business. It should be priority that family members prefer to work in the family business even if luring career opportunities exist outside the family business.

It is suggested by Aronoff and Ward (1997: 53) that individual family members must "buy into" the "what can I do for the business" and not into "what can the business do for me" approach. A list of issues regarding this approach, which indicates that family members should do the following:

- Educate them and achieve working experience that will promote the skills and insights in order to contribute and advance the family business. That can be translated into the aspects that career needs must be aligned to existing opportunities within the family business,
- Control their lifestyles in order for their demands on the business not to devour the financial resources if needs grow,
- Foster credibility and support for the business amongst all family members and share recognition. This will then promote a feeling of fulfilment of individual ambitions by being involved in a successful family business,
- View the family business as a mechanism through which they can understand the needs and desires of the marketplace and the family, to achieve individual and group goals that satisfy all involved, and
- Encourage each other and the business to challenge the *status quo*, or have the ability to influence or effect change within the family business in achieving long-term job security for all family members involved (Aronoff & Ward, 1997: 53).

Coetsee (2002: 96) describes a motivating climate as pictured above, as an environment in which family members wish to align and commit themselves towards the needs, ideas, vision and dreams to that of the family business. Furthermore Coetsee (2002: 96) also states that by setting a motivating climate in the family business, it can create a common feeling amongst family members of: " I do what I do because of how much I like what happens to me when I do it".

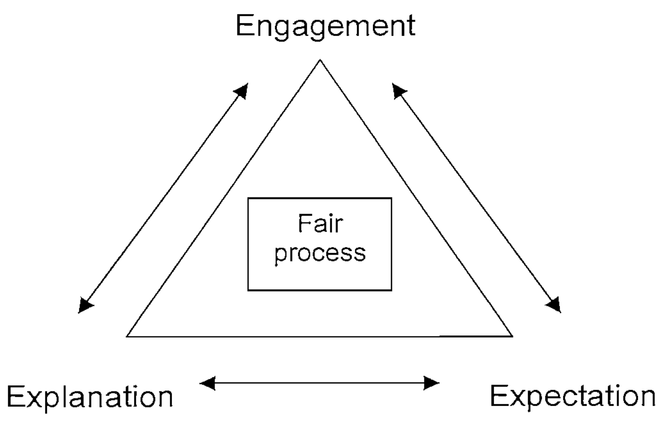
2.7.6 Fairness

It is a common assumption in most families that all children should be treated equally, and parents have always worked desperately to be even-handed with their children to avoid even the appearance of favouritism. However, when it comes to the family enterprise, treating the children equally becomes impossible due to their different talents, strengths, ambitions, and life stages (Rivers, 2005: 93). Voeller *et al.* (2002: 73) highlight the importance that all family business should have a performance management system to ensure fair employment for all employees and this includes the family members that are employees. Jaffe (1991: 229) states that the patriarch must realise that fairness does not always mean equality. The family member who inherits control of the family business has the right to the fruits of his/her success in the business.

Buchholz, Crane and Nager (2000: 262) confirm that the compensation practices of family business often create problems when family members are compensated according to age and/or gender. Carlock and Ward (2001: 77) also add that a family business with a goal of long-term family commitment, struggle with defining fairness and then creating practices that reinforce it.

The essence of Fair Process according to Carlock and Ward (2001: 78) are that, 'individuals are most likely to trust and cooperate freely with systems – whether they themselves win or lose by those systems – when Fair Process is observed.' The concept of Fair Process is built on three principles: engagement, explanation and expectations. Figure 2.2 on the next page illustrates the three principles and the principles are also discussed.

Figure 2.2: The elements of fair process



Source: Carlock and Ward (2001: 79)

Figure 2.2 highlights the elements of fair process, which are the following:

- **Engagement:** Carlock and Ward (2001: 78) pointed out that a core activity in family businesses for improving family relationships is involving the family in discussions about family issues, as will formulating plans and decisions that effect all of them. Inviting participation in a family meeting demonstrates the senior generation's commitment to create a role for the next generation. The participation by the family members in the planning and decision-making process improves support and personal ownership for the final actions.

- **Explanation:** In family businesses there is a constant change in the nature of the relationships as both the family and the business mature and that is why it is very important to understand what is happening in a family business. Traditionally, family business planning and decision-making was the responsibility of the senior managers and the owners, but when the next generation is introduced, especially at the cousin's level, a new approach should be used because there are now family members without senior management roles or current ownership (Carlock & Ward, 2001: 79).

- **Expectations:** Clearly clarifying everyone's expectations, whether for careers or ownership, improves the family and business relationships. Business families more often face conflict over expectations than over decision-making or planning. The Fair Process acknowledges that families and business are not democracies and that certain members of the family have got more influence and control over the decision-making process. A family working together on the development of a Family Business Continuity Plan is improving their family fairness and empowering the next generation (Carlock & Ward, 2001:80).

According to Emens and Wolper (2000: 7), financial compensation is a very 'touchy' issue in family businesses. Many times family members are overpaid because of "blood" and then also underpaid because of "someday this will all be yours." They also highlighted the fact that the family business leader must be objective, providing that the pay reflects the family business values. Compensation must be reviewed on a regular basis, and if there is conflict about pay, an outside consultant must be called in.

Buchholz *et al.* (2000: 262) pointed out the importance that the remuneration strategy must be consistent, open and fair. If the strategy is not, it can end up in resentment and conflict. According to Jaffe (1991: 199), if the performance standards are uniformly applied, the following advantage should be recognised:

- Stronger employee morale.
- Productivity increase
- Minimise strained family relationships.

Jaffe (1991: 199) also said that performance in achieving effective business management should be assessed by means of a formal process of performance evaluation in both the family and in the family business.

Buchholz *et al.* (2000: 264) emphasised that the compensation of family members does not have to become a problem if it is handled rationally and with planning. If you want the compensation to be handled professionally and fairly, these steps can be followed, which is to:

- Establish a compensation policy for family members and make all policies known to them before they enter the business. Policies for al types of remuneration; bonuses, cost-of-living raises, perks and other benefits, should be part of the business.
- Compensation levels and raises must be consistent whether the person being a family or non-family employee.
- Set guidelines for performance reviews.
- Incorporate some form of incentive or performance-based compensation that rewards employees, both family and non-family, for achieving goals.

- Establish a special group to resolve compensation matters. This group can consist of owners, directors and managers. The board of independent directors can play a essential role.

Buchholz *et al.* (2000: 265) added that there are many factors that should be considered to determine “fair” compensation; which could consist of company size in terms of sales and revenues, number of employees, cost of living in your company’s location, number of people supervised, hours worked, educational requirements, experience, contacts, performance and degree of specialization.

2.7.7 Leadership

Challenging and stimulating times lie ahead for individuals nowadays. Technologically, individuals are on the threshold of a new world where rapid development in technology affects every aspect of human existence in the future. Because of these rapid changes in the environment, the need for leadership in every field is growing daily (Le Roux, De Beer, Ferreira, Hubner, Jacobs, Kritzinger, Labuschagne, Stapelberg & Venter, 1999: 127).
Subsequently, Le Roux *et al.* (1999: 127) state that leadership is the relationship between a leader and the members of a working group. It contributes towards members working together willingly to achieve objectives which the leader sets for him/her, and also for the members. Motivation and activation are integral to leadership and this is used to influence the behaviour of members.

In Kreitner and Kinicki (2004: 495) ‘Leadership is defined as “a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organizational goals”’. As can be seen from this definition, leadership clearly entails more than wielding power and exercising authority and is exhibited on different levels. At the individual level, for example, leadership involves mentoring, coaching, inspiring, and motivating. Leaders build teams, generate cohesion, and resolve conflict at group level. Ultimately, leaders build culture and generate change at the organizational level (Kreitner & Kinicki, 2004: 595).

According to Robbins and DeCenzo (2005: 354), leaders are people who are able to influence others and who possess managerial authority, this means that he/she must be able to plan, organize and control.

Robbins and DeCenzo: (2005: 354) mention six traits that differentiate leaders from non-leaders, which are:

- **Drive:** they have a high desire for achievement, they are ambitious, they have tremendous energy, they are tirelessly persistent in their activities, and they show initiative.
- **Desire to lead:** they have a strong desire to influence and lead others. They demonstrate the willingness to take responsibility.
- **Honesty and integrity:** they build trusting relationships between themselves and followers by being truthful and not deceitful and by showing high consistency between word and deed.
- **Self-confidence:** they need to show self-confidence in order to convince followers of the correctness of goals and decisions.
- **Intelligence:** they need to be intelligent enough to gather, synthesize, and interpret large amounts of information and be able to create visions, solve problems, and make correct decisions.
- **Job-relevant knowledge:** effective leaders have a high degree of knowledge about the company and industry. In-depth knowledge allows leaders to make well-informed decisions and to understand the implication of those decisions.

In the case of family business leaders they must create a sense of urgency in the family business. The goal should be to have everyone, from the owners to those carrying out tasks, thinking and acting like competitors (Timmons & Spinelli, 2007: 573). Families are traditionally and systematically hierarchical in nature which take the form of parent to child, older to younger siblings, male to female, and family businesses often embody these hierarchies in their leadership models. A trans-generation commitment requires moving beyond the "great leader" model towards the "great group" model. Family business leaders, who strive to turn their families into a team based upon the great group philosophy, can overcome many negative connotations often associated with family business leadership and empower the family and the family business to be successful (Timmons & Spinelli, 2007: 573).

Leadership in the family business requires knowledge regarding operational activities. It also requires experience, good judgement, interpersonal skills and credibility as they relate to the business and business decisions (Aronoff & Baskin, 2005: 4). They also remind that family members are in a family business not because of their last name, nor who their predecessors were, but because they have prepared themselves to be there, because they are motivated to be there and because they contribute specific skills and talents which represents specific disciplines within their world of business.

Aronoff and Baskin (2005: 4) identify the following components that effective family business leaders need in order to be successful, which are:

- Credibility and ability to consider all employees' opinions regarding work related issues before making important decisions.
- To motivate, encourage and to encourage loyalty of all the others working for the family business.
- Knowledge of the industry to make effective decisions.
- Possess technical and business skills to be able to correct any problems, thus ensuring credibility amongst subordinates.
- Taking responsibility for the business and decisions taken.
- Self-awareness of actions taken.

2.7.8 Governance

Family governance is unique to family businesses. Family governance can take many forms and tends to evolve over time. Its structures can conclude voting trust, family and ownership councils, foundation and family offices. All these structures support family and ownership functions and sometimes they relate back to the board and the business (Ward, 2005: 219).

According to Neubauer and Lank (1998: 60), family business governance is a system of process and structures that are put in place at the highest level of the business, where the family and the ownership can make the best possible decisions regarding the direction of the business to assure the accountability and control of the family business. Furthermore they explain that the meaning of governance is derived from the Latin verb *gubernare,* and it means steer or direct. Governance is thus "a system of processes and structures to plan, control and account for the business at the highest level.

Directing or planning the family business should not be confused with everyday involvement in the management thereof, but rather with activities (Neubauer & Lank, 1998: 60), which are:

- Shaping the strategic direction of the firm in the long term.
- Involvement in decisions that is far-reaching in nature.
- Involvement in the allocation or re-allocation of the significant financial resources as well as other resources such as the appointment of the chief executive officer.
- Involvement in decisions that are precedent setting and/or are difficult to reverse.

'Controlling' the family business means to oversee management performance and monitor the progress towards objectives. 'Accounting for' means the responsibility towards all the stakeholders, which legitimately demand accountability from the business (Neubauer & Lank, 1998: 60).

The family business governance structure includes the following (Neubauer & Lank, 1998: 67):

- The family itself and its institutions, such as the family meeting or forum, the family council and shareholder's committee.
- The board of directors.
- Top management of the family business (including non-family members).

Each of the different family business governance structures needs to work closely together to deliver satisfactory results for the long-term success of the family business.

Kaslow (2006: 213) recommends that when a family wants to establish a governance structure in the family businesses they should seek outside help, which is consultation. The governance structure should clearly outline the duties, responsibilities and rights of the family members, shareholders, the management team and the board of directors. Kaslow (2006: 213) also implies that the governance structure should be implemented to enable them to: effective communication, ongoing planning, shared decision-making and expression of shared values.

Aronoff and Ward (1996: 53) mention that when good governance is looked at, the focus must be on two distinct points, namely the family and then the business. When the focus is on the family governance they should find consensus on matters where the owner's wishes are priority, but family members should also be endowed with a shared sense of identity and mission that go beyond their individual interest in the business. This include the family policy or rules that govern members behaviour and decision-making, family organisation, education, communication, the family's philosophy of doing business, family goals for the business, family civic, political and philanthropic activities, and family fun (Aronoff & Ward, 1996: 53). These roles mentioned above could be the best filled by holding family meetings, family council or other family gatherings.

The focus of business governance should be to serve shareholders and other stakeholders and to meet the goals set for it by managers and shareholders. The best way to achieve this is to establish an active board that include a majority of qualified and experienced outside directors. This active board can provide advice and counselling to the chief executive officer, help to monitor business performance, planning, aid succession planning and help provide the quality of the strategy. The directors could support family shareholders, assist in family education, monitor family policies and help build shareholder trust and confidence in the business (Aronoff & Ward, 1996: 53). Aronoff and Ward (1996: 53) pointed out that the family and the business could both obtain advantages from orderly decision-making, peaceful continuity and the freedom to decisions based on the highest and best purpose.

The benefits of family institutions, such as family meeting or forum, family council and shareholder' meetings are as follows:

- Building stronger families.
- Building stronger business.
- Planning for future ownership.
- Planning for family participation.
- Managing the inherited wealth of the family.
- Opening up the success process.
- Preserving family tradition and history.
- Professionalising the business.
- Managing relations between the family and the board.
- Recognising and resolving conflict (Aronoff & Ward, 1996: 11).

The benefits of an active family board can be summarised as follows:

- Providing in-house experience and expertise.
- Encouraging self-discipline and accountability in management.
- Providing a sounding board to aid in evaluating business owners' ideas.
- Offering honest, objective opinions on performance, strategy, compensation and other business matters.
- Assisting in strategic planning and monitoring implementation.
- Offering insight to key people.
- Asking challenging and penetrating questions.
- Giving confidential and empathetic counsel.
- Aiding creative thinking and decision-making.
- Enhancing cooperative relations with constituents including employees, suppliers, customers and the community at large.

2.7.9 Division of labour (roles and responsibilities of family members)

Buchholz *et al.* (2000:277) stated that no family business should feel obliged to hire incompetent relatives. Kets de Vries (1996: 23) asserts that the roles and responsibilities of all employees, including family members involved in the family business, may sometimes be unclear or not defined at all. In most family businesses, multiple roles and responsibilities that overlap are assigned to a single person. This may cause role confusion to the individual, which may lead to inefficient communication and poor decision-making by the family member (Ibrahim & Ellis, 2004: 7). It is thus important to specify and communicate the clearly defined roles and responsibilities to all employees in the family business, so that they understand it and agree about these issues when they commence their employment in the business. It is therefore important for both current and prospective employees to have a clear understanding of the roles and responsibilities of the position they fill inside the family business. Jaffe (1991: 199) stated that when a family member enters a family business, a specific job position should be clearly described.

Family members should not regard employment in the family business as a right. The decision of a family business to permit incompetent family members into the business without the person adding sufficient value to the business, does not make business sense at all (Neubauer & Lank, 1998: 153). Van der Merwe (2009: 4) pointed out that actions like this could threaten the harmony and sustainability in family businesses.

According to Kenyon-Rouvinez and Ward (2005: 23), family businesses are started to create employment and in small family businesses they are mainly started to create employment for family members. Family businesses tend to value their employees very highly. They view the employees as the key stakeholders in the business and recognize them as the foundation of the family business success.

Family businesses also face the challenge to manage the family members that they employ effectively. In small family businesses the family members that are employed by the business are a source of cheap labour and they will work for longer hours and provide greater employment flexibility (Kenyon-Rouvinez & Ward, 2005: 23).

Ibrahim and Ellis (2004: 9) mention that role confusion is a product of the family business flexibility, which is extremely difficult to design and implement, job descriptions in the family business. Role confusion will lead to poor communication and decision making in the family business. They also highlight that it is suggested that offspring should join the family business at the shop floor level in order to learn the necessary skills needed and to establish credibility and to earn legitimacy in the family business.

2.7.10 Non-active family members

Kets De Vries (1996: 15) mentioned that working for a family business may seem like a fairy-tale story, but it is far from the truth. Family arguments often occur amongst inactive rival spouses, siblings, cousins and in-laws. These arguments amongst the above parties result in active family members, non-family members and other ernployees of the family business being forced to choose between the different rival party. As a result, competent, trustworthy, and loyal employees leave the family business, and could lead to decrease in productivity and the regular customers may also decrease (Kets De Vries, 1996: 15).

According to Kenyon-Rouvinez and Ward (2005: 24), family members often perceive working for the family business as a "birthright". Those individuals, who are not able to enforce this "birthright" in becoming an employee for the family business, are often the ones that place a tremendous burden on many family businesses' day-to-day activities and relationships between family members at home.

The inactive family members often interfere in family business matters through conflict initiation, taking part in decision making matters, direct interference in day-to-day operational activities and they often play off active family members of the family business against each other (Kets De Vries, 1996: 15). According to Kets De Vries (1996: 16), some of the possible reasons for this troublemaking behaviour is; jealousy, boredom and other psychological disorders.

2.7.11 Non-family members

Kets De Vries (1996: 258) emphasises that several advantages for the family and the family business exist when a non-family member holds an executive position. An outsider, the non-family member, brings 'fresh eyes' to the family business and is not 'brought up' in the family myths from early childhood. Non-family members are likely to have a more natural view than relatives when it comes to making decisions about family affairs, particularly in difficult situations. Another role that non-family members can take is the mediator role when conflict arises between family members (Kets De Vries, 1996: 258). According to Kets De Vries (1996: 258), the beneficial impact that non-family members can have on family members to make sound, well-reasoned decisions is of particular significance to the family businesses and could also have a positive influence on family harmony in the family business that could ensure the long-term sustainability of the family business. Maas *et al.* *(*2005: 183) mentioned that the amount of non-family members working for the family business, stresses the importance of good working relationships between them and family members, should they want to maintain a competitive advantage over other businesses in the same business sector.

Poza (2004: 122) points out that research done by the Discover Action Research Project found that the non-family managers that work for family businesses regard the business in a positive light and most of them would like the family business to continue. But they also found that differences emerged, found in the perception of the efficiency of management and governance practices, also of the capacity of the business innovation and change. Maas *et al.* (2005:138) indicate that non-family members present an asset in most family businesses. Family members should be considerate not to make business decisions that benefit the family at the cost of non-family members or the family business.

According to Maas *et al.* (2005: 132) experience indicates that ambitious non-family members are often reluctant to accept employment in a family business because of the following reasons:

- Working with family members causes unnecessary tension for non-family members.
- The presence of family members limits the chances for promotions.
- Often a high turnover of non-family members.
- Lack of recognition for the value they present to the business.
- Resistance to change by family members.
- Unfairness in the workload and corresponding remuneration.

Aronoff and Ward (1992: 33) mention that when non-family candidates are considered for the Chief Executive Officer (CEO) in a family business, they should have at least three to five years of experience in such family business before they move to the top. The family business owner should select two candidates and allow a period of preparation and evaluation before the owner makes the final choice. If the business owner has already been cross-training a non-family employee to be the next CEO, this process is much easier and quicker. If there are no non-family employees to be the next CEO, it becomes very risky for the family business.

2.7.12 Senior generation of family members

Many family entrepreneurs, particularly senior generation entrepreneurs, accept the myth that any formalisation will confine entrepreneurial behaviour. Nothing could be further from the truth. With informed perception, disciplined processes, clear financial benchmarks, and organizational accountability, family teams can operate higher potential ventures and get the odds in their favour for trans-generational entrepreneurship and wealth creation (Timmons & Spinelli, 2007: 566).

Founders of a family business usually have a strong sense of attachment to the business. They sometimes experience stress, withdrawal symptoms and a general sense of loss during a process of relinquishing control of the family business, due to their decreased responsibility (Ibrahim & Ellis, 2004: 212). They regrettably have to make peace with the fact that they are ageing and show their willingness to hand over the authority and relinquish control to a capable successor. A prerequisite for this is that senior generation family members must share important information concerning the business to the suitable successor timeously and show confidence in his or her ability to manage the business once he or she retires.

2.7.13 Financial performance

When people hear the term 'family business', they seldom experience images of billionaire entrepreneurs. They rather anticipate a small 'mom-and-pop' business that only aims to serve local markets in order to sustain the family's lifestyle of providing jobs to the family members (Timmons & Spinelli, 2007: 562).

The tension between generations in families can often revolve around the aggressive younger family executives seeking to explore new and exiting deals in contrast with the older executives who seek to move forward on the pathway that created the family's fortune (Timmons & Spinelli, 2007: 561). Families sometimes have special knowledge, experience and resources that often bring them competitive advantages over other competitors. Enterprising families generate new economic activities and build long-term values across generations. Timmons and Spinelli (2007: 563) pointed out that the essence of any business' financial performance can be measured to the next criteria:

- Experiencing growth in income or turnover; thus increase sales and establish ways to minimise expenses and so ensures profit maximisation.
- Constant positive ratios can ensure the future financial security of any business.

The increase in employee numbers, however is inevitable to administrate the growth in turnover, without overloading the existing employee's workload and causing a decrease in the work performance.

2.8 PERCEIVED FUTURE CONTINUITY

According to Rivers (2005: 4), young children form their opinions of the family business based on how they see it from their home-based perspectives. Many children have unconsciously made decisions about whether or nor to enter the family business, based on the types of dinner table conversations they heard from 'mom' and 'dad'. If the tone is one of frustration, aggravation, and constant worry, the children are likely to form negative opinions about the business. If the conversation consists of all success and glory, the children form unrealistic expectations of what a business is like. It is important when you 'carry' your business home with you, to remember that the people sharing your house are watching and learning from you constantly.

According to Ward (2005: 44), there should be a parallel business and family strategy planning process regarding the future continuity of family businesses. The parallel strategic planning must join family business planning to assure the alignment of family and business strategy for the future. The family must start by exploring their business philosophy and core values. Ward (2005: 47) suggests that the following steps can be followed: there must be family meetings held, but these meetings should not be business meetings. The family must then involve all family members to be actively involved to create a family vision. With this the family should reach consent about the family view regarding management and commitment amongst themselves whether or not they want to remain active and engage in the family business for future generations to come.

Cummings and Worley (2005: 584) assert that most family businesses struggle to realise transition related to generations. Fewer than 30% of the first generation family businesses survive to the second generation and only 12% survive to the third generation. To grow the business and the family's wealth requires careful thought and strategic planning. To achieve this goal, the business should be able to move from an entrepreneurial business to a professional managed firm, it should develop governance structures, formalize systems and processes, and recruit talent (from inside and outside the family). Owners must continually develop assets which are independent from the business. As the business grows, so do liquidity options such as venture capital, debt or equity financing, internal stock sale or sale of the company.

2.9. SUMMARY

The main purpose of this chapter of literature review was to look into the essence of a family business and enquire into its importance and its uniqueness. Topics also discussed were the separating of the business and the family, the advantages and disadvantages of family businesses and the determinants of family harmony in family businesses.

It was also realized that a family business has an important influence on economies throughout the world and that no other type of business has driven economic development in the same way. Subsequently, the total number of family businesses in South Africa is increasing every year.

Literature revealed that the family business is unique and has three systems that are involved in the running of the business. The three systems are; the business, the family and the ownership. When these three systems overlap, certain complexities may arise and when not managed correctly, could as a result, have negative effects on the family business.

Furthermore, family harmony in the family business is one of the most important aspects that should be upheld to ensure the continuity and success of the family business. Literature disclosed 13 determinants that have an influence on family harmony.

Subsequently, open communications should be a primary objective that every family business should strive to attain. Unfortunately, it is not always easy where emotions and personal issues are involved, but without open communication the business may loose business opportunities and experience misunderstandings which could lead to an increase in conflict. It was clear that mutual trust and respect is not something that you can get, it must be earned. Mutual trust and respect is a very important internal aspect of family business as well as of the external relationships with clients and colleagues. As a result, it is difficult to obtain trust and respect, but it is even harder to retain it once it has been lost and trust and respect is easily lost.

It was also learned that conflict in a family business can be negative and positive and the way in which it is handled that is critical to what the outcome is going to be. Conflict in the family business is a big problem because personal emotions and issues are involved. A high level of commitment in a family business is critical, because employees and active family members with a high level of commitment give their best towards the business to make it a success. The personal needs alignment will require the family businesses to get their personal needs in line with those of the business. The mindset of the family members should primarily be geared towards: 'what can I do for the family business and not what can the family business do for me.'

Resultantly, fairness is an aspect that must be applied everywhere and to everyone involved in the family businesses. If it is not upheld, it could lead to resentment and distrust. It was realised that the world is changing continuously and effective leadership is the main factor towards implementing business changes ensuring the survival of the family business. A systematic governance policy could enhance the ability of the family business to make orderly decisions for the benefit of the family and for the family business. Good governance can enhance cooperative relations with employees, suppliers, customers and the community at large.
The importance of role division was discovered to be at its best when it was not discernable. The roles of family members and non-family members are mostly unclear and not defined in family businesses and this can lead to role confusion which in turn can lead to a decline in open communication and in the end lead to poor decision-making which has a negative effect on the family business.

Literature also determined that non-active family members sometimes are the cause of arguments that emerge in family business. Mostly they wish to feel part of the business and that their opinions are also taken into consideration. Unfortunately, it is the way that they do it that is the problem. They will use conflict and interference in the day-to-day running of the business to just be able to feel part of the family business. Non-family members that are employees in family business normally bring something into the family business that employee family members cannot supply.

Furthermore, the senior generation of family members have a strong sense of attachment to the business which they have nurtured up to where it is today and it is a difficult process for them to hand it over to the next generation. This is where the transition process is very helpful and important. It was also found that when all the parties involved in the family business are satisfied about the current and the future financial performance of the family business and the needs of business as well as those of the families are met, it could contribute to family harmony. As soon as the vision for the family business for the future is agreed upon by the business as well as the family, it should be much easier to gain family harmony and maintain it.

The following chapter entails the empirical study on the determinants of family harmony in family businesses. The analysis thereof is discussed in detail to produce a comprehensive report discussing the results.

CHAPTER 3

RESULTS AND DISCUSSION OF EMPIRICAL STUDY

3.1 INTRODUCTION

The purpose of chapter 3 is to explore and analyse the data gathered. This is the second phase of this study and will align the primary and secondary objectives as set out in chapter 1. A structured questionnaire forms the basis of the empirical research and was administered at 17 family businesses in the Lejweleputswa District in the Free State province, South Africa.

This chapter discusses the construction and development of the questionnaires as well as the collection process of the data. Data analysis exercise included capturing and summarising all data. The data was then presented in tabular form as well as by inferential statistics. The results are analysed and presented in tabular form as well as by inferential statistics and followed by a summary.

3.2 GATHERING OF DATA

In this section the development and construction of the questionnaires is discussed, as well as the process to collect the data.

3.2.1 Development and construction of the questionnaires

The literature review in the previous chapter provided valuable insight into the identification of the determinants of family harmony. Thirteen latent variables were identified. A total of 96 items were identified to measure the variables determining family harmony in family businesses. Two questionnaires, i.e. one for active and one for inactive family members, were designed to evaluate these variables (refer to Appendices A and B). The questionnaires both contain identical questions, but the active family member questionnaire also contains a Section C, which is an extra section to be completed by the senior generation owner-managers compiled to gather structural information of the business.

As mentioned in chapter 1, the objective of the questionnaires used in this study was to assess the 13 latent variables on the basis of a 7-point Likert type scale ranging from Strongly Disagree (1) to Strongly Agree (7).

3.2.2 Data collection

The target population of this specific study revolved around small and medium-sized family businesses in the Lejweleputswa District in the Free State province, South Africa. As mentioned, active and inactive family members in sampled family businesses participated in the study and the family members had to complete the questionnaires on an individual basis. The questionnaires were made available in English as well as Afrikaans to enable family members to complete the questionnaires in the language they are most familiar with.

As mentioned in chapter 1, each questionnaire was personally delivered and it was accompanied by a covering letter that guaranteed the confidentiality of the responses. Three week's time was given for the participants to complete the questionnaire. There after all family businesses were contacted to collect the completed questionnaires. They were thanked for their efforts to take part in the survey.

A major challenge experienced throughout the data collection process was to convince the active, as well as the inactive family members of the families to complete the questionnaires.

3.3 RESPONSES TO THE SURVEY

A list of 21 possible family businesses where generated by contacting well-known business people in the Lejweleputswa District area who could supply names of suitable businesses. Each of the 21 businesses were contacted and only 17 were willing to complete the questionnaire. The end result was that only 13 of the 21 family businesses contacted completed the questionnaire; this represents a final response rate of 61.90%.

3.4 RESULTS OF BIOGRAPHICAL DATA

In this specific study two standardised family business questionnaires were used, one for active family members (refer to Appendix A) and one for inactive family members (refer to Appendix B). The family business questionnaire for active family members is divided into three sections and for the inactive family members it is divided into only two sections. *Section A* for both active and inactive members contains identical questions on the different constructs of family harmony. *Section B* for both active and inactive members also contain identical questions on the biographical data of each participant. For the purpose of this study, the results obtained from the active and inactive family members will be combined and discussed as such.

The biographical data that were obtained such as age, gender, marital status, and relationship to the senior generation family member, highest academic qualification and percentage shareholding should have an influence on the results of this study. *Section C* was only included in the active family members' questionnaire, this section was only to be completed by the senior generation executive manager. This section contains questions related to the structure of the family business.

3.4.1 Involvement of family members

A total of 80 family member questionnaires and 45 inactive family member questionnaires (125 in total) were handed out to participants for completion. Only 55 active and 36 inactive completed questionnaires (91 in total) were collected. This is a response rate of 72.8%.

3.4.1.1 Purpose of the question

The purpose of this analysis was to determine the involvement of the active and inactive family members in the participating family businesses.

3.4.1.2 Results obtained

Active and inactive family members that participated in the study is presented in Table 3.1 below.

Table 3.1: Involvement of family members in the participating businesses

Category	Count	Percentage
Active	55	60.44%
Inactive	36	39.56%
Total	**91**	**100%**

Table 3.1 shows the active family members (family members who are permanently employed by the family business) to be the majority of this study, while inactive family members (family members not in the service of the business and could include spouses, children, in-laws, brothers and sisters) to be just over one-third of the participants.

3.4.1.3 Analysis of the results

Of the 91 questionnaires that were completed by family members, the active family members represented the majority with 55 family members, (60.44%), while the inactive family members represented the minority with 36 family members, (39.56%). Although the inactive family members are in the minority they still form an integral part of the family dynamics that plays itself out within and around the business.

3.4.2 Age group categories of family members

3.4.2.1 Purpose of the question

The purpose of question B1 in Section B (refer to Appendices A & B) of the questionnaires was to determine the age groups of participants. Participants were asked to indicate their ages by selecting one of the five predefined age groups in the questionnaires.

3.4.2.2 Results obtained

The age groups of all the family members (active and inactive) that responded to the survey are presented in Table 3.2 below.

Table 3.2: Age groups of participating family members

Age group	Count	Percentage
< 29	38	41.76%
30 – 39	22	24.18%
40 – 49	12	13.19%
50 – 59	15	16.47%
60 +	4	4.40%
Total	**91**	**100%**

3.4.2.3 Analysis of the results

Table 3.2 indicates that the age category with the highest number of respondents is 29 years and younger, with 38 (41.76%) of the total respondents. The age group 30 to 39 years old represents 24.18%. The following two age groups, 40 to 49 and 50 to 59 years old, are almost equally represented at 13.19% and 16.47% respectively. The age group 60 years and older only represent 4.40%. This means that the majority of family business members are below 29 years of age.

3.4.3 Gender of family members

3.4.3.1 Purpose of the question

The purpose of question B2 in Section B (refer to Appendix A & B) of the questionnaire was to determine and distinguish between the number of male and female respondents. Respondents were asked to indicate their gender by selecting either the male or the female category in the questionnaire.

3.4.3.2 Results obtained

Both active and inactive family members' gender is presented in Table 3.3 below.

Table 3.3: Gender distribution of family members

Gender	Count	Percentage
Male	47	51.65%
Female	44	48.35%
Total	**91**	**100%**

3.4.3.3 Analysis of the results

Table 3.3 above indicates that males and females represent the family businesses in this specific study almost equally. Males with 47 (51.65%) and females with 44 (48.35%).

3.4.4 Marital status of family members

3.4.4.1 Purpose of the question

The purpose of question B3 in Section B (refer to Appendices A & B) of the questionnaire was to determine the marital status of the participants, because marital status influences the decision-making process and the way the family business are managed. Participants had to choose between four marital status groupings: single, married, divorced and widow(er). Participants were asked to indicate their marital status by selecting the applicable marital status category in the questionnaire.

3.4.4.2 Results obtained

The marital status of family members (active and inactive) that responded to the survey is presented in Table 3.4 below.

Table 3.4: Marital status of family members

Marital Status	Count	Percentage
Single	31	34.07%
Married	57	62.64%
Divorce	3	3.30%
Widow(er)	0	0%
Total	**91**	**100%**

3.4.4.3 Analysis of the results

Table 3.4 indicates that the majority, i.e. 57 (62.64%) of participants are married. Thirty-one (34.07%) family members are still single, and three (3.30%) family members are divorced. There were no family members (active and inactive) in the widow(er) category.

3.4.5 Relationship to the family

3.4.5.1 Purpose of the question

The purpose of question B4 in Section B (refer to Appendix A & B) of the questionnaire was to determine the relationship of all family members to the senior generation owner-manager. The relationship information indicates whether the active and inactive family members are directly or indirectly related to the senior generation owner-manager. This relationship and the birth order of siblings can have a huge impact on the way family businesses are managed. Participants had to indicate their relationship to the owner-manager by selecting the applicable relationship in the questionnaire.

3.4.5.2 Results obtained

The relationship between all family members (active and inactive) to the owner or senior generation executive is presented in Table 3.5 on the next page.

Table 3.5 Family member relationship with the owner / senior generation executives

Relationship	Family member	Percentage
Owner	13	14.29%
Spouse	14	15.38%
Brother	1	1.10%
Sister	3	3.30%
1st son	13	14.29%
2nd son	9	9.89%
3rd son	1	1.10%
1st daughter	9	9.89%
2nd daughter	5	5.49%
3rd daughter	1	1.10%
In-law	19	20.88%
Other	3	3.30%
Total	**91**	**100%**

3.4.5.3 Analysis of the results

Table 3.5 shows that the involvement of the direct family members, i.e. parents including sons and daughters, entails 65 (71.43%) of the respondents. The category with the highest representation is that of sons with 23 (25.28%) of the respondents. The category of daughters is representing 15 (16.48%)of the respondents. The owners plus spouses entails a total of 27 (29.67%) of the respondents. The analysis for the number of spouses relative to the owners brings to light that an ex-wife or ex-husband is still involved in the family business. Sisters represent 3.30% and one brother 1.10% of the respondents. In-laws and other family members represent 24.18% of all the respondents.

3.4.6 Highest academic qualification of the family members

3.4.6.1 Purpose of the question

The purpose of question B5 in Section B (refer to Appendix A & B) of the questionnaire was to determine the highest academic qualification of the participating family members. The level of formal qualification has an impact on the way the business is managed and can influence attitude, development, performance and risk profile of the family member. Various qualification categories were defined. Respondents were asked to indicate their highest academic qualification by selecting the applicable qualification in the questionnaire.

3.4.6.2 Results obtained

The highest academic qualifications of all participating family members (active and inactive) are presented in Table 3.6 below.

Table 3.6: Highest academic qualification of family members

Highest Qualification	Count	Percentage
Lower than matric	8	8.79%
Matric	39	42.86%
Certificate	6	6.59%
Diploma	25	27.47%
Degree	11	12.09%
Post graduate degree	2	2.20%
Total	**91**	**100%**

3.4.6.3 Analysis of the results

Table 3.6 indicates that the majority of family members have achieved matric, i.e. 39 (43.86%) of all respondents. The second highest category is the family members that received a diploma, 25 (27.47%) of all respondents. Eleven respondents, 12.09%, achieved a degree and only two (2.29%) respondents achieved a post graduate degree. Eight (8.79%) of the respondents did not finish school or are still at school. Six (6.59%) of the respondents did a certificate course. This analysis shows that family members choose not to study after matric, but preferred to join the family business after school.

3.4.7 Shareholding by the family members

The results of the study indicated that participants were not sure about the percentage shareholding in the family business. The percentages do not add up to 100 percent and sometimes they add up to more than 100 percent. For the purpose of this specific study shareholding are thus not reliable and will be excluded from the study.

3.5 RESULTS OF FAMILY BUSINESS INFORMATION

The senior generation owner-manager of the participating family businesses completed section C of the active family member questionnaire. This section gathered information such as the number of permanent employees in the business, family business turnover, the business industry, age of the business, generation (e.g. 1^{st}, 2^{nd} or 3^{rd}) family members involved in the business and the legal status of the participating family businesses.

3.5.1 Number of permanent employees

3.5.1.1 Purpose of the question

The purpose of question C1 in Section C (refer to Appendix A) of the active family member questionnaire was to obtain the number of employees employed in the 13 family businesses that participated in the study and to determine whether the family business can be classified as a micro-, small- or a medium-sized enterprise.

3.5.1.2 Results obtained

The number of employees employed by the family business is presented in Table 3.7

Table 3.7: Permanent employees employed by family businesses

Category	Count	Percentage
5-10	3	23.07%
11-25	5	38.46%
26-50	4	30.76%
51-100	1	7.70%
Total	**13**	**100%**

3.5.1.3 Analysis of the results

Table 3.7 illustrates the fact that there where no micro (1 - 4 employees) and neither large (> 200 employees) family businesses in this specific study. Very small businesses (5 – 10 employees) were represented by three (23.07) businesses. Small businesses (11 – 25 employees) were represented by five (38.46%) and medium-sized businesses (51 – 200 employees) were represented by five (38.46%) businesses respectively. Small and medium-sized businesses thus form the majority of businesses in this study.

3.5.2 Family business turnover

3.5.2.1 Purpose of the question

The purpose of question C2 in Section C (refer to Appendix A) of the active family member questionnaire was to obtain information about the financial success and the turnover of the family business.

3.5.2.2 Results obtained

The annual turnover of the participating family businesses was indicated by the owner and is presented in Table 3.8 below

Table 3.8: Annual turnover of family businesses

Category	Count	Percentage
< R1 million	1	7.69%
R1 - R2.5 million	4	30.77%
R2.5 - R10 million	3	23.08%
R10 - R50 million	4	30.77%
R50 - R100 million	1	7.69%
Total	**13**	**100**

3.3.2.3 Analysis of the results

This table shows that all of the family business owners indicated the annual turnover of their respective family business. Four (30.77%) of the businesses' annual turnover was indicated as between the R1 - R2.5 million range and four (30.77%) between the range R10 - R 50 million. In the R2.5 - R10 million range there was three (23.08%) businesses. In the less than one million range and range of R 50 – R 100 million there was only one business (7.69%) in each. Results shows clearly the difference between turnover of small and medium sized businesses when it is considered that about half of the family businesses fall in the small turnover group and the other the other half falls in the larger turnover group.

3.5.3 Family business industry focus

3.5.3.1 Purpose of the question

The purpose of question C3 in Section C (refer to Appendix A) of the questionnaire was to obtain information about the industry the family businesses operates in. The industry may impact on the number of permanent employees required, the academic qualifications of the participants to keep the business operational, as well as the expected turnover.

3.5.3.2 Results obtained

The industries in which the family businesses in this specific study operate are presented in Table 3.9 below.

Table 3.9: Family businesses' industry focus

Category	Count	Percentage
Automotive	2	15.38%
Agriculture	1	7.69%
Farming	1	7.69%
Construction	1	7.69%
Retail	6	46.15%
Services	2	15.38%
Total	**13**	**100%**

3.5.3.3 Analysis of the results

As shown in table 3.9, the majority category is the retail industry with six (46.15%) of the family businesses, followed by two (15.38%) in the automotive and two in the services industry. Agriculture, farming and construction is represented by one (7%) each, indicating that family businesses is mostly found in the trading sector.

3.5.4 Age of the family business

3.5.4.1 Purpose of the question

The purpose of question C4 in Section C of the questionnaire (refer to Appendix A) was to obtain information about the age of the participating family businesses.

3.5.4.2 Results obtained

The age distribution analysis of family businesses in this specific study is presented in Table 3.10 below.

Table 3.10: Age category of family businesses

Age of business	Count	Percentage
4	1	7.69%
6	1	7.69%
7	2	15.38%
10	1	7.69%
12	1	7.69%
15	1	7.69%
18	1	7.69%
20	2	15.38%
21	2	15.38%
30	1	7.69%
Total	**13**	**100%**

3.5.4.3 Analysis of the results

Table 3.10 shows that, four (30.77%) of the participating family businesses has been in business less than ten years, four (30.77%) are less than 20 years old and another four (30.77%) less than 30 years old. Only one (7.69%) of the family business indicated that it is 30 years in business. this information shows that half of the businesses in this study to be established enterprises.

3.5.5 Generation of the family

3.5.5.1 Purpose of the question

The purpose of question C5 in Section C (refer to Appendix A) of the active family member questionnaire, was to obtain information on the number of generations managing or owning the participating family businesses.

3.5.5.2 Results obtained

The generation analysis of family businesses in this study is presented in Table 3.11 below.

Table 3.11: Generation of the family business

Category	Count	Percentage
1st generation	10	76.92%
2nd generation	3	23.08%
3rd generation	0	0%
4th generation	0	0%
Total	**13**	**100%**

3.5.5.3 Analysis of the results

Table 3.11 indicates that first generation family businesses are in the majority with ten (76.92%) family businesses and only three (23.08%) family business in the second generation. In this specific study there were no family businesses in the third and fourth generation. This means that the businesses studied were mainly 'young' businesses managed by first generation family members.

3.5.6 Legal status of the family business

3.5.6.1 Purpose of the question

The purpose of question C6 in Section C (refer to Appendix A) of the active family member questionnaire was to obtain information on the legal status (business structure) of the family businesses. The legal status of the family business is important when ownership planning takes place.

3.5.6.2 Results obtained

The legal statuses of family businesses in this study are presented in Table 3.12 below.

Table 3.12: Legal status of the family businesses

Category	Count	Percentage
Partnership	3	23.08%
Company (Private)	6	46.15%
Close corporation	3	23.08%
Franchise	1	7.69%
Total	**13**	**100%**

3.5.6.3 Analysis of the results

Table 3.12 serves as indication that the majority of the participating family businesses, six (46.15%) are operated as a private company. The partnership and close corporation categories both had three (23.08%) family businesses and the franchise category had one (7.69%) family business, showing that families prefer the attributes related to the private company as business form.

This section ends the results obtained from the questionnaires. The internal consistency of the questionnaires receives attention in the sections that follow.

3.6 RELIABILITY OF THE QUESTIONNAIRE

In order to establish the internal consistency between the items of the questionnaire, the Cronbach alpha coefficients should be calculated (Page & Meyer, 2000: 292). The Cronbach alpha coefficient is based on the average correlation of variables within a test (SAS Institute, Inc., 2005: 295). The greater the Cronbach alpha coefficient, the more reliable the scale is. An instrument that produces different scores every time that it is used on the same person under the same conditions has low reliability (Field, 2005: 666). The Cronbach's alpha reliability coefficient normally ranges between 0 and 1. A Cronbach alpha coefficient greater than 0.7 could be interpreted as reliable and internally consistent (SAS Institute Inc., 2005). The closer the Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the data. All 91 participants' responses were used to determine the reliability of the different constructs (refer to Table 3.13 below).

Table 3.13: The Cronbach alpha coefficients of variables

Variables	**Cronbach alpha coefficient**
Open communication	0.832
Mutual trust and respect	0.808
Conflict	0.854
Family commitment	0.773
Personal needs alignment	0.774
Fairness	0.755
Leadership	0.788
Governance	0.846
Division of labour	0.837
Non-active family members	0.763
Non-family members	0.702
Senior generation of family members	0.571
Financial performance	0.643
Perceived future continuity	0.843
Harmony	0.824

The results from table 3.13 indicate that all variables except two, i.e. senior **generation of family members** (0.571) and **financial performance**, (0.643) have a Cronbach Alpha coefficient above the routine cut-off value of 0.70. Though, when dealing with psychological (emotional) variables, Cronbach's values below 0.70 can be realistic because of the diversity of the variables being measured (Field, 2005: 668). Although two variables measured below 0.70, it is still suggested that the questionnaire used in this specific study to measure the latent variables have acceptable reliability and are internally consistent.

3.7 EVALUATION OF THE VARIABLES DETERMINING FAMILY HARMONY

Van der Merwe and De Swardt (2008: 10) point out that relatively low numbers on a Likert scale type questionnaire, such as used in this study, (e.g. where 1 = Strongly disagree; 7 = Strongly agree), represent disagreement with the statement and relatively high numbers represent agreement with the statement. Thus, a higher number representing agreement with the statement suggests that the statement is perceived to be true by the respondents. Likewise, a low number representing disagreement with the statement suggests that the statement is perceived to be false.

The average response or mean ($\bar{x}$) and the standard deviation (s) (variation around the mean) of each of the 13 constructs (independent variables) towards family harmony (dependent variable) are presented in Table 3.14 below.

Table 3.14: Evaluation of the variables measuring family harmony

Variables	**n**	$\bar{x}$	***s***
Open communication	91	5.342	0.865
Mutual trust and respect	91	5.716	0.689
Conflict	91	5.262	0.977
Family commitment	91	5.877	0.642
Personal needs alignment	91	5.464	0.749
Fairness	91	5.568	0.717
Leadership	91	5.690	0.732
Governance	91	4.938	0.916
Division of labour	91	5.472	0.767
Non-active family members	91	5.615	0.861
Non-family members	91	5.184	0.902
Senior generation of family members	91	5.514	0.723
Financial performance	91	5.723	0.525
Total	**91**	**5.490**	**0.774**

As seen in table 3.14, the average score of $\bar{x}$ = 5.490 of variables measuring family harmony indicates that the respondents, in general, agree with the statements and suggests that the items measuring family harmony can be perceived to be reliable. The variables to which represent utmost agreement form respondents concerning the statements in the questionnaire are those concerning **Family Commitment** ($\bar{x}$ =5.877), **Financial performance** ($\bar{x}$ = 5.723) and **Mutual trust and respect** ($\bar{x}$ = 5.716). The respondents also show a relatively strong agreement towards all other statements in the questionnaire concerning **Leadership** ($\bar{x}$ = 5.690), **Non-active family members** ($\bar{x}$ = 5.615), **Fairness** ($\bar{x}$ = 5.568), **Senior generation family members** ($\bar{x}$ = 5.514), **Division of labour** ($\bar{x}$ = 5.472), **Personal needs alignment** ($\bar{x}$ = 5.464), **Open communication** ($\bar{x}$ = 5.342), **Conflict** ($\bar{x}$ = 5.262) and **Non-family members** ($\bar{x}$ = 5.184). Except for the variable of **Governance** ($\bar{x}$ = 4.938) which respondents do not consider to be important in its influence on family harmony. The results of the evaluation of the variables shows that all items included in the questionnaires are believed to be important issues concerning family harmony in family businesses.

The standard deviations across all thirteen variables averages are relatively high, ranging from 0.525 to 0.977 (on a 7-point scale).

3.8 CORRELATION BETWEEN FAMILY HARMONY AND VARIABLES

To investigate the correlation between the dependant variable, family harmony, and the independant variables measuring family harmony, the Pearson correlation coefficients (*r*) should be calculated (Field, 2005: 111). Levine, Stephan, Krehbiel and Berenson (2007:131) indicate that the coefficient of correlation indicates the linear relationship between two numerical variables. When the coefficient of correlation is between to +1 or -1, the linear relationship between the two variables is incisive. The higher the correlation, the more preferable and this information appears in table 3.15 on the next page.

In order to determine whether the effect of the relationship between two variables is important or meaningful, the size of the effect should be measured. Effect sizes are useful because they provide an objective measure of the importance of an effect (Field, 2005: 32). A correlation coefficient of 0 means there are no visible relationship, and a value of 1 means that there is a perfect relationship. Cohen (1992), according to Field (2005: 32), made the following widely accepted suggestions about what constitutes a large or small effect, which are:

- $r = 0.10$ (small effect): in this case, the effect explains 1% of the variance
- $r = 0.30$ (medium effect): the effect accounts for 9% of the variance
- $r = 0.50$ (large effect): the effect accounts for 25% of the variance

Table 3.15: Correlation between family harmony and variables

Variables	**Coefficient of Correlation (r)**	**Coefficient of Determination (R^2)**
Open communication	0.753	0.567
Mutual trust and respect	0.833	0.694
Conflict	0.639	0.408
Family commitment	0.686	0.471
Personal needs alignment	0.661	0.437
Fairness	0.606	0.367
Leadership	0.821	0.674
Governance	0.244	0.060
Division of labour	0.602	0.362
Non-active family members	0.456	0.208
Non-family members	0.090	0.008
Senior generation of family members	0.582	0.339
Financial performance	0.538	0.289
Perceived future continuity	0.552	0.305
Harmony	1	1

Based on Cohen's rules mentioned, (see 3.8) the following independent variables as indicated in table 3.15 which are **Non-family members** (r = 0.090) and **Governance** (r = 0.244) have a very small effect on **Family harmony** (dependent variable).

The independent variables in table 3.15, **Non-active family members** (r = 0.456) have a medium effect on **Family harmony** (dependent variable).

The rest of the independent variables in table 3.15, i.e. **Financial performance** (r = 0.538), **Future continuity** (r = 0.552), **Senior generation** (r = 0.582), **Division of labour** (r = 0.602), **Fairness** (r = 0.606), **Conflict** (r = 0.639), **Personal needs** (r = 0.661), **Family commitment** (r = 0.686), **Open communication** (r = 0.753), **Leadership** (r = 0.821) and **Mutual trust and respect** (r = 0.833) have a large or practical significant effect ($r > 0.50$) on the dependent variable, **Family harmony** showing that most items included in the questionnaires are considered to be reliable.

Field (2005: 128) warns that care should be taken when interpreting correlation coefficient results because the direction of causality cannot be determined. Furthermore, a third variable could also have an influence on a specific bivariate correlation. In order to measure the amount of variability in one variable that is explained by the other, the coefficient of determination (R^2) was then determined and also included in table 3.15.

As an example, the results in the right hand column of table 3.15 indicate that 57% (r = 0.753; R^2 = 0.57) of the variance between the independent variable, **Open communication**, and the dependent variable, **Family harmony**, is shared. The balance, 43%, can be ascribed to measurement errors in the variables **Open communication** and **Family harmony**, together with the influence of other unknown factors.

3.9 EVALUATION OF THE VARIABLE PERCEIVED FUTURE CONTINUITY

The mean of the variable, **Perceived future continuity** was calculated to be 5.534 ($\bar{x}$ = 5.534) and the standard deviation was 0.841 (s = 0.841). This indicates a relatively high agreement with the statements / items concerned with perceived future continuity. The coefficient or correlation for this construct **Perceived future continuity** was calculated at 0.552 (r = 0.552), which also indicates a fairly strong linear relationship between this variable and family harmony. Thus it is a practical significant relationship.

3.10 RELATIONSHIP BETWEEN THE DEMOGRAPHIC VARIABLES AND THE VARIABLES MEASURING FAMILY HARMONY

Statistical significance tests have the tendency to yield small p-values (indication of significance) as the size of the data sets increases. If the variables have a p-value of ($p < 0.05$) one could assume that the variable is statistically significant regarding the contribution of specific variables towards family harmony. The effect size, however, is independent of the sample size and is a measure of practical significance (Ellis & Steyn, 2003: 51). A natural way to comment on practical significance is to use the standardised difference between the means of two populations, i.e. the difference between the two means divided by the estimate for standard deviation, $d = \frac{|\bar{x}_{diff}|}{s_{diff}}$, where $|\bar{x}_{diff}|$ is the difference between the average scores of active and inactive family members, without taking the sign into consideration, and s_{diff} is the standard deviation of the difference.

In this study effect sizes (*d*-values) were calculated between the mean values to determine the relationship between all the variables (refer to Tables 3.16 and 3.17) and demographic variables, such as family involvement (Table 3.16) and gender (Table 3.17) respectively. The effect sizes are shown in each table regarding a specific demographic variable.

For the purpose of this study, any statistical significant differences regarding the *p*-values (*p*-value ≤ 0.05) will only be mentioned, but any significant differences regarding the *d*-values will be discussed, since the *d*-value (or effect sizes) implies a stronger or more valid test than the *p*-value. Effect sizes (*d*-values) will be interpreted, according to Cohen's guidelines, as follows: small effect (*d*-value = 0.2), medium effect (*d*-value = 0.5), and large effect (*d*-value = 0.8). Results with medium effects can be regarded as visible effects and with *d*-value ≥ 0.8 as practical significant, since it is the result of a difference having a large effect (Field 2005:32; Ellis & Steyn 2003:51-53; Thompson, 2001: 80-93).

The demographical data used in this study were classified according to the following categories:

- Family involvement: Active (family members employed by the business); non-active (family members not employed by the business).
- Gender: Male and female.

Table 3.16 (active and non-active) and Table 3.17 (male and female) on the next pages, shows the relationship between the different demographic variables and the variables measuring family harmony with arithmetic mean ($\bar{x}$), standard deviation (*s*), statistical significance (*p*-value) and effect sizes (*d*-value).

3.10.1 Relationship between family involvement and the variables

Table 3.16, on the next page, presents the relationship between the demographic variable, family involvement, and variables measuring family harmony.

Table 3.16: Relationship between family involvement and the variables

Variables	Active			Inactive			Comparison	
	n	$\bar{x}$	*s*	n	$\bar{x}$	*s*	*p*-value	*d*-value
Open communication	55	5.542	0.796	36	5.037	0.888	0.006	0.57
Mutual trust and respect	55	5.886	0.646	36	5.456	0.680	0.003	0.63
Conflict	55	5.473	0.865	36	4.940	1.059	0.010	0.50
Family commitment	55	5.976	0.661	36	5.726	0.588	0.069	0.38
Personal needs alignment	55	5.685	0.633	36	5.125	0.793	0.000	0.71
Fairness	55	5.667	0.662	36	5.417	0.778	0.104	0.32
Leadership	55	5.855	0.683	36	5.440	0.741	0.007	0.56
Governance	55	4.907	0.966	36	4.987	0.844	0.688	0.08
Division of labour	55	5.636	0.724	36	5.221	0.772	0.011	0.54
Inactive family members	55	5.641	0.891	36	5.576	0.823	0.729	0.07
Non-family members	55	5.167	0.906	36	5.209	0.908	0.829	0.05
Senior generation of family members	55	5.629	0.607	36	5.338	0.851	0.060	0.34
Financial performance	55	5.869	0.423	36	5.500	0.590	0.001	0.63

3.10.1.1 Statistical significant (*p*-values)

Table 3.16 indicates a statistical significant difference ($p < 0.05$) in the mean values between active and inactive family members with regard to the following variables, i.e. **open communication** ($p = 0.006$), **mutual trust and respect** ($p = 0.003$), **conflict** ($p = 0.010$), **personal needs alignment** ($p = 0.000$), **leadership** ($p = 0.007$) and **division of labour** ($p = 0.011$).

3.10.1.2 Practical significant differences (*d*-values)

Based on Cohen's guidelines the involvement variables (active and inactive) had no practical significant effect on any of the different variables of family harmony. The variables with medium to large effects (*d*-value > 0.5) are those of **open communication** (0.57), **mutual trust and respect** (0.63), **conflict** (0.50), **personal needs alignment** (0.71), **leadership** (0.56), **division of labour** (0.54) and **financial performance** (0.63). There is, however, no practical significant difference between the perceptions of those family members who are actively involved and those who are inactively in the family businesses, since none of the variables have *d*-values close to or higher than 0.80. The differences mentioned above, are however visible differences.

3.10.2 Relationship between gender and the variables

Table 3.17 below, shows the relationship between the demographic variable, gender, and the variables measuring family harmony.

Table 3.17: Relationship between gender and the variables

Variables	Male			Female			Comparison	
	n	$\bar{x}$	S	n	$\bar{x}$	s	*p*-value	*d*-value
Open communication	47	5.421	0.800	44	5.258	0.932	0.370	0.18
Mutual trust and respect	47	5.775	0.628	44	5.652	0.751	0.398	0.16
Conflict	47	5.376	0.881	44	5.140	1.066	0.252	0.22
Family commitment	47	5.855	0.584	44	5.901	0.704	0.734	0.07
Personal needs alignment	47	5.549	0.613	44	5.372	0.869	0.262	0.20
Fairness	47	5.599	0.598	44	5.534	0.831	0.667	0.08
Leadership	47	5.766	0.600	44	5.610	0.851	0.312	0.18
Governance	47	5.004	0.982	44	4.868	0.845	0.479	0.14
Division of labour	47	5.608	0.683	44	5.327	0.830	0.081	0.34
Non-active family members	47	5.638	0.785	44	5.591	0.943	0.795	0.05
Non-family members	47	5.187	0.886	44	5.181	0.928	0.977	0.01
Senior generation of family members	47	5.638	0.586	44	5.380	0.831	0.089	0.31
Financial performance	47	5.751	0.485	44	5.693	0.568	0.602	0.10

3.10.2.1 Statistical significant differences (*p*-values)

None of the variables in Table 3.17 had *p*-values smaller than 0.05.

3.10.2.2 Practical significant differences (*d*-values)

Table 3.17 showed that, no practical significant differences exist between the perceptions of male and female respondents with regard to the different variables contribution towards family harmony in family businesses.

3.11 RELATIONSHIP BETWEEN THE DEMOGRAPHIC VARIABLES AND THE DEPENDENT VARIABLE, FAMILY HARMONY

Table 3.18: Relationship between the demographic variables and the dependent variable, family harmony

Classification	n	$\bar{x}$	*s*	*p*-value	*d*-value
Family involvement					
Active family members	55	5.914	0.643	0.006	0.59
Inactive family members	36	5.535	0.593		
Gender					
Male	47	5.782	0.641	0.786	0.06
Female	44	5.745	0.662		

3.11.1 Statistical significant differences (*p*-values)

Table 3.18 indicate that in this study, there was a statistical significant difference ($p = 0.006$) in the mean values between the active and inactive family members with regard to the dependent variable, family harmony. However, no statistical significant difference was found between the mean values of the male and female family members.

3.11.2 Practical significant differences (*d*-values)

A medium effect size ($d = 0.59$) was calculated concerning the difference in the mean values between the active and inactive family members with regard to the dependent variable, family harmony. However, no effect was found between the mean values of the male and female family members in regard to the dependent variable, family harmony.

3.12 RELATIONSHIP BETWEEN THE DEMOGRAPHIC VARIABLES AND THE VARIABLE, PERCEIVED FUTURE CONTINUITY

Table 3.19: Relationship between the demographic variables and the independent variable, perceived future continuity

Classification	n	$\bar{x}$	s	p-value	d-value
Family involvement					
Active family members	55	5.806	0.666	0.000	0.76
Inactive family members	36	5.116	0.914		
Gender					
Male	47	5.687	0.707	0.073	0.33
Female	44	5.371	0.945		

3.12.1 Statistical significant differences (*p*-values)

Table 3.19 indicates a statistical significant difference (p = 0.000) in the mean values between the active and the inactive family members with regard to the variable, perceived future continuity. However, no statistical significant difference was found between the mean values of the male and female family members.

3.12.2 Practical significant differences (*d*-values)

Table 3.19 indicates a medium effect size (d = 0.76) was calculated concerning the difference in the mean values between the active and inactive family members with regard to the variable, perceived future continuity. However, no effect was found between the mean values of the male and female family members in regard to the variable, perceived future continuity.

3.13 SUMMARY

This chapter presented and analysed the empirical results of the study. The empirical study was conducted by means of a field study using an already structured questionnaire named **Family Harmony Diagnostic Questionnaire** and developed by Prof. Elmarie Venter (NMMU), Dr. Shelly Farrington (Van Eeden) (NMMU) and Dr. Stephan van der Merwe (NWU). The questionnaire took into account 13 determinants of family harmony of family businesses. This questionnaire also proved to be reliable (refer to Reliability of the questionnaire. 3.6). All 13 variables in the questionnaire were applicable to both active and inactive family members. Only Section C (refer to Appendix A) of the active family member questionnaire was applicable to the senior generation executive manager, to supply the family business information. The data collected from the successfully, completed questionnaires were processed by the North-West University using Statistica (2008) and SPSS (2008).

A total of 80 questionnaires for active family members and 45 questionnaires for inactive family members were handed to 17 family businesses in the Lejweleputswa District of the Free State province, South Africa. Each of the 125 questionnaires were accompanied by a covering letter that guaranteed the confidentiality of the responses. Three weeks time was given for the participants to complete the questionnaire. Thereafter all family businesses were contacted for collection of the completed questionnaires. A total of 91 questionnaires were collected, this comprises 55 (60.44%) questionnaires for active family members and 36 (39.56%) questionnaires for inactive family members (refer to Involvement of family members, 3.4.1).

Out of the 91 family members that responded 51.65% were males and 48.35% females. It was found that two thirds of family members were younger than 39 years of age. The majority of family members are married, 71.43% of the family members are directly related to each other, and are parents and their children actively involved in the family business. More than a third of family members have matriculated and almost another third of family members completed a diploma course of some sort. The shareholder data on the questionnaires where not filled in correctly or omitted and for this reason the data is not reliable and was excluded in this specific study.

Response indicated that there were no micro or large family businesses in this specific study. Very small businesses were represented by three businesses and small businesses with 11 to 25 employees were represented by five respondents. Medium-sized businesses also comprised 38.46% of the businesses. These two categories were considered to be the majority. The majority of the businesses were relatively 'young' categorised in the 4 to 15 age group, while 46.17% were categorised in the 16 to 30 years age group. Eight of the 13 family businesses fell into two categories of annual turnover, four between the R1 - R2.5 million range and another four in the range of R10- R 50 million. The majority of family businesses in this specific study were categorised as first generation businesses and that they did not succeed any further than the second generation. The private company was indicated as the most popular business form, followed by the close corporation.

The statistical analysis of the data was done by the North-West University and results are illustrated by tables 3.13, 3.14, 3.15, and tables 3.16 and 3.17.

The reliability of the research instrument was determined by means of the Cronbach alpha coefficient of each of the variables and it was determined that the questionnaire used in this specific study to measure the latent variables have acceptable reliability and are internally consistent.

The evaluation of the variables determining family harmony revealed an average score range between ($\bar{x}$ = 5.877) for the construct **Family commitment** and ($\bar{x}$ = 4.938) for the construct **Governance.** This indicates that within the family businesses there is a high level of agreement with the items concerned with family commitment and a relatively low agreement to the items concerning governance.

Perceived future continuity was evaluated and discussed and it indicated a fairly strong linear relationship between the variable and family harmony.

The correlation between family harmony and the variables were discussed and revealed that the independent variables, **Non-family members**, **Governance** and **Non-active family members** have a medium effect on the dependent variable,

Family harmony. It was also shown that the rest of the independent variables have a considerable effect on the dependent variable.

The relationship between the demographic variables and the dependent variable, family harmony were discussed and it was found that the variables family involvement and gender had a medium effect and could thus be regarded as a visible difference because the *d*-values are larger that 0.5.

The relationship between the demographic variables and the variable, perceived future continuity were discussed and it was found that the only demographical variable with a *d*-value almost close to a medium effect (*d*-value = 0.5) is that of the gender group (0.33). The effect could be regarded as practical significant, because the demographical variable of family involvement obtained a *d*-value of 0.76, very close to *d*-value of 0.8, with a large effect.

Chapter 4 concludes the study and provide practical recommendations that could enhance harmony in family businesses.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The final chapter comprises conclusions and recommendations based on the variables of family harmony in family businesses, as evaluated in the literature study in chapter 2 and the empirical study in chapter 3.

A critical evaluation was done to determine whether the primary and secondary objectives, as indicated in chapter 1, were achieved. Recommendations for future research are made and the study is concluded with a summary.

4.2 CONCLUSIONS ON THE EMPIRICAL STUDY

An empirical study was undertaken using 13 family businesses in the Lejweleputswa District in the Free State province in South Africa. Based on the theory presented in chapter 2 and the results of the empirical study presented in chapter 3, it is now possible to draw conclusions on the variables that influence family harmony in family businesses.

4.2.1 Conclusions based on biographical data analysis

A total of 91 participants took part in this specific study where 55 were active family members and 36 non-active family members in the participating family businesses. Biographical factors such as age, gender, marital status, and relationship to the senior generation family member, highest academic qualification and percentage shareholding were analysed. The most important conclusions on the biographical analysis are discussed. The majority of the family members are active (60.44%) and the non-active members represented 39.56% of the respondents. The gender split is almost equal with 51,65% of the family members being male and 48.35% being female.

It was found that the number of respondents in the age category 50 years and older represents 19 (20.87%) of respondents and 13 (14.29%) of the respondents are owners. The conclusion can be made that, due to the mature age of the owners, the transfer of ownership to a successor is due.

The marital status is important due to the overlap between the family and business systems. More than half of the respondents are married and they comprise of 57 (62.64%) of the total respondents. The high involvement of married status influences the management of the overlap between the family and the business. Spouses should be seen to be important resources of the family business and care should be taken that they are not overlooked and/or disregarded.

The involvement of the direct family members, i.e. parents including sons and daughters, entails 71.43% of the respondents. Owners plus spouses comprise 29.67% of the respondents. It is important to note that close family relationships are very important because they enhance the opportunity that the children will uphold the same values than that of their parents when they join the family business.

Responses showed that the highest academic qualification is matric and a diploma is in the second highest position with 27.47% respondents. Literature identified that no correlation between qualification and the success of a family business can be drawn and that the entrance level plays a vital part in the success of family businesses. The family businesses must recognise the importance of mentorship for family members in the family business and the importance of what external resources can bring to the family business. External resources can fill the educational gap in the family business and bring something from out side the business that can benefit the family business.

The question on percentages of shareholding in the study indicated that the respondents are not sure or confused about their shareholding in the family business. This uncertainty can lead to problems in the future for the family business like increase in conflict and mistrust, decrease in respect for each other and a breakdown of communication and this can influence the future and success of the family business in a very negative way.

4.2.2 Conclusions based on family business information

A total of 13 family businesses participated in this study. Questions in the questionnaire were about the structure of the family business such as the number of permanent employees in the business, family business turnover, the business industry, age of the business, generation family members involved in the business and the legal status of the participating family business. The intent was to form an overall view of the family businesses in this study. The most important conclusions on the structure of the participating family business are discussed below.

Five of the family businesses that participated in the study have 11 to 25 permanent family member employees and thus are classified as a small business, but four of the family businesses have 26 to 50 permanent family member employees.

Responses indicated that the turnover of the majority of the family businesses is between R1 million and R50 million per year. The categories less than R1 million and more than R50 million but less than R100 million has one family business each. Almost half of the family businesses are in the retail section and the rest is divided into the agricultural section, farming, and construction with one each and the automobile and services with two each.

Eight of the participating family businesses have been more than ten years in business. More than two thirds (10 family businesses), are still in the first generation of family business. This shows that there has not been any real handing over to the next generation because there are only three family businesses in the second generation.

The legal status of the family business can have a great deal of impact on the family business particularly when it comes to the transferring of the ownership to the next generation. The majority of the participating family businesses, six are registered as a private company and the rest are registered as other business forms.

4.2.3 Conclusions on the variables determining family harmony

The literature study in chapter 2 helped to gain information on how to obtain family harmony to ensure the future continuity of the family business. Two questionnaires (active and inactive) were used to gain information from the family members that participated, thus the literature study as well as the empirical study was used to reach conclusions on the relevant variables.

The top five variables that was the most positively rated by the family members that participated was: **Family commitment**, **Financial performance**, **Mutual trust and respect**, **Leadership** and **Non-active family members**. This means that all the family members that participated in the study find the above mentioned variables the ones that they feel contributes most distinctly to family harmony. The lowest variable was **Governance** ($\bar{x}$ =4.938) and it is the only variable with a value less than $\bar{x}$ =5.000 which means that the family members that participated agree that governance does not directly influence family harmony.

4.2.4 Conclusions on the Cronbach Alpha coefficients of the variables

The internal consistency of the items measuring the variables of the questionnaire was evaluated by making use of the Cronbach alpha coefficient. The greater the Cronbach alpha coefficient, the more reliable the scale is. Al the variables identified for this studies' values of Cronbach alpha coefficient was above 0.70 except for two variables below 0.70,thus it is suggested that the questionnaires used in this specific study to measure the latent variables, have acceptable reliability and are internally consistent because the variables are 'emotional' and the realistic diversity of it.

4.2.5 Conclusions on the correlation between family harmony and variables

There was a positive correlation between family harmony (dependant variable) and the majority of the independent variables (refer to table 3.15). Strong linear relationships between the independent variables and family harmony are represented by a high correlation coefficient.

According to Cohen's rules mentioned in paragraph 3.8 the top three variables are: **Mutual trust and respect** (*r* = 0.833), **Leadership** (*r* = 0.821) and **Open communication** (*r* = 0.753), and they have a large/practical effect (*r* > 0.50) on **Family harmony**, where as **Governance** (*r* = 0.244) and **Non-family members** (*r* = 0.090) have a very small effect on **Family harmony**. In this study a practical significant correlation between family harmony and the above mentioned variables were found and thus in practice it means that the higher/better the mutual trust and respect, leadership and open communication is found between the family members the better the family harmony in the family business will be and the success and future of the family business will also be better.

4.2.6 Conclusions on the relationship between demographic variables and the variables

In the relationship between family involvement and the variables the active and inactive family members had no practical significant effect on any of the different variables of family harmony. The following variables had a medium effect; **open communication**, **mutual trust and respect**, **conflict**, **personal needs alignment**, **leadership**, **division of labour** and **financial performance**. No practical significant difference appears between the perceptions of those family members who are actively involved and those who are inactively in the family businesses,which shows that they all agree upon the influence of above variables mentioned and the same goes for the relationship between the gender and the variables. It can be said that the male and the female family members that participated in the study think the same way when it comes to the importance of the variables and the role they play in family harmony in family business.

Furthermore, there is the relationship between the active and inactive family members in the family businesses with regard to the perceived future continuity which had a medium effect but still not worth mentioning. Furthermore, there was no effect, found between the male and female family members in regard to the perceived future continuity.

4.3 PRACTICAL RECOMMENDATIONS

The primary objective of this study is to make recommendations that could enhance the harmony and future continuity of the family business.

It is found that family members get so involved in the daily running of the business that they fail to build and maintain family relationships. This often results in conflict between family members, especially between active and non-active members. Family forums are a vital opportunity to ensure good communication and build family relationships.

Regular meetings in the form of family forums, discussing issues such as prevention and management of conflict, succession and ownership planning, the vision of the family business, performance management and corporate governance. A mutual venue away from the workplace and preferably not at a dominant family member's residence is ideal. To foster a good atmosphere it is vital to have open discussion with no blame being cast.

An important issue to discuss is the succession by the next generation. This issue must be communicated to all family members on a regular basis. Succession is an ongoing process that should enjoy regular discussion and continuous planning. The whole process can take five to ten years and needs thorough planning. An expert can be consulted to ensure all aspects such as estate tax, provision for the elderly and establishment of a will are properly taking care of. Discussions must also include training of the new management, delegating of tasks and involvement in decision making to ensure smooth transition. This process will enhance trust and give senior generation members peace of mind and foster confidence in the next generation.

Performance management and compensation should form a definite part of the agenda on a family forum. Family businesses are continuously confronted with conflict as a result of unclear work roles, responsibilities and performance measurement. To ensure fairness get an outside consultant to help create policies and set market related salaries and bonuses. These policies will prove very helpful as the younger generation enter the business and it will foster healthy relationships and decrease the possibility of conflict.

Corporate governance is a very important aspect of the family business. Families must design a protocol and establish a framework for outlining the basic values and beliefs of the family. Family forums provide a platform to inform the inactive members about the rules and regulations of the business.

It is evident that regular family forums are an important tool to foster harmony in family businesses. Ensure enough time for formal discussions according to an agenda but encourage feedback by every member, followed by enough time for social activities. Communication between active and inactive members should be encouraged, with everyone being on equal footing.

At the first meeting avoid sensitive issues, until everyone is accustomed to this type of interaction. The aim must be to increase trust and mutual respect between members, this is done by focussing on how the forum will work, the purpose and feedback on the business operations.

With the correct implementation of family forums good communication is key and active members may not enforce their opinion upon inactive members.

4.4 CRITICAL EVALUATION OF THE STUDY

To determine the success of the study, it is important to determine whether the primary and the secondary objectives, as set out in chapter 1, were realised.

4.4.1 Primary objective

The primary objective of this study was to empirically explore various determinants of family harmony in small and medium-sized family businesses in South Africa and to put forward recommendations to allow family businesses to obtain family harmony to ensure long-term sustainability.

The achievement of the primary objective was depended upon the realising the secondary objectives.

4.4.2 Secondary objectives

In order to realise the primary objective (paragraph 1.4.1), the following secondary objectives were formulated, which was to:

- Establish what a family business is. This objective has been achieved by reviewing different opinions of authors in defining family businesses in chapter 2, paragraph 2.2.

- Gain insight into the nature and essence of a family business by means of a literature study. This objective has been realised throughout the whole of chapter 2. Chapter 2 is the literature study.

- Identify the items that could measure the determinants of family harmony in family businesses. This objective has been achieved by means of the literature study, chapter 2, and the constructing of the questionnaire. The questionnaire that was used was an already existing questionnaire.

- Determine the reliability of the questionnaire used in this study. This objective has been achieved as it was concluded that the existing questionnaire has acceptable reliability. In chapter 3, the empirical study, paragraph 3.6 the reliability of the questionnaire is discussed.

- Explore the correlation/relationship between family harmony and the determinants of family harmony. This objective has been achieved by presenting the findings in chapter 3, paragraph 3.8.

- Examine the relationship between the demographical variables and the variables measuring family harmony. This objective has been achieved by presenting the findings in chapter 3, paragraph 3.11 and 3.12 respectively.

- Suggest practical recommendations to members of a family business on how to improve harmonious relationships in family businesses. This objective has been achieved in chapter 4, paragraph 4.3.

According to the above, all of the secondary objectives were achieved. Based on the realising of the secondary objectives, as well as the recommendation for future study put forward in paragraph 4.5, it can be concluded that the primary objectives of this specific study was achieved.

4.5 SUGGESTIONS FOR FUTURE RESEARCH

Research on family businesses in South Africa is far behind the advanced studies done in other countries. The following are some recommendations for future research studies:

- Relatively little research has been carried out on family owned businesses in South Africa. Future research should aim to develop a comprehensive database from which probability samples can be drawn.
- It cannot be said that there are differences between family businesses managed by men and/or women. Future research could focus on comparing men and women's management style by examining a sample of businesses founded by men and by women respectively that operates in the same economic sector and is of the same size.
- An increasing entrepreneurial issue is that large institutions require that businesses must comply with the Black Economic Empowerment (BEE) regulations of South Africa. Future research can be done between the relationship with regard to BEE regulations and the success of family businesses.

4.6 SUMMARY

In this chapter, conclusions and recommendations were drawn based on the determinants of family harmony in family businesses, as identified during the literature review in chapter 2 and the empirical study in chapter 3.

An existing structured questionnaire was administrated to 13 family businesses in the Lejweleputswa District in the Free State province that participated in the specific study. From this empirical study there were conclusions made.

A total of 91 family members participated in the study. Fifty-five of the family members were active and 36 were inactive. Biographical factors such as age, gender, marital status, and relationship to the senior generation family member, highest academic qualification and percentage shareholding were analysed and conclusions were drawn in paragraph 4.2.1.

The structure of the family business such as the number of permanent employees in the business, family business turnover, the business industry, age of the business, generation family members involved and the legal status of the participating family business were also analysed and conclusions were made in paragraph 4.2.2. Conclusions were drawn relating to the results that are presented in the following paragraphs; 4.2.3 is the determinants of family harmony, 4.2.4 is the Cronbach alpha coefficients of the determinants, 4.2.5 is the correlation between the family harmony and the variables and 4.2.6. is the relationship between the demographic variables and the variables.

Practical recommendations were identified relating to the literature review in chapter 2 and these recommendations were confirmed in chapter 3, the empirical study. Practical recommendations, paragraph 4.3, used some of the following building blocks which are family forums (regular meetings), good communication, family relationships, performance management and compensation.

The realisation of the study objectives was tested against outcomes achieved in the study. The primary objective was achieved as was depicted through the conclusions and recommendations. The secondary objectives were achieved through the definition of a family business, through obtaining information on the determinants of family harmony in family businesses by means of a literature study and an empirical study.

At the end of this chapter there were recommendations made for future research studies. These recommendations include research that focus on developing a comprehensive database of family businesses in South Africa from which probability samples can be drawn, the academic qualifications of active family members and succession, comparing men and women's management style by examining a sample of businesses founded by men and by women respectively and on the relationship between BEE regulations and the succession of family businesses.

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APPENDIX A

Code number:

FAMILY HARMONY DIAGNOSTIC QUESTIONNAIRE

ACTIVE FAMILY MEMBERS

Family Businesses

Ensure your Future

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FAMILY HARMONY DIAGNOSTIC QUESTIONNAIRE

A major concern in most family businesses is the question of it's longevity. History is filled with instances of family businesses that failed to survive to the next generation because family members could not resolve their differences or communicate successfully with each other. Harmonious family relationships are, therefore, critical for the sustainability of the family businesses. This questionnaire is designed to collect information to assess the family harmony in a family business and may form the basis for corrective and proactive steps to ensure harmonious family relations, and ultimately, a sustainable family business.

Once you have completed the questionnaire, please place it in the envelope provided. Seal the envelope. The person who co-ordinates the survey in your business will collect the envelopes which will be collected from him/her.

Thank you for your co-operation. We hope that you will find the questionnaire interesting and stimulating.

GENERAL INSTRUCTIONS

This questionnaire must be completed by the **active family members (employed by the business).** Virtually all the questions may be answered by making a cross in the relevant block. Use the following key: **1** = Strongly disagree; **2** = Disagree; **3** = Slightly disagree; **4** = Neutral view; **5** = Slightly agree; **6** = Agree; **7** = Strongly agree. **You must select the number which best describes how you feel about the item.** For example, should you be asked the extent to which you agree with the statement:

> "Family members discuss all issues that may arise between them."

and you feel that you slightly agree, you will mark the number 5 **(5 = Slightly agree)** as in the example:

		Strongly disagree	**Disagree**	**Slightly disagree**	**Neutral view**	**Slightly agree**	**Agree**	**Strongly agree**
A1	Family members discuss all issues that may arise between them.	**1**	**2**	**3**	**4**	**X**	**6**	**7**

It is essential you indicate your choice clearly with a ***pen.***

TERMINOLOGY

Peruse the definitions (terminology). Ensure that you understand all the definitions before you complete the questionnaire.

TERM	DEFINITION
Family member	A **family member** for the purpose of this diagnosis does not only include the family members of origin (fathers, mothers, brothers and sisters), but also the extended family (uncles, aunts, cousins, nieces, nephews and in-laws).
Active family members	**Active family members** are family members who are **permanently** employed by the family business.
Inactive family members	**Inactive family members** refer to family members **not in the service** of the business and could include spouses, children, in-laws and siblings.
Senior generation	The **senior generation** family members (parents) are those family members who are currently in control of the business and who plan to transfer the management and ownership of the business to the **younger generation** family members (children) in future.
Senior generation executive manager	The **senior generation executive manager** is the person responsible for the executive management of the family business. Sometimes a management team manages the business, i.e. more than one executive manager.
Younger generation	The **younger generation** family member refers to a younger generation family member (children).

SECTION A

Indicate to what extent does you agree or disagree with the statements. Mark the applicable block with a cross (X).

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A1	Family members discuss all issues that may arise between them.	1	2	3	4	5	6	7
A2	Family members involved in our family business are willing to put in a great deal of effort beyond that which is normally expected of them, in order to help the family business to be successful.	1	2	3	4	5	6	7
A3	I prefer to work in the family business even if I have other career options to choose from.	1	2	3	4	5	6	7
A4	Family members involved in our family business understand their specific roles and responsibilities.	1	2	3	4	5	6	7
A5	In our family business we employ non-family members to supplement our skills.	1	2	3	4	5	6	7
A6	I am able to influence the family business or effect change in it.	1	2	3	4	5	6	7
A7	The family member(s) who takes/take the lead in our family business encourages/encourage others involved in the business to voice their opinions.	1	2	3	4	5	6	7
A8	When conflict arises between family members it is dealt with quickly/ immediately.	1	2	3	4	5	6	7
A9	I see our family business as a means to sustain harmonious family relationships for future generations.	1	2	3	4	5	6	7
A10	Our family business has experienced growth in profits over the past two years.	1	2	3	4	5	6	7
A11	Our family members are emotionally attached to one another.	1	2	3	4	5	6	7
A12	In our family business no overlapping of responsibilities exists between members involved in the business.	1	2	3	4	5	6	7
A13	I have confidence in the integrity of my family members.	1	2	3	4	5	6	7
A14	Our family members acknowledge each other's achievements.	1	2	3	4	5	6	7
A15	The senior generation is willing to relinquish control of the family business.	1	2	3	4	5	6	7
A16	It is my own choice to be involved in our family business.	1	2	3	4	5	6	7
A17	Conflict between family members is resolved effectively.	1	2	3	4	5	6	7
A18	Family members have the ability to communicate effectively.	1	2	3	4	5	6	7
A19	Given their compensation, each family member does his/her fair share of work in our family business.	1	2	3	4	5	6	7
A20	Family members in our family business respect each other's	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
	opinions.							
A21	Family members involved in our family business are deeply committed to continuing the business.	1	2	3	4	5	6	7
A22	I see our family business as a legacy to be handed over to future generations.	1	2	3	4	5	6	7
A23	The family member(s) who takes/take the lead in our family business is/are always considerate towards others working in the business.	1	2	3	4	5	6	7
A24	Family members involved in our family business are proud to tell others that they work for the family business.	1	2	3	4	5	6	7
A25	Sufficient provision is being made to ensure that the senior generation will be financially secure after retirement.	1	2	3	4	5	6	7
A26	Family members not actively involved in the day-to-day operations of our family business DO NOT interfere in day-to-day business operations.	1	2	3	4	5	6	7
A27	In our family business we involve non-family members to assist us in managing our business.	1	2	3	4	5	6	7
A28	In our family business a clearly defined division of labour exists between members involved in the business.	1	2	3	4	5	6	7
A29	Family members hold regular scheduled meetings concerning our family business.	1	2	3	4	5	6	7
A30	Family members involved in our family business are dedicated to ensuring the success of the family business.	1	2	3	4	5	6	7
A31	I trust the judgement of my family members in making business decisions.	1	2	3	4	5	6	7
A32	Our family members support each other.	1	2	3	4	5	6	7
A33	Our family members care about each other's wellbeing.	1	2	3	4	5	6	7
A34	In our family business we involve non-family members when we have to make important strategic decisions about our business.	1	2	3	4	5	6	7
A35	Family members involved in our family business have agreed on each other's roles or positions in the business.	1	2	3	4	5	6	7
A36	Our family business has a standing agreement on how to address issues that may arise in the business.	1	2	3	4	5	6	7
A37	Our family members trust each other's ability to manage our family business.	1	2	3	4	5	6	7
A38	Differences of opinion between family members rarely lead to serious conflict.	1	2	3	4	5	6	7
A39	The senior generation is willing to share with other family members information concerning the business.	1	2	3	4	5	6	7
A40	We undertake formal strategic planning for our family business.	1	2	3	4	5	6	7
A41	In our family business each family member does his/her fair share of work.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A42	The family member(s) who takes/take the lead in our family business considers/consider the opinions of others when making decisions.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A43	Family members listen to each other's opinions.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A44	I can realise my ambitions through my involvement in our family business.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A45	In our family business we sometimes approach non-family members for advice on business matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A46	Our family members respect each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A47	Our family members appreciate each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A48	Conflict between family members is rare.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A49	In our family business clearly demarcated areas of authority and responsibility exist between members involved in the business.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A50	My involvement in the family business provides me with job security.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A51	Our family business is profitable.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A52	The family member(s) who takes/take the lead in our family business has/have the ability to lead the business effectively.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A53	Family members involved in our family business are willing to make personal sacrifices to ensure the success of the business.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A54	Our family business has a formal document that describes the relationship between the family and the business.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A55	Our family business has experienced growth in employee numbers over the past two years.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A56	Family members involved in our family business really care about the future of the family business.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A57	Our family members prefer to cooperate with each other rather than compete with one another.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A58	Family members rarely have serious differences of opinion.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A59	I see our family business as a means to create wealth for future generations.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A60	If necessary we draw on the expertise of non-family members to assist us with business matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A61	Our family business has written plans (e.g. estate and/or succession and/or business plans) to guide actions and decisions in the business.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A62	Family members involved in the family business have clear work roles and responsibilities.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A63	Family members are able to constructively manage conflict	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
	between them.							
A64	Continuing the business into the future will provide employment opportunities for future generations.	1	2	3	4	5	6	7
A65	Family members communicate openly with each other.	1	2	3	4	5	6	7
A66	Our family business has policies (i.e. entry/exit and compensation policies, job descriptions) that guide our actions and decisions in the business.	1	2	3	4	5	6	7
A67	I find my involvement in the family business fulfilling.	1	2	3	4	5	6	7
A68	Family members involved in our family business have agreed on each other's positions of authority and responsibility in the business.	1	2	3	4	5	6	7
A69	Family members not actively involved in the day-to-day operations of our family business DO NOT interfere in business decision-making.	1	2	3	4	5	6	7
A70	Our family members trust each other.	1	2	3	4	5	6	7
A71	Our family members encourage each other to put in their best efforts.	1	2	3	4	5	6	7
A72	Family members freely express to each other their opinions about matters concerning the business.	1	2	3	4	5	6	7
A73	The family has a family forum that meets to discuss family and business matters.	1	2	3	4	5	6	7
A74	Family members are compensated according to their contribution to our business and not according to age and/or gender.	1	2	3	4	5	6	7
A75	The senior generation is willing to delegate authority to other family members.	1	2	3	4	5	6	7
A76	Our family business has experienced growth in turnover over the past two years.	1	2	3	4	5	6	7
A77	The financial wellbeing of our family business is secure.	1	2	3	4	5	6	7
A78	External stakeholders (customers, suppliers etc.) treat family members involved in our business equally.	1	2	3	4	5	6	7
A79	The family member(s) who takes/take the lead in our family business inspires/inspire loyalty among those working in the business.	1	2	3	4	5	6	7
A80	Continuing the business into the future will give future generations the opportunity to be involved in the family business.	1	2	3	4	5	6	7
A81	The working arrangement between family members in our business is equitable.	1	2	3	4	5	6	7
A82	Our family business has a formal advisory board (board of directors).	1	2	3	4	5	6	7
A83	Family members meet regularly to discuss matters of mutual interest.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A84	I can realise my personal goals through my involvement in our family business.	1	2	3	4	5	6	7
A85	I see our family business as continuing into the future.	1	2	3	4	5	6	7
A86	Expressing different views and opinions is encouraged by our family members.	1	2	3	4	5	6	7
A87	I regard our family business as being financially successful.	1	2	3	4	5	6	7
A88	Family members not actively involved in the day-to-day operations of our family business DO NOT become involved in disagreements between family members working in the business.	1	2	3	4	5	6	7
A89	In our family business each family member is compensated fairly for the work that he/she does.	1	2	3	4	5	6	7
A90	Our family members get along well both inside and outside the working environment.	1	2	3	4	5	6	7
A91	The family member(s) who takes/take the lead in our family business is/are very knowledgeable about the family business operations.	1	2	3	4	5	6	7
A92	The senior generation shows confidence in the ability of other family members to manage the family business.	1	2	3	4	5	6	7
A93	Family members not actively involved in the day-to-day operations of our family business DO NOT play active family members off against each other.	1	2	3	4	5	6	7
A94	In our family business non-family employees form part of the management team.	1	2	3	4	5	6	7
A95	Family members share information with each other.	1	2	3	4	5	6	7
A96	My career needs and interests are closely aligned with opportunities within the family business.	1	2	3	4	5	6	7

SECTION B

The following information is needed to help us with the statistical analysis of the data for comparisons among different interest groups. All your responses will be treated confidentially. Individual responses will not be seen by any one in the business. We appreciate your help in providing this important information.

Mark the applicable block with a cross (X). Complete the applicable information.

B1	**In which age group do you fall?**	≤ 29	30 - 39	40 - 49	50 - 59	60+

B2	**What is your sex?**	Male	Female

B3	**What is your marital status?**	Single	Married	Divorce	Widow(er)

B4	**What is your relationship to the family? (Owner/senior generation executive as the basis)**						
	Owner	Spouse	Brother	Sister	1st son	2nd son	3rd son
	1st daughter	2nd daughter	3rd daughter	In-law	Other: Specify:		

B5	**State your highest academic qualification. Mark the applicable block with a cross (X).**	
	Lower than matric	
	Matric	
	Certificate	
	Diploma (Technical College or Technicon)	
	University degree	
	Post graduate degree	

B6	**State other jobs/careers before you entered the family business (if applicable)**
	Specify

B7	**Percentage shares you own in the business?**	%

SECTION C

This section should be completed by the **senior generation executive manager** of the family business.

Mark the applicable block with a cross (X). Complete the applicable information.

C1	How many permanent employees are employed by the family business?						
1-4	5-10	11-25	26-50	51-100	101-200	201-500	500+

C2	What is the turnover of the family business per year?				
< R 1 m	R 1 – R 2.5 m	R 2.5 – R 10 m	R 10 – R 50 m	R 50 – R 100 m	> R 100 m

C3	In which industry does the business operates?			
Automotive	Agriculture	Farming	Construction	Food
Real estate	Retail	Wholesale	Manufacturing	Services
Other: (Specify):				

C4	What is the age of the business (years)?
	Specify:

C5	How many generations of the family managed and owned the family business over the years (number)?
	Specify:

C6	What is the legal status of the business?		
Proprietorship	Partnership	Company (private)	Company (public)
Close Corporation	Co-operative	Business Trust	Franchise
Other or combination (specify):			

THANK YOU FOR YOUR TIME.

APPENDIX B **Code number:**

FAMILY HARMONY DIAGNOSTIC QUESTIONNAIRE

INACTIVE FAMILY MEMBERS

Family Businesses

Ensure your Future

Developed by:

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FAMILY HARMONY DIAGNOSTIC QUESTIONNAIRE

A major concern in most family businesses is the question of it's longevity. History is filled with instances of family businesses that failed to survive to the next generation because family members could not resolve their differences or communicate successfully with each other. Harmonious family relationships are, therefore, critical for the sustainability of the family businesses. This questionnaire is designed to collect information to assess the family harmony in a family business and may form the basis for corrective and proactive steps to ensure harmonious family relations, and ultimately, a sustainable family business.

Once you have completed the questionnaire, please place it in the envelope provided. Seal the envelope. The person who co-ordinates the survey in your business will collect the envelopes which will be collected from him/her.

Thank you for your co-operation. We hope that you will find the questionnaire interesting and stimulating.

GENERAL INSTRUCTIONS

This questionnaire must be completed by the **inactive family members (not employed by the business).** Virtually all the questions may be answered by making a cross in the relevant block. Use the following key: **1** = Strongly disagree; **2** = Disagree; **3** = Slightly disagree; **4** = Neutral view; **5** = Slightly agree; **6** = Agree; **7** = Strongly agree. **You must select the number which best describes how you feel about the item.** For example, should you be asked the extent to which you agree with the statement:

"Family members discuss all issues that may arise between them."

and you feel that you slightly agree, you will mark the number 5 **(5 = Slightly agree)** as in the example:

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A1	Family members discuss all issues that may arise between them.	1	2	3	4	X	6	7

It is essential you indicate your choice clearly with a ***pen****.*

TERMINOLOGY

Peruse the definitions (terminology). Ensure that you understand all the definitions before you complete the questionnaire.

TERM	DEFINITION
Family member	A **family member** for the purpose of this diagnosis does not only include the family members of origin (fathers, mothers, brothers and sisters), but also the extended family (uncles, aunts, cousins, nieces, nephews and in-laws).
Active family members	**Active family members** are family members who are **permanently** employed by the family business.
Inactive family members	**Inactive family members** refer to family members **not in the service** of the business and could include spouses, children, in-laws and siblings.
Senior generation	The **senior generation** family members (parents) are those family members who are currently in control of the business and who plan to transfer the management and ownership of the business to the **younger generation** family members (children) in future.
Senior generation executive manager	The **senior generation executive manager** is the person responsible for the executive management of the family business. Sometimes a management team manages the business, i.e. more than one executive manager.
Younger generation	The **younger generation** family member refers to a younger generation family member (children).

SECTION A

Indicate to what extent does you agree or disagree with the statements. Mark the applicable block with a cross (X).

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A1	Family members discuss all issues that may arise between them.	1	2	3	4	5	6	7
A2	Family members involved in the family business are willing to put in a great deal of effort beyond that which is normally expected of them, in order to help the family business to be successful.	1	2	3	4	5	6	7
A3	Family members prefer to work in the family business even though they have other career options to choose from.	1	2	3	4	5	6	7
A4	Family members involved in the family business understand their specific roles and responsibilities.	1	2	3	4	5	6	7
A5	In the family business non-family members are employed to supplement the skills of family members.	1	2	3	4	5	6	7
A6	Family members are able to influence the family business or to effect change in it.	1	2	3	4	5	6	7
A7	The family member(s) who takes/take the lead in the family business encourages/encourage others involved in the business to voice their opinions.	1	2	3	4	5	6	7
A8	When conflict arises between family members it is dealt with quickly/immediately.	1	2	3	4	5	6	7
A9	I see the family business as a means to sustain harmonious family relationships for future generations.	1	2	3	4	5	6	7
A10	The family business has experienced growth in profits over the past two years.	1	2	3	4	5	6	7
A11	Family members are emotionally attached to one another.	1	2	3	4	5	6	7
A12	In the family business no overlapping of responsibilities exists between members involved in the business.	1	2	3	4	5	6	7
A13	I have confidence in the integrity of my family members.	1	2	3	4	5	6	7
A14	Family members acknowledge each other's achievements.	1	2	3	4	5	6	7
A15	The senior generation is willing to relinquish control of the family business.	1	2	3	4	5	6	7
A16	It is a family member's own choice to be involved in the family business or not.	1	2	3	4	5	6	7
A17	Conflict between family members is resolved effectively.	1	2	3	4	5	6	7
A18	Family members have the ability to communicate effectively.	1	2	3	4	5	6	7
A19	Given their compensation, each family member does his/her fair share of work in the family business.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A20	Family members in the family business respect each other's opinions.	1	2	3	4	5	6	7
A21	Family members involved in the family business are deeply committed to continuing the business.	1	2	3	4	5	6	7
A22	I see the family business as a legacy to be handed over to future generations.	1	2	3	4	5	6	7
A23	The family member(s) who takes/take the lead in the family business is/are always considerate towards others working in the business.	1	2	3	4	5	6	7
A24	Family members involved in the family business are proud to tell others that they work for the family business.	1	2	3	4	5	6	7
A25	Sufficient provision is being made for the senior generation to be financially secure after retirement.	1	2	3	4	5	6	7
A26	Family members not actively involved in the day-to-day operations of the family business DO NOT interfere in day-to-day business operations.	1	2	3	4	5	6	7
A27	In the family business non-family members are involved in assisting to manage the business.	1	2	3	4	5	6	7
A28	In the family business a clearly defined division of labour exists between members involved in the business.	1	2	3	4	5	6	7
A29	Family members hold regular scheduled meetings concerning the family business.	1	2	3	4	5	6	7
A30	Family members involved in the family business are dedicated to ensuring the success of the family business.	1	2	3	4	5	6	7
A31	I trust the judgement of my family members in making business decisions.	1	2	3	4	5	6	7
A32	Family members support each other.	1	2	3	4	5	6	7
A33	Family members care about each other's wellbeing.	1	2	3	4	5	6	7
A34	In the family business non-family members are involved when important strategic decisions about the business are made.	1	2	3	4	5	6	7
A35	Family members involved in the family business have agreed on each other's roles or positions in the business.	1	2	3	4	5	6	7
A36	The family business has a standing agreement on how to address issues that may arise in the business.	1	2	3	4	5	6	7
A37	Family members trust each other's ability to manage the family business.	1	2	3	4	5	6	7
A38	Differences of opinion between family members rarely lead to serious conflict.	1	2	3	4	5	6	7
A39	The senior generation is willing to share with other family members information concerning the business.	1	2	3	4	5	6	7
A40	Formal strategic planning is undertaken for the family business.	1	2	3	4	5	6	7
A41	In the family business each family member does his/her fair share of work.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A42	The family member(s) who takes/take the lead in the family business considers/consider the opinions of others when making decisions.	1	2	3	4	5	6	7
A43	Family members listen to each other's opinions.	1	2	3	4	5	6	7
A44	Family members can realise their ambitions through their involvement in the family business.	1	2	3	4	5	6	7
A45	In the family business family members sometimes approach non-family members to advise them on business matters.	1	2	3	4	5	6	7
A46	Family members respect each other.	1	2	3	4	5	6	7
A47	Family members appreciate each other.	1	2	3	4	5	6	7
A48	Conflict between family members is rare.	1	2	3	4	5	6	7
A49	In the family business clearly demarcated areas of authority and responsibility exist between members involved in the business.	1	2	3	4	5	6	7
A50	The involvement of family members in the family business provides them with job security.	1	2	3	4	5	6	7
A51	The family business is profitable.	1	2	3	4	5	6	7
A52	The family member(s) who takes/take the lead in the family business has/have the ability to effectively lead the business.	1	2	3	4	5	6	7
A53	Family members involved in the family business are willing to make personal sacrifices to ensure the success of the business.	1	2	3	4	5	6	7
A54	The family business has a formal document that describes the relationship between the family and the business.	1	2	3	4	5	6	7
A55	The family business has experienced growth in employee numbers over the past two years.	1	2	3	4	5	6	7
A56	Family members involved in the family business really care about the future of the family business.	1	2	3	4	5	6	7
A57	Family members prefer to cooperate with each other rather than compete with one another.	1	2	3	4	5	6	7
A58	Family members rarely have serious differences of opinion.	1	2	3	4	5	6	7
A59	I see the family business as a means to create wealth for future generations.	1	2	3	4	5	6	7
A60	If necessary family members draw on the expertise of non-family members to assist them with business matters.	1	2	3	4	5	6	7
A61	The family business has written plans (e.g. estate and/or succession and/or business plans) to guide actions and decisions in the business.	1	2	3	4	5	6	7
A62	Family members involved in the family business have clear work roles and responsibilities.	1	2	3	4	5	6	7
A63	Family members are able to constructively manage conflict between them.	1	2	3	4	5	6	7
A64	Continuing the business into the future will provide	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
	employment opportunities for future generations.							
A65	Family members communicate openly with each other.	1	2	3	4	5	6	7
A66	The family business has policies (entry/exit and compensation policies, job descriptions, etc.) that guide actions and decisions in the business.	1	2	3	4	5	6	7
A67	Family members find their involvement in the family business fulfilling.	1	2	3	4	5	6	7
A68	Family members involved in the family business have agreed on each other's positions of authority and responsibility in the business.	1	2	3	4	5	6	7
A69	Family members not actively involved in the day-to-day operations of the family business DO NOT interfere in business decision-making.	1	2	3	4	5	6	7
A70	Family members trust each other.	1	2	3	4	5	6	7
A71	Family members encourage each other to put in their best efforts.	1	2	3	4	5	6	7
A72	Family members freely express their opinions to each other about matters concerning the business.	1	2	3	4	5	6	7
A73	The family has a family forum that meets to discuss family and business matters.	1	2	3	4	5	6	7
A74	Family members are compensated according to their contribution to the business and not according to age and/or gender.	1	2	3	4	5	6	7
A75	The senior generation is willing to delegate authority to other family members.	1	2	3	4	5	6	7
A76	The family business has experienced growth in turnover over the past two years.	1	2	3	4	5	6	7
A77	The financial wellbeing of the family business is secure.	1	2	3	4	5	6	7
A78	External stakeholders (customers, suppliers etc.) treat family members involved in the business equally.	1	2	3	4	5	6	7
A79	The family member(s) who takes/take the lead in the family business inspires/inspire loyalty among those working in the business.	1	2	3	4	5	6	7
A80	Continuing the business into the future will give future generations the opportunity to be involved in the family business.	1	2	3	4	5	6	7
A81	The working arrangement between family members in the business is equitable.	1	2	3	4	5	6	7
A82	The family business has a formal advisory board (board of directors).	1	2	3	4	5	6	7
A83	Family members meet regularly to discuss matters of mutual interest.	1	2	3	4	5	6	7
A84	Family members can realise their personal goals through their	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
	involvement in the family business.							
A85	I see the family business as continuing into the future.	1	2	3	4	5	6	7
A86	Expressing different views and opinions is encouraged by family members.	1	2	3	4	5	6	7
A87	I regard the family business as being financially successful.	1	2	3	4	5	6	7
A88	Family members not actively involved in the day-to-day operations of the family business DO NOT become involved in disagreements between family members working in the business.	1	2	3	4	5	6	7
A89	In the family business each family member is compensated fairly for the work that he/she does.	1	2	3	4	5	6	7
A90	Family members get along well both inside and outside the working environment.	1	2	3	4	5	6	7
A91	The family member(s) who takes/take the lead in the family business is/are very knowledgeable about the family business operations.	1	2	3	4	5	6	7
A92	The senior generation shows confidence in the ability of other family members to manage the family business.	1	2	3	4	5	6	7
A93	Family members not actively involved in the day-to-day operations of the family business DO NOT play active family members off against each other.	1	2	3	4	5	6	7
A94	In the family business non-family employees form part of the management team.	1	2	3	4	5	6	7
A95	Family members share information with each other.	1	2	3	4	5	6	7
A96	The career needs and interests of family members are closely aligned with opportunities within the family business.	1	2	3	4	5	6	7

SECTION B

The following information is needed to help us with the statistical analysis of the data for comparisons among different interest groups. All your responses will be treated confidentially. Individual responses will not be seen by any one in the business. We appreciate your help in providing this important information.

Mark the applicable block with a cross (X). Complete the applicable information.

B1	**In which age group do you fall?**	≤ 29	30 - 39	40 - 49	50 - 59	60+

B2	**What is your sex?**	Male	Female

B3	**What is your marital status?**	Single	Married	Divorce	Widow(er)

B4	**What is your relationship to the family? (Owner/senior generation executive as the basis)**						
	Owner	Spouse	Brother	Sister	1st son	2nd son	3rd son
	1st daughter	2nd daughter	3rd daughter	In-law	Other: Specify:		

B5	**State your highest academic qualification. Mark the applicable block with a cross (X).**	
	Lower than matric	
	Matric	
	Certificate	
	Diploma (Technical College or Technicon)	
	University degree	
	Post graduate degree	

B6	**State other jobs/careers before you entered the family business (if applicable)**
	Specify

B7	**Percentage shares you own in the business?**	%

THANK YOU FOR YOUR TIME.