

# Exploring the entry process in South African family businesses in Gauteng province

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## **ABSTRACT**

Family businesses are one of the most important types of businesses in the world. They account for the majority of gross domestic product in many countries and South Africa is no exception. They are also responsible for creating employment for more than half of the world's workforce. Most academic research is done from the founders' point of view and there is very limited academic research available from the successor or next generations' viewpoint.

The study's primary objective is to explore the foremost reasons used and methods of how next-generation family members enter small and medium family businesses in Gauteng, South Africa. Secondary objectives were developed to assist in achieving the primary objective.

The study consists of four chapters, where Chapter 1 includes the nature and scope of the study. This chapter also accommodates a detailed section of the research methodology that was followed in the dissertation. Chapter 2 follows with a literature review on family businesses. The literature review starts very broad around the subject of family businesses and culminates in a detailed section about the entry process of next-generation successors in family businesses.

A qualitative research method was used throughout the empirical study and a range of themes that emerged from the data obtained was discussed in Chapter 3. Semi-structured interviews were used in collecting the data from seven participants. The participants are second and third generation successors of small and medium sized family businesses in Gauteng province.

Chapter 4 concludes with practical recommendations made, which can be used by founders, successors and all parties involved in family businesses. These recommendations give them some guidance and advice, when operating in the family business environment.

**Keywords:** Family business, successor, next generation, entry process.

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# TABLE OF CONTENTS

<b>ABSTRACT</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>ii</b>
<b>CHAPTER 1 NATURE AND SCOPE OF THE STUDY</b> .....	<b>1</b>
1.1 INTRODUCTION.....	1
1.2 THE STUDY BACKGROUND.....	2
1.2.1 Factors influencing family business members' intentions to join their family business.....	3
1.2.2 The entry process of next-generation family members into their family businesses .....	4
1.3 DEFINITION OF KEY CONCEPTS .....	5
1.3.1 Family business.....	5
1.3.2 Succession plan .....	5
1.3.3 Next-generation entry process .....	5
1.3.4 Founder.....	6
1.3.5 Next-generation .....	6
1.3.6 Succession process.....	6
1.4 PROBLEM STATEMENT .....	7
1.5 OBJECTIVES OF THE STUDY .....	9
1.5.1 Primary objective.....	9
1.5.2 Secondary objectives .....	9
1.5 SCOPE OF THE STUDY.....	9
1.5.1 Field of the study .....	10
1.5.2 Sector under investigation.....	10
1.5.3 Geographical demarcation .....	10
1.6 RESEARCH METHODOLOGY.....	11
1.6.1 Research paradigm and approach .....	12
1.6.2 Research method .....	15
1.6.3 Data collection instrument .....	17
1.6.4 Study population and sampling .....	18
1.6.5 Data collection method.....	19
1.6.6 Data analyses.....	21
1.7 ETHICAL CONSIDERATIONS .....	22
1.8 LIMITATIONS OF THE STUDY .....	23

1.9 OUTLINE OF THE STUDY.....	23
<b>CHAPTER 2 A LITERATURE REVIEW OF FAMILY BUSINESSES.....</b>	<b>25</b>
2.1 INTRODUCTION.....	25
2.1.1 Global family business.....	25
2.1.2 South African family business .....	25
2.1.3 Family vs non-family.....	26
2.1.4 Family business attributes.....	26
2.1.5 Family business values .....	27
2.1.6 Advantages of family businesses .....	27
2.1.7 Challenges in family businesses .....	28
2.2 HISTORY OF FAMILY BUSINESS RESEARCH .....	28
2.3 DEFINITION OF FAMILY BUSINESSES.....	33
2.4 SUCCESS IN A FAMILY BUSINESS .....	34
2.5 UNIQUENESS OF FAMILY BUSINESSES.....	36
2.6 CHARACTERISTICS OF SUCCESSFUL FAMILY BUSINESSES.....	37
2.7 ADVANTAGES OF FAMILY BUSINESSES.....	38
2.8 DISADVANTAGES OF FAMILY BUSINESSES.....	38
2.9 FAMILY BUSINESS CHALLENGES.....	39
2.10 SUCCESSION.....	42
2.11 THE ENTRY PROCESS OF THE NEXT GENERATION .....	45
2.11.1 Next-generation career choices .....	45
2.11.2 Motivation for entering.....	48
2.11.3 Key considerations for successors before joining the family business .....	49
2.11.4 Challenges faced by successors.....	53
2.11.5 Important characteristics that successors should have.....	54
2.11.6 When and how to enter .....	56
2.11.7 What the next generation should do after joining the business .....	58
2.11.8 How successors experience the succession process .....	61
<b>CHAPTER 3 RESULTS AND DISCUSSION OF EMPIRICAL STUDY .....</b>	<b>65</b>
3.1 INTRODUCTION.....	65
3.2 PROFILE OF SUCCESSORS AND THEIR FAMILY BUSINESSES .....	66
3.2.1 Age of successors .....	66
3.2.2 Education level of successors .....	66

3.2.3 Socio-economic analysis: Gauteng .....	67
3.2.4 General information of SMME sampled .....	68
3.2.4.1 Industry of the successor's family business .....	68
3.2.4.2 How long has the company been in operation? .....	69
<b>3.3 THEME EXPLANATION .....</b>	<b>71</b>
3.3.1 Theme A: Education and external work experience.....	73
3.3.1.1 Tertiary education.....	73
3.3.1.2 External work experience .....	75
3.3.2 Theme B: Do Successors join by choice or circumstance? .....	76
3.3.2.1 Influence to choose .....	77
3.3.2.2 Circumstances that led to joining .....	78
3.3.3 Theme C: Exposure to the family business.....	80
3.3.3.1 Informal exposure at a young age.....	81
3.3.3.2 Formal exposure during school holidays.....	82
3.3.3.3 Start at the bottom .....	83
3.3.4 Theme D: Challenges when joined .....	85
3.3.4.1 Conflict with parents .....	86
3.3.4.2 Work and family balance .....	87
3.3.4.3 Leadership, management and other challenges .....	89
3.3.5 Theme E: Involvement of successors' children .....	90
3.3.5.1 Concerns .....	91
3.3.5.2 How to join.....	93
3.3.5.3 Leaving a legacy.....	94
3.3.6 Theme F: Advice for Successors .....	96
3.3.6.1 Opportunities .....	97
3.3.6.3 Earlier managerial involvement .....	99
<b>3.4 CONCLUSION OF EMPIRICAL STUDY.....</b>	<b>100</b>
<b>3.5 SUMMARY .....</b>	<b>103</b>
<b>CHAPTER 4 CONCLUSION AND RECOMMENDATIONS .....</b>	<b>104</b>
4.1 INTRODUCTION .....	104
4.2 CONCLUSION .....	104
4.2.1 Theme A: Education and external work experience.....	104
4.2.1.1 Tertiary education.....	104
4.2.1.2 External work experience .....	105
4.2.2 Theme B: Do successors join by choice or circumstance? .....	106
4.2.2.1 Influence to choose .....	106
4.2.2.2 Circumstances that led to joining .....	107

4.2.3 Theme C: Exposure to the family business.....	107
4.2.3.1 Informal exposure at a young age.....	107
4.2.3.2 Formal exposure during school holidays.....	108
4.2.3.3 Start at the bottom.....	108
4.2.4 Theme D: Challenges when joined.....	109
4.2.4.1 Conflict with parents.....	109
4.2.4.2 Leadership, management and other challenges.....	110
4.2.4.3 Work and family balance.....	111
4.2.5 Theme E: Involvement of successors' children.....	111
4.2.5.1 Concerns.....	111
4.2.5.2 How to join.....	112
4.2.5.3 Leaving a legacy.....	113
4.2.6 Theme F: Advice for successors.....	114
4.2.6.1 Opportunities.....	114
4.2.6.2 Importance of family.....	114
4.2.6.3 Earlier managerial involvement.....	115
<b>4.3 RECOMMENDATIONS.....</b>	<b>115</b>
4.3.1 Theme A: Education and external work experience.....	116
4.3.1.1 Tertiary education.....	116
4.3.1.2 External work experience.....	116
4.3.2 Theme B: Do successors join by choice or circumstance?.....	116
4.3.2.1 Influence to choose.....	116
4.3.2.2 Circumstances that led to joining.....	117
4.3.3 Theme C: Exposure to the family business.....	117
4.3.3.1 Informal exposure at a young age.....	117
4.3.3.2 Formal exposure during school holidays.....	118
4.3.3.3 Start at the bottom.....	118
4.3.4 Theme D: Challenges when joined.....	118
4.3.4.1 Conflict with parents.....	118
4.3.4.2 Work and family balance.....	119
4.3.4.3 Leadership, management and other challenges.....	119
4.3.5 Theme E: Involvement of successors' children.....	119
4.3.5.1 Concerns.....	119
4.3.5.2 How to join.....	120
4.3.5.3 Leaving a legacy.....	120
4.3.6 Theme F: Advice for successors.....	121
4.3.6.1 Opportunities.....	121
4.3.6.2 Importance of family.....	121
4.3.6.3 Earlier managerial involvement.....	121

4.4 ANALYSIS OF THE ACHIEVEMENT OF THE STUDY OBJECTIVES.....	122
4.5 SUMMARY .....	123
<b>REFERENCE LIST .....</b>	<b>124</b>
<b>APPENDICES .....</b>	<b>144</b>
<b>APPENDIX A: INFORMED CONSENT LETTER .....</b>	<b>144</b>
<b>APPENDIX B: INTERVIEW SCHEDULE .....</b>	<b>146</b>

## LIST OF FIGURES

Figure 1-1 Global impact of family Businesses.....	7
Figure 1-2 Map of West-Rand District Municipality.....	11
Figure 1-3 Induction and deduction.....	14
Figure 1-4 The research onion.....	16
Figure 1-5 Snowball sampling.....	19
Figure 1-6 Data analysis spiral.....	21
Figure 3-1 SMMEs by province.....	67
Figure 3-2 SMMEs by industry in South Africa.....	69
Figure 3-3 SMMEs by age in South Africa.....	70
Figure 3-4 Theme A – Education and external work experience.....	73
Figure 3-5 Theme A similarity graph.....	76
Figure 3-6 Theme B – Do successors join by choice or circumstance?.....	77
Figure 3-7 Theme B similarity graph.....	80
Figure 3-8 Theme C – Exposure to the family business.....	81
Figure 3-9 Theme C similarity graph.....	85
Figure 3-10 Theme D – Challenges when joined.....	86
Figure 3-11 Theme D similarity graph.....	90
Figure 3-12 Theme E – Involvement of successors children.....	91
Figure 3-13 Theme E similarity graph.....	95
Figure 3-14 Theme F – Advice for successors.....	96
Figure 3-15 Theme F similarity graph.....	100

## LIST OF TABLES

Table 1-1 Research paradigm views.....	13
Table 3-2 Education level of successors.....	66
Table 3-3 SMME owners' education in South Africa.....	67
Table 3-4 Industry of the successors family business.....	68
Table 3-5 SMME years of Operation.....	70
Table 3-6 Theme explanation.....	72

# CHAPTER 1

## NATURE AND SCOPE OF THE STUDY

### 1.1 INTRODUCTION

Family businesses play a significant role in sustaining global economic growth. It is estimated that they account for 70 to 90 per cent of the annual Gross Domestic Product (GDP) globally and employ 50 to 80 per cent of the world's workforce (Arzubiaga *et al.*, 2021:351). Globally, the top 750 family businesses employ over 30 million people and generate \$9.1 trillion in yearly revenue (Family Business Survey, 2021:11). However, there are several reasons why businesses fail, including failure to listen to their consumers, a lack of actual distinction, failure to communicate their unique value propositions, and a breakdown in top-level leadership (Wagner, 2021). Furthermore, research reveals that 56 % of respondents were in the first generation, 42% were in the second or third generation, and only 2 % were fourth-generation owners (African Family Business Barometer, 2020:26). In addition, family businesses collapse because of a lack of adequate succession planning (Poza & Daugherty, 2014:8). Because it is ever-changing and time-consuming, a proper succession plan does not always imply a successful family business handover and guaranteed sustainability (Bracci & Vagnoni, 2011:9). Thus, if the business continues, the next generation's motivation to join the business and their reasons for entering are critical (Poza & Daugherty, 2014:150).

When examining family business handover and succession planning, a critical question is: Why do the next-generation family members want to join the family business? Thus, reflecting on why you want to do or achieve something and if you have a clear vision and purpose will ultimately determine how well you will perform or boost your chances of attaining your goals (Herold, 2021). According to Sharma and Irving (2005:19), there are four types of family business successor commitment traits: affective, normative, calculative, and imperative. Firstly, affective commitment is desire-based, where a successor wants to be part of the family business. They devote all of their abilities to benefit the business and its goals. Additionally, it is also intrinsic motivation (Yousaf & Hadi, 2020:112). Secondly, normative commitment refers to being obligation based. The

sibling takes a specific decision to join the business and wants it to succeed. However, their motivation is a more responsible decision than an intrinsic need to be part of the business and perform well (Dawson, Irving, Sharma, Chirico & Marcus, 2014:571). Thirdly, when a family business member and possible successor decides to join the business based on the potential loss of investment or social capital, it is called calculative commitment (Hewitt *et al.*, 2012:6). Finally, imperative commitment originates from siblings who generally possess poor self-esteem and do not believe they will have professional career opportunities outside the family business (Sharma & Irving, 2005:19).

This chapter focuses on the study background, the identification of the key concepts, followed by a brief literature review and the problem statement. Thereafter, the study's objectives are described, together with the scope of the study, the research methodology is explained, whereafter the study outline is shown.

## **1.2 THE STUDY BACKGROUND**

According to research, one of the primary reasons family businesses fail is the lack of a solid succession plan and the successful implementation of management and ownership transfers in the succession process (Poza & Daugherty, 2014:8). According to Alayo *et al.* (2016:92), three factors are critical in a successful succession process: (1) the degree of succession planning, (2) the criteria applied when selecting a successor, and (3) the successor's training and experience. All three factors are perceived through the eyes of the founder or family business, not the successor. As a result, this study examines the entering process of the next generation from the perspective of the successor.

The main research question is: What factors influence the decision of next-generation family business members to join their family business, and how does the joining process work?

### **1.2.1 Factors influencing family business members' intentions to join their family business**

South Africa's unemployment rate is relatively high, particularly among the youth. The official rate is 32.6%, and the rate among people aged 15 to 34 is 46.3% (Stats SA, 2021). Due to the high unemployment rate in the country, it is more difficult for the members of family-run businesses to find employment elsewhere. Therefore, these members are compelled to join the family-run business based on their imperative commitment. (Sharma & Irving, 2005:19).

When growing up in a family business, children do not usually think about why they want to join. Their lives are intertwined with the family business. They are proud of what their parents have accomplished and wish to carry on the legacy that they have established (Walsh & Lachenauer, 2018:2). Riani (2021) identifies five challenges faced by entrepreneurs when starting a business. They include limited resources, knowing what to do; finding the right idea; hiring a team, and attracting buyers. When a successor is entrepreneurially inclined and would rather start their own business, they could view these challenges as too difficult and decide to join the existing family business, which has already overcome most of these challenges. Family businesses that are ready for the next generation to join have already overcome the burden of a start-up and generally operate on a more solid resource base (Habbershon, Williams & MacMillan, 2003:455). One of the reasons successors may elect to join the family business in this instance is due to the challenges of starting a new business. Second, successors may elect to join the family business to develop the necessary entrepreneurial and general life skills (Ljubotina & Vadjnal, 2018:315), which they may subsequently utilise to further their careers at other companies. When deciding on a professional path, successors constantly consider probable financial earning possibilities, where it is not uncommon for family business members to be financially rewarded more than at an external company (KPMG, 2021:10).

### **1.2.2 The entry process of next-generation family members into their family businesses**

There are several options for potential successors to join the family business. Often the process begins at an early age, with children working in multiple departments of the family business during school and university holidays to get a fundamental understanding of all key business activities. Familiarising and engaging children from an early age leads to an instinctual decision to join the family business later (Walter & Mita, 2019:82). Klein (2016) identifies five benefits for children to work at least three to five years in another business other than the family business before joining. They discovered that working externally first boosts their credibility, provides outside expertise, reduces the individual's insecurity, allows the child to explore, and increases their appreciation of the value and opportunities supplied to them by the family business.

When joining the family business, one question is whether to start out in a low-level position and work your way up or first obtain a professional degree and then start in a management position. In 80 to 90 per cent of cases, family members normally enter the family business through holiday jobs or low-level employment (Barach *et al.*, 1988:51). Deloitte (2016) conducted a study in which 92 next-generation representatives from 19 countries were interviewed about succession, governance, and innovation. According to the findings, 40% of students believe that the sooner you start, the better, and that starting early, in a relaxed environment, decreases the likelihood of disputes and unanticipated issues (Deloitte, 2016:8). Starting from the bottom allows an individual to understand all the job functions, develop good relationships with employees, and gain credibility in the eyes of all the role players who are critical to the new entrant's successful entry (Barach *et al.*, 1988:53). This promotes the impression of earning a position in the company instead of starting in management, where it could be argued that the individual received the position unfairly. Therefore, it is critical for the family business to have a documented succession plan in place in the event the founder passes away. This will prevent conflict between the siblings in the different generations attempting to choose who will manage the family business (Hampton & Di Loreto, 2019:26).

The study background focused on various aspects of what has been published about the next generation's entry process into their family businesses, including why they opted to join and how the process works. The following section identifies some of the key concepts found in the literature.

### **1.3 DEFINITION OF KEY CONCEPTS**

Some of the key concepts that have been explored in the study are explained in the next 6 points.

#### **1.3.1 Family business**

A family business is a business where a family holds the highest number of shares, there are at least two members of the family actively involved in the management of the business, and they plan to keep the business in the family for the next generation (Miller & Le Breton-Miller, 2005:518).

#### **1.3.2 Succession plan**

According to Luna (2012:60), succession planning refers to an organised, continuing process of identifying goals, demands and roles within an organisation and equipping individuals for duties relative to work needed within an organisation. A succession plan can only be successful if the next generation is willing to enter the family business (Zellweger *et al.*, 2011:527).

#### **1.3.3 Next-generation entry process**

No academic definitions of the next-generation entry process into family businesses were found. For the purpose of this study, it is defined as the process a next-generation family member follows, from getting acquainted with the business, to deciding to join up until being established in the business as a permanent employee. A study was done with 90 000 student participants in 26 countries found that only 6.9% of the respondents intended to take over the family business. Murphy and Lambrechts (2015:33) suggested that next-

generation family members who intend to enter the family business should balance their own career choices and aspirations with the employment opportunities available in the family business and family interests.

#### **1.3.4 Founder**

The founder of a family business is the original member of the family that started the business and the primary family member responsible for getting the succession process started and making sure the business lasts into the next generation. The owner-manager should lead this process (Rwigema & Venter 2008:495). Ogbechie and Anetor (2015:2) noted that the fear of losing control of the family business could be one of the main reasons that founders do not want to start the succession process.

#### **1.3.5 Next-generation**

In family business studies, the next generation refers to the founders' children or grandchildren, who will eventually work in the family business and plan to take over ownership and control. They are normally family members between 18 and 39 years old who either play or will potentially play an active business role in the future (Bernhard, F. and Labaki, R., 2021:199). Yang and Han (2013:531) duly mention that the willingness of the next-generation family members to engage and persevere in the family business is of utmost importance for successful intergenerational transmission from the founder to the next generation.

#### **1.3.6 Succession process**

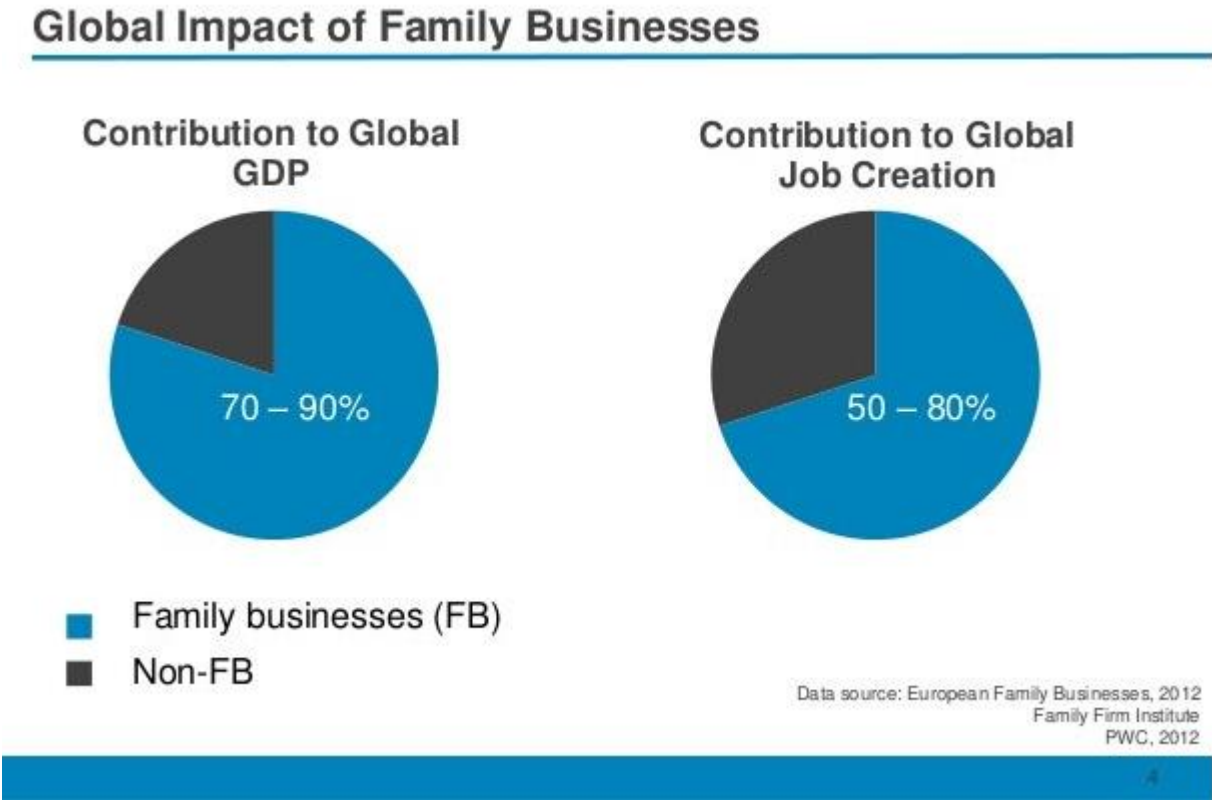
Malaysia *et al.* (2021) define succession as six steps that entail transferring management and ownership from one generation to the next in a family business. These six steps are: clarifying the goals and priorities, reviewing the firm's strategy, planning the transition of responsibilities, valuing the firm, financing the succession, and defining the tax and legal set-up.

This part of Chapter 1 highlighted some of the key concepts explored in the study and formed the basis of the literature review in chapter 2.

### 1.4 PROBLEM STATEMENT

Below in Figure 1-1, the immense impact that family businesses have worldwide can be seen (Family Firm Institute, 2012). The long-term sustainability of family businesses is essential for economic growth and stability (Zellweger *et al.*, 2011:522).

Figure 1-1 Global impact of family businesses



Source: (Family Firm Institute, 2012)

According to Poza and Daugherty (2014:8), family businesses do not survive generations due to a lack of appropriate succession planning. Does this mean when firms have adequate succession planning in place, they should, in theory, last for generations? Unfortunately, this is not always the case; even if one has the best succession plan in place if the next generation is not taking over the business for the right reasons and in the best way possible, the prospects of long-term survival are slim (Chrisman, Chua &

Sharma, 1998). As they choose a future in the family business, next-generation leaders encounter a number of hurdles. These challenges are mostly fears or uncertainty, such as the fear of failure, success, commitment, and disappointing others (Longenecker *et al.*, 2012:142). They may struggle with various assumptions about their future in the business if there is no clear strategy or guideline on how and when the successor is chosen. Successors who take over from a very successful founder may feel they are in a paradoxical situation; if they achieve a relative level of success, it may be viewed as if they are just a younger version of the founder, and if they make any judgement errors, it is seen as bringing the father's name and legacy into disrepute (Bareither & Reischl, 2003:24). They might also be dealing with primogeniture, which is the common notion that the eldest son inherits the business or coparcener, in which leadership duties are distributed equally among all the children (Chau, 1991:3). Even the best-suited next-generation leaders may find these accepted principles challenging, paving the way for a long, dull, and stagnant career path (Malone & Jenster, 1992:27). There are critical connections between how a new leader takes over the organisation and their relationship with their parents when growing up (Kets de Vries & Miller, 1987:33). Idealisation, rebelliousness, and vacillation, or a combination of the three, can emerge from three distinct types of parent-child relationships in the past and might lead to three different approaches to operating the family business (Miller *et al.*, 2003:18).

There is a gap in research where most of the literature regarding succession focuses on the perception of the founder of the family business (Birley, S., 1985:37). According to Davis (1982:407) and Dumas (1990:175), only limited literature has been published about the perspectives and feelings of the next generation when faced with the possibility of inheriting their family business. As a result, this study aims to provide a broader understanding and create a universal guideline on the family business entering the process, which may be beneficial information for future generations of business leaders. According to Hofstee (2018:85), when the research title is transformed into a question, it may be utilised as the study's problem statement. In this case, will exploring the entry processes in family businesses in South Africa help existing family businesses and successors navigate them through the pitfalls of family business succession?

## **1.5 OBJECTIVES OF THE STUDY**

### **1.5.1 Primary objective**

The study's primary objective is to explore the fundamental reasons for and methods of next-generation family members entering small and medium family businesses in South Africa.

### **1.5.2 Secondary objectives**

The following secondary objectives were formulated to explore and achieve the primary objective:

- To delve into the entry process of next-generation family members in South Africa through a literature study.
- To determine challenges that next-generation family members experience when planning to join their family businesses in South Africa.
- To explore the main motivating factors to the reasons why next-generation family members decide to join their family's businesses in South Africa.
- To make recommendations on how next-generation family members can overcome the challenges and utilise opportunities to join their family businesses in South Africa.

## **1.5 SCOPE OF THE STUDY**

This study was intended to establish whether a universal pattern emerges regarding the entry process of the next generation in family businesses in South Africa. The scope includes the field of the study, the specific sector in that field and the geographic demarcation of the study.

### **1.5.1 Field of the study**

The broad field of this study is entrepreneurship and, specifically, family businesses that are small, medium, and micro-enterprises (SMMEs).

### **1.5.2 Sector under investigation**

This study focuses on family businesses, a sub-industry of entrepreneurship and SMMEs in South Africa. According to Ackerman (2001:325), 80% of South African businesses are family businesses, and as many as 60% of companies listed on the Johannesburg Stock Exchange (JSE) are family businesses. Edse (2021) reported that the total number of active SMMEs in South Africa is 2.36 million.

### **1.5.3 Geographical demarcation**

Due to time and financial constraints, this study was only conducted in and around the Gauteng Province in South Africa. It specifically focused on the West-Rand District Municipality in the Gauteng Province, including Krugersdorp, Randfontein, and Roodepoort. This area hosts a diverse range of businesses from different industries, such as manufacturing, retail, wholesale, farming, import, export, and restaurants, to name a few.

**Figure 1-2** Map of West-Rand District Municipality



**Source:** Municipalities.co.za (2020).

## 1.6 RESEARCH METHODOLOGY

According to Burns (1997:2), research is a systematic investigation to identify solutions to a problem. According to Kerlinger (1986:10), scientific research is a systematic, controlled empirical and critical assessment of propositions regarding the believed links between various phenomena. Research methodology governs how such investigation will take place and has been systematically defined to address the research problem (Kothari, 2004:24). Rajasekar *et al.* (2006:5) support that a research methodology is a structured approach that demonstrates the method through which researchers explore describing, explaining, and predicting phenomena.

### **1.6.1 Research paradigm and approach**

The researcher is expected to comprehend and articulate ideas about the nature of the natural world and methods of achieving this wisdom (Rehman & Alharti, 2016:51). According to this viewpoint, the philosophical assumptions that comprise a research study will determine the essence and development of knowledge (Saunders *et al.*, 2019:131).

Rehman and Alharti (2016:51) define a research paradigm as a fundamental belief system and theoretical framework that includes assumptions regarding ontology, epistemology, methodology, and methods. This study was carried out using an interpretive research paradigm. The social phenomenon investigated in this study is the entering process through which next-generation family members join their family businesses in South Africa. Interpretivist epistemologies are occasionally criticised for their validity and subjectivity (Marsh & furlong, 2002:27). Rehman and Alharti (2016:53) posit that the interpretive paradigm dismisses the assumption that a single, valid reality exists apart from the researcher's thinking. Instead, interpretivism believes in socially constructed various realities.

Table 1 below highlights some of the various perspectives of the two poles of the research paradigm spectrum (Ragab & Arisha, 2018:4).

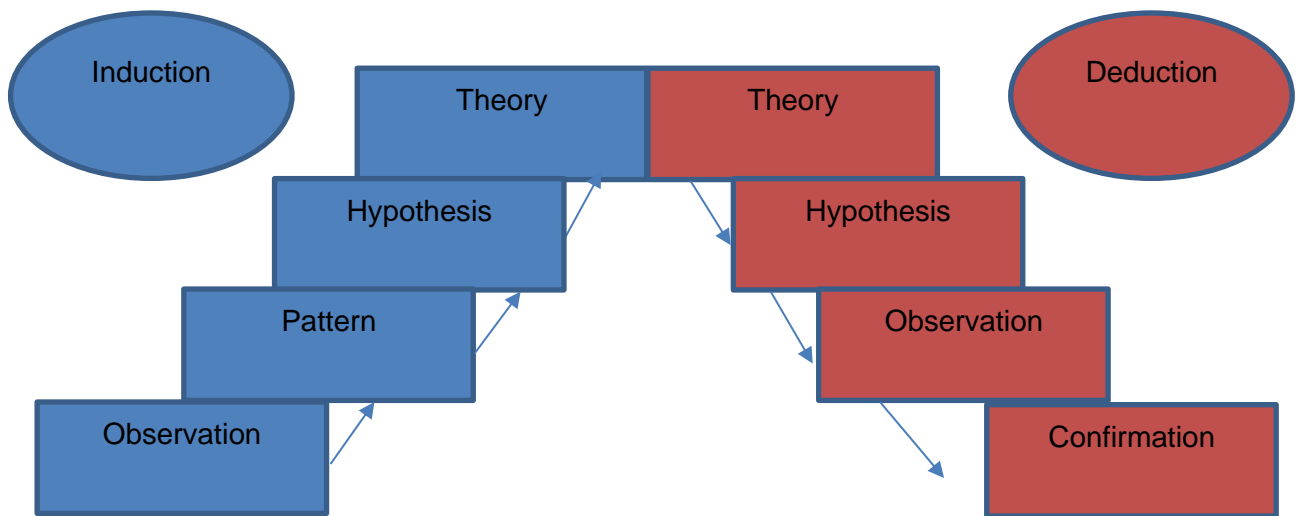
**Table 1-1** Research paradigm views

<b>Paradigm</b>	<b>Scientific</b>	<b>Humanistic</b>
<b>Ontology</b>	<b>Objectivism</b>	<b>Subjectivism</b>
<b>Epistemology</b>	<b>Positivism</b>	<b>Interpretivism</b>
<b>Views</b>	<ul style="list-style-type: none"> <li>● <b>The world is tangible</b></li> <li>● <b>Singular reality</b></li> <li>● <b>The researcher is external to and independent of the phenomena being researched</b></li> <li>● <b>The research attempts to reduce phenomena to context-free generalisations</b></li> </ul>	<ul style="list-style-type: none"> <li>● <b>The world is socially constructed</b></li> <li>● <b>Multiple realities</b></li> <li>● <b>The researcher is part of and interacts with the phenomena being researched</b></li> <li>● <b>The research attempts to provide a contextually bounded understanding of the phenomena</b></li> </ul>

**Source:** (Ragab & Arisha, 2018:4).

For this study, the interpretivist paradigm was deemed appropriate. It guided the researcher to grasp the realities of next-generation family members' entry process into their existing family businesses. When developing a new theory, the researcher can choose one of two approaches: deduction or induction, as illustrated briefly in Figure 1-3 below (Trochim & Donnelly, 2008:22). Deductive reasoning starts with a hypothesis, and then a research technique is designed to evaluate that hypothesis. This is sometimes known as a top-down approach (Trochim & Donnelly, 2008:23). The second approach, inductive theory-building, starts with conclusive studies identifying patterns and correlations to construct a hypothesis about a specific phenomenon. This is often referred to as the bottom-up approach (Trochim & Donnelly, 2008:23).

**Figure 1-3** Induction and deduction



**Source:** Trochim and Donnelly (2008:23)

This study used an inductive approach, beginning with participant observation via semi-structured interviews and ending with the identification of an emergent pattern regarding some notions related to the entry process of next-generation family members into their family businesses.

Saunders *et al.* (2019:159) advocate categorising research into three types: exploratory, explanatory, and descriptive. This study was exploratory in nature. It was utilised to discover the reality of what was going on in family business succession and to seek new insights without investigating the reasons (Robson, 2002:34).

In their comparison of five philosophical research positions in business and management research, Saunders *et al.* (2019:144) describe the research method used in interpretivism as being typically inductive, using mainly small samples, in-depth investigations, and qualitative analysis methods.

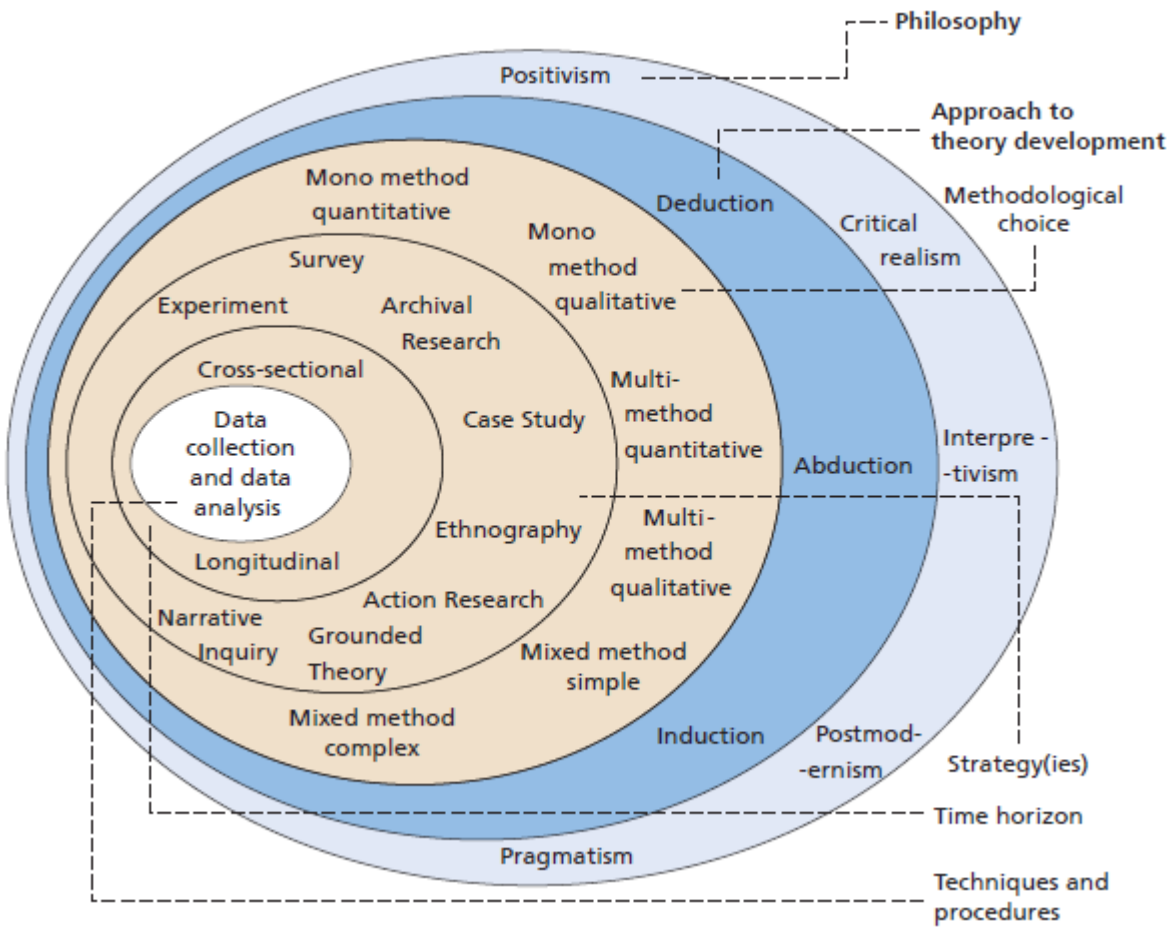
The next paragraph briefly explains the main differences between qualitative and quantitative methods and why a qualitative methodology was used in this study.

## 1.6.2 Research method

Qualitative research should focus on five specific actions (Bryman & Bell 2017:46). Firstly, it is critical that events be perceived through the eyes of the participants, which is accomplished by probing under what appears to be on the surface (Bryman & Bell, 2017:46). Probing was employed throughout the interviews in this study to acquire a more in-depth understanding of each participant's experience in their family business. Secondly, researchers using a qualitative approach should explain what is happening and emphasise the need to fully understand and illustrate social behaviour in the environment (Bryman & Bell, 2017:46). Thirdly, qualitative research must explain how processes and patterns emerge and evolve through time (Bryman & Bell, 2017:46). This is evident as Chapter 3 unfolds. Fourthly, qualitative research should employ a flexible approach rather than rigid procedures, and the researcher should openly reveal the world of the participants that are being studied (Bryman & Bell, 2017:46). Finally, concepts and hypotheses are formulated inductively (Bryman & Bell, 2017:46). Furthermore, Bryman and Bell (2017:51) emphasise that qualitative research primarily relies on language and description to answer research questions, whereas quantitative research relies on numbers, statistics and measurement. Qualitative research is also more concerned with the participant's point of view as opposed to the quantitative approach. Concepts and hypotheses were derived inductively from the data collected in this study, which is a distinguishing feature of qualitative research (Bryman & Bell, 2017:48). It was most appropriate to conduct this study using a qualitative approach based on this.

This study explored the reasons why and how successors join their family businesses. Figure 1-4 below summarises research methodology concepts as described by Saunders *et al.* (2019:130).

**Figure 1-4** The research onion



**Source:** (Saunders *et al.*, 2019:130).

When examining the Research Onion, the researcher should start with the outer layer, where they must settle on a philosophy. For this study, Interpretivism was chosen. The next layer depicts the three approaches which may be employed, and as previously explained, the inductive method would be most suited for this study. The next layer of the onion is the methodological option, and this study utilised the mono-method qualitative approach. Next, the researcher must decide whether the research will be conducted using a cross-sectional method to collect data from a specific point in time or whether a long-term study utilising a longitudinal approach will be more appropriate. Because of time and financial constraints, the research utilised a cross-sectional approach. The last layer is the actual data collection and analysis procedures at the onion's core. The data was collected via semi-structured interviews, and the computer software Excel aided in sorting and analysing the data.

### 1.6.3 Data collection instrument

In-person interviews can be conducted in a variety of ways. They can be structured in such a way that all the respondents are asked identical questions, such as two questionnaires with simple yes or no responses. Interviews can be held in focus groups, where a limited number of individuals are asked in-depth questions on a specific topic, or they can be semi-structured open-ended questions (Hofstee, 2018:135). Bryman and Bell (2017:224) distinguish qualitative interviewing from quantitative interviewing in five ways: (1) the qualitative method is less structured, and the research ideas are formulated more broadly; (2) the interest is geared more at the participant's point of view rather than the researcher's concerns as in quantitative research; (3) rambling is encouraged, whereas it is discouraged in quantitative research; (4) qualitative interviewers have the freedom to stray from the guide, and adapting the order of the questions as the interview progresses, whereas this is strongly discouraged during quantitative interviewing as it could jeopardise the reliability and validity of concept measurement; and (5) in qualitative interviewing, the aim is to elicit rich and detailed responses rather than quantitative interviews, where solutions that can be coded and processed efficiently are required.

Bryman and Bell (2017:225) differentiate two types of qualitative interviews: an unstructured interview employs a series of cues to emphasise a variety of themes, sometimes with just one question, and the interviewee is allowed to respond freely on the issues they deem fit. Second, in a semi-structured interview, the researcher asks questions on specific topics, but the interviewee can respond in any way they see fit. Although the procedure was flexible, there was some structure in terms of the questions that were asked in this study. The interviewee's ability to frame and comprehend issues and events will be critical (Bryman & Bell, 2017:225). Semi-structured interviews are the best way to ensure that these themes are covered when a researcher has a somewhat recognisable focus on what concepts are being researched (Bryman & Bell, 2017:227). Given the nature of the research question in this study, the researcher believes that a semi-structured interview, which falls somewhere between a structured and an unstructured interview, was the best fit for this study.

#### 1.6.4 Study population and sampling

When a researcher intends on undertaking probability sampling, they must create a sampling frame. This is a record of the population from which a sample was obtained (Collis & Hussey, 2014:197). Because the researcher could not locate any records of a database on family businesses in South Africa, no sampling framework was accessible. As a result, non-probability sampling was the only method available to use in this study. Several other researchers on family businesses in South Africa have likewise failed to obtain a complete database of all the family businesses in the country (Venter & Farrington, 2009:140; Saunders & Zeka, 2017:331).

There are five non-probability sampling designs from which the researcher may choose: purposive, judgemental, expert, accidental, and snowball. Although they are mainly employed in quantitative research, they may also be utilised in qualitative research with the following distinctions (Kumar, 2019:312):

- In quantitative research, data is gathered from a predetermined number of people. In qualitative research, the researcher does not have a sample size in mind and collects data until they feel a saturation point has been reached.
- In quantitative research, the researcher is guided by their desire to select a random sample. In qualitative research, the researcher is guided by their judgment on who would provide the most valuable information.

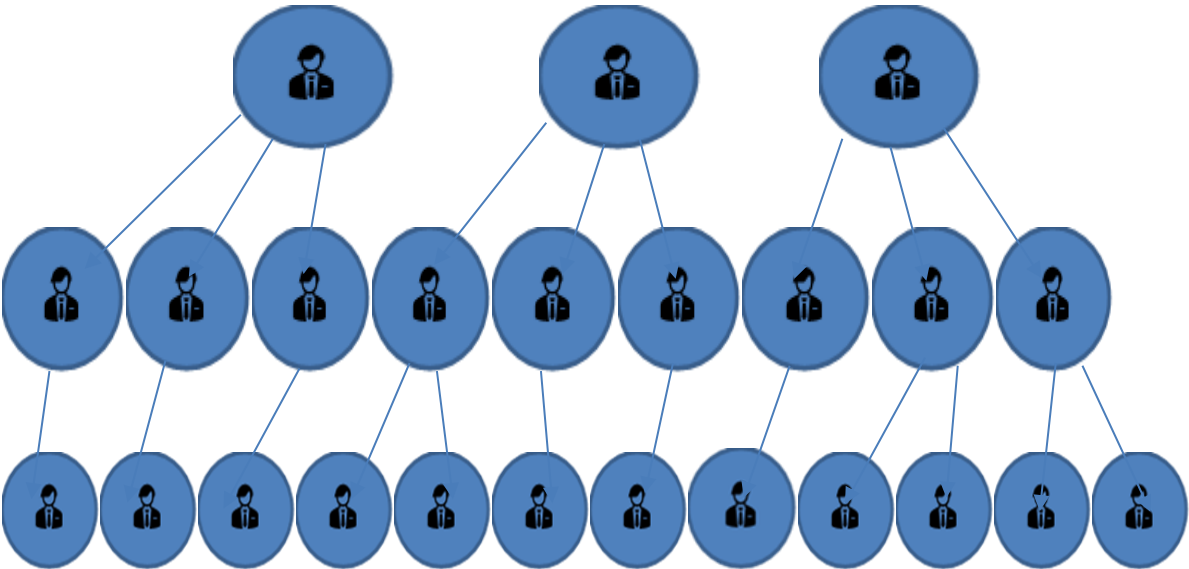
Convenience sampling occurs when the researcher has access to a sample of respondents through their network of connections (Bryman & Bell, 2017:178). For example, a business coach with numerous clients, who operate their own SMMEs, would want to conduct a study on cash flow management difficulties that SMMEs face. The coach might get a good response rate if they asked all of their willing clients to participate in the study since they might acquire valuable insight from the study on an important topic.

Snowball sampling is a type of convenience sampling (Bryman & Bell, 2017:179), in which a researcher asks a group of individuals, who have an idea about their topic, if they would be willing to participate in a study and if they know any of their friends or colleagues who

might also be willing to participate as well. It is, nevertheless, critical to follow the POIA Act in this regard (also refer to the informed consent).

Figure 1-5 below demonstrates how selecting a sample with snowball sampling works:

**Figure 1-5** Snowball sampling



**Source:** (Kumar, 2019:308).

Snowball sampling was utilised in this study to recruit as many study participants as possible.

The saturation point in a research project is achieved when it is evident that no new information emerges while the data is being analysed. At this time, the researcher determined that the number of participants was sufficient and that no more data was required from extra participants to prove a specific point (Kumar, 2019:312).

**1.6.5 Data collection method**

Kumar (2019:312) describes an interview as a person-to-person conversation, whether face-to-face or otherwise, between two or more individuals for a specific purpose. The primary data in this study was gathered through one-on-one interviews with the sample respondents. The fundamental purpose of the interview was to elicit the respondent’s

perceptions, opinions, previous life experiences, and the meaning of reality to them (Wahyuni, 2012:73).

Although in-person interviews at the participants' choice of venue were preferred, the researcher had one participant who was uncomfortable because of the ongoing COVID-19 pandemic. The interview with the participant was conducted via WhatsApp video call, an online platform. Six of the seven participants felt at ease doing the interviews at their preferred location. Stringent COVID-19 prevention, health and safety protocols were adhered to during the interviews.

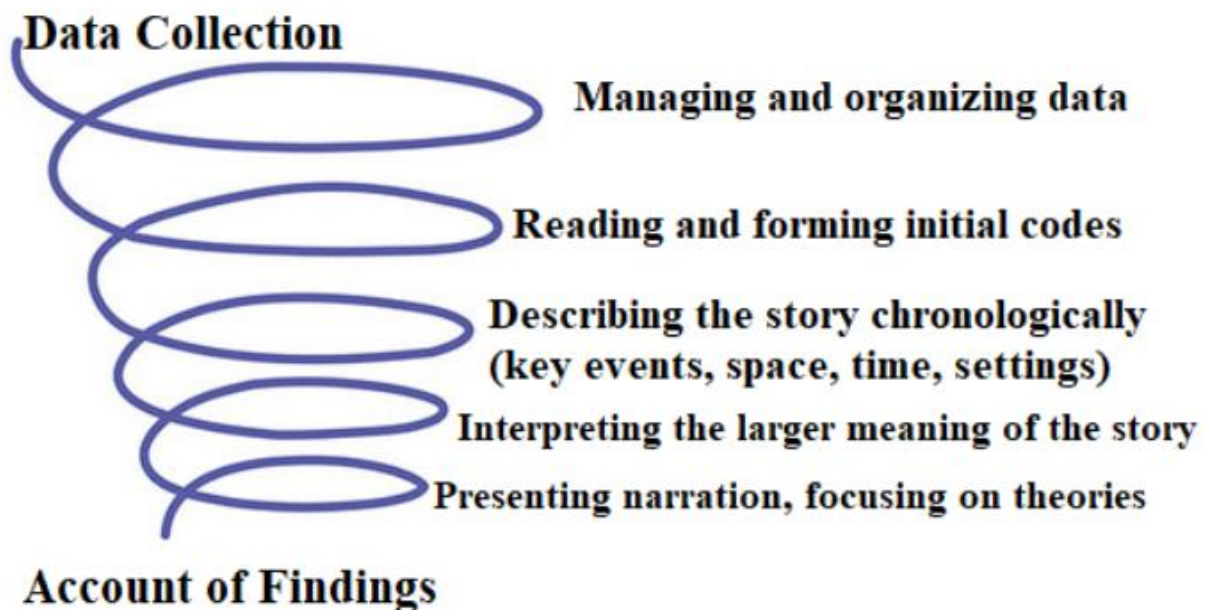
The data collection process began by contacting the first chosen respondent via telephone and asking whether they would be willing to participate in the study. Following that, the respondent was sent an introductory e-mail outlining the purpose of the proposed meeting and the study's intention. They were also asked whether they wanted a copy of the research once it was completed. An appointment was scheduled, and after a suitable day and time were agreed upon, the researcher, who is also the interviewer, personally met the participant at their choice of venue. Before the interview began, all participants were asked to sign the informed consent form. All participants signed the consent form, and the semi-structured interview was then conducted according to the agreed-upon timetable. The researcher guided the discussion by asking pre-determined questions concerning various topics, to which the participants answered freely and comfortably. The interviews were all audio-recorded. The voice recordings were transcribed to identify themes and categorise them. The initial interview was a pilot test, and the researcher then requested the participant to recommend additional potential participants who would be interested in participating in the study. The first participant contacted the next person to inquire about their willingness to participate in the study. As detailed in the preceding section, the processes were then repeated until the researcher felt that saturation had been reached. Each interview was between 25 and 40 minutes and typically lasted 30 minutes.

According to Hofstee (2018:58), it is critical to organise primary research from the beginning and to keep it separately from secondary sources. Throughout the data collection period, the researcher ensured that this was done.

### 1.6.6 Data analyses

The process of combing through the data collected in the interviews and notes made and analysing it to uncover the primary themes that emerge from the comments given by participants is known as content analysis (Kumar, 2019:402). Creswell's data analysis procedures are depicted in Figure 1-6 below (2013:183).

**Figure 1-6:** Data analysis spiral



**Source:** (Creswell, 2013:183).

Kumar (2019:402) describes a four-step content analysis approach Step 1: Determine the primary themes. This requires sifting through the descriptive responses provided by the participants to each question to determine the meaning they reflect and then developing general themes that take these meanings into account. Step 2: Assign a code to each of the key themes. The researcher must determine whether they will count the number of times a theme has been brought up during the interviews and if so, assigning codes to the primary themes will be useful. Step 3: Arrange the responses according to the primary themes. Computer software Excel was utilised to do a thematic analysis, in which the responses from all the interviews were categorised under the key themes identified. Step 4: Theme integration and the main themes determined during the content analysis process are discussed in the main body of the empirical study of the dissertation.

Before the reader starts reading the dissertation, it is critical to explain how the data was analysed; doing so will help them comprehend the findings better (Hofstee, 2018:117).

The trustworthiness of the data is essential. According to Lincoln and Guba (1985:331), trustworthiness is a means to demonstrate the qualitative research process's reasonableness, credibility, and integrity. An entrepreneurial personal narrative exploration was employed in this study as a data analysis analytic approach to understanding the entrepreneur's reflection and subjective interpretation of their reality based on their clarification of events (Bryman & Bell, 2017:358)

## **1.7 ETHICAL CONSIDERATIONS**

Diener and Crandall (1978), as cited by Bryman and Bell (2017:120), describe four significant concepts concerning ethics in business research and how they can be addressed. First and foremost, the researcher must ensure that there is no harm to the participants. Second, informed consent must be at the core of this study. Informed consent implies that the participants are made fully aware of what information you will need from them, what it would be used for, and how they will be required to participate (Kumar, 2019:358). Third, the researcher made certain that the participant's right to privacy was not violated. Finally, the researcher must not deceive the participants by using the study for purposes other than that which was agreed upon by the participant.

Kumar (2019:360) raises many ethical concerns about the researcher: Avoiding bias is critical to providing an accurate, unaltered version of the collected data. Subjectivity is acceptable in the study as long as it reflects the truth about the data collected from the participants. Use the appropriate research methodology – ensure that the research methodology is relevant to the study's aim. Report accurately and truthfully about the findings produced for academic purposes only and not for other reasons. Use the information collected in the manner as discussed with the participants, and do not use it for any other purpose during this research project. The researcher complied with the North-West University's ethics committee's guidelines. Each participant received an informed consent letter, which outlined the need for the study, and how the information

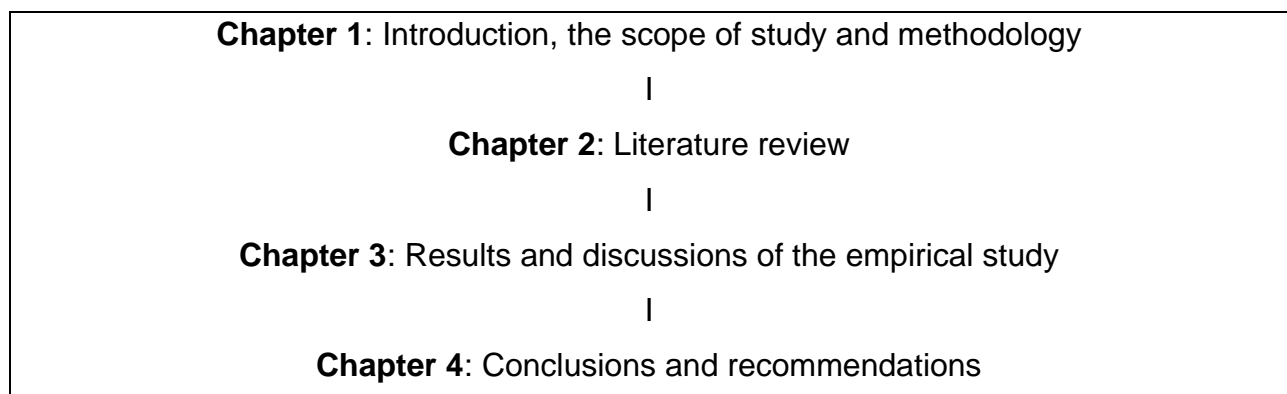
would be utilised. The participants' identity was kept anonymous throughout and after the study, and they were made aware that they could withdraw from the project at any time.

## **1.8 LIMITATIONS OF THE STUDY**

The geographical demarcation of the study, which is the West-rand District Municipality, Gauteng Province, which is only a small section of South Africa, is the most notable limitation in this study. This work is not based on the successors of most South African family businesses, as it could take years to contact them and much longer to reach all of them in an interview type of setting. As a result, this study did not accurately account for how successors enter the family business, which is generalisable to all family businesses in South Africa. Furthermore, virtually all the respondents were white Afrikaans-speaking men between the ages of 25 and 50 years old, implying that the study was not representative of the numerous black, Indian, and other ethnic family businesses in South Africa, and there was no female representation in this study.

## **1.9 OUTLINE OF THE STUDY**

This study was divided into four sections with the proposed study layout below.



## **Chapter 1: Introduction and scope of the study**

Chapter 1 provides a general overview of the study, including an introduction, problem statement definition, the study's objectives, the study scope, and the resource methodology used. The study's limitations are described and end with the study layout and summary.

## **Chapter 2: A literature review of family businesses**

This chapter offers a review of the literature on family businesses, with a focus on the entry into family businesses. The methods and means by which next-generation family members join their family businesses have been scrutinised, as have the fears and aspirations of successors when deciding to join the business, how they go about joining the business, and the main motivating factors for joining the family business. This is only one of the topics that will be discussed in the review

## **Chapter 3: Results and discussions of the empirical study**

This chapter is the body of the empirical study, where the main answers from the participants in the semi-structured interviews are shown. The analysis of the data and the generation of main themes are carefully explored. The research findings are also explained in this chapter.

## **Chapter 4: Conclusions and recommendations**

After carefully examining the literature review and comparing it to the findings of the empirical study, this chapter draws on conclusions and further recommendations provided on the entry process in family businesses. Hopefully, a broad guideline regarding the entry process into family businesses could be established, and future research recommendations could also be made.

## **CHAPTER 2**

### **A LITERATURE REVIEW OF FAMILY BUSINESSES**

#### **2.1 INTRODUCTION**

##### **2.1.1 Global family business**

Poza (2004:3) states that family businesses are the primary driver of economic growth in most countries throughout the world. The global economy's stability is mostly determined by the contribution of family businesses to it (Farrington *et al.*, 2011:51). Family businesses have provided 86% of all employment produced in the previous ten years and 64% of global GDP (Poza, 2007:1). The world's largest corporations are family-owned and managed. This includes the fourth-generation Ford family, which owns 40% of Ford Motor Company, and the Walton family, which owns 50,85% of Walmart Inc. (Kenyon-Rouvines & Ward, 2005:1). The long-term sustainability of family businesses over future generations is a concern, as 85% of all new businesses fail within the first five years, only 30% are handed over to the second generation, only 12% survive until the third generation, and only 4% survive until the fourth generation (Poza & Daugherty, 2014:3).

##### **2.1.2 South African family business**

In black townships, agriculture, service industries, and spaza shops dominate the South African family business environment. A family member frequently owns spaza shops, and the operation and the running of them are handled by the children, grandparents, and spouses (Nieman & Nieuwenheizen 2014:235). The contribution of family businesses to socio-economic growth in South Africa has never received the attention it deserves (Nieman & Nieuwenhuizen, 2014:236). South African family businesses contribute significantly to socio-economic development; however, managing a family business without proper orientation is difficult. Family businesses, which usually are more emotional, are characterised by various issues (Nieman & Nieuwenhuizen, 2014:235).

Suppose all the challenges within a family business are solved. In that case, it can become a positive and thriving environment in which the dreams and goals of both family and non-family employees may flourish (Nieman & Nieuwenhuizen, 2014:236).

### **2.1.3 Family vs non-family**

According to some studies, distinguishing between family and non-family businesses shows mixed outcomes (Sharma 2004:5). The intention to hand over the leadership and management of the family business to the next generation remains one of the essential factors in highlighting the difference between family and non-family businesses (Garcia *et al.*, 2018:2). Amann *et al.* (2012:203) posit that family businesses are more resilient than non-family businesses. This is due to their ability to take precise and decisive actions in the face of unforeseen circumstances such as abrupt economic downturns. As a result, family businesses typically recover stronger and faster than other non-family businesses (Amann *et al.*, 2012:203). According to Gomez-Mejia *et al.* (2010:225), family businesses are founded and operated to benefit current and future generations, which drives their strategic decisions rather than monetary reasons. Rowland (2011:14) states that an essential component of family businesses is that the organisation prioritises the family aspect over the business aspect. The difficulties experienced in the management of a family business are typically more relational than monetary in nature, as opposed to non-family businesses (Rivers, 2005:2). In a family business, the closeness of family and business normally creates unnecessary tension when these two operations are not in harmony (Daily & Dollinger, 1991:60).

### **2.1.4 Family business attributes**

Family businesses have distinct characteristics compared to non-family companies (Memili, 2015:423). Management, ownership, and family systems interact uniquely in family businesses (Priede & Hillard 2014:78). These interactions impact the objectives, culture, engagement of the family, board of directors, the general structure, and the strategy of family businesses which distinguishes a family business from any other company. A family business has five key attributes that set it apart from others: values, family goals, collective dynamics, narrow relationships, and human resources (Lopez-

Cozar *et al.*, 2014:77). The collective dynamics of the family are related to how the family addresses issues. What complicates these dynamics is that the interests of the owners are generally more important than the interests of the business (Betancourt *et al.*, 2014:12; Lopez-Cozar *et al.*, 2014:78).

### **2.1.5 Family business values**

Values are the accepted norms of a group of people or a single person and their ethical principles and moral beliefs (Ceja *et al.*, 2010:6). The founder of a family business is responsible for establishing the values and conveying those values while they are running the business, including when they retire (Lopez-Cozar *et al.*, 2014:78). A family business often has a value-based culture; the founder's values established this culture in the family, which served as the foundation for the business. As a result of this value-based culture, a family business differs from a non-family business (Gomez-Mejia *et al.*, 2011:654). A study done by Astrachan *et al.* (2002:47) introduced the Family Influence on Power, Experience, and Culture (F-PEC) scale, which measures the family's direct influence on the business. The F-PEC scale assesses three components: experience, power, and culture (Casillas *et al.*, 2007:19). The experience is determined by which generation currently runs the company; culture refers to the influence of the family's culture on the business; and power refers to the family's power in the business (Casillas *et al.*, 2007:19).

### **2.1.6 Advantages of family businesses**

There are several advantages to running a family business. They communicate more effectively than non-family businesses; they are more open to each other's strengths and weaknesses; they have a collective history; and they have a shared vision for the future (Anon., 2006b). Family closeness and respondent behaviour is an authoritative resource in the business sector and one of the reasons for a family business's long-term success (Aronoff *et al.*, 2002:4). Trust and loyalty among family members and their commitment to everyone's success in the family business are unique characteristics of family businesses (Ibrahim & Ellis, 1994:5).

### **2.1.7 Challenges in family businesses**

Family businesses, like most businesses, encounter a variety of challenges and difficulties. The unique way they deal with these challenges is one of their true competitive advantages (Poza, 2004:15). The ability to attract and retain highly qualified employees remains a challenge for family businesses, primarily owing to the close relationship between family, ownership, and management (Lopez-Cozar *et al.*, 2014:80). Sometimes family businesses employ relatives who lack the necessary skills and qualifications (Lopez-Cozar *et al.*, 2014: 80). Employees in family businesses may be discouraged if prospects for growth and promotion are not equal for family and non-family members. However, family businesses offer higher salaries and care about their employee's well-being (Littunen & Hyrsky, 2000:46).

One of the key reasons why family businesses are so complicated, according to Venter (2003:59), is because the business was established by the founding member and is often maintained and passed down to a sibling within the family. One of the main difficulties that family businesses face is successfully transferring ownership and management to the next generation (Aronoff & Ward, 1995:21). Formal succession planning is one of the most secure methods of successfully passing down a company from one generation to the next (Ibrahim *et al.*, 2004:223; Maas *et al.*, 2005:54). According to Thornton (1998:5), the greatest challenge for family businesses to survive generations include a lack of advice when difficulties arise, family disagreements, and problems with succession.

## **2.2 HISTORY OF FAMILY BUSINESS RESEARCH**

Despite the fact that family businesses are significant in the global economy and have existed since the beginning of time, research on family businesses has only gained popularity since the 1990s (Sharma *et al.*, 2014:2). Family business research evolved gradually and was slow to amass a body of knowledge (Sharma, 2004: 17-35).

In 1953, Grant H. Calder conducted the first extensive academic research study (Melin *et al.*, 2014:2). In 1983 an article titled 'Organisational Dynamics' was published and propelled the research on family businesses and exploration into the wider academic

community (Melin *et al.*, 2014:2). Other authors believe that family business research only started in 1975, when businessman and family business consultant, Dr Leon Danco, released his work, “Beyond Survival: A Guide for the Business Owner and His Family.”, (Danco,1975).

Many published articles and books about family businesses were based on hearsay between 1975 and the early 1990s, and consultants and observers mostly recounted the narrative of these primarily privately held companies (Poza & Daugherty, 2014:25). The Family Business Review (FBR) was founded in 1988 to publish and disseminate thoughts, articles, and documents related to family business studies on a regular basis. The Family Firm Institute (FFI) launched the FBR as a publication house to publish thought-leaders research on family businesses (Sharma *et al.*, 2012:6). The FBR publication is still in circulation (Sharma *et al.*, 2012:6).

The Family Business Network (FBN) was founded in 1990 with the same goal as the FFI but with a focus on European family businesses. The FBN is still an active non-profit organisation operated by family business leaders with the purpose to ensure family business sustainability (Colli, 2003:2; The Family Business Network, 2015). Definitions and studies on generational succession were the first two subfields investigated in family businesses (Melin *et al.*, 2014:2). According to Poutziouris *et al.* (2005:2), family business research has gained a lot of momentum since the 2000s, as seen by the formation of numerous prominent international organisations.

Family business studies have expanded tremendously since 2005 and are now a widely recognised academic research field (Gedajlovic *et al.*, 2012:3). The formation of family business conferences and the extraordinary subjects and unique concerns discussed in academic journals during these conferences were one of the primary drivers of the rise of family business research (Wright & Kellermans, 2011:192). What distinguishes family business studies from other research disciplines is its emphasis on paradoxes arising from the family's involvement in business (Melin *et al.*, 2014:2). Furthermore, family businesses have unique organisational forms. As a result, they must continuously deal with the distinct overlap between family and business, which also explains the formidable attention it receives in the academic research field (Chrisman *et al.*, 2010:13).

As previously stated, most businesses globally are family businesses, and excluding family business-relevant checks and balances may result in an underdeveloped knowledge base (Dyer, 2003:405). Furthermore, many of the challenges that mainstream management scholars must deal with can be simplified by gaining notable solutions from examining family businesses (Gedajlovic *et al.*, 2012:1017).

Many academics now believe that family businesses are at the forefront of corporate performance, employment creation, return on investment, quality of merchandise, affability, ability to customise, briskness to market, and corporate social responsibility (Poza & Daugherty, 2014:26).

In 2015, a study was undertaken on the top 25 publications in terms of total citations, emphasising the most significant research done on family businesses in history (Xi *et al.*, 2015:118). Together with their most important findings, these publications are listed below in chronological order.

Top 25 publications for Family business research:

- 1971 Levinson - Highlights those conflicts caused by rivalries between family members in family businesses that have negative consequences and offers recommendations on how siblings should deal with these situations.
- 1976 Jensen and Meckling - Identified the ideal governance structure by using the agency theory. It emphasises the principal-agent relationship, where the agency cost is derived from the costs that the two teams have distinct goals. They point out that founders in family businesses have a greater reason to check on managers than minority shareholders.
- 1983 Fama and Jensen - Believe that agency difficulties arise as a result of separate ownership and managerial control. Nonetheless, the effectiveness of separating the decision-makers from residual claimants outweighs the expenses in large businesses.

- 1983 Beckhart and Dyer - In their research, it states that succession can be a challenge; this stems from the fact that only 30% of family businesses survive into the second generation, and only 10% make it to the third generation.
- 1983 Lansberg - This paper discusses the discrepancies in human management decision-making that stem from variances in family norms and values against business norms and values
- 1985 Roosen Blatt *et al.* - From a psychological perspective, they give an overall view of the issues encountered by family businesses, based on the opinions of a study done on 59 family businesses. They highlight the difficulty in keeping family and business issues separate.
- 1986 Dyer - With regards to change management, he is the pioneer in family businesses. Dyer (1986) concluded a study on 40 family businesses. He identifies the importance of culture and specifically three areas in family business culture, namely, changes in cultural patterns in time, the three stages of development, and the problems that can occur also change management.
- 1987 Ward - His paper explains the importance of family business leaders creating a plan to ensure the sustainability of family businesses across generations; this plan should consider the needs of the family and the company. His work was also the starting point of the familiness concept (Habberson *et al.*, 2003:453).
- 1988 Lansberg - He notes that the absence of succession planning is one of the main reasons why family businesses go out of business after the first generation; he names factors that hinder succession planning in first-generation family businesses.
- 1992 Daily and Dollinger - By comparing professionally managed companies with family-owned and managed companies, he investigates the difference in performance when ownership and business control are the same.
- 1993 Kets De Vries - After consulting more than 300 family business owners, he explains the disadvantages and advantages of family-owned companies. In addition, he exposes the unique dynamics of family businesses that make them more prone to failure.
- 1996 Shanker and Astrachan - Their paper explains the influence of family businesses on the U.S. economy, and this was beneficial to family business

research and family businesses in general. They were the first academics that defined family businesses.

- 1997 Gersick *et al.*; Schulze *et al.* (2003) - suggest that their observations have been extraordinarily authoritative and have given structure to other governing articles and publications. They believe that family businesses go through stages, and the idea of overlying systems in family businesses receives an extra developmental dimension.
- 1997 Sharma, Chrisman, and Chua - Argue that existing literature primarily emphasises family relationships instead of how these relationships influence family business performance. They call on researchers to adjust their research more on outcomes to better management methods and business accomplishments.
- 1999 Chua *et al.* - They developed the most used definition of family businesses based on earlier work. They argue that the difference between family and non-family organisations is behaviour as the core of a family business.
- 1999 Laporta, Lopez, De Silanes, and Shiefer - Their work enunciates the exaggerated importance of owner-owner agency disagreements; in other words, problems between controlling and minority shareholders.
- 1999 Habbershon and Williams - The term “Familianness” was made famous in their publication. They argue that the systems overlapping between the business, the family, and its members create the familianness concept as a unique bundle of resources.
- 2001 Schulze, Lubatkin, Dino, and Buchholtz - Explain that altruism, which is part of family dynamics, infuriates the agency problems present in owner-managed firms.
- 2001 Gomez-Mejia, Nunez-Nickel, and Gutierrez - Almost the same as Schults *et al.* (2001), they believe that the family can be responsible for agency costs and lower these costs. However, their work also makes the realm of agency problems wider, including emotional contracts from family relations.
- 2003 Anderson and Reeb - After conducting a study on 403 S&P 500 companies, they are the first to prove that family businesses outperform non-family businesses, based on hard empirical evidence. In conclusion, this is convincing that family

ownership is a solid organisational structure in regulated and free markets. Thus, minimizing agency costs without losing the ability to make effective decisions.

- 2003 Habberson, Williams, and MacMillan - Through their “unified systems model” that measures family business performance, they point out that creating trans-generational wealth is possible through distinctive familiness that forms family-based advantages.
- 2003 Sirmon and Hitt - The model they created using three elements, resource inventory, resource bundling, and resource leveraging, leads to a resource management process, which stems from the resource-based view that can give a family business a competitive advantage.
- 2004 Sharma - By creating a 2x2 matrix that explains the performance of a family business next to family harmony and business dimensions, she elaborates on definitional concerns of family business studies. She is also a pioneer in socio-emotional wealth, with her paper highlighting reaching toward combining non-financial and financial goals.
- 2005 Chrisman, Chua, and Sharma explain the philosophy of two-family business approaches. Family involvement is the only thing needed for a family to exist, which is the core of the component approach. Second, the essence approach believes that family involvement is essential to be called a family business if it results in certain behaviours in the business.
- 2006 Villalonga and Amit - According to them, family ownership creates value when the founder is also the CEO or the chairman with a professional CEO. They also believe that agency problems affect minority shareholders from two sides, discrepancies with main controlling shareholders and conflict of interest with professional managers. These agency problems affect the company’s value.

## **2.3 DEFINITION OF FAMILY BUSINESSES**

Despite many years of research, there is still no universally accepted definition of a family business among researchers, the general public, and family members in a family business (Farrington *et al.*, 2011:55). The majority of definitions focus predominantly on the breadth of ownership and management (Chua *et al.*, 1999:25). The debate over the definition of a family business has raged on since academics began research in the field

(Sharma *et al.*, 2014:1). Harms (2014:281) also agrees that there is no universal definition of a family business.

Neubauer and Lank (1998:5) conducted a study in which they found a few key qualities that constitute a family business from numerous studies. These qualities are the following: a large share of capital owned by the family, family members employed by the family-owned business, a few non-family employees, expectations of next-generation children to get involved, the number of family generations involved in the business, and the number of family members who are managers and owners. The definition of Ibrahim *et al.* (2004:5) was adopted for this study. According to Ibrahim *et al.* (2004:5), a family business has at least 51% of its shares owned by a single family, at least two family members actively engaged in the management and operations of the business, and there is universal acceptance that the family business will be passed down to future generations. This definition was mainly constructed using the involvement approach (Ibrahim & Ellis, 2004:5). This approach focuses on the nature and the extent of family involvement in the business, and its components include family ownership control, management, and transgenerational succession (Harms, 2014: 288).

The South African National Small Business Act (1996) and the National Small Business Amendment Act (2004:2) describe micro, very small, small, and medium-sized businesses as businesses that employ fewer than 200 full-time employees (Van der Merwe *et al.*, 2009:4). As stated in Chapter 1, this study focuses on family businesses and specifically small and medium-sized family businesses.

## **2.4 SUCCESS IN A FAMILY BUSINESS**

According to Van der Merwe *et al.* (2012:17), the importance of family communications will determine the success of a family business. Managing a family business is mostly more about guiding relationships among siblings rather than managing other aspects of the business (Ward, 2004). Values such as respect, honesty, integrity, trust, fairness, dedication, and openness strengthen family relationships (Van der Merwe *et al.*, 2012:17).

Academic research on family businesses describes success as equivocal, owing to the goal of family businesses to achieve a convergence of financial and non-financial goals (Olson *et al.*, 2003:59). According to Wallace (2010:11), financial objectives as a measure of success in a family business are acceptable, although it is not an exclusive gauge. Lifestyle objectives, individual achievement, and contentment in the family business are further objectives of family business owners (Wallace, 2010:11).

Cater and Justis (2009:111) posit that non-financial goals have a greater effect on family business owners than financial goals. These non-financial goals include creating employment for family members, family happiness, and the guardianship of the family business to be passed on to future generations (Chrisman *et al.*, 2010:14). Family values are critical in sustaining family welfare and ensuring the long-term viability of the family business (Van der Merwe *et al.*, 2012:17).

Leach *et al.* (2003:6) have identified factors contributing to a family business's success. Some of these factors are commitment, knowledge, flexibility, long-term thinking, a stable culture, prompt decision-making, reliability, and pride. Family members' commitment increases since they work together to achieve the same family business objective. They are more willing to put in extra time and effort than they would in a typical business (Leach *et al.*, 2003:6). Children who grow up in a family business learn about the business from an early age, and by the time they join the family business, they have a complete understanding of how the business operates (Leach *et al.*, 2003:6).

The flexibility of family members in terms of time, labour, and compensation create an extra competitive edge for family businesses. This adaptability enables them to quickly and easily adjust to rapidly changing conditions (Leach *et al.*, 2003:7). According to Leach *et al.* (2003:7), family businesses are more inclined to long-term thinking than other businesses. A significant benefit stems from the fact that family members have a distinct view of their economic objectives (Leach *et al.*, 2003:7).

Stability and a stable culture are typically associated with a family business in which the founder and top management have been around for a long time. They are mutually committed to the business's success (Leach *et al.*, 2003:8). In a family business, certain

responsibilities are normally acutely defined, and one or two key individuals make decisions; this ensures that an important decision can be made swiftly and easily (Leach *et al.*, 2003:9). In a family business, the family brand and reputation are associated with their products and services; as a result, family businesses strive to maximise their productivity while maintaining strong connections with all their stakeholders and the community (Ward, 2004:50).

According to Leach *et al.* (2003:10), people who work within family businesses are often very proud to be associated with the family business. Customers usually prefer to do business with organisations that have been in operation for a long time. Building relationships with the owners and employees comes easier when the staff turnover is low, as is typically the case with family businesses (Leach *et al.*, 2003:9).

## **2.5 UNIQUENESS OF FAMILY BUSINESSES**

Balshaw (2003:24) acknowledges that healthy family relations are important to creating a healthy family business. According to Maas *et al.* (2005:8), family businesses vary in that family interests should be equal to business interests, whereas another type of business is operated primarily on business only principles. Business conflicts in a family business have a cascading effect on family relationships. Family businesses are accountable to the family, and they must develop an in-depth understanding of both the business and family concept (Carlock & Ward, 2001:146). The specific individuals who are actively involved in the family business make it unique. These individuals are not only a delegation of employees and shareholders but also family members who are related to one another (Leach *et al.*, 2003:33). Family businesses are unique in their dynamism and culture as they integrate a business system with essentially different family systems (Hughes, 2007:1). They are intricately linked to three overlapping subsystems: ownership, business, and family (Poza, 2004:8). Family businesses foster a sense of belonging, which leads to an influencing nature as well as a universal purpose and clear aspirations within the consolidated workforce (Ebrahim *et al.*, 2004:44; Leach *et al.*, 2003:5).

## 2.6 CHARACTERISTICS OF SUCCESSFUL FAMILY BUSINESSES

Associated behaviour is established within a family business where they focus on the continuous and harmonious operation of the family business across generations (Morris *et al.*, 1997:387). The fact that family members are always present in the business inspires employees' levels of dedication and dependability (Carrigan & Buckley, 2008:2). Through the association of management, family, and owners, a sustained competitive edge over industry peers is achieved through the ongoing collecting of proprietary information (Bork, 1993:23; Friedman 1998:22; Poza 2007:5).

A sense of longevity is established through the assurance of business continuity over generations and the necessity of succession planning throughout the life cycle of the family business (Carrigan *et al.*, 2008:2; Daba, 2007:24). Netsianda (2008:15) indicates that a joint dream is created through the specific purposefulness and worth that enables the family to actualise and perceive the overall strategic direction the family and business are approaching and what it represents. Carrigan and Buckley (2008:2) emphasise the need for open communication lines between family members in successful family companies. They are given the ability to freely express their own ambitions and dreams and the problems and difficulties they confront.

Bork (1993:23) contends that family business members generally experience a strong sense of belonging within the business. They are driven to advance within the business and through all the stages of development. Another essential aspect of successful family businesses is the high degree of trust shown among members in business and family concerns; this trust culture is typically also adopted by non-family members (Bork, 1993:23).

Family businesses that consistently generate a high degree of profit generally have defined job descriptions and responsibilities for all family members, which they understand and adhere to (Carrigan *et al.*, 2008:2). With clearly defined responsibilities and tasks, the accountability lies with each family member to ensure they perform their entrusted duties to the best of their ability, which will be evaluated, and the appropriate compensation will be given (Bork, 1993:24). Top-performing family businesses are not

hesitant to seek expert external guidance regarding succession planning, compensation scales, and next-generation entry requirements (Bork, 1993:24; Netsianda, 2008:15).

## **2.7 ADVANTAGES OF FAMILY BUSINESSES**

The section that follows will illustrate some of the advantages of family businesses. Trust and loyalty occur when family members have a specific link; this bond allows them to trust each other and remain loyal to each other, the company, and the family. A family business's success is built on this attitude of trust and commitment (Swart, 2005:24). Second, as Maas *et al.* (2005:19) notes that healthy family relationships and conflict resolution are achieved through clear communication in a family business. When family companies collapse, it is frequently due to a lack of honest and open communication (Astrachan & McMillan, 2003:1). Third, a cohesive vision is critical to building a successful business; family business members find it simpler to adopt a unified vision and core values for the business and the family, resulting in a sustainable competitive advantage (Poza, 2007:6). Fourth, financial benefits in family businesses generate higher shareholder value than other businesses and consistently earn higher profits; they focus on improving the core business, reinvesting profits, and having a longer-term view (Poza, 2007:14).

Family businesses outperform non-family businesses during recessions by mobilizing their resources more effectively, placing higher importance on robust financial structures, and making crucial choices more swiftly (Amann *et al.*, 2012:207). Finally, while family members are regarded the same as other workers who do not own any shares, long-term commitment should always be recognized as part of the ownership structure due to their long-term commitment to the firm (Miller *et al.*, 2008:57).

## **2.8 DISADVANTAGES OF FAMILY BUSINESSES**

This section discusses some of the major disadvantages of running a family business. For starters, sibling rivalry in a family business is influenced by how they are treated fairly, how parents handle family disagreements, and constant comparisons between family members (Netsianda, 2008:16). Second, nepotism occurs when family members are

often appointed or promoted to positions that appear irregular or unfair to other employees. It instils a sense of nepotism and suspicion in the business (Aronoff *et al.*, 2002:24). Third, conflict occurs when family businesses struggle to keep family matters separate from business matters and vice versa. Family issues often negatively influence business matters, creating conflict between family members (Aronoff *et al.*, 2002:5). Fourth, Upton (2001:3) suggests that family businesses invest a significant amount of time and money towards formal planning. A thorough company plan, financial and estate planning, succession planning, and strategic planning are all essential to a family business. When planning is disregarded, issues begin to arise. Finally, when family members do not follow standards regarding their decision-making power and certain company judgments are made from the family's perspective rather than strictly based on strong business principles, blurred boundaries may affect incorrectly made decisions (Poza, 2007:11).

## **2.9 FAMILY BUSINESS CHALLENGES**

One of the biggest challenges facing businesses is the transfer of ownership from one generation to the next (Ramadani *et al.*, 2017:294). The numbers speak for themselves as only 30% of family businesses last into the second generation, only 12% make it to the third generation, and only 3% survive into the fourth generation (Byrd & Megginson, 2013:24; Venter & Boshoff, 2007:42). Succession planning is a systematic, long-term process of determining goals, needs, and roles within an organisation and preparing individuals for responsibilities relative to work needed within an organisation (Luna, 2012:60).

The succession process refers to the transfer of leadership and ownership of a family business to the next generation of family members (Nieman & Nieuwenhuizen, 2014:23). With the fear of losing ownership and control of the business, founding family leaders frequently avoid discussing the succession process (Ogbechie & Anetor, 2015:2).

In order for a successor to take over the business successfully, the transfer of specific business-related knowledge is very important (Haldin-Herrgard, 2011:7). Steiner (2017:25) reports that founders often are frequently hesitant to share their tacit

knowledge. Family businesses are generally effective at managing the overall operations of their business. Still, they cannot implement professional systems and organisational structures, which is critical in taking the business to the next level (Maas *et al.*, 2005:32). When family businesses acquire professional guidance to implement structures and systems that focus primarily on business-related issues without considering family values and belief systems, it could lead to the overall demise of the business (Balshaw, 2003:90). The ability to integrate professional business systems with the family's dynamics and values is a huge advantage for family businesses in terms of their overall sustainability (LaChapelle, 1997:10). According to Ward (1998:111), in order for families to begin preparing for a stable future, they must first start with the family, incorporate their values and vision, and determine the level of commitment that all family members must have toward the success of the business.

The global business environment is constantly changing, the influence of technology is becoming more important, and family businesses should compete on a global scale, often with limited resources and a small management structure. As a result, they must continually innovate and embrace technology to maintain growth and longevity (Upton, 2001:38). Family business owners need to make the business appealing for future generations of employees to join; this appears to be a difficult task. The media frequently portrays major international corporations as the most sought-after companies to join (Ward, 2004:23). Employees are no longer satisfied with a market-related salary and benefits; the current generation of employment seekers want the choice of stock options and profit-sharing. This propensity is problematic for family businesses to realise, and it creates a significant challenge to obtain skilled and qualified non-family employees and managers (Poza, 2007:11). In a family business, remuneration packages must be fair, merit-based, market-related, in conjunction with employee performance, and proportionate to an employee's responsibility. Unfortunately, this is a challenging notion to implement when the following generation enters the family business (Koenig, 2000:37; Rawls, 1999:57).

According to Venter *et al.* (2003:3), family businesses' comparatively low growth and poor retention rate remain a significant concern. Families are often inclined to think that because the company has been successful in the past, it will automatically be successful

in the future (Spinelli & Adams, 2016:430). Family business members occasionally attach legacy value to their business or assets; regrettably, such worth is not always true market value. Some families, for example, think that because they have been around for 50 years, they are entitled to another 50 (Spinelli & Adams, 2016:430). Founders and the next generation have opposing risk appetites and goals for future business growth. As a result, leaders face a difficult task in balancing the risk and reward expectancy of shareholders with the risk and investment obligations of the industry (Spinelli & Adams, 2016:430).

If family companies are to endure generations, they must remain entrepreneurial in today's dynamic and competitive macro-environment (Spinelli & Adams, 2016:429). In most cases, the founder's entrepreneurial instinct was the primary motivator in creating a family firm. Unfortunately, the family fails to implement more purposeful business practices to sustain the entrepreneurial spirit. Unfortunately, the family fails to implement more purposeful business practices to sustain the entrepreneurial spirit (Spinelli & Adams, 2016:430). Family businesses are sometimes too lenient when they are supposed to shed unproductive assets and mediocre businesses, and these assets need to be removed and used more productively (Spinelli & Adams, 2016:430). Often the next generation of family members believes they are eligible to get an established business without seeing the need to start their own entrepreneurial venture. However, giving the next generation their own business to run is considered entrepreneurship in a family business (Spinelli & Admans, 2016:430).

Another typical problem for next-generation successors is working for many years under the founder's domineering leadership style, which is notorious for secrecy, lack of transparency, low levels of family emotional intelligence, and limited awareness of the business's true financial metrics (Poza & Daugherty, 2014:31). This lack of open communication, in which the founder kept hidden financial statements, real profit margins, cash flow estimates, and market share statistics, makes it extremely difficult, if not impossible, for next-generation successors to manage and lead the business successfully (Poza & Daugherty, 2014:31). Like most other industries, family-owned firms employ technical jargon that might be perplexing to family members who lack the necessary accounting knowledge and do not have professional business experience. As a result, if

family business owners want to function in the same space as their customers, competitors, and peers, they must learn this specialized language (Poza & Daugherty, 2014:360).

The important thing is that family business owners should understand what actions and outcomes add value to the business. Students of family businesses need to understand the fundamental financial indicators and communicate them clearly to all family members (Poza & Daugherty 2014:361).

## **2.10 SUCCESSION**

Succession is the process of leadership and ownership transfer in family businesses from the current leader to the next-generation leader or non-family member (Nieman & Nieuwenhuizen, 2014:238). PwC (2011:29) completed a study where it was found that 29% of the businesses that participated in the research were supposed to transfer ownership and leadership during the following five years. If these transfers failed, there would have been a catastrophic economic impact, emphasising the importance of successful successions (Nieman & Nieuwenhuizen, 2014:238). CEOs of family businesses are obligated to their companies and families to start the succession conversation and create a succession plan (Poza & Daugherty, 2014:164). Many CEOs in family businesses are reluctant to talk about succession. As a result, some employees remain in the organization after they are supposed to leave and may even be retrenched (Sonnefeld & Spence, 1989:365).

Succession is defined as the transfer of management responsibilities and shares. Nonetheless, CEOs of family firms typically do not want to relinquish the management of their company. Instead, they transfer shares primarily for tax purposes and remain in power to maintain control (Poza & Daugherty 2014:165). Dealing with succession in such a disorganized manner can generate uncertainty and hardship for next-generation CEOs, especially when the new CEO is forced to assume leadership due to the abrupt death or sickness of the previous CEO (Poza & Daugherty, 2014:165).

As highlighted by (Nieman & Nieuwenhuizen, 2014:239), the following are the common obstacles that family businesses confront with succession: a contemporary autocratic CEO's refusal to hand over control; the founder acts as though they will never die; the creator's long-held opinion that a child should only be seen and not heard; in other words, how can the child tell the founder what to do? The current CEO fails to see new environmental trends and does nothing to address them; the leader fails to identify a suitable successor, and the founder selects a successor who will be their servant.

In most family businesses, the succession process is viewed as the primary duty of the founder or current CEO; however, this is inaccurate. Instead, the family's incumbency involves succession and planning, and everyone's vision and strategy for the future are crucial (Nieman & Nieuwenhuizen, 2014:240).

The present CEO and the next-generation successor frequently cause succession issues (Saunders, 2018:49). Here is a list of the most prevalent difficulties: Next-generation successors frequently lack the necessary qualifications or skills to successfully manage the family business (Kaunda & Nkhoma, 2013); an unskilled successor can lead to declining profits in a family business (Miller *et al.*, 2015:14); the successor's unwillingness to take over the company (Venter *et al.*, 2003:3); next-generation successors must balance their career ambitions with the available employment opportunities within the family business (Murphy & Lambrechts, 2015:33).

Melbourne (2012) proposed five steps that family businesses can adopt to make the succession process easier (Nieman & Nieuwenhuizen, 2014:240): (1) identify the critical positions in the business that will be critical to the company's future success; (2) establish the skills and qualifications required in those critical positions, now and in the future; (3) identify and evaluate potential candidate successors against the critical positions identified; (4) leaders and managers at all levels of the business should participate in this process; and (5) commit to developing the possible successor's education and skills.

Although these steps can help a smooth succession process, there will always be concerns from the parents and the successor (Nieman & Nieuwenhuizen 2014:241).

- How important is timing?
- What will I, as an entrepreneur, do after I hand over the business?
- How will my offspring undertake my ruling?
- What about my other children not associated with the business? How will I ensure fairness?

Possible next-generation successor concerns:

- How will the founder deal with the fact that I am now making my own decisions, and will he accept my authority?
- Will the other employees respect the fact that I am now in charge?
- Will my mother or father's business connections welcome me as the new leader?
- How would the family treat me as the new leader?
- If my parents handed over the business, would they still be involved, and do they have enough money to not rely on the business?

The most important aspect of a successful succession process is honest and open communication within the family and the business and starting as early as possible (Nieman & Nieuwenhuizen 2014:241).

Davis (2010) put together a list of characteristics that successful next-generation leaders have:

- They like or even love the business and the industry, and they know it thoroughly.
- They have a clear vision of their strengths and weaknesses, which they identified through external working experience and education.
- Next-generation leaders want to lead and serve.
- They acknowledge that no man is an island, as they seek guidance from the founder, external advisers, and a board of directors.
- They accommodate others, communicate well, and nurture strong relationships.
- They strive to complement their skills by hiring effective non-family managers in senior management.
- They have majority ownership or can lead with coalitions formed as if they do.

- Non-family workers, suppliers, existing customers, and other family members show them respect.
- Their skills and abilities complement the strategic needs of the business.
- While they focus their energies on creating a future for the company and the family, they still respect the past.

## **2.11 THE ENTRY PROCESS OF THE NEXT GENERATION**

In family companies, succession and succession planning are crucial. As noted in the preceding section, this fact has been validated by a number of authors. However, it is worth noting that when academics address succession in family firms, they usually do so from the perspective of the company's founder rather than the next-generation successor. As a result, this part is devoted to prior writings, emphasizing the successors' entry into the family company. The topic will include motivation for joining, when and how to enter, obstacles faced by successors, academic qualifications and previous job experience, benefits and drawbacks of becoming the next generation family company leader, etc.

### **2.11.1 Next-generation career choices**

Many factors influence a young person's career choice; they choose their career path based on their interests and talents. The environment in which a child grows up and the influence and motivation of their parents all significantly impact the decisions they make. The following section discusses the effects that next-generation family members experience while deciding on a job while growing up in a family business context. The intention is the amount of desire a person is willing to apply to achieve a given objective (Ajzen, 1991:179). A person's behaviours and the motive behind those acts are the outcomes of his intentions (Pavlakos & Rodriguez-Blanco, 2015:13).

To establish a person's intentions in entrepreneurship, management, psychology, sociology, and family business, the theory of planned behaviour is adopted (Ajzen, 1991:179). The cognitive embodiment of a person's aptness to complete a particular behaviour is a person's intention (Amani & Mkumbo, 2016:107). Enable to plan and execute a specific behaviour depends on how a person concentrates his intention

and to what length they are content to go (Amani & Mkumbo, 2016:107). Considering the definitions mentioned above and descriptions, a next-generation family member's intention to join the family business ascribed them to work in the family business instead of looking for employment somewhere else. They should also decide to give all their effort to see through their career in the family business (Saunders, 2018:20). Children who grow up in a household where the mother and or father are the owners and managers of a company find themselves in a specific environment that forms career intentions (Zellweger *et al.*, 2011:524). Growing up in a family business environment with the prospect of lasting generations, children experience the difficulties and highlights which an entrepreneurial career brings (Zellweger *et al.*, 2011:524). A child's attitude, beliefs, intentions, and personality are formed by these initial adventures around the family business (Zellweger *et al.*, 2011:524).

Sharma and Irving (2005:24) feel that children who are exposed to certain different job pathways while working in the family business are more likely to pursue that particular career route. The succession intentions of potential successors in family businesses are influenced by parents who want their children to be involved in the family firm and share information (Schroder *et al.*, 2011:309). As a result, children who are familiar with a certain vocation find it simpler to pick it (Sharma and Irving, 2005:24). Children in family enterprises are aware of the occupations they are interested in; these personal preferences must be compatible with potential career opportunities in the family business (Murphy & Lambrecht, 2015:33). It is unknown what impact this balancing act between family interests and personal job choices has on the career choices of next-generation family members (Murphy & Lambrecht, 2015:33). The requirement to maintain power over the family company limits next-generation family members' employment options (Zellweger *et al.*, 2011:524). When founders make their offspring feel obligated to join the family business, the following generation may lose interest in the company (Stalk & Foley, 2012:2).

Personality is one of the most important factors affecting next-generation family members' decisions on which career route to pursue (Schroder *et al.*, 2011:307). Children who might be new business owners, for example, typically rate high emotionally in terms of independence, openness, and innovative personality. Children who lack these qualities,

on the other hand, are more likely to work for a corporation (Zellweger *et al.*, 2011:525). A child's self-identity must be in sync with the family businesses in order for them to feel compelled to work in the family business (Sharma & Irving, 2005:24). When next-generation family members must decide which job route to pursue, (Schroder *et al.*, 2011:308) suggest that preferences differ between sons and daughters. Family companies frequently mirror traditional gender roles (Vadnjaj & Zupan 2011:24).

The role structure of a family business is generally quite conventional, with men and women having separate roles and responsibilities and operating in opposing positions. As a result, these practices influence their family obligations (Vadnjaj & Zupan 2009:161). Although there is a contemporary trend in which conventional gender roles are being reversed, having a woman as CEO of a family firm may result in increased conflicts (Vadnjaj & Zupan 2009:161). When women are chosen to lead next-generation family companies, they face discrimination (Schroder *et al.*, 2011:308).

Women are more likely than men to pursue jobs outside of the family business (Zellweger *et al.*, 2011:526). As a result, family business owners must communicate with their daughters about entrepreneurship and leadership by including them in the business; this is the only way daughters will consider taking over the firm as a career choice (Schroder *et al.*, 2011:315).

In summary, based on the theory of planned behaviour, this section of the chapter began with the successor's desire to join the family business. It emphasizes how early exposure to the family business shapes a successor's attitude, beliefs, and intentions. The impact of working in a certain area in the family business on the career choice of a next-generation family member is specifically mentioned. Successors who feel compelled to join the firm may become disinterested in it. This section then reveals a successor's personality as one of the primary influences on his career choice. It illustrates how his self-identity must be compatible with the identity of the family business if he works there. The sector concludes by demonstrating that conventional role structures are common in family businesses, and women encounter unique hurdles when attempting to join the family business.

### 2.11.2 Motivation for entering

When next-generation family members show little interest in the family business, the proprietors may opt to discontinue it (Longenecker & Schoen,1978). When making decisions on management takeover of the family business, next-generation family members are influenced by a variety of emotions and incentives (Birley,1986:38).

Following graduation, successors may find that peer pressure from their fellow graduates may persuade them to choose more profitable employment with an external firm rather than the family business (Birley,1986:38). When successors graduate from university, their decision to work in the family business is impacted by their level of stake in the organization and their sense of responsibility (Birley,1986:38). When it comes to the next generation's interest in the staff, the products, markets, and systems, as well as the company's strategy, it is the specific interest in the family business's strategy that may entice them to join the family business (Birley,1986:40).

Successors give various reasons why they believe they are needed in the family business; some believe they can contribute to their parents' lack of formal education, while others believe their parents do not know what they are doing. They also believe in the continuation of family businesses, while others have a sense of family duty towards the business (Birley,1986:42).

Family members enter the business for many reasons; these reasons construct the strengths and essence of their commitment to the business (Longenecker *et al.*, 2012:141). Next-generation family members, like everyone else in a family business, face several hurdles; the benefit of their efforts, the profits they bring to the family, and their personal fulfilment with work-related objectives are all a direct outcome of their dedication to the company (Longenecker *et al.*, 2012:141). According to Sharma and Irving (2005), next-generation family business successors have four types of commitment: desire-based, obligation-based, cost-based, and need-based commitment. Desire-based commitment occurs when successors believe in and recognise the goal of the business, usually because they have a strong affinity to it. These successors want to be a part of the business; their identity is linked to the business, and they believe they can make a

significant contribution to it; this is known as desire-based commitment (Longenecker *et al.*, 2012:142). Second, obligation-based commitment occurs when next-generation successors who demonstrate obligation-based commitment believe that they must begin a career in the family firm. The next-generation successor feels compelled to work in the family business rather than pursue their own professional interests (Longenecker *et al.*, 2012:142). Third, cost-based commitment occurs when family members think that there is a lot at stake in disregarding the family business as a career opportunity, and their decision is therefore based on a calculation rather than because they want or have to. They fear that if they do not take action to steer the business in the right direction, the value of their inheritance will decline in the future. As a result, they have a cost-based commitment to the family business (Longenecker *et al.*, 2012:142). Finally, need-based commitment is important because, occasionally, family members mistrust their abilities or fear they will not be able to acquire a quality job, so they join the family company because they believe they need to develop a decent career. Young successors who are chosen for critical jobs above non-family employees who merit the job have doubts about their capacity to succeed on their own. They would most likely have a need-based commitment to the firm (Longenecker *et al.*, 2012:142).

### **2.11.3 Key considerations for successors before joining the family business**

Joining the family business is a big career decision for any family member. The following section highlights some of the aspects that a next-generation successor should contemplate and analyse before deciding to join. Working in a family business and taking over the leadership is a huge privilege, but it also comes with many responsibilities and challenges.

Important aspects the successor needs to consider:

- What is the motivation to join? Next-generation successors need to be open about the motivating factors which drive them to join. Several motivating factors usually start this process of deciding to join, the one not being more correct than the other but the foundation of the decision-making process (Harvard Business Review, 2021).

- How are the current personal relationships within the family? Do family members inside and out of the business support each other, is there open communication, does the decision-making in the business revolve around its sustainability, and will the personal relationships be able to absorb the work pressures? (Harvard Business Review, 2021).
- Will you be able to be in the limelight? A next-generation successor is always closely monitored, especially by non-family employees. Being seen as “special” and watching your every move during business hours and in your private life is not easy. Therefore, a successor needs to decide if he’ll be able to live with blurred boundaries between work and personal life and his performance scrutinized by family members and non-family employees (Harvard Business Review, 2021).
- There is only one CEO. Successors should understand that there can only be one leader in a family business. Often a few siblings or cousins are competing for the same spot, and it is essential to establish if the end goal is to become the CEO and the realistic chances of achieving it (Say, 2021).
- Think about gaining work experience at an external company first. Then, a successor's confidence and knowledge will get a boost by obtaining valuable objective feedback on his abilities from external sources, which could later help non-family employees not see him only as the boss's son (Say, 2021).
- Remember that there are alternatives to joining the family business and that a next-generation family business successor possesses the power to walk away if needed. If he can deal with the emotional disruptions that will happen when not joining the business, other alternatives include; launching his own business or finding employment at another company (Say, 2021).
- The family business can help entrepreneurs without them joining. Often children of family business owners are inherently driven by entrepreneurial ambitions, and the drama surrounding family business politics could hamper their drive. It would be beneficial for the family and the entrepreneurial child if the family business helped him get his start-up off the ground (Say, 2021).
- Be aware of family business complexities. The dynamic relationships in families can be difficult enough to navigate without mixing them with business issues. The same goes for standard companies, which already have their challenges, and bringing family dynamics into it can cause a lot of frustration (Say, 2021).

- Realise that entering the family business has risks. Families involved in family businesses have been torn apart by negative factors: sibling rivalry, the need for power, jealousy over positions and titles, and money management. Fortunately, family businesses can avoid these negative factors through good governance, open communication, valuing succession planning, and developing next-generation family members' talent (Say, 2021).

Potential successors should have an open and honest conversation with the company's present leadership about a suggested career path in the business. They should be confident in the founder's assessment of where they are going and at what pace (Harvard Business Review, 2021).

Questions to ask the current family business leader:

- How do you envision my career path? Before he chooses a career in the family business, a successor must ensure the current owner's plan for his career. How will he grow and develop, and who will appraise his progress? How will he know he is moving in the right direction (Harvard Business Review, 2021).
- Will ownership be an option for me? Knowing and not assuming if future ownership is on the cards should be discussed honestly (Harvard Business Review, 2021).
- Where do you see the company in 20 years? A successor should find out the current leadership's vision for the company and what his plan is. How does he intend to keep the business relevant over time, and how can the next generation contribute to the company's success and keep it sustainable (Harvard Business Review, 2021).

Sibling rivalry in family businesses can be very detrimental to the company and the family relationships. Many U.S. family businesses are owned and run by a team of siblings (Nelton, 1996). In addition, almost 50% of founders intend to pass on leadership and ownership to 2 or more of their children (Ward, 1997:327).

Relationships between brothers and sisters are highly volatile, and if disagreements and arguments continually cause disruptions, it can tear the family business down (Ward,

1997:327). Ward and Aronoff (1992) found that almost half of all sibling partnerships in family businesses end in breaking up. A sibling break-up is not only disastrous to the company's management but hinders growth potential and decreases capital, as the owners need to buy out the sibling that is leaving (Ward, 1997:327).

For sibling partnerships to be successful, the family members need to work on their relationship continuously. Therefore, open communication is vital, and they have to compromise and encourage mutual understanding (Ward, 1997:328). At the core of their relationship, they need to “agree to agree” to take care of their family relationship instead of only making the best business decisions (Ward & Aronoff, 1992).

Sometimes it is better to forget about business growth and profit for a short period to get sibling relationships back on track because strong partnerships can always solve poor business decisions. Still, bad partnerships will eventually lead to the demise of even the strongest businesses (Ward, 1992:328).

Children of controlling, autocratic, and demanding business owners, cannot sometimes participate in shared decision-making. This is a result of growing up in a house where they didn't have the opportunity to develop this skill. According to Aronoff and Astrachan (1996), the skill of shared decision-making is equally important as any other skill to enable a healthy family to prosper.

Questions the successor should ask himself regarding doubts and pressures (Ward, 1997:326):

- How will I be able to stand out in a business and industry that my father dominates?
- How can I create change as a leader while staying true to myself and respecting the leaders before me?
- How will I handle the relentless comparisons with my namesake and make sure the celebrity status portrayed by our famous surname does not side-track my vision?
- How do I obtain the leadership and responsibilities for the well-being of individuals when the beneficiaries are my family members?

- How will I take over as leader of the family from the previous generation who was not only just a senior family leader but also a successful maverick of business?

Next-generation family business leaders need to take risks if they want to grow their businesses. However, the fear of failure and disappointing family members keeps them from taking the required risks and alters their decision-making ability (Ward, 1997:326).

Kets de Vries (1993) thinks that successors are risk-averse because they lack hunger and determination. However, this is not always the case, as the influence of other family members' expectations is often the cause (Ward, 1997:326).

Successors need to understand that it is not only motivation that counts when taking over the family business. They also need a unique skill-set to drive their vision strategically through the organisation at a specific time (Ward, 1997:326).

The preceding section discussed some of the critical factors that next-generation successors should examine before joining the family business. It begins with their purpose for joining and examines the present family member connection before they join. The successor should examine how the spotlight will affect them and recognize that the family business only has one leader. It then assesses whether further job experience is required and emphasizes that there are options for next-generation family members. The distinctiveness of a family business presents both obstacles and opportunities. When family members do it right, a family business may be a vibrant, innovative, and long-lasting functioning asset that benefits all members for years to come.

#### **2.11.4 Challenges faced by successors**

Next-generation family members are not automatically committed to the firm; they could face emotional barriers to joining the family business; the most common fears include (McCann 2007:63): Fear of failure; these successors are afraid to take responsibility for their lives in fear of failing; they should realise that failure is inevitable if emotional resistance hampers their progress (Longenecker *et al.*, 2012:142). Fear of success, frequently next-generation family members are afraid to achieve anything significant in the fear that their parents or others might expect more from them in the future. Successors

should understand that it is better to feel this way instead of their parents and other people having no real expectations of them, let alone not expecting much from themselves (Longenecker *et al.*, 2012:142). Fear of commitment, some successors live by the motto that they will luckily never fail if they never try. Therefore, not making a decision is a poor decision, even though it might make them feel comfortable (Longenecker *et al.*, 2012:143). Fear of disappointing parents, many next-generation family members feel that working for another business rather than the family business will break their parents' hearts. The important thing to remember is that most parents want their children to be happy, so being honest about yourself and your professional choices is all that matters (Longenecker *et al.*, 2012:143). The dread of failing others, including friends, acquaintances, and bosses, is almost identical to the worry of disappointing one's parents. Family business members experience this as a real fear in their lives. It is important to realise that they are only responsible for themselves (Longenecker *et al.*, 2012:143).

### **2.11.5 Important characteristics that successors should have**

In order for successors to have a decent chance of succeeding in the family business, they must be well-equipped in three areas. These characteristics include distinct leadership qualities, high-level managerial abilities and competencies, and unwavering devotion and willingness to take over the family business and lead it to success (Ibrahim *et al.*, 2004:476).

Leadership is the most critical factor in deciding an organization's success or failure (Bass,1990). Furthermore, good leadership is critical to a business's capacity to recognize and compete in a changing environment (Maccoby,1979). Day and Lord (1986) determined that leadership accounts for 45% of a business's performance in a study on leadership succession. Furthermore, successful leaders can communicate effectively (Kanter, 1983). Conflict resolution is a critical personal attribute of exceptional leaders (Morse & Wagner, 1978), as is the capacity to motivate followers (Fiedler,1986).

According to family business studies, competent successors' communication and motivation are crucial characteristics (Foster,1995). Chrisman *et al.* (1998) state that leadership qualities are especially vital and desirable in a successor.

Managerial skills are regarded as essential for leaders to undertake executive functions (Barnard, 1938). Furthermore, research on executive behaviour and corporate success discovered that managerial skills predict these aspects (Hambrick & Mason,1984; Kelly & Ibrahim,1991; Pfeffer, 1983). Senior executives must have overall management skills to function effectively (Cleveland,1985).

A successor's skill set should contain managerial competence such as expertise in a range of functional areas and industry-specific insight (Foster,1995). Furthermore, a successful successor should acquire knowledge of industry characteristics and obtain industry-specific experience (Tsoukas,1996).

Goldberg (1996) emphasises the value of business experience for a successor. Similarly, Chrisman *et al.* (1998), in collaboration with Lansberg and Astrachan (1994), highlight the importance of a successor's competence and managerial talents.

Respect for family and non-family personnel, drive, and devotion to the business are essential characteristics of a good successor (Ibrahim *et al.*, 2004). Stavrou (1999) and Lansberg (1991) both highlight the relevance of these attributes in a successor. Successors lose interest in pursuing the family business's leadership position when they are discouraged by the incumbent CEO's refusal to step down from his role as a leader (Lansberg, 1991; Stavrou, 1999).

Leadership capabilities, managerial skills, and motivation are the three fundamental characteristics of effective successors described above. All of these characteristics may be enhanced through formal training programs (Ibrahim *et al.*, 2004).

### 2.11.6 When and how to enter

The following section will explore when it is optimal for next-generation family members to enter the family business and how they get involved with all the specific aspects of the company they need to master.

A successor might enter the family business in one of two ways. They may gain experience at a non-related company first, then join the family business after proving themselves; this is known as a delayed-entry strategy (Barach *et al.*, 1988:52).

The alternative approach for the successor is to start by working on holidays and weekends and primarily doing low-level jobs. They would then gain experience, allowing them to understand the business's culture, resources, and priorities (Barach *et al.*, 1988:53). Furthermore, by employing this low-level entry strategy, they will acquire credibility in the eyes of decision-makers, which will ultimately decide the success of their arrival. They will also gain confidence by learning in-depth about the firm's operations (Barach *et al.*, 1988:53).

The advantages and disadvantages of both entry strategies are summarised as proposed by Barach *et al.* (1988:53).

Advantages of a low-level entry strategy:

- Gain in-depth knowledge of the nature of the business and its employees.
- Develop skills that are particularly useful in the business.
- The exposure to non-family employees in the business creates credibility and acceptance for the successor.
- The establishment of strong relationships with family business team members.

Disadvantages of a low-level entry strategy:

- Disagreements arise when the owner struggles to let go of control or teach the successor.

- When a successor makes typical mistakes, the founder views it as incompetence.
- Limits environmental knowledge and the possibility of inbreeding exists.

Advantages of a delayed entry strategy:

- Objective judgment of the successor's skills.
- Growth is achieved without family influence and the development of self-confidence.
- When a successor achieves external success, it gives him credibility, and he is accepted as a competent executive.
- It broadens his perspective of the business world.

Disadvantages of a delayed entry strategy:

- Possible lack of understanding of the business's main success factors and culture.
- Systems and set patterns within the family business can be different from the ones experienced at other companies.
- Successors who are promoted before long-term non-family employees create resentment.

Most researchers agree that the next generation should obtain external working experience early in their careers (Danco, 1979; Tagiuri & Davis, 1984). Although 80 to 90 per cent of family members enter their businesses through holidays and low-level jobs, this is not ideal for portraying the successor as a competent leader in the view of customers and employees (Barach *et al.*, 1988:51).

Acceptance is defined as “The extent to which others perceive one believes and behaves as prescribed by the culture.”, and credibility is the “Perception of others in the organisation of his or her ability and intention to deliver valued results.” (Sathe, 1985:264). Therefore, successors need to be both accepted and seen as credible by the non-family employees and family members to have a chance to succeed as next-generation leaders.

Early affiliation enables socialisation with the founder and allows for high-quality relationships to develop between the top-management team, non-family employees, customers, and the next-generation leaders (Kandade *et al.*, 2021:8). High-quality relationships only develop if the successor started these relationships long before becoming the family business leader.

Founders who value the importance of letting the successor experience the family business from a young age have a greater chance of implementing a successful succession process than business leaders who wait until it's time to take over for the next generation to get involved in the business (Harvey & Evans, 1994).

Garcia-Alvarez *et al.* (2002) also mention that established values are easier transferred to the next-generation successor when they participate in early socialisation and affiliation with all the stakeholders in the family business.

Early affiliation with the family business is a developing process. It starts with memories from the business and environment as a child, and then it gradually evolves into association with the non-family employees of the firm. This will lead to the successor working in the business during weekends and school holidays, culminating in ambition or desire to join and take over the business (Kandade *et al.*, 2021:10).

This section of the literature review focused on the crucial aspect of whether a next-generation leader should start as early as possible, doing low-level jobs, and becoming familiar with the environment from a young age. They should also decide whether they should stay away from the family business while gaining valuable experience at an external business and then joining the company when they are more experienced, thus bringing more value to the firm.

### **2.11.7 What the next generation should do after joining the business**

When a successor joins the family business, they should be very responsive to their new environment and understand his influence on it. This part of the chapter discusses some of the directions they need to follow and actions to lead the business successfully.

The success of the family business is not entirely up to the next-generation successor, but there is a few things they can do after joining to increase their chances of success (Suen, 2021): Be aware of yourself, your vision, goals, and expectations such as before joining the family business, successors need to create a true vision of themselves and their personal goals; the ability to communicate this vision and goals is also critical (Suen, 2021); appreciate the previous generation as the next generation does not fully understand the business's history and values, they could experience conflicts and negative responses when bringing fresh business ideas. As a result, it may be advantageous for the successor to empathize with the founder rather than judge him when analysing his actions (Suen, 2021). They should also enter strategically, for when a next-generation family member enters the business, he should spend his first year or two trying to learn all aspects of the business from everyone. It is important to ask simple questions rather than claiming to know everything; this would establish their reputation and portray them as respectful and collaborative leaders (Suen, 2021). They should be aware of their ego because successors focus on nurturing long-term family relationships and establishing a value system with the family and individual needs at heart. They should rather focus on being correct with their individual decisions, will achieve much more (Suen, 2021); do their thing and make their mark as successors will be well-positioned to implement changes and venture into new avenues that can bring about positive differences in the company (Suen, 2021).

The business world is rapidly changing, and next-generation successors need to realise this and make sure the businesses quickly adapt and steer it to new competitive conditions (Poza & Daugherty, 2014:245). While they envision a more fantastic future, they have to become masters of change while questioning the status quo and sharing their vision with family members and non-family employees (Poza & Daugherty, 2014:245).

The successor must understand the importance of helping the family reach its non-financial goals, which are highly important to the extended family. Therefore, the leader needs to develop his personal strategy for achieving the family's financial and noneconomic goals, which can be a mammoth task but will lead to immense satisfaction

if successful with this quest (Poza & Daugherty, 2014:245). Some successors see this as their life calling.

Successors must evolve into change agents who strive for growth and nurture values and culture (Poza & Daugherty, 2014:246). Change leaders should always question the existing quo, keep an external customer and competition perspective in mind, embark on a new path, and instil urgency throughout the family business (Poza & Daugherty, 2014:246). Rapid progress in change is sometimes achieved through a successor's bold vision, which was formed in an environment where the sense of urgency is tangible.

The authority to lead must be earned, and next-generation successors should recognize that just because they have been granted the title of the successor, they should not assume they instantly have that authority; it takes time and sustained effort to earn such authority (Poza & Daugherty, 2014:246). To remain relevant in providing value for its customers and shareholders, a family business must reinvent itself. This reinvention is frequently the result of the following generation's new business ideas and perspectives. (Poza & Daugherty, 2014:246).

The new leader should avoid the following pitfalls (Poza & Daugherty, 2014:225): A successor should never believe that their new title automatically grants them the authority to lead. Authority is not inherited; it is earned; even when conflicts and disagreements arise, the new leader should not distance themselves from valued individuals in the business and the family; they should continuously remain connected with important family members and non-family employees; occasionally top management and other employees have their own agendas, which should not distract the new leader; new leaders do not need to have the answer for everything, and it is a mistake to manage the business as if they do. Instead, true leaders surround themselves with qualified people who have the right answers and use their advice; successors should constantly look for areas to help the business grow. They will often find the management team archaic. Therefore, the management team needs to be replaced when necessary to get fresh perspectives that could ensure business success. There is a fine balancing act between moving too fast or too slow, and next-generation leaders should try to find that balance. As a result, taking calculated risks and moving forward are essential.

To conclude, after joining the family business, a successor should thoroughly analyse themselves and determine where they need to change their way of thinking and doing things. Personal considerations were discussed, and some advice was given regarding which possibilities to pursue and what obstacles to avoid.

### **2.11.8 How successors experience the succession process**

Next-generation family members who enter the family business with the objective of attaining ownership and taking over management must have a positive succession experience in order to become the best new family business leader. This section provides information on the aspects that influence a successor's succession experience.

The two individual variables that influence a sibling's personal experience of the succession process are personal need fulfilment and personal influence (Handler,1992:288). Three interrelated needs determine personal need fulfilment: career, psychosocial, and life stage (Handler, 1992:288). Personal need fulfilment is the extent to which a person's needs are addressed by the opportunities provided in the family business context (Handler,1992:289).

How an individual's professional needs are fulfilled in the family business is related to their career needs satisfaction. These needs shift over time as family members discover their career interests and how the family business might fulfil them (Handler,1992:289). Some family members may not pursue interests outside of the family business because they consider it unrealistic to do so (Handler,1992:289). One participant in a study conducted by Handler (1992:289), for example, stated that he had an interest in architecture but discovered that the elements that attracted him to this passion could also be fulfilled in the family business.

Through socialisation, next-generation family members become accustomed to what the family depicts as career interests, and they claim it will be difficult to be interested in something other than the family's interests (Handler,1992:290). According to Schein (1978), the process of familial socialisation has a significant impact on how an individual's vocational interest develops. When a family member achieves a high level of career need

fulfilment in the family business, they are often passionate, personally involved, and satisfied with their experience in the family business (Handler,1992:290).

The degree to which a human being's desire for personal identity is satisfied under the circumstances of the family business is referred to as psychosocial need fulfilment (Handler, 1992:290). According to several authors, sons and daughters in family businesses may struggle to create their own identity in the founder's shadow (Aberman,1988; Davis,1982; Dumas,1988:175). Family members experience a lack of responsibilities and feel unimportant when they feel a low level of psychosocial need fulfilment (Handler,1992:291). According to Williamson, Bray, and Malone (1982), an individual's distinctiveness from his parents impacts the quality of his experience. Some next-generation family members who are already operating their businesses as CEOs and who lack a sense of personal ownership in the business might nonetheless suffer low levels of psychological need fulfilment (Handler,1992:291). The third aspect of meeting an individual's personal needs is meeting life stage demands. The family business sphere is concerned with the need for exploration, advancement, and balance as one progresses through life phases after joining the family business (Handler,1992:292).

The urge for exploration may be challenging for next-generation successors since it means experiencing personal independence rather than the familial connection associated with a family business (Handler,1992:292).

In their early adulthood, aged 29 to 39, successors place high regard on their personal advancement, measuring it through family business growth and development. In contrast, family members in their middle adulthood, aged 40 to 50, find it important to have a balanced life and tend to start slowing down (Handler,1992:293). Handler (1992:293) suggests that successors must fulfil their life stage needs while working in their family businesses. Family members who are just starting out their family business careers need to explore, or they might feel imprisoned in the family business later on. Successors must have a feeling of accomplishment during their early adulthood; otherwise, they may experience anger and resentment. Balance is essential as they enter middle life (Handler,1992:294).

Successors who can use personal influence in the context of their family business ought to have a more pleasant succession experience (Handler,1992:294). Personal influence has a lot to do with a person's view on authority. Family members with a situational posture that is not rebellious or conforming use their personal influence in a manner that is best for themselves and the organisation (Handler,1992:294). Hall (1976) explains that a person's ability to exercise personal influence can help start a cycle of psychological success. Thus, to experience a successful succession, both the possibility of exerting personal influence and fulfilling personal needs are necessary (Handler, 1992:295).

A successor's sense of succession is determined by four relationship influences (Handler,1992:295): To begin, mutual respect between the successor and the founder is important because when a next-generation family successor and founder show respect and attempt to understand each other, the sibling has a more pleasant succession experience. This mutual respect and understanding are one of the most important factors influencing how the next-generation sibling experiences succession. This mutual respect and understanding are among the most critical influences on how the next-generation sibling experiences succession (Handler,1992:269). Thus, a family business acts as a powerful amplifier; it is an extension of the parent-child relationship (Jonovic,1982:71). When the relationship between the founder and successor experiences difficulties and constant tension, the possibility of having a joyful time in the family business is scarce, and there is frequent anger and resentment (Handler,1992:297). Secondly, sibling accommodation between the successor and siblings in the family business to get along well with each other and accommodate and work with each other instead of having constant arguments, the successor will have a positive succession experience. Sibling accommodation happens when next-generation family members or relatives work in the company and accept each other's roles of power and responsibility (Handler,1992:298). On the other hand, when sibling relations constitute mostly jealousy and rivalry, it will be detrimental to the succession process (Handler,1992:299). Third, commitment to the family business perpetuates as boundary issues and occurs when the business and family systems overlap, causing tensions among people on both sides of the boundary. For example, the first boundary issue is the commitment to family business perpetuation; this is a family value that forms through the beneficence of family members in the company (Handler,1992:300). A successor will experience succession positively the

higher the regard for the importance of family business perpetuation as a family value. Finally, family engagement produces separation difficulties because family and business systems overlap and infiltrate each other, producing friction between the business and the family. When there are a lot of separation tensions owing to family involvement in the business, the successor will struggle to have a pleasant succession experience.

This section began by discussing personal need fulfilment and its three determinants: job, psychological, and life stage need fulfilment. It then goes on to discuss how socialisation influences professional demands, what psychosocial need fulfilment entails, and how the many life stages a successor goes through in a family business shift from exploration to progression to the desire for work-life balance. Following that, the function of personal influence on the next-generation family member and the business is explored. Finally, it concludes with an examination of the unique relationship elements that may alter the successor's succession experience.

## **CHAPTER 3**

### **RESULTS AND DISCUSSION OF EMPIRICAL STUDY**

#### **3.1 INTRODUCTION**

This chapter analyses and discusses the data collected. Seven individuals identified as next-generation family members who are currently leading and managing their family businesses in Gauteng Province, South Africa, were given a series of probing questions. The purpose was to extract the data and inform the discussions of the researched phenomenon. To begin, the researcher will present a profile of the study's successors and their family businesses. Second, the researcher will report on the themes that emerged from the data gathered on the process of entering the family business. Finally, all of the data collected from the participants will be discussed.

All the participants in this study were 2<sup>nd</sup> or 3<sup>rd</sup> generation successors that were already leading and managing their respective family businesses, and for the purpose of this study, they were referred to in the following manner:

- Successor 1 = P1
- Successor 2 = P2
- Successor 3 = P3
- Successor 4 = P4
- Successor 5 = P5
- Successor 6 = P6
- Successor 7 = P7

## 3.2 PROFILE OF SUCCESSORS AND THEIR FAMILY BUSINESSES

### 3.2.1 Age of successors

The age of the participants in this study varies from 28 to 48 years and is summarized in Table 3-1 below.

**Table 3-1 Age of successors**

<b>Successor</b>	<b>Age</b>
<b>P1</b>	<b>41</b>
<b>P2</b>	<b>38</b>
<b>P3</b>	<b>38</b>
<b>P4</b>	<b>41</b>
<b>P5</b>	<b>28</b>
<b>P6</b>	<b>40</b>
<b>P7</b>	<b>48</b>

**Source:** Compiled by the researcher

### 3.2.2 Education level of successors

The successors who participated in this study had varying degrees of education levels. The majority of them completed Secondary School, and two out of the seven participants obtained a further Tertiary qualification, as shown in Table 3-2 below.

**Table 3-2 Education level of successors**

<b>Type of Qualification</b>	<b>Percentage</b>
<b>1. No schooling</b>	<b>0%</b>
<b>2. Less than primary school</b>	<b>0%</b>
<b>3. Primary completed</b>	<b>0%</b>
3. Secondary not completed	<b>0%</b>
4. Secondary completed	<b>72%</b>
5. Tertiary qualification obtained	<b>29%</b>

**Source:** Compiled by researcher

Table 3-3 below illustrates the level of education of all the SMME owners in South Africa. This data, however, contains the SMMEs in the formal and informal sectors, where the study participants were only part of the formal sector.

**Table 3-3 SMME owners’ education in South Africa**

Schooling	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
No schooling	87 822	3.6%	82 672	3.2%	81 611	3.2%	-1 061	-1.3%	-6 211	-7.1%
Less than primary completed	210 446	8.6%	187 352	7.3%	182 399	7.2%	-4 953	-2.6%	-28 047	-13.3%
Primary completed	106 477	4.4%	130 248	5.1%	134 282	5.3%	4 034	3.1%	27 804	26.1%
Secondary not completed	864 020	35.4%	873 962	34.2%	896 277	35.1%	22 315	2.6%	32 257	3.7%
Secondary completed	618 897	25.3%	722 668	28.3%	701 603	27.5%	-21 064	-2.9%	82 706	13.4%
Tertiary	518 545	21.2%	519 146	20.3%	504 464	19.8%	-14 681	-2.8%	-14 081	-2.7%
Other	36 955	1.5%	41 714	1.6%	49 903	2.0%	8 189	19.6%	12 948	35.0%
<b>Total</b>	<b>2 443 163</b>	<b>100.0%</b>	<b>2 557 762</b>	<b>100.0%</b>	<b>2 550 540</b>	<b>100.0%</b>	<b>-7 222</b>	<b>-0.3%</b>	<b>107 377</b>	<b>4.4%</b>

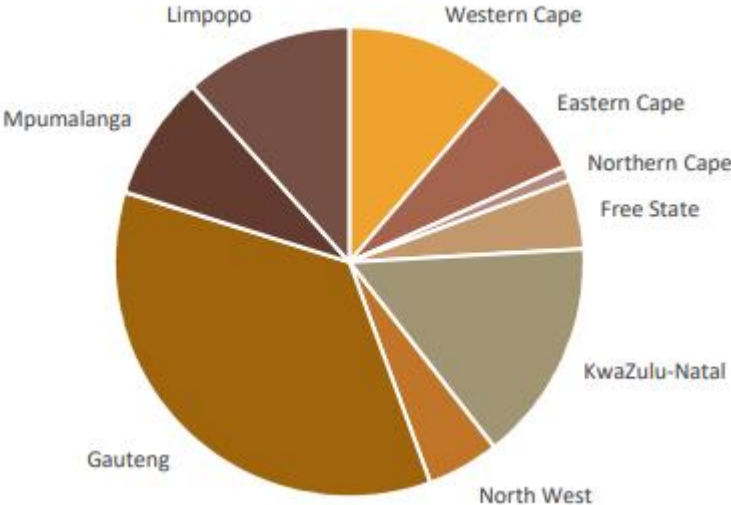
Source: (Seda, 2019)

**3.2.3 Socio-economic analysis: Gauteng**

Based on statistics in South Africa, as of the first quarter of 2019, Gauteng had 903220 SMMEs, which represents 35.4% of the total SMMEs in South Africa, which stands at 2550 540.

Figure 3-1 below demonstrates the SMMEs representation per province in South Africa.

**Figure 3-1 SMMEs by Province**



**Source:** (Seda, 2019)

**3.2.4 General information of SMME sampled**

**3.2.4.1 Industry of the successor’s family business**

This section provides an overview of the successors' family businesses industry in which it operates as well as the age of the business. The participants who participated in this study are from various sectors and have been in operation for different periods. This increases the reliability and credibility of the data obtained as well as the findings. The two industries, which represent all the participants, can be seen in Table 3-4 below.

**Table 3-4 Industry of the successor's family business**

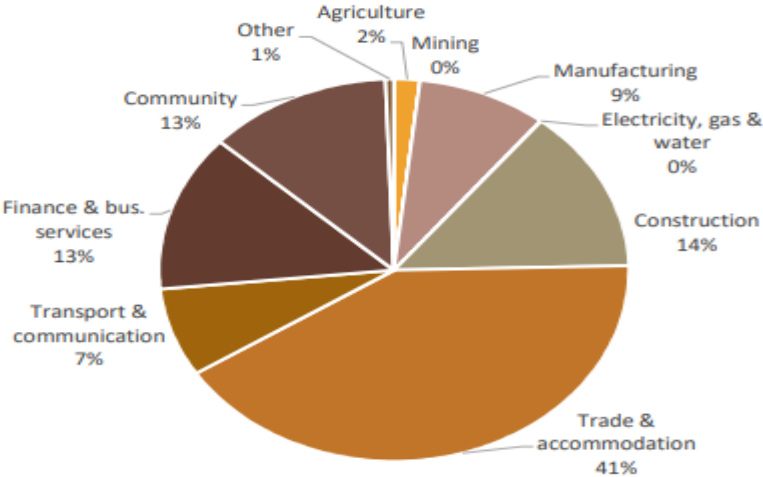
Industry	Percentage of Participants
Trading enterprise	71%
Manufacturing	29%

**Source:** Compiled by the researcher

According to the statistics, most of the participants worked for family-owned businesses in various areas of the trading industry. Bulk fuel, outdoor power solutions, plumbing supplies, firearms, and air conditioning are just a few examples. Manufacturing, such as general steel engineering and aggregates, had just a few participants.

Figure 3-2 below is a pie chart that depicts the breakdown of SMMEs in South Africa by Industry, with trade and accommodation accounting for the vast majority (41%) and manufacturing accounting for 9%.

**Figure 3-2 SMMEs by Industry in South Africa**



**Source:** (Seda, 2019)

**3.2.4.2 How long has the company been in operation?**

Table 3-5 summarizes the number of years that the family businesses where the participants are involved have been operating.

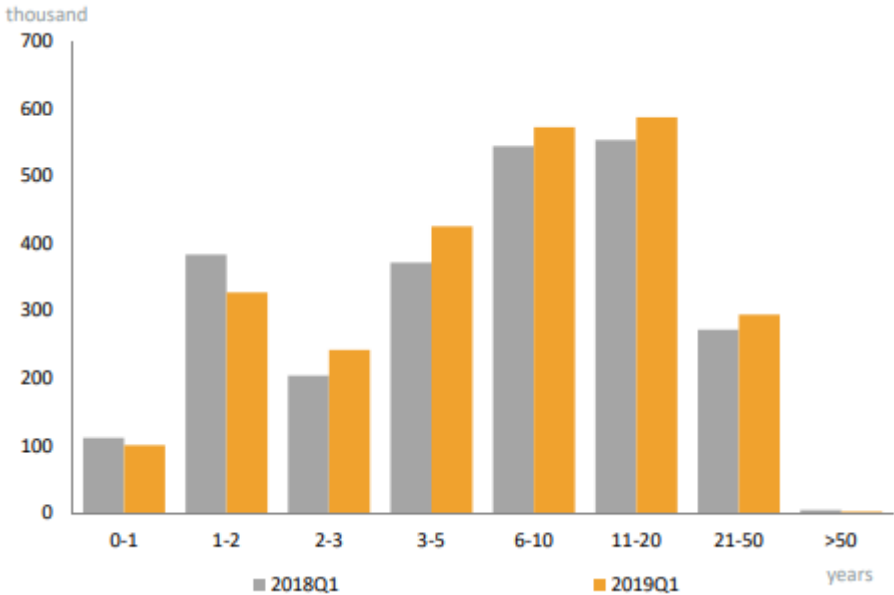
**Table 3-5 SMME years in Operation**

Length of operation in years	
1. Less than a year	0
2. Between 1-20 years	0
3. Between 21-50 Years	86% (6 of the 7 participants)
4. More than 50 Years	14% (1 of the 7 participants)

Source: Compiled by the researcher

According to the findings, 86% of the participating family-owned businesses have been in existence for more than 20 years, with one having been in operation since 1958. None of the SMMEs had been in operation for less than 20 years. However, according to the SEDA quarterly review, most South African SMMEs are between the ages of 6 and 20. (Seda, 2019). This might be due to the fact that the figures as shown in Figure 3-3 below are based on SMMEs in general, rather than 2nd or 3rd generation family businesses, which are the subject of this study.

**Figure 3-3 SMMEs by age in South Africa**



Source: Seda (2019)

### 3.3 THEME EXPLANATION

The primary goal of this study was to investigate the fundamental reasons for and methods by which next-generation family members engage SMME family businesses in Gauteng Province, South Africa.

To explore and achieve the primary objective, secondary objectives were formulated, and they are the following:

- To delve into the entry process of next-generation family members in South Africa through a literature study.
- To determine challenges that next-generation family members experience before and after joining the family business.
- To explore the main motivating factors to the reasons why next-generation family members decide to join their family businesses in South Africa.
- To make recommendations on how next-generation family members can overcome the challenges and utilise opportunities to join their family businesses in South Africa.
- To describe the process for next-generation family members on entering the family business.

During the empirical research, six main research questions were asked, which will help to reach the study's primary and secondary objectives.

The six research questions are:

- Do successors need to obtain tertiary education and external work experience first?
- What is a family business member's motivation to join the family business?
- What is the process of joining the family business?
- What challenges do next-generation family business members face?
- Do next-generation family business successors want their own children involved?
- What advice is there to successors about the entry process and working in a family business?

The following Table 3-6 explains the themes that emerged from the data as a result of an Excel analysis, as well as their relevance to the study questions:

**Table 3-6 Theme explanation**

<b>Main Research Questions</b>	<b>Theme Category</b>
<ul style="list-style-type: none"> <li>● Do successors need to obtain tertiary education and external work experience first?</li> </ul>	<ul style="list-style-type: none"> <li>● Theme A: Education and external work experience</li> </ul>
<ul style="list-style-type: none"> <li>● What is a family business member’s motivation to join the family business?</li> </ul>	<ul style="list-style-type: none"> <li>● Theme B: Do Successors join by choice or circumstance</li> </ul>
<ul style="list-style-type: none"> <li>● What is the start of the process of joining the family business?</li> </ul>	<ul style="list-style-type: none"> <li>● Theme C: Exposure to the family business</li> </ul>
<ul style="list-style-type: none"> <li>● What challenges do next-generation family business members face?</li> </ul>	<ul style="list-style-type: none"> <li>● Theme D: Challenges when joined</li> </ul>
<ul style="list-style-type: none"> <li>● Do next-generation family business successors want their own children involved?</li> </ul>	<ul style="list-style-type: none"> <li>● Theme E: Involvement of successors' children</li> </ul>
<ul style="list-style-type: none"> <li>● What advice is there to successors about the entry process and working in a family business?</li> </ul>	<ul style="list-style-type: none"> <li>● Theme F: Advice for successors</li> </ul>

**Source:** Compiled by the researcher

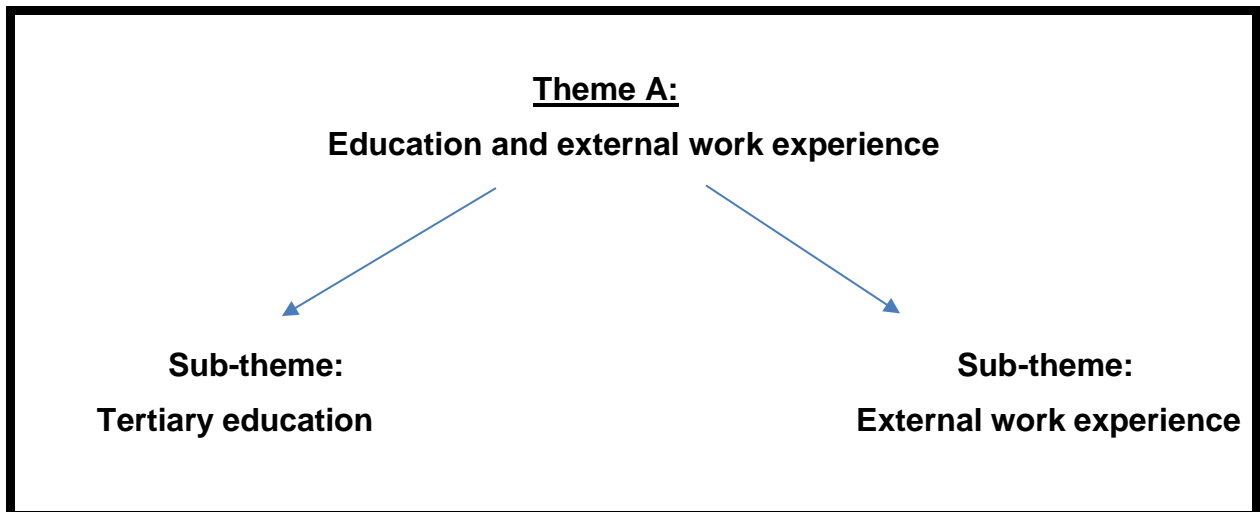
As illustrated above, the main themes are education and external work experience, do successors join by choice or circumstance, exposure to the family business, challenges when joined, involvement of successors' children and advice for successors about the entry process of the next generation into family businesses.

As illustrated above, the main themes are education and external work experience, whether successors join by choice or circumstance, exposure to the family business, challenges when joining, involvement of successors' children, and advice for successors about the next generation's entry into family businesses.

### 3.3.1 Theme A: Education and external work experience

- Research question 1: Do successors need to obtain tertiary education and external work experience first?

Figure 3-4 Theme A – Education and external work experience



Source: Compiled by the researcher

#### 3.3.1.1 Tertiary education

Although successors believe tertiary education is necessary for their children if they want to join the family business, they mostly see it as a backup plan if their entry into the family business is not successful.

*"I went to Potch University, 2002 I was first year and finished in 2005, my highest qualification is a BA Trading and Marketing Degree, and I definitely think it is necessary for the next generation to have something as a backup should the family business not necessarily work out or maybe have different views or interests." - P2*

*" Yes, I would absolutely say that it is definitely needed not only just for the business but to explore other opportunities... I would say definitely to have a degree is always something to fall back on or to go into a different direction..." – P4*

Education alone is not enough; it needs to go hand in hand with work experience to give the best value to the business. Ward (1997:326) also emphasizes that motivation alone is not sufficient when taking over the family business. Successors need a unique skill-set to assist them in pushing their vision through the company.

*"...my highest is an NQF 9, which is an MBA... it is very important for me to be properly educated before you are introduced into the family business, but along with that, the experience plays a massive role. I think education adds to that, but without the experience to start with, education won't be worth it. Experience and education complete each other." – P5*

*".... But my words to her was you need something you can fall back on. If something goes south with the business or something doesn't pan out, you never know; life is, life is different, so. I've sent her to study as a draftsman...." – P7*

Only two of the participants completed their higher education, even though all seven emphasize the necessity of their children continuing their education beyond high school. They each have distinct motivations for emphasising the value of tertiary education. P2, P3, P4, and P7 feel it is critical to have something to fall back on if whatever they pursue does not work out. P1 believes that it varies from person to person, that various children have different skills, and that there is no need in studying if the child is more technically inclined and enjoys it.

P5 and P6 believe that studying further might and should add value to the business because there are a variety of areas to study that will benefit a specific section of the business. This is consistent with Kaunda and Nkhoma (2013), who emphasize the importance of an appropriately qualified successor to lead and manage a family business.

### 3.3.1.2 External work experience

The theme that coincides with further tertiary education is gaining external work experience first for successors before joining the business.

*"I think it would have been not a bad thing I had experience from outside our industry, in a more management position of a business, might have equipped me better to take over the management of the business may be at a younger age." – P1*

Prior external work experience gives successors a broader perspective, which will enable them to look at their business and industry with a different view, as opposed only to knowing their business and how they operate. Say(2021) agrees with this perspective as he states that a successor's confidence and knowledge will get a boost from objective feedback received from external sources.

*"...I think it is a very good thing to happen to a next-generation family member first to go and work at an external company and then join the family business to gain some perspective." – P4*

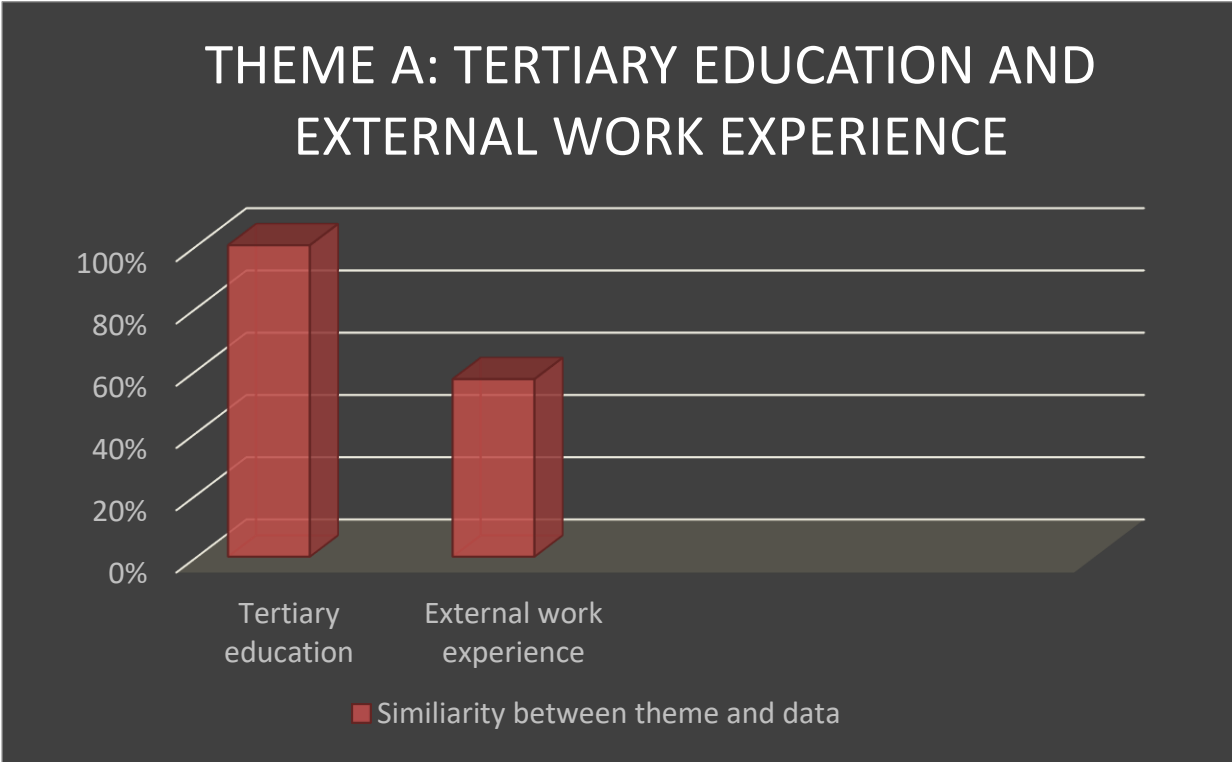
According to the findings, 43% of the participants worked for another company before joining their family business. P7 claims that his father insisted on him doing it for him to learn how to work hard and that he acknowledged that it helped and recommended it before joining a family-run business. Participant 1 states that if he had worked for another company, he would have been involved in family business management much sooner. This remark corresponds with P5's experience since he held two jobs before joining and claims that it helped him understand responsibilities and aided his managing abilities. P2 and P4 agree that having external job experience broadens the successor's horizon and offers them a fresh perspective.

A delayed entrance approach is when you gain external work experience before entering the family business (Barach *et al.*, 1988:52). The benefits of a delayed entrance approach include an objective evaluation of family members' talents, the growth of confidence, and,

to agree with P2 and P4, it broadens his vision of the business world (Barach *et al.*, 1988:53). According to Danco (1979) and Tagiuri and Davis (1984), the next successors should have external working experience early in their careers.

Figure 3-5 below is a graph that illustrates the significance of the themes in relation to what the participants experienced in their respective family businesses.

**Figure 3-5 Theme A similarity graph**



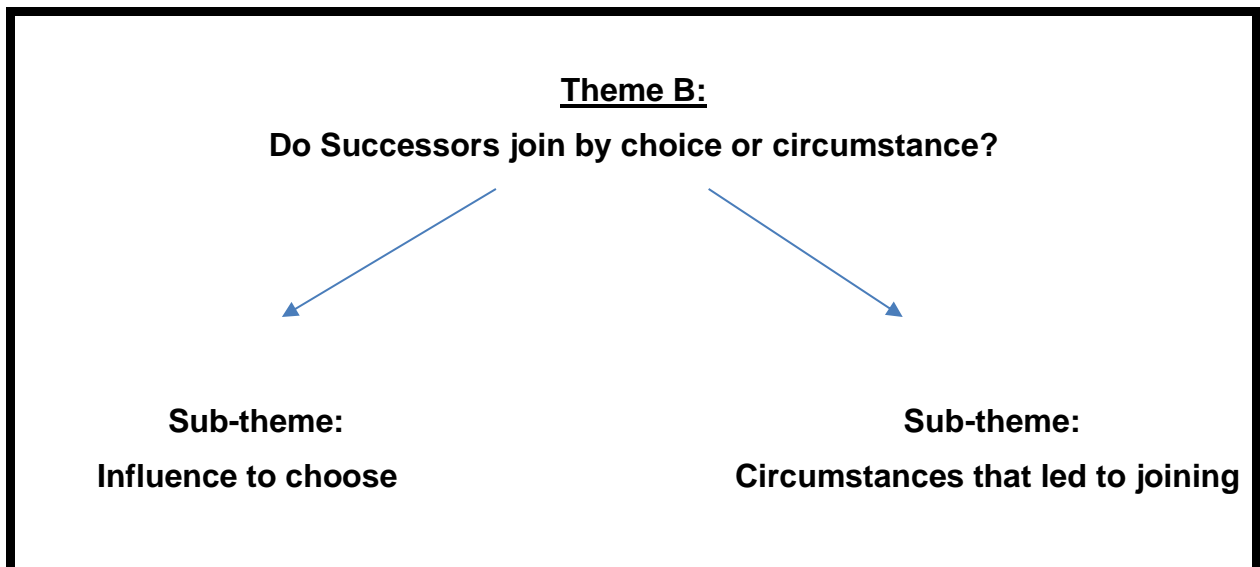
**Source:** Compiled by the researcher

**3.3.2 Theme B: Do Successors join by choice or circumstance?**

- Research question 2: What is a family business member’s motivation to join the family business?

The two sub-themes of Theme B are depicted in Figure 3-6 below.

**Figure 3-6: Theme B – Do successors join by choice or circumstance?**



**Source:** Compiled by the researcher

### **3.3.2.1 Influence to choose**

Successors make their own decisions in life, and the same goes for their decision to join the family business. However, these decisions are always influenced by other people and external factors. Longenecker *et al.* (2012:142) explain that successors who feel compelled to work in the family business show obligation-based commitment, which is evident from the explanation by P4 below.

*"...The reason I became involved here is because of a tragedy that we had in the business with a manager we had in the business, which suddenly passed away. And there was quite a lot of pressure on my father, and I made a choice to start working in the business to help...." – P4*

Growing up in a family business and learning from the founder's example shapes a successor's thinking pattern, and joining the family business then merely becomes an extension of himself.

*"Well, my knowledge framework, what I know, and how I grew up is in this company. What I saw from my parents, who set an excellent example for me, is how I want to be, and I want to provide for my son in the same way...." P5*

Surprisingly, just one of the participants never has considered doing anything other than working in and eventually taking over the family business. He was exposed to the business at an early age and spent a lot of time with his father at the firm, learning about all the operations and getting to know the company's team members. His learned experience is comparable to what Kandade et al. (2021:8) discovered in that early socialisation with the founder allows for the development of proper connections between non-family personnel and the next-generation leader.

Longenecker *et al.* (2012:142) describe obligation-based commitment as to when successors join the family business because they think they must instead of wanting to. P4 was still uncertain about his future while he was working at an external company when their family business suddenly needed someone to help his father because the manager had passed away. He felt that he had to step up and help his dad, and although it was not his choice, he just knew he had to join the business then.

*"Well, at that stage, I didn't really you know what to do or didn't know what I wanted to do, and my dad gave me the opportunity to get involved and see if I liked it, and it was something that intrigued me...." -P6*

P6 was intrigued by the processes and the product of their business, which influenced his decision to join. This finding is similar to what Birley (1986:40) says, that the interest of the next generation in the staff, product, markets, systems, and strategy is the specific interest in the family business's strategy that could encourage them to join the family business.

### **3.3.2.2 Circumstances that led to joining**

The same goes for this theme as the previous one. Successors do not just wake up one day and suddenly decide to join the family business. Growing up in circumstances where the family business is such a major part of their lives, successors do not really decide their futures; their futures was established from a young age, and whether they think they

chose or not is somewhat irrelevant because joining the family business is just a normal occurrence.

*"So I wouldn't say I chose to be in the business. I did want to go and study, but I wanted to go and study nature conservation, thinking back about how my parents motivated me at that stage was, they said I could go and do it no problem, but they recommended that I maybe take a gap year and work in the shop for the year which I then did and a year became two, then three, then eventually my dad passed away, and I was in the business, and I was quite happy to be here." – P1*

Once the family business becomes part of a successor's life, they rarely consider doing anything else with his life. It is all about the parents' influence on their thought patterns from a very young age.

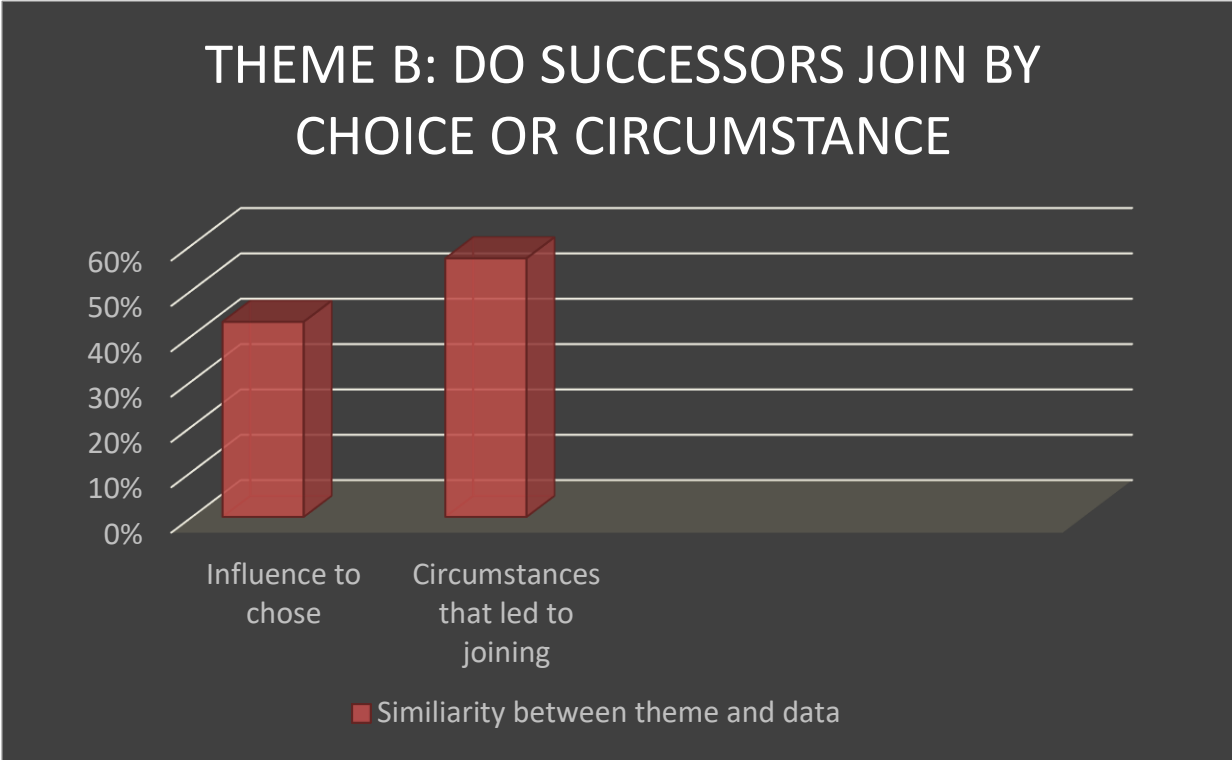
*"There was never a, no I didn't choose the family business over any other industry, we grew up where it was always talked of trucks and trailers... and there was no motivation really rather than having, we were born with it." – P2*

*"I had no choice, and it's something I wanted to do. Just help out my dad. It was what I had done my whole life." – P7*

Although P2 and P7 say they did not choose to join the business, they just knew they wanted to join it. To choose was never an option. Their intrinsic desire-based commitment, which their father influenced, led them to join the company. Longenecker *et al.* (2012:142) explain successors with a desire-based commitment want to be part of the business. They associate with the business completely and think they can make a worthwhile contribution to it.

The graph below in Figure 3-7 illustrates the differences between the different reasons these specific participants, successors of family businesses in the western part of Gauteng, South Africa, decide to join their family businesses.

Figure 3-7 Theme B similarity graph



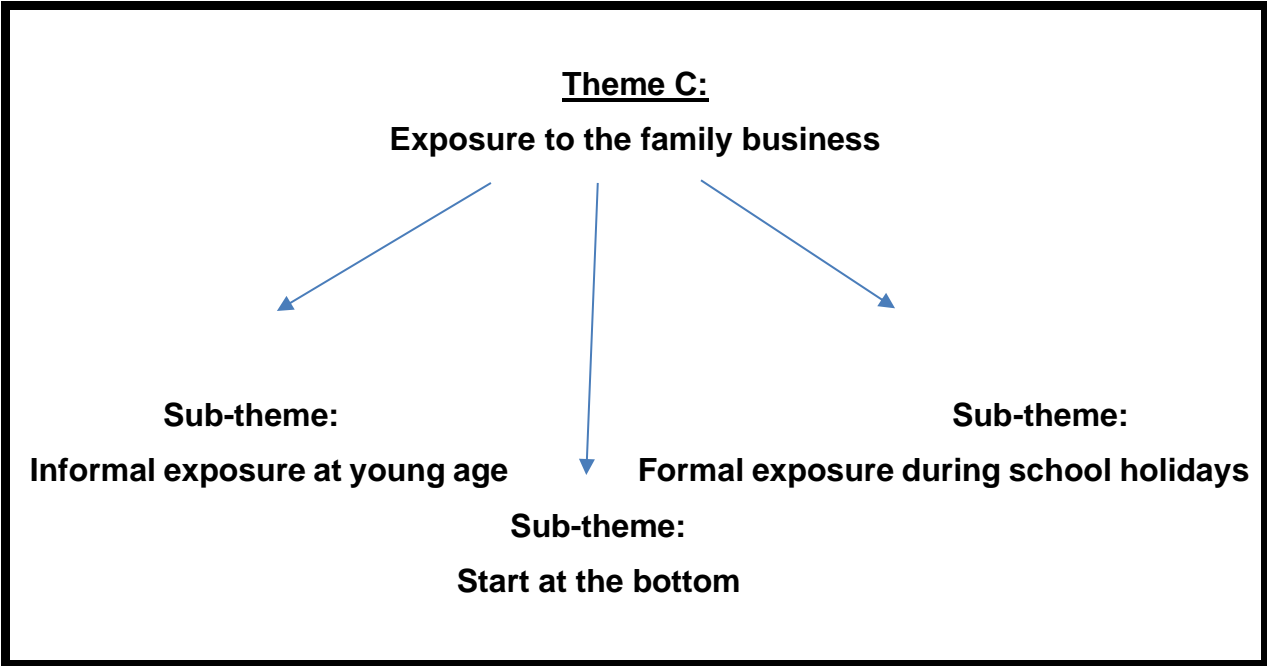
Source: Compiled by the researcher

**3.3.3 Theme C: Exposure to the family business**

- **Research question 3:** What is the start of the process of joining the family business?

The third main theme that emerged was the successors' initial exposure to his family business. The researcher explored whether he experienced informal exposure at a young age, formal exposure during school holidays and weekends. It also examined if the successor started at the bottom of the company when he became employed full-time. Figure 3-8 illustrates the main theme with the three sub-themes.

**Figure 3-8 Theme C – Exposure to the family business**



**Source:** Compiled by the researcher

**3.3.3.1 Informal exposure at a young age**

Parents have a strong influence on their children, especially when they are young, and they will not do what you tell them to do but mirror your actions. This is especially crucial in a family business setting, where you aim to integrate them into the business and prepare them to take over one day. This statement is in conjunction with what Handler (1992:290) says, that successors become used to what the family depicts as career interests through socialisation. It will be difficult for them to be interested in anything other than the family’s interests.

*"...we were exposed to the family businesses from a very young age; it was all that we talked about; we all knew this is a family business, and we want to enter and to work for the family business...." – P2*

This is similar to the assertion that founders who recognise the necessity of providing early childhood business experiences to next-generation family members have a better probability of completing a successful family business handover (Harvey & Evans, 1994).

*"...from a small age, well young age, I was always going with my dad to sites and as a youngster, and I liked the way that things or the way the product works....I was familiar with all happenings in the business." – P6*

Five of the seven participants were informally introduced to their family businesses at an early age when they would play in the shop, accompany their fathers' on-site trips, and climb on and wash company vehicles. Although this early exposure did not necessarily imply that the founders intended for them to take over the business one day, the successors all concur that it provided them with a general understanding of what the business is all about.

### **3.3.3.2 Formal exposure during school holidays**

A formal introduction to the family business via work during school holidays is an efficient way for the successors to learn about the business's different aspects. It creates a sense of belonging, and the skills obtained are necessary to take over the management of the business. A low-level entry strategy, where a successor starts the entry process by working on weekends and during holidays, is a great way to understand the company's culture, resources and priorities (Barach *et al.*,1988:53).

*"I was. During school holidays weekends, my brother and I used to work at the shop and my dad, from a young age, taught us how to repair a lawnmower, we had our own overalls, and we had to in December holidays, he'd help us to fix a mower or two, and yeah, we always were in the business, yes." – P1*

Doing mundane tasks for the business and staying up to date with what is happening in the business is an important way to learn about the dynamics of financial and operational management.

*" Yes, I just helped them out on school holidays; when they phoned me mainly packing stock, I knew everything that was happening financially in the business, it was very close to home, and it was difficult times. He started the business when I was in standard six." - P3*

Early work is also about creating a passion for the business, which is a key component to successfully taking over the business in the long run.

*“And yes, from an early age, I worked school holidays in the business, and it has always been a passion. And I could have seen myself in this business from a young age.” – P4*

Most participants said their first official exposure to the family business was working during school vacations. Based on this, participants began to be active in the family business from an early age, and P4 stated that this is where his passion for business began. P5 admits that he entered the firm due to his knowledge base; it was all he knew growing up. While he initially stepped outside the family business after school, all of the weekends and vacations he spent there eventually led to his taking over the family business. This is consistent with Kandade's (2021:10) perspective that early involvement with the family business is an ever-evolving process that begins with business-related childhood memories and progresses.

### **3.3.3.3 Start at the bottom**

Starting at the bottom in a family business enables successors to learn from the ground up, learn about the processes, meet key role players and gain intrinsic knowledge.

*“So I started almost as low as the bottom can go at that stage. My first job was to be a driver, so I collected and delivered machines. I learned a lot about the whole working process of the business because part of the collection is not just about the machines but also from the suppliers....” – P1*

A next-generation successor cannot manage a business if they haven't experienced firsthand what the actual tasks of the employees below them entail. Knowing what it takes to perform a specific action makes managing and controlling those tasks much easier.

*"I started at the bottom definitely with the mechanics, and on the ground, I want to say the first seven years of the total years that I've been here the first five years I must say it was groundwork offloading vehicles, opening gates, weekends weighing trucks in...."*

– P2

Starting at a low level teaches successors to appreciate everyone in the business.

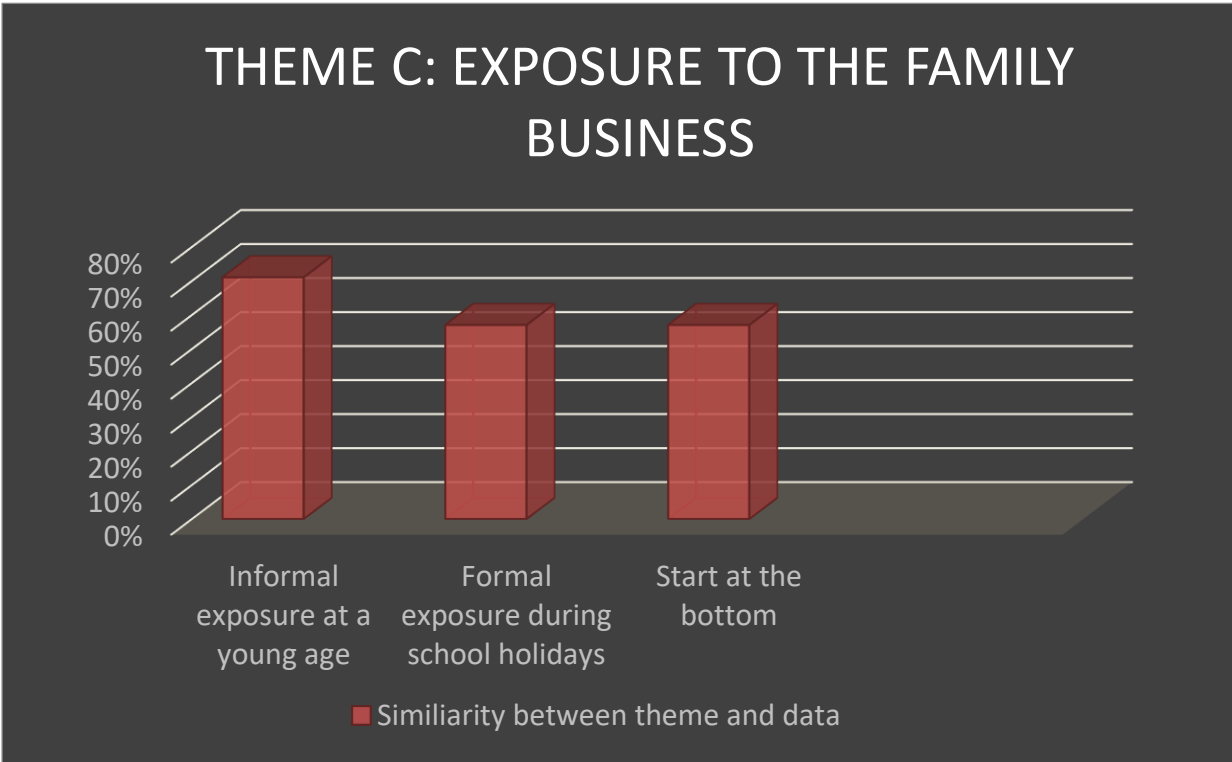
*"No, immediately I started, I wouldn't say in a management position I went straight to counter sales, I learned how to be a salesperson, did stock capturing, if there was anyone in a lower position than me, it was someone making coffee and sweeping the floor, so I started at the bottom." – P3*

A low-level entry strategy requires the successor to begin by working on weekends and during school holidays, completing primarily low-level tasks. This experience allows him to understand the company's culture, resources, and priorities and gain credibility in the eyes of top management, which will ultimately determine the success of his arrival (Barach et al., 1988:53). All of the participants began in their family business, doing low-level duties such as preparing coffee, washing delivery cars, and conducting counter sales. They all believe that this is the only way to comprehend the entire operation properly. They also believe that if their children become involved, this is the only way to get started, and while some participants believe that if they had worked somewhere else before joining the family business, to start getting involved in managerial tasks earlier, they still would have had to start at the bottom.

P2 confirmed that he would not have been in the position to instruct their truck drivers with assertiveness if he was not able to drive the truck himself. This statement is in agreement with P5 that he would not have been able to manage the installation teams if he had not worked with these teams first or known what their specific jobs entail and would not have been able to know how to measure their performance correctly. The sub-theme of starting at the bottom experiences corresponds with Poza and Daugherty's (2014:246) view that the authority to lead has to be earned, and the title of successor itself does not guarantee the assumption of authority.

The graph below in Figure 3-9 shows the views of the participants in this study in relation to Theme C: Exposure to the family business, with its sub-themes, which are informal exposure at a young age, formal exposure during school holidays and starting at the bottom.

**Figure 3-9 Theme C similarity graph**



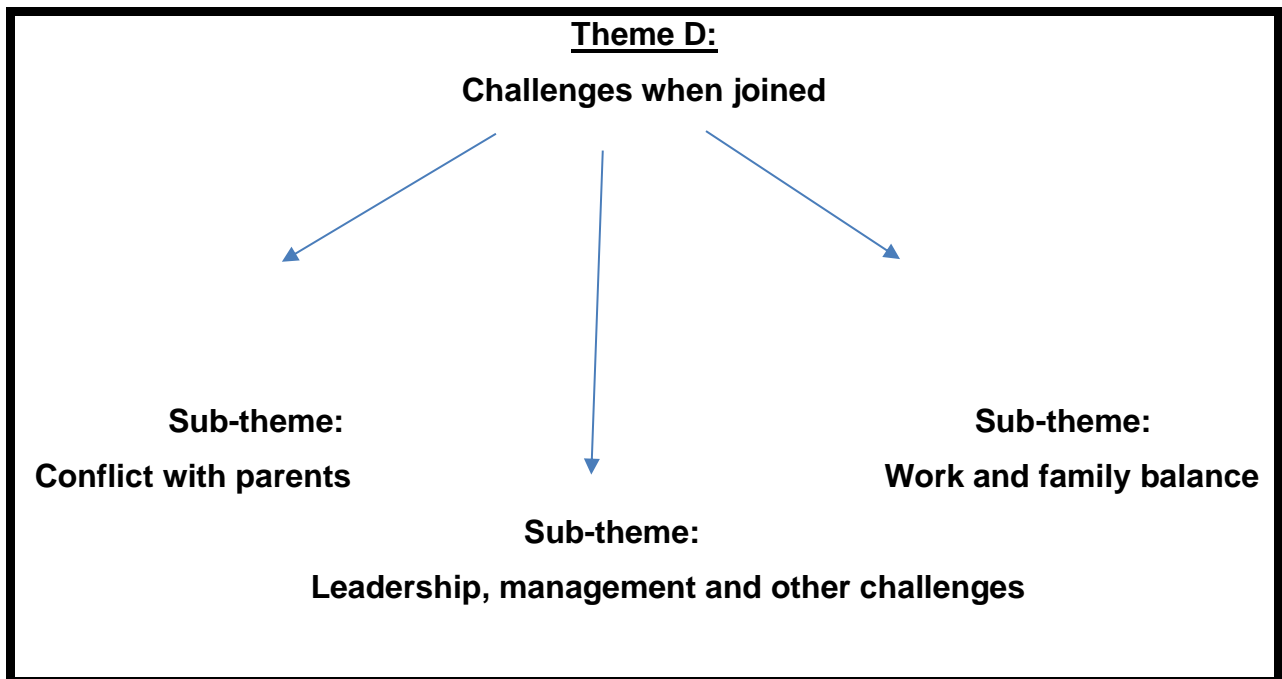
Source: Compiled by the researcher

**3.3.4 Theme D: Challenges when joined**

- **Research question 4:** What challenges do next-generation family business members face?

Similar to the previous figures above, Figure 3-10 below indicates the fourth theme that emerged from the data, with his three sub-themes.

**Figure 3-10 Theme D – Challenges when joined**



**Source:** Compiled by the researcher

#### **3.3.4.1 Conflict with parents**

Disagreements between successors and founders are very common, but they should be embraced and understood. It is natural for a founder to see the next generation as a mere child until he proves his worth in the business.

*“ ... as a 2<sup>nd</sup> and as 3<sup>rd</sup> generation, you have to bring changes because the old way won't work anymore if my parents didn't accept, and if I didn't come into the business, the business wouldn't have survived, but it is very hard for the parents actually to accept that, they have been doing something a certain way, they trust you as a child, but your still this youngster that doesn't really know much...” – P1*

Successors generally want to bring changes as soon as they start to take over, whereas the previous generation seldom wants to embrace change, especially if the old way has been successful for a long time.

*“...yes definitely, in the beginning, there will be a tug of war where you want to be open to change, and one is always reluctant to change, but one is never prepared for that.*

*There is always a struggle and obviously with the older generation wanting everything to remain the same rather than change where the youngsters come in trying to change something totally, but at the end of the day one has to see the bigger picture...." – P2*

When a successor joins, he wants to leave his mark and questions the expected manner of managing the business, which can lead to discrepancies and disagreement.

*"My dad and I fought a lot, really did. Why we fought was I wanted to do it this way, and he wanted to do it that way...." – P7*

According to the findings, the majority of the participants in the family-owned businesses had conflicts and arguments with their parents. This is generally due to the fact that the older generation is used to doing things a certain way. The younger generation wants to try new ways of doing things. Although the founder is often reluctant to change, it is critical for any business to change, evolve, and innovate. As P1 clearly states, their business would not have been in operation if he had not joined. It is critical for successors to serve as change agents by challenging the status quo, focusing on an external customer and competitor perspective, venturing into a new path, and instilling urgency within the business. (Poza & Daugherty, 2014:246). Before bringing family members into the business, they should be aware of the complexities of family interactions. When routine business disparities are factored in, it may lead to a lot of frustration (Say, 2021).

#### **3.3.4.2 Work and family balance**

Members of a family business could find it extremely difficult to distinguish between family matters and business-related issues. The overlapping of family and business causes tension, and the needs of both entities should be respected.

*"Look, it is very difficult to separate, and I don't think it is possible to be completely; there have been times when my mum and I wouldn't talk for days, especially on a personal level. It was more to resolve the issue in the business. Then it definitely does spill over into your personal life, and I don't see it not being possible. It takes a special person who is able not to let it spill over into your personal life." – P1*

It can take a very long time for the first and second generations to appreciate each other's thoughts and actions, and it is essential that they try to understand each other's intentions.

*"...I can't specifically say, but I think I've written my resignation letter two or three times; I've handed it in twice. I must say when I think back now, I always thought I was right. My dad has always been hard on me, but when I think back now, he was right, but at that stage, I didn't think so." – P3*

The majority of participants (57%) think that managing work and family in a family business is highly challenging and has an impact on personal relationships. Successors may not want to spend any leisure time with their families outside of office hours because they believe that the ongoing job stress is impossible to shake when it is time to go home at the end of the day or week. P3 observes that his father was harsh on him, and they argued frequently; he attempted to quit twice, but in retrospect, he concedes that his father was mainly correct and that he was young and naive. He also claims that because he spent so much time with his mother and father in the business, he frequently felt he didn't want to see them on weekends and holidays and that, while things have improved, it is still partly the same. As family and business processes overlap and overburden one another, it can produce friction and pressure on the business and family, influencing how the successor experiences their entry into the family business (Handler, 1992:302).

*"...in a perfect world, nobody will butt heads, that's not how you're going to grow, but once you have butted heads and sorted out the problem in a civil way, you can only go forward from there. Ja and you have to handle it, we're all adults now, you can't throw your toys out of the cot about anything, sort out the problem, don't let it hang." – P6*

This remark from P6 is associated with the explanation that for sibling partnerships to thrive, brothers and sisters must work on their relationships all the time. As a result, honest communication is critical, and they must compromise and promote mutual understanding (Ward, 1997:328).

### 3.3.4.3 Leadership, management and other challenges

In order to lead a family business with authority, respect needs to be earned through years of hard work. A successor can only lead from the top if he learns and applies what the founder teaches him.

*"Well, I think the biggest challenge would be, leadership at a young age, was one of the biggest challenges for me and lack of technical knowledge and skills...." – P5*

Participant 2 explains that he experienced a lack of the appropriate use of the technical dialogue used by his father in their industry, which he overcame by putting in the effort to learn this language. This correlates with Poza & Daugherty(2014:360), who elaborates on the fact that if successors want to be able to communicate effectively with their customers and peers, they need to familiarize themselves with this specific language.

*"...The challenge that I always had was, you know when I sit around the table, and I hear my father speak, and how he presented the meeting, and you know what was trying to be accomplished. To have the knowledge, I would read up on minutes that was for the meeting and to just get the right lingo...." – P2*

P3 thought that his parents did not believe he would be able to run the business. So, his biggest challenge was proving to them but indirectly proving to himself that he could manage and lead the company.

*"The other challenge was to show my parents, I know what I'm doing, I want to move forward, I want to, that was my biggest thing for the first five years, after that when I started, I realized I knew what I was doing, and they could see what I was doing...." –*

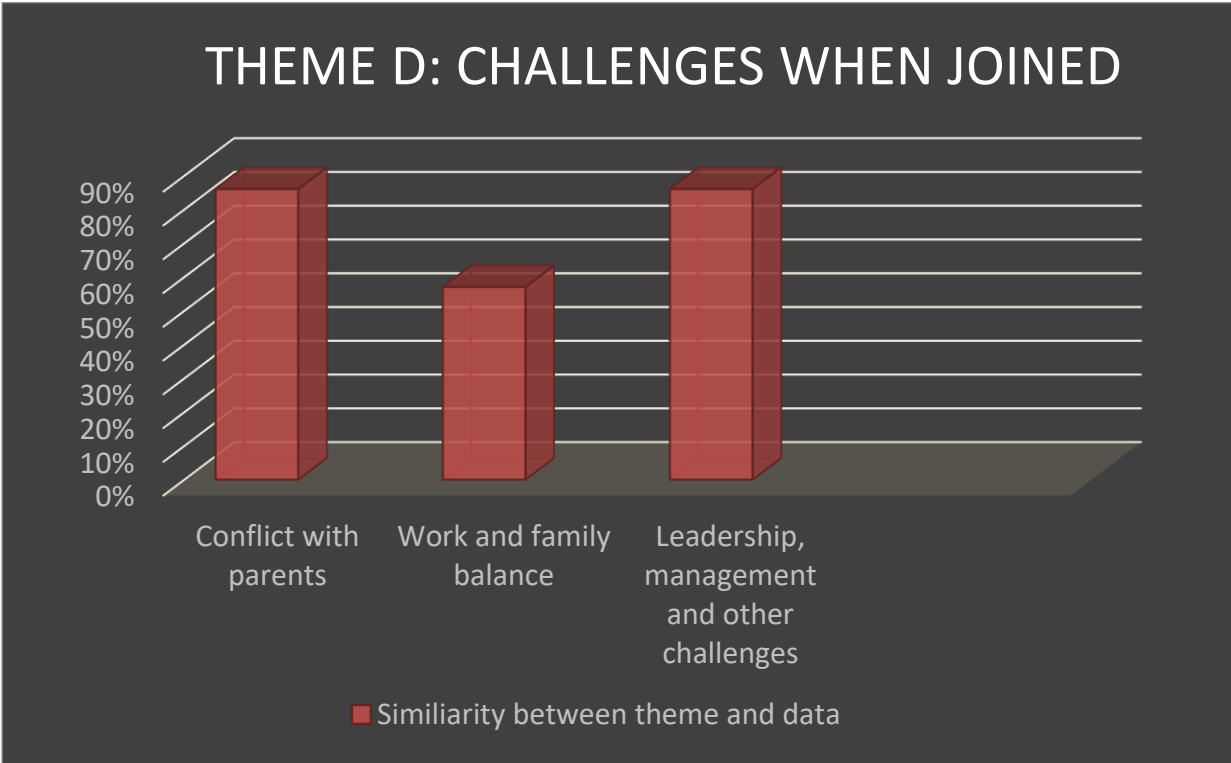
P3

The Majority (86%) of the participants experienced leadership and management at a young age as challenging. P1 argues that external work experience before joining the family business might have assisted him in overcoming this challenge. P3 always wanted to give the customers the correct advice and put in a lot of effort to improve his product

knowledge, whereas P2 admired the way his father conducted their business meetings with customers. He aspired to become just as good by examining his father continuously. This experience by P2 corresponds with the opinion that successors should achieve a thorough understanding of the specific business language used in their industry, and they need to be able to grasp important financial indicators and communicate them factual and fluently (Poza & Daugherty, 2014:361).

The graph in Figure 3-11 below demonstrates the participants' involvement with the challenges identified as themes in the data.

**Figure 3-11 Theme D similarity graph**



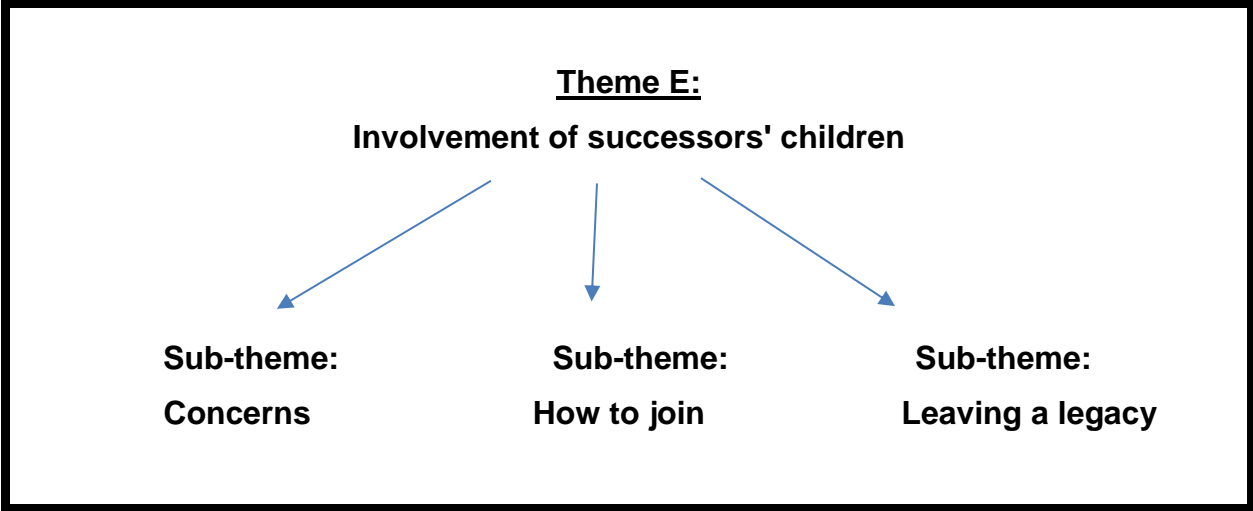
Source: Compiled by the researcher

**3.3.5 Theme E: Involvement of successors' children**

- **Research question 5:** Do next-generation family business successors want their own children involved?

The fifth theme explored the involvement of the participating successors of their own children in their family business, together with three sub-themes which Figure 3-12 demonstrate.

**Figure 3-12 Theme E – Involvement of successors' children**



Source: Compiled by the researcher

**3.3.5.1 Concerns**

When the third generation intends to join a family business after it has been relatively successful under the leadership of the first two generations, it is possible for this generation to be misguided by what it takes to lead a family business through the lack of hardship.

*"My concern would be if my children decided actually to join the business, and it's very easy to fail in a family business, and I think I've heard it especially comes to the third generation because the second generation saw the hard work of what goes into the business and understand that the second generation runs that business, but it's not really tough times for the third generation, and they don't really see what work went into it, so there's a bit of a concern around that for my kids because they've had a good life and they've never had anything short so, yes it is a concern maybe for me that they won't be equipped well enough to do it...." – P1*

Family businesses need to adapt and change with the market to stay relevant, just as any other business. As the business world is constantly changing, successors' responsibility is to quickly adapt to the changing conditions and guide the company to new competitive circumstances (Poza & Daugherty, 2014:245).

*"...You know we are in a business where our industry is under pressure; it's a worldwide occurrence with firearm dealers. I don't know if it is safe to say that our future is a bit uncertain at this stage, at this stage, I would nudge them to go in a different direction.*

*And if it doesn't work, we will create something for them." – P4*

When a successor plans to take over the company, it should be in such a state that it will also benefit him. More often than not, successors don't really have other career choices and find themselves struggling to keep a sinking business afloat.

*"...if he decides to come to join me at the family business, I must just make sure that it is in a state where he will have an advantage of taking it over and not leave him with a bunch of debt." – P5*

P1 stated that he would include them if the business permits it and his children choose it. They would have to go to university first before joining, and they would have to start at the bottom and learn the business operations from the ground up. He is apprehensive that they will not enjoy the lengthy retail working hours. Furthermore, P4 is anxious that their business will not survive until it is time for his children to join; their sector is under significant pressure in South Africa and globally. As a result, he would urge his children to study something entirely different and to forge their own career paths, and if they are unable to do so, he will assist them in any way he can. P5 stated that it is his obligation to change the business into a viable one, as it is pointless to hand over a failing business to his children. His children will be free to pursue their interests, and if they choose to work in the family business, he will welcome them. P6 stated that it is critical for him that his children acquire formal education. He will not allow them to join the family business unless they have the necessary qualifications. They will need to start from the ground level and learn about every facet of the business. One of P7's children is already active in the business. She is finishing her practical training as a draftsman in the family business

and works in an office under the supervision of a manager. If his other children are interested, they are welcome to participate as well, but it is entirely up to them.

It is crucial to emphasize that all of the participants would like their children to participate, but it is up to the children to decide if they want to. This is clear for the present generation of successors. The children will join due to circumstance, a genuine desire to assist their fathers, or other circumstances, but the ultimate decision to join the family business rests with the children themselves. This theory is consistent with Birley's (1986:38) belief that possible successors are influenced by a variety of emotions and unique reasons while deciding whether or not to take over the family business.

### **3.3.5.2 How to join**

Successors who had a positive experience joining their family business would encourage their kids' children to join in a similar way.

*"Ja definitely the same manner, but again that is if my child, my son as you know, is interested in the fuel industry and... yes, I will try and do it as far as possible in the same extent as that I was introduced into the business." – P2*

Learning about all aspects of the business from the ground up is the surest way to enhance a successor's leadership and management abilities.

*"...in a business like this, if you've got no experience, you can't start at the management position. You need to learn from the first step, what's going on, on the ground, and work your way up." – P6*

The participants are mostly in agreement that the process that a next-generation family member should follow when they want to join the business is as follows: be sure to be motivated for the right reasons, study hard and take your education seriously, get involved with all aspects of the business as early as possible and start by working on weekends and holidays, when the time comes, make a choice, then it's all about hard work and honest and open communication as you start at the bottom and work your way to the top.

Family members enter the business for many reasons, and these reasons display their strengths and the core of their commitment to the business (Longenecker *et al.*, 2012:141).

### **3.3.5.3 Leaving a legacy**

During the early years, when a successor becomes part of the family business, the struggles and conflicts with the founder can have a negative impact on the family relationships. As time goes by and the importance of family becomes more apparent, it can develop a great sense of achievement for a successor when he realizes his professional effort and input in the business is what creates a legacy for the family.

*"The best thing. I would say what we went through with my dad to build a pension for him to see that he can now just sit here, In previous years, I just wanted him not to be at the business, but now I enjoy it; he can come to the office for the rest of his life I don't mind...." – P3*

Often founders of family businesses encourage the next generation to buy out their shares as they begin the process of taking over the business. In this participant's case, he believes that a family business can only continue over generations if all the parties feel the same way, that they are keeping the business going for each other and for no other reason.

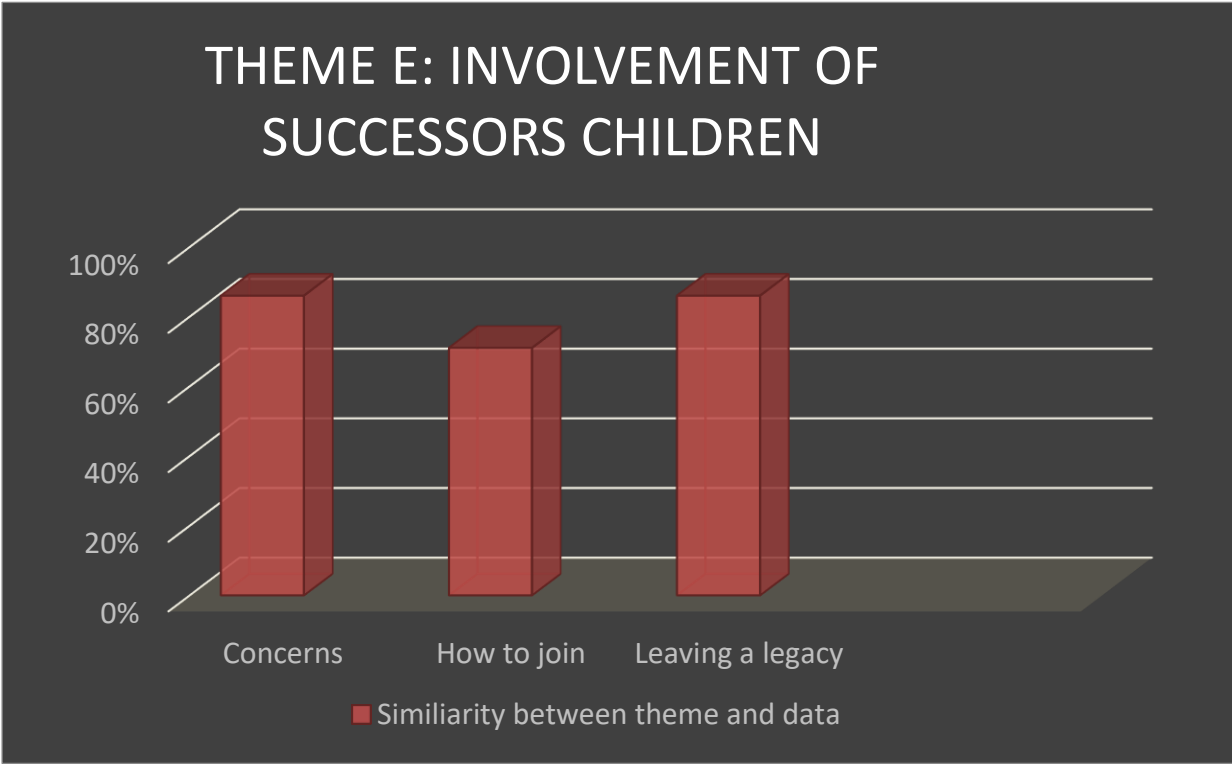
*"...I was fortunate my dad left me with everything. I didn't have to pay a cent for anything, or it was his legacy to give to me, and I wish that one day I can give it to my children. I don't want anything for it, I, that's how it is. The reason I'm doing this is for them." – P7*

This is arguably the core of any family business, doing your thing, making your mark and leaving a legacy for future generations. There will not be any family businesses left if these statements were not at the heart of all role-players involved in a family business, yet it was only mentioned by 57% of the participants in this study. The researcher believes

that the actual state of the specific business at a certain time definitely influences the family members' stance on this subject, as it is obvious if a founder or next-generation successor feels that it is going well in all aspects of the business, they would do anything possible to keep it that way, but if there are cracks in the businesses layers or there is constant fighting in the family because of the business, not everyone will be too concerned about sustainability and leaving a legacy.

The graph in Figure 3-13 below illustrates Theme: E's correlation with the findings in the data.

**Figure 3-13 Theme E similarity graph**



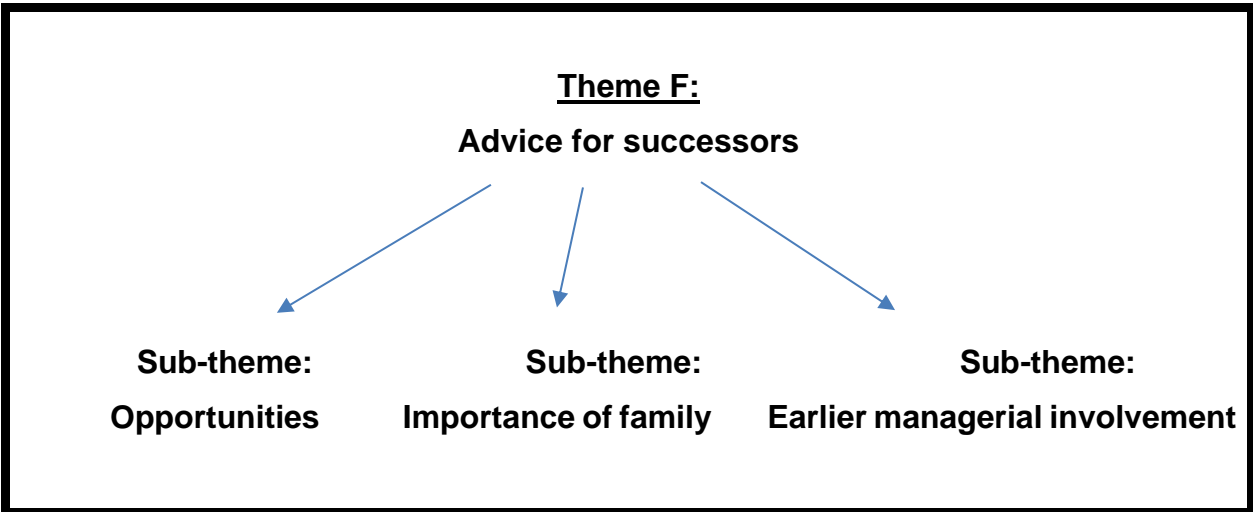
Source: Compiled by the researcher

**3.3.6 Theme F: Advice for Successors**

- **Research Question 6:** What advice is there to successors about the entry process and working in a family business?

The participants were asked if they could give their younger selves some advice about joining the family business, work, and life in general. Their responses, together with notes that were picked up throughout the interviews, are categorized below in the main advice themes for successors, and founders will also gain insight from it, as they are the ones who must deal with the next successor entering the family business. The participants came up with various pieces of advice; many indicated that they wanted to finish their studies and work harder at education. However, a common theme from most of them was that it is essential to work very hard whatever you do. Although some of them indicated that they wanted to get more involved in family business management sooner, they would also have appreciated their freedom during school and university. They did not expect running a family business would come with so many responsibilities. Figure 3-14 below demonstrates the sixth theme with its sub-themes.

**Figure 3-14 Theme F – Advice for successors**



**Source:** Compiled by the researcher

### **3.3.6.1 Opportunities**

Opportunities are available if the next generation is willing to put in the work, look for them, and act upon them.

*"...put your head down onto something and work hard there are opportunities...." - P1*

Opportunities become apparent when the successor is committed and involved in the business.

*"Be even more involved. If you can, avoid missing an opportunity to be there, you must be involved in every situation that you can..." - P5*

Some participants agreed that there are always opportunities in family businesses, especially in South Africa, where it is still easy to do things in and on your business without all the red tape you might experience in first-world countries. P1 indicated that if you want to put up an advertisement sign in front of your office in Australia, you have to go through so many administration and requirements that it becomes an arduous task, whereas in South Africa, to a certain extent, you just go ahead and do it. According to the participants, the main aspect of opportunities is that it is created through very hard work and dedication. As Gary Player said: "The more I practice, the luckier I get". Suen (2021) agrees, stating that successors who appreciate long-term family connections and focus on the needs of everyone in the family should be well-positioned to make changes and proceed on a new path, which will offer big differences and possibilities in a family business.

### **3.3.6.2 Importance of family**

Family members give each other moral support in a family business, and not always only in the formal business environment. The encouragement often comes from informal conversations that are had outside business hours.

*"There's definitely a different setup, you know, so there's moral support from everyone in the family. The best thing I think about a family business is every braai is a board meeting...." – P5*

Working in a family business allows family members to develop strong relationships, especially because they get to spend so much time together. It's also a privilege for next-generation members to be able to engage with their parents more frequently than people who do not work with their parents.

*"Well, if everybody gets along, you get to know each other on a much more than a personal level because you're working with those people, seeing them every day and it's your brother,' it's your sister, I think it brings you closer as well and obviously working with your dad, and seeing your dad every day I think it's an absolute privilege." - P6*

*"That I could spend all this time with my dad.... And that was the best thing I ever did. I stuck out and carried on with my dad. I don't ever regret a day of it...." - P7*

The participants in this study agreed that a family business is all about support when things go wrong and when there is an achievement. They indicated that they feel satisfied seeing their father having enough money for retirement or their brother doing well in the business. Family members get to know each other better than other families, who do not get to spend so much time with each other. If a next-generation family member wishes to see the business take care of current and future generations, this unique family business bond should be valued and developed.

These sentiments are very similar to what Poza and Daugherty (2014:245) mentioned about assisting the family in reaching its financial goals. Non-financial or familial goals, in particular, become so important to some successors that they regard them as their life's vocation.

### 3.3.6.3 Earlier managerial involvement

External work experience before joining the family business creates the opportunity for the next generation to become involved with managing the family business earlier.

*“I think it can definitely also work; I think it would have been not a bad thing I had experience from outside our industry, in a more management position of a business, might have equipped me better to take over the management of the business may be at a younger age.” – P1*

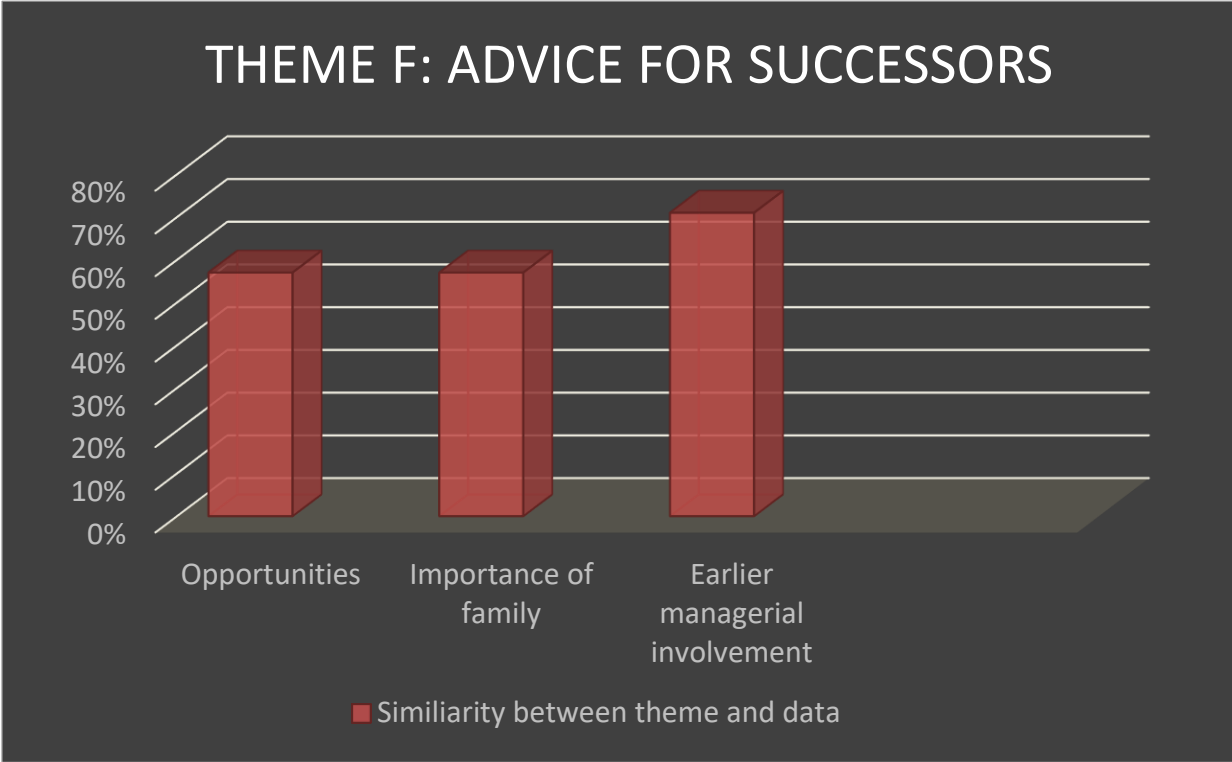
Participating in the management of a family business earlier by the next generation could be beneficial to the company as successors look at ways to improve the business from a young age.

*“Ja, I think I, if I could've changed anything from the beginning, I would have been more involved with the sitting in with decisions to be made with obvious stuff we know now that we could have changed ten years ago....” – P6*

The majority of participants (71%) feel they would have preferred to get involved in management earlier. Nonetheless, they believe that a lack of managerial abilities, particularly when they first joined, was difficult for them. They feel that having external job experience would have aided them in getting involved in management sooner.

The graph in Figure 3-15 below depicts the relationship between the major and sub-themes from the data received from the interviews with the participants.

Figure 3-15 Theme F similarity graph



Source: Compiled by the researcher

### 3.4 CONCLUSION OF EMPIRICAL STUDY

Despite the fact that all participants agreed that post-secondary education is crucial for next-generation family members planning to join their family businesses, only two of the participants completed their degrees, with only one obtaining a Master's Degree in Business Administration. Most participants feel that additional education is most important to have as a backup option if their potential job in the family business does not pan out. Two participants, however, stated that a desired degree or qualification may improve the family company and should be preserved as a backup.

It's also worth noting that successors must have outside job experience before entering the family firm. Most of them believe that working at a different company will provide a family member with a broader perspective of the business environment and some insight into the working world. Two of the participants, however, had no prior job experience.

Three had just part-time jobs elsewhere, and the final two had two years of full-time employment before joining the family business full-time.

When it comes to the motivation and reasons potential successors join the family business, this study discovered three thought patterns forming. Three of the participants did not want to work in their family businesses; after high school, they were confused and unsure of what they wanted to do with their lives and began working in the family business as a temporary solution. They never left while they were contemplating what to do and are now managing the business. Two of the participants felt obligated to assist their fathers and so did not have a choice, believing they were required and making the decision to stay. It seems that it was always part of the plan for two distinct individuals since they were involved in the family business from a young age, and not working there was not an option.

Although all seven participants agreed that family members who can work in a family business are privileged and have an advantage over other school leavers who do not have that option, however, two of them thought that is a disadvantage because of all the responsibility to keep the family business safe and sustainable. For example, the hours of hard work needed, sometimes much more than what a regular job would require, and then the family disputes that arise from time to time, which are inevitable.

The majority of respondents in this study, five out of seven, were exposed to all areas of business from an early age. They spent most of their weekends, school, and university vacations doing low-level labour and learning all areas of the business first-hand. Two of the respondents only started getting to know the business after school as they were almost finished with school when their dads started the business. All respondents believe that the only way for next-generation family business successors to start is by entering at the bottom and climbing the ranks through backbreaking work. Some agreed that their responsibilities had tremendously increased since they took over. Most of them cannot tell if or how they have changed personally; however, they all believe that they have improved professionally and are learning many new things daily.

Sibling rivalry can be a very profound issue in a family business and causes a lot of anguish and frustration. However, all but one participant's siblings are not involved in the business, and thus, sibling rivalry is not an issue. The key obstacles that the next generation faced in the first couple of years were attempting to learn the business faster and more thoroughly, demonstrating to their parents that they are capable, following instructions from others, and establishing leadership abilities at a young age. All of the participants recall some fights and disagreements with the founder. One of them resigned twice, where about 50% of the cases did not spill over into their personal lives negatively, and they have learned to separate business and emotional issues. Except for participant one, who has mixed feelings about the family business, in general, the rest of the successors all indicated that the closeness, support received, and the personal involvement of family members in each other's business and personal lives are the best things about being in a family business. Most of the participants are happy with how their lives turned out and could just name finishing their studies and becoming involved in the company's management sooner as things that they would have liked to change.

Five of the seven participants hope that their children will become involved in the company. One of the other two is unsure, and the other would rather have his children go into a completely different career, and if that does not work out, he will make a plan for them. All of the participants believe that they will not force any career choice on their kids and that it is mainly their decision of what they want to study and what they want to do with their lives. However, they all agree that should their children decide to join them, the best way would be to start at the bottom as they did.

Although most of the participants are optimistic about their own companies' future, they have some concerns about their children's career options and not necessarily their career choices. Two of the participants worry about the future of BBBEE and the implication thereof on their industry; P4 is concerned about the limited opportunities for white South Africans. P7 is very proud of the legacy his father has built up and left for the family and fears his children not continuing the legacy. P1 has heard many stories about the third generation that eventually manages the company out of business and hopes that if his kids get involved, they will be able to lead and sustain the business for future generations.

### **3.5 SUMMARY**

This study in the SMME sector was done with the help of seven next-generation family business successors who are already leading and managing their respective family businesses. The study took place at various places of work for each of the respondents, and the primary data was collected through semi-structured interviews.

Chapter 4 follows with the final findings and practical recommendations that could benefit future successors and founders when the process of next-generation family members who plan to join their family businesses is discussed and implemented.

## **CHAPTER 4**

### **CONCLUSION AND RECOMMENDATIONS**

#### **4.1 INTRODUCTION**

This chapter summarises the findings of the study. It gives brief explanations on all the themes that emerged regarding how the next generation family members enter family businesses and the main reasons they decided to do so.

Some recommendations are also made, which can be used by next-generation successors, founders, or other family members who need to decide if they will join the family business. The chapter will end with an analysis to conclude whether the study objectives were met and provide suggestions for further research.

#### **4.2 CONCLUSION**

##### **4.2.1 Theme A: Education and external work experience**

###### **4.2.1.1 Tertiary education**

The participants in this study had varying levels of further tertiary education, and a large percentage of them are leading and managing financially successful family businesses. Only one of the participants (P5) had a master's degree, and he believes that further education is of critical importance to manage a family business better because if one studies a degree relevant to business management, one learns very important management tools that enable an individual to make more informed decisions. The only other graduate was P2, who had a Bachelor of Arts degree, and he feels it helped him to distinguish himself from the non-family employees as a worthy successor and not only as the boss's son. The remainder of the participants had partially studied and did not complete their studies for several reasons. Some of them would have liked to be able to have finished their studies and thought it could have helped them in their businesses, but none of them is planning to complete it.

Although most of the participants felt that their own studies were not that important for them to run their businesses, on the contrary, all of them believed it is of utmost importance for their own children to obtain further tertiary education. Consistent with the findings, Kaunda and Nkhoma (2013) similarly state that a successor should be sufficiently qualified to lead and manage a family business. Whether they would be able to use their education in the family business was not the main reason for the successors wanting their children to study; most of them view tertiary education as something to fall back on. Should whatever they choose to do with their lives not realise, then they would have a degree or diploma that could help them find employment easier in South Africa or overseas.

#### **4.2.1.2 External work experience**

The topic of external work experience for the next generation that intends to join their family businesses is very relevant as it has the potential to influence the sustainability of the business. When a successor experiences the outside business environment and starts to thrive in it, it might be difficult for them to return to the family business. However, on the other hand, when he returns, it seems advantageous, where his vision broadened, and the experience obtained in a different business environment is invaluable. The majority of the respondents did not experience working and achieving career success externally; 2 of them have worked for another company, but only for a short period, and it was not in the same type of business or even broad industry. This implies that the data revealed regarding this theme is based on opinion and not on real-life experience. Most of them used words like "think" and "maybe" when providing their opinion.

The main thought that came out of this topic is that it could give a successor a wider perspective of the business environment, which is in line with the researcher's view. This particular finding is undeviating from Barach *et al.* (1988:53), which believe that the delayed entrance approach broadens the successors' view in the business world. The delayed entrance approach is explained on page 75 of chapter 3 of this study. When you grow up in a family business and spend so much time there, you tend to think that is the only way the world works. You do things as your parents showed you either intentionally or just by watching them for so many hours and days, which could influence the

business's direction, as you need to innovate and change continuously in today's business environment to stay relevant. Working for another company also teaches you important managerial and leadership skills, which are essential to successfully leading and managing a family business.

The research question on this theme: Do successors need to obtain tertiary education and external work experience first?

Following an examination of the participant responses and a review of the literature, it is clear that the advantages outweigh the disadvantages in this regard and that further education is necessary for the right person. It can help them in the business if they study a relevant academic field such as marketing, operations or financial management. It may also assist them in obtaining alternative work if necessary. Gaining experience outside of the business for a few years and climbing the corporate ladder before entering may also be beneficial in terms of gaining skills and ensuring that the family business does not limit their viewpoint since a business owner cannot have a one-dimensional approach.

#### **4.2.2 Theme B: Do successors join by choice or circumstance?**

##### **4.2.2.1 Influence to choose**

When you grow up in a family that is business orientated, it is very likely that you will also be interested in the way business works. You pick up skills and language that you would not normally have if your parents had other careers as children have a tendency to follow in their parents' footsteps. P7 was of the opinion that he did not have a choice. It was just something he wanted to do, and he had a desire to help his dad in the business, which ultimately came automatically. This statement by P7 is consistent with the opinion of Longenecker et al. (2012:142) that successors with a desire-based commitment want to be part of the business. P2 had the same experience, he explains that he was born with the family business in him, and it was not anything to decide.

#### **4.2.2.2 Circumstances that led to joining**

Whether a next-generation family member specifically chooses his career path or not, he cannot get away from the fact that circumstances led to his eventual choice, whether he agrees with it or not. Children of family business owners spend so much time in and around the business and are continuously exposed to it and reminded of it, subtly or intentionally, by their parents. P2 was of the opinion that the strong relationships he now has with other team members were formed by spending time with them from a young age. His statement is reinforced by what Kandade et al. (2021:8) discovered, where early socialisation with the founder develops strong connections between family and non-family team members. The same goes for the parents. When they think they are allowing their kids to choose what they want to do with their lives, they unintentionally nudge them in a certain direction through their daily actions and discussions. It is almost like when a customer asked Henry Ford if the Model T Ford comes in various colours, he replied by saying: "Yes, you can have any colour as long as it's black".

**The research question on this theme: What is a family business member's motivation to join the family business?**

Thus, next-generation family members always have the choice of what they want to do with their lives, and all of the participants agreed that if their kids choose, they will want to get them involved in the family business, and it would be their own choice. However, a next-generation family member's choice is directly influenced for such a long period of time that the choice is inherently already made for them, through the unintentional 10000-hour rule, which states that if you spend 10000 hours on any specific activity, it will become your 2<sup>nd</sup> nature (Ericsson, Krampe & Tesch-Romer, 1993:393).

#### **4.2.3 Theme C: Exposure to the family business**

##### **4.2.3.1 Informal exposure at a young age**

Family business successors get acquainted with the business environment before they even know what the word 'business' means. Additional examples include how they sit in

their mothers' office after school; they play in the factory; they go and do deliveries with the driver; they play in the showroom; they have dinners and weekends away with the employees and other key players. Thus, the family business becomes their whole existence and shapes their future as it becomes a part of their upbringing. P6 stated that he was familiar with the business from a young age, as he spent time with his father on sites, and he enjoyed the way their product worked. He has since taken over the family business, and he believes this early familiarisation with all the operations of the company has helped him in leading the family business. His statement is reinforced by the findings of Harvey and Evans (1994) that founders who realise the importance of giving their children early business experiences have a greater chance of achieving a successful family business succession.

#### **4.2.3.2 Formal exposure during school holidays**

They start doing minor, low-level jobs after school, on weekends and during school holidays as they go through school. They learn about counter sales and how to fix machines; they get to know the customers at their sites and the suppliers at their warehouses. They get a grasp of all the operations of the business from a very young age and continuously as they get older. This exposure embeds certain thought patterns in them, and the technical, managerial and leadership skills they obtain becomes specialised on-the-job training, and most of the time, they do not even know what is actually happening. This importance of real-time training is supported by Barach et al. (1988:53) in that a low-level entry strategy is a valuable way for successors to understand the family business's culture, resources and priorities. They are being educated and trained to take over the family business the entire time. Some founders do it intentionally, and others are not aware they are doing it, but they are grooming their children to take over the business.

#### **4.2.3.3 Start at the bottom**

All of the participants claimed to have begun from the bottom. Although some of them began working full-time in the office, they also spent time on the ground, offloading trucks, cleaning delivery vehicles, scrubbing the floor, handling counter sales, unpacking

products, and preparing coffee. Participants in this study agreed that next-generation family members who want to work in and eventually take over the business should start at the bottom. Even if they go to study for a professional degree and then work for another firm, they must first learn about all aspects of the business and earn respect required from other employees. This is how it usually works, and all participants agreed that it should be that way. This theme corresponds with Poza and Daugherty's (2014:246) explanation that the authority to lead and manage a family business has to be earned.

### **The research question on this theme: What is the start of the process of joining the family business?**

Next-generation family members start by going to work with their parents. Even as babies, they would spend time in the office. As they get older, they begin to explore the business by meeting all the employees and stakeholders; they learn how to make the products, where to buy raw materials, and how to speak to customers and staff. They begin working in the business when they are 16 years old, performing everything their parents assign them to do, such as sweep, pack and wash dishes, drive and deliver, offload, sell and communicate, count money, prepare coffee, and a variety of other jobs. They are absorbed by the business. Even when they believe they are doing nothing, they are always developing management, leadership, sales, marketing, communication, and technical skills throughout the process. When they eventually join the business full-time and have completed their training, they will be given greater responsibilities, gradually becoming involved with management decisions, then running a team or a section of the business; later, a department depending on the size of the business, and eventually, their parents will loosen the reins even more until they step back and the next generation takes over.

## **4.2.4 Theme D: Challenges when joined**

### **4.2.4.1 Conflict with parents**

A family company is complex, diversified, and one-of-a-kind. A family has its own set of issues since individuals live together, each with their own personality and customs. Any

business has challenges, and no business owner would tell you otherwise since there are continuous worries, problems with suppliers, demanding clients, staff who do not do their jobs correctly, cashflow troubles, and managerial difficulties. Assume you bring together a family and a business and ask them to collaborate. In that instance, it is incredibly difficult since the roles, duties, values, and tasks of the family and the business intersect and interweave. As Say (2021) indicated, founders should observe and understand the complexities of family interactions before bringing other family members to the company.

Conflict with parents is one of the most difficult obstacles for successors, and there are several reasons for this. A child who has developed a reputation in business wants to demonstrate their abilities and does so to impress and make their parents proud. Generations think and act differently; the founder or parents walked the path and learned from experience what works and what does not. Many hours of hard work and sacrifice have been invested in keeping the business solvent, and it did not occur instantaneously. There will always be arguments and disagreements when a young potential successor wants to make their mark and show that they are capable of leading the business because the founder knows or believes they know what works, and the child may want to bring their own ideas into the business to show that they have what it takes. Conflict is therefore unavoidable; the key is to deal with and manage it; it is a normal occurrence in a family business and must be addressed via open communication, trust, and hard effort.

#### **4.2.4.2 Leadership, management and other challenges**

The younger generation finds it challenging to lead and manage at a young age, sometimes because they still need a lot of time to master these skills or sometimes because the owner does not give them enough freedom to do things their own way. As indicated by P2, he had to practise repeatedly to enable him to speak in the same language as his father did in business meetings. This is consistent with Poza and Daugherty (2014:360), who explains that if successors aspire to be able to communicate with authority with customers, they need to learn these particular industry languages. In the end, both parties have the same goal, the survival of the business through selling profitable items to happy customers. This overall goal should always be kept at the back of one's mind while going about their daily life and business activities.

#### **4.2.4.3 Work and family balance**

A family business and being involved with it and taking it over can be both a blessing and a burden. Keeping the family relationships separate from the business environment and its challenges is very difficult. Family business owners are so involved with trying to grow and sustain the business for the benefit of the family that they often forget that the family on its own also have its own needs and issues that need nurturing. It is almost impossible for a next-generation successor to keep their family life separate from their business life. They are just too involved with each other, but it is essential to keep on trying to leave the business challenges at the office and make time to maintain a healthy family life. A family business could definitely be an absolute blessing, but if the role players do not treasure the importance of both the business and the family, it can become a living nightmare. That is why honest communication between family members is so important, which will enable them to promote mutual understanding for everyone's benefit (Ward, 1997:328).

#### **The research question on this theme: What challenges do next-generation family business members face?**

There are multiple challenges for successors that might be a separate research study, but a few that stood out in this study were dealing with family conflict, not having the appropriate leadership and management abilities at a young age, and achieving a good family versus work-life balance. Some of the participants are still dealing with similar difficulties, which are not limited to the early stages of the business. There will always be obstacles in a family business; the crucial thing is not to let them overwhelm you; instead, consider them as a task to be overcome.

#### **4.2.5 Theme E: Involvement of successors' children**

##### **4.2.5.1 Concerns**

Most of the participants in this study have children who are still very young. Some of them are already busy with the introduction stage, where their kids start exploring the family business environment. For example, P7 has employed his daughter in a department

where she is busy obtaining practical experience to become a qualified draughtsman. All of the participants indicated that should their children choose. They would want them to get involved if the company could accommodate them at that stage. Two of the participants would rather encourage their kids to venture into a completely different direction and see employment at the family business as a backup plan should their initial career plans not work out. P4 and P5 indicated that there is little use in leaving their children a business if the business is not sustainable and is facing financial difficulties, where they say they are trying very hard to make it successful so that their kids can take over a business that is worth their while. The same goes for P4 and P2, which are of the opinion that their industries are under pressure and they are concerned about their long term viability for their children's sake. This is why the findings by Poza and Daugherty (2014:245) are so relevant, where they communicate that the business world is all about change, and successors need to adapt to changing market conditions rapidly in order to take the company to new competitive heights. P3 feels that he wanted to study something else, and he was somehow forced into studying accountancy, which he does not enjoy and would not want his children to make the same mistakes. P2, P4, and P6 would genuinely want their children to become part of the business, but they are concerned about BBBEE in South Africa and its impact on the future of their businesses. They feel that it is very unfair for children who get good grades at school and perform exceptionally well at university that when they apply for employment, they do not get the job because of their skin colour.

#### **4.2.5.2 How to join**

Their children's path to reaching the family business could be very diverse, and no family and family business are the same. Hence it is difficult to describe a blueprint for next-generation family members to join the business. Overall, the participants agreed that they would want their children to get early exposure and learn as much about the business from a young age. All of the participants believe their children should obtain a further education after school before joining the business. Their reason is that their children would have something as a backup should their family business journey not realise. After obtaining a relevant degree, they would start at the bottom and learn about all aspects of the business before eventually having the necessary skills and experience to take over

the business. The majority of the participants agree that their children will only join if it is their choice, and the reason they choose the family business will be very important, as that will tell how committed they will be and then have a better chance of survival. This statement is consistent with the finding by Longenecker *et al.* (2012:141), which states that family members enter the company for various reasons. These reasons show their strengths and the basis of their commitment to the business.

#### **4.2.5.3 Leaving a legacy**

The majority of the participants indicated the importance of family and family relationships and said it is an absolute privilege to be involved in a family business. They are doing the best they can for their parents and their children to help all family members reach their goals. This statement is reinforced by Poza and Daugherty (2014:245), who highlight that some successors make helping their families reach their non-financial goals so important that they see it as their calling. They absolutely believe that they are doing all of this and making the necessary sacrifices for the sake of their children, and if their children did not want to join, they would not mind selling the business. The time that family members get to spend with each other and the time they spend with their fathers in the business is very valuable to them, and the ones who lost their fathers miss them dearly. This should be a reminder to all next-generation successors that they should not see the amount of time they spend with family members in and out of the company as a drawback but rather a precious gift that should be treasured and nourished.

**The research question on this theme: Do next-generation family business successors want their own children involved?**

A family business cannot remain a family business if the children do not participate in order for the business to survive for their children. All of the participants believed that having their children work in the business and eventually taking over was something they would like. It is worth noting that all participants agreed that their children must choose and make their own decisions about what they want to accomplish with their lives. If they decide to join, they encourage them first to obtain additional education, and they must also start at the business in the same way that the successors did, by learning about the

entire business from a young age; gaining experience and skill through formal employment on weekends and holidays; and by starting at the bottom through very hard work.

#### **4.2.6 Theme F: Advice for successors**

##### **4.2.6.1 Opportunities**

South Africa has many opportunities, and for the next-generation successor that aims to study hard and work even harder, there will always be areas to earn a living and make a success. The participants agree that building a family business takes arduous effort, blood, sweat and tears, but through open communication and teamwork, it is possible, and when it works, it is a thing of beauty. This is in line with Suen (2021), who states that strong possibilities are available to successors who value long-term family connections and focus on the needs of all family members.

##### **4.2.6.2 Importance of family**

The majority of the participants agreed that they should have studied harder at school and completed their studies at college or university. They do not have many regrets, though, and say everything happens for a reason. They acknowledge that there were times when they thought their parents were hard on them and even unfair, but in hindsight, they understand the reasons and actually appreciate how their parents raised them. They admire their parents even more now that they really understand how difficult it is to grow and sustain a business and agree that they were very naïve and clueless when they were young. They would not admit it to their parents, but they have learned from it, which helps them raise their own kids.

#### **4.2.6.3 Earlier managerial involvement**

The study revealed that a lot of next-generation successors struggled with leadership and management at a young age. Some of them think this issue can be minimised with the help of specific further education and also by gaining career experience at an external company before joining the family business. As indicated by Poza and Daugherty (2014:361), successors should have a thorough understanding of their company's unique business language, and it is paramount that they grasp critical financial indicators and communicate them distinctly to manage the family business better.

**The research question on this theme: What advice is there to successors about the entry process and working in a family business?**

Work hard, appreciate your family, study hard, deal with the problems professionally, leave the business issues at the office, and enjoy the time you have available with your family.

#### **4.3 RECOMMENDATIONS**

The study revealed a range of themes and topics regarding the entry of next-generation family members into family businesses, and the following are some recommendations to successors, founders, and potential family business entrants. Remember that a young child today is tomorrow's entry into the family business, and the day after tomorrow, he needs to hand it over to his son or daughter. It is a continuous process that not all family members understand, but it is a process nonetheless.

As with chapter 3 and the first part of chapter 4, the various themes and sub-themes will be presented with the relevant recommendations per the theme.

### **4.3.1 Theme A: Education and external work experience**

#### **4.3.1.1 Tertiary education**

- Take learning, studying, and further education serious. There are many ways to gain knowledge, and a master's degree is not the be-all and end-all of education. You just need to make sure that you keep on investing time in learning new things and upskilling yourself constantly.
- A university degree can provide a successor with useful knowledge to assist in leading the family business in the future.
- If a family business member changes his mind about joining the business, or the company cannot accommodate them, a university degree can be beneficial to obtain other employment easier.

#### **4.3.1.2 External work experience**

- Family business members usually have limited knowledge of how other businesses operate because they have spent most of their time, from a young age, in and around their family business. Going and working at another company or two before joining the family business is an excellent way to gain important managerial skills and broaden a successor's vision.
- Experience at another business could also help the successor to implement innovation and drive change in their family business.

### **4.3.2 Theme B: Do successors join by choice or circumstance?**

#### **4.3.2.1 Influence to choose**

- Make sure that your children understand that life is all about choices, that their choices determine their destiny and that they have the freedom to make choices about what to study and which career path to follow.

- When a child grows up in a family business, it is often assumed that they would get involved in the company. Be careful of this assumption, get them acquainted with the business, but allow them to choose what they want to do with their lives.

#### **4.3.2.2 Circumstances that led to joining**

- In any family business, unexpected events can disrupt the normal plan of succession—the sudden death of the founder or general manager. An aspiring next-generation leader would then be forced to move up to the role of CEO quickly. It is important to remember that even though it seems like the next logical step for the family business, all factors should be considered and at the end of the day, it would have to be the successor's choice.
- Once a successor has taken over the company, whether it was by sudden events or by natural choice. They must be 100% committed to their new role as family business leaders.

#### **4.3.3 Theme C: Exposure to the family business**

##### **4.3.3.1 Informal exposure at a young age**

- Get the next-generation children involved in the family business at a young age because they are experiencing and learning by playing and exploring. This cannot be taught in school or university. It becomes part of their DNA, almost like learning to walk; it was difficult in the beginning, and now you do not even think about it.
- When a family business leader enables his children to experience the culture and operations of the business from a young age, the succession process could progress much more automatically, as everyone involved has the same thought pattern.

#### **4.3.3.2 Formal exposure during school holidays**

- When a successor starts his family business career, doing low-level tasks, and working alongside all the team members, it will be easier for him or her to lead and manage them later on, as his respect was earned early on.
- Do not be disheartened if you are working hard and long hours, doing seemingly unimportant and low-level tasks. You develop a strong work ethic and learn and experience the real business world through these mundane activities.

#### **4.3.3.3 Start at the bottom**

- All of the participants agree that just as they started at the bottom, doing low-level tasks and working their way up. So should their kids if they join the family business.
- Starting at the bottom teaches the future leader to appreciate all the team members, and it gives him a thorough understanding of what all the different tasks in the business entail. This would help them in leading and managing later on, as he would have intrinsic knowledge of all the different departments and their responsibilities.

#### **4.3.4 Theme D: Challenges when joined**

##### **4.3.4.1 Conflict with parents**

- Know that disagreements and fights will always be present in a family business. There are so many factors influencing the way people work and communicate with each other, and every person and family and business is unique. Enjoy this uniqueness and sort out the issues as soon as possible in a decent matter.
- What was evident from several participants was that even though they fought a lot with their parents during business hours, they would not leave the office if it were not resolved. This is essential advice for any family member, do not let the family business discrepancies filter through to real family life, sort it out at the office, professionally, and move on.

#### **4.3.4.2 Work and family balance**

- Similar to the previous point, when disagreements arise, handle them quickly and effectively and do not leave the office if it is not taken care of. Otherwise, it will spill over into your family life, and that will make maintaining work and family balance more difficult.
- Love and appreciate your family and acknowledge all their sacrifices for you and for the business. Life is very important, and family and healthy relationships are the most important, do not take them for granted.

#### **4.3.4.3 Leadership, management and other challenges**

- Young successors often experience difficulty with leading and managing a team at a young age. The best advice to overcome this challenge is to learn from the founder or current family business leader. It is important to determine what you are struggling with and then examine exactly how the current leader is handling this type of challenge.
- Aspiring next-generation leaders who believe that their parents do not think they can manage the family business should keep working hard. The first few years generally feel like that, but once you realise that you are becoming a professional in your job, you will believe more in yourself, and so will your parents.
- It is easier to be more self-assured in your ability to lead when you have acquired a new skill set that is beneficial to the family business.

#### **4.3.5 Theme E: Involvement of successors' children**

##### **4.3.5.1 Concerns**

- It is vital to let go of the things you do not have control over and change the things that you can. Covid has taught many of us a lot of lessons. To lead a family business into the future, you have to constantly look at ways to improve, change, and innovate. Disruption is the new normal.

- It is all good and well if the previous generation hands over the reins of a family business to the next generation, but care should be taken that the business is in a sustainable state. Otherwise, it can be extremely difficult for the new leader to turn the business into profitability, and then when the business fails, the family could blame him.

#### **4.3.5.2 How to join**

- Because family businesses are so diverse and family dynamics so complicated. There is no blueprint that will work for all family businesses regarding the steps to follow for the next generation to join the family business.
- The following steps could be described as a basic entry process for next-generation successors through the literature review and the empirical study.
- Step 1: Make sure you are motivated for the right reasons.
- Step 2: Study hard and obtain further tertiary education, preferably a course that can immediately add value to the business.
- Step 3: If you have not been involved with the business from a young age, get involved as quickly as possible over weekends and holidays, doing most of the low and mid-level jobs with enthusiasm.
- Step 4: Make the choice and take action; start full-time at the business and begin at the bottom.
- Step 5: Work hard and slowly climb the ladder, learning from the founder as you go.
- Step 6: Start taking over more and more responsibility while the founder starts to let go of some of his or her responsibility.
- Step 7: You are now in charge; stay humble and work harder; things are about to get rough.

#### **4.3.5.3 Leaving a legacy**

- All of us want to leave a legacy, especially in a family business scenario. You want the business to take care of your family financially and for your children and their children. You will only know what influence you had on your family, friends,

employees, and other business stakeholders when you are not there anymore, so take care of the basics today; your legacy will speak for itself one day.

#### **4.3.6 Theme F: Advice for successors**

##### **4.3.6.1 Opportunities**

- South Africa is still full of opportunities for hard-working business owners. The family business owner who is committed and emersed in his business will be more likely to capitalise on passing opportunities.
- Whatever you do, do it with passion and dedication and never ever quit. Anything in life that is worth pursuing is going to be difficult, but you get out what you put in.

##### **4.3.6.2 Importance of family**

- Appreciate the moral support that you receive from all family members during good and bad experiences. You will not get the same support in any other business environment.
- Treasure all the time you get to spend with your family. Even though it sometimes feels like a burden to go and have dinner with your parents because you spend so much time in a business environment. Change your mindset and just appreciate all the time spent together.
- Strengthen your family relationships through honest, open and regular constructive communication.

##### **4.3.6.3 Earlier managerial involvement**

- Many of the participants felt that they wanted to get involved with managing their family businesses sooner in their careers. They agree that having had external working experience before joining could have helped them achieve that. However, the researcher believes that even though you feel you are not moving up the ladder fast enough, in the beginning, you have to stay patient. The right time will come, and you will only realise it much later in your family business journey.

#### **4.4 ANALYSIS OF THE ACHIEVEMENT OF THE STUDY OBJECTIVES**

The primary objective of this study was to explore the main reasons why and primary ways how the next generation family members enter SMME family businesses in Gauteng province, South Africa.

The researcher believes that the primary objective has been achieved through a literature review in chapter 2 and the evidence from the empirical study in chapter 3. Although there is no clearly defined entry process available in academic research that the researcher is aware of and no definitive process of entering was identified through the empirical study, a range of parts of the process was identified and was elaborated on in the dissertation. A family business is too unique in order that you can say this is the blueprint and the way the next generation should enter a family business.

Secondary objectives were formulated to explore and achieve the primary objective, and the following section will show if they were achieved in the study.

- To delve into the entry process of next-generation family members in South Africa through a literature study.

This was achieved extensively in the literature review.

- To determine challenges that next-generation family members experience before and after they have joined the family business.

The next generation's challenges when entering a family business were identified and discussed.

- To explore the main motivating factors to the reasons why next-generation family members decide to join their family businesses in South Africa.

Family members join for a number of reasons, and many factors influence their decisions or that lead to the circumstances of their joining. These were all elaborated on in Chapters 2 and 3.

- To make recommendations on how next-generation family members can overcome the challenges and utilise opportunities to join their family businesses in South Africa.

Based on the highlights in the literature review, the views and experiences of the participants and the researchers, own knowledge and experience, a range of recommendations were made, and it is important to note that these are recommendations only. It is mainly just advice and suggestions about important aspects of the concept of entering the family business and succession in general.

#### **4.5 SUMMARY**

Chapter 4 brings an end to this study by exploring the main reasons next-generation family members decide to join family businesses and explore how they entered the family business.

A literature review brought to light many of these reasons and manners of doing it, which was further investigated through an empirical study, which revealed many personal experiences of successors who have been through the process and are now leading and managing their businesses. Recommendations were made that could be of interest to people involved with or are planning to get into family businesses.

The researcher believes there is room for further study, not specifically about the entry process, but any family business concept from the next generation and not the founders' point of view. He found that academic research in family business studies, from the next generation's view, is very limited.

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## **APPENDICES**

### **APPENDIX A: INFORMED CONSENT LETTER**

01 December 2021

**To whom it may concern**

#### **INFORMED CONSENT TO PARTICIPATE IN AN INTERVIEW**

Date: \_\_\_\_\_

Participant code: \_\_\_\_\_

Dear participant,

My name is Jan-Hendrik Grobler, and I am currently completing a mini dissertation at the North-West University Business School as an MBA student. This study explores the entry process of next-generation family members in family businesses located in the West-Rand Municipal District, Gauteng Province, South Africa. This study forms part of a dissertation to be submitted in partial fulfilment of the Master of Business Administration degree at the North-West University. The NWU Business School is accredited by the Association of MBAs (AMBA) and adheres to strict ethical standards, particularly when research is conducted.

Your willingness to participate in the interview is completely voluntary and highly appreciated. If you find any question that you feel uncomfortable with, you can decline to answer. During the interview, you are welcome to stop at any time if you feel that you do not want to continue. The interview should approximately range between 30 to 45 minutes. All interviews will be recorded to maintain the principle of your answers for the research. The information collected will be available for you to inspect at any time. Throughout the recording of your interview, your name will remain anonymous. For data analysis purposes, the interviewer will take notes. The interviewer will transcribe the recording, and this data will be kept secure in a computer that has password protection.

The law requires that research data be kept for at least three years, where-after the transcripts and recordings will be destroyed.

The hard copy of the transcript will be edited so that no individual identification is present. Coding procedures will be used to hide individual participant identities. The final dissertation could include some extracts from the interview, and the researcher will make sure that no identifying qualities or names will appear in the document.

To form a profile of the participants, demographic information will be collected but will not be used to make comparisons between groups or for further analysis.

The Scientific Committee approved this student's proposed study at the NWU Business School. Prof Christoff Botha is the Chair of the Scientific Committee, and his contact details are as follows; landline: 018 299 1672, email address: christoff.botha@nwu.ac.za.

The North-West University's Faculty of Economic and Management Sciences Ethics Committee (EMS-REC) granted ethical clearance for this study. The ethical clearance number is [Insert number here:]. Mark Rathbone is the Chair of the Ethical Committee, and his contact details are as follows; landline: 018 299 1356, email address: mark.rathbone@nwu.ac.za. Professor Stephan Van der Merwe is the supervisor of this mini-dissertation, and he can be contacted for further questions and concerns about this research project.

His contact details are as follows; landline 018 299 1414 email address: stephan.vandermerwe@nwu.ac.za.

Thank you for your participation in this research study, your input is of immense value, and your time is highly appreciated.

Regards,

**Jan-Hendrik Grobler**

**083 228 5405**

NWU Business School

North-West University, Potchefstroom

## APPENDIX B: INTERVIEW SCHEDULE

Welcome to the interview. Thank you for taking the time to take part in this study. Your time is of high importance to me. The objective of this study is to explore the entry process of next-generation family members in family businesses.

Firstly, I would like to broaden my horizons by diving deeper into the core of your business and then to access your views on the process and motives of the next generation of family members in joining family businesses.

1. Please tell me a little about your business.
  - a. Probe: What kind of industry are you in, and what are some of your main products and services?
  - b. Probe: When was the business established, who started it, and under which generation do you belong?
  - c. Probe: Do you have brothers or sisters? Are they older or younger than you and are they involved in the business?
  
2. Would you please tell me a little bit about yourself?
  - a. Probe: How old are you, and how long have you been involved with the family business?
  
  - b. Probe: Did you have any prior work experience before joining the family business, and if so, what was the most important lessons learnt and skills obtained that you use today?
  
  - c. Probe: What is your highest formal qualification, and do you think it is necessary for the next generation who intends to join the family business to obtain any type of formal education?
  
3. What was your main motivation to choose a career in the family business?
  - a. Probe: What were the main influences you had to make this decision?
  
  - b. Probe: Would you consider next-generation family members to be more fortunate than other people who don't have the same opportunity?
  
4. Tell me about the process of how you joined the family business.
  - a. Probe: Were you exposed to the workings of the business from a young age?
  
  - b. Probe: Did you spend your weekends and holidays in the business?
  
  - c. Probe: Did you begin at the bottom, or did you start in a more senior position, and what would you suggest is the best way?

- d. Probe: Would you say you have grown on a personal and professional level since you started in the business? How have you grown?
5. What were your biggest challenges faced in the process from deciding to join the business until you were settled in the business?
  - a. Probe: Have you ever experienced any conflict with your parents and siblings regarding your decision to join?
  - b. Probe: Has the struggles that you faced negatively influenced your personal family life?
6. What would you say is the best thing about being in the family business?
  - a. Probe: If you could do it all over again, which part/parts would you choose?
7. If you have kids of your own or intend to have kids. Would you get them involved in the business and groom them to take over, and how would you do it?
  - a. If you don't want them to get involved in the business, what would your reasons be?
8. What advice would you give your 15-year-old self regarding joining the family business?
9. What is your biggest concern when it comes to your own kids joining and their career choices?
10. Do you think South Africans find it easier to work in and take over family businesses or not?