EVALUATION OF THE UNIQUE CHALLENGES FACING FAMILY FARMS IN SOUTH AFRICA

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ABSTRACT

The economic landscape of most nations remains dominated by family businesses. Therefore, it is fitting that academia has begun to recognise the importance of family business studies. Family businesses are here to stay.

Families who work together and live together face certain unique challenges that other families do not face. They have more opportunity for closeness and, at the same time, there is more opportunity for disagreement. Paradoxically, many of their outstanding strengths are also their profound weaknesses.

In order to balance the needs of the family farm and the family it is important to establish sound business practices which not only enhances the economic productivity of the farm, but also the happiness of the family. Hence, the family and business are intertwined in family businesses. The success of a family business is more dependent upon effective management of the overlap between family and business than on the resources or processes in either the family or business systems only.

A well-functioning system helps build trust within the family and a good family dynamic, in turn, becomes an asset to the business. The latter happens as it enables each separate piece of governance to function better and add more value, while remaining aligned with other components of the governance system.

However, a growing business becomes increasingly complex and creates its own demands for a more formal organisational structure. Family business managers must adopt their governance practices accordingly. Indeed, success drives the need to adapt and change and all family businesses eventually face this reality.

The main objective of this study is to evaluate the unique challenges facing family farms in South Africa and to make recommendations to enable the family farming businesses to overcome these unique challenges to ensure long-term sustainability.

The research was conducted by means of a literature and empirical study. The purpose of the literature study was to gain in-depth knowledge on family businesses. Specific topics covered in the literature research include; the definition of a family business, roles of the family, the business and

ownership, advantages and disadvantages, family harmony, corporate governance, management succession, ownership succession and the role of family farms.

The literature moulded the basis for evaluating the unique challenges facing family farms. Without theory, results will remain isolated pieces of information. These unique challenges were empirically tested in practice by means of a structured measurement instrument (questionnaire) and consequently evaluated.

Based on the findings of the empirical study, it was concluded that some unique challenges facing family farms that are neglected include; performance measurement and compensation of family members, corporate governance in the family farm, ownership succession and family harmony amongst all family members (active and inactive).

While no formula addresses all situations, adopting a balanced, strategic approach to managing the unique challenges to family farms, delivers positive returns and enhances the chances of passing on the family farm legacy.

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CHAPTER 1:
NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The family business has a far-reaching influence on economies throughout the world. No other type of business has driven economic development in the same way. In almost all countries family businesses are the source of more than half of the Gross National Product and employment.

Aronoff *et al.* (2002:593) and Bareither and Reischl (2003:20) estimate that between 70 and 90 percent of businesses in the United States of America can be classified as family businesses. Further more they are responsible for 40 percent to 60 percent of the gross domestic product in these regions (Fleming, 2000:12). More than 50 percent of the total workforce is employed by family businesses.

Family businesses, ranging from tightly held, private operations to publicly traded global corporations, are increasingly recognised as a potential driver of economic growth and wealth creation over the globe (Kets de Vries, 1996:3; Poza, 2004:19).

Bork (1993:1) makes the statement that from the earliest times and in almost every culture, the presence of the family business has been prominent. Enterprising fathers with huge families built many commercial empires in the Old World.

Although the spirit of free enterprise may have been derived in Europe, its strongest roots were planted in the American colonies. One spark that developed America towards independence was the desire of the founders to develop American enterprises and retain its profits (Bork, 1993:1).

Bork (1993:7) verifies the statement made by Danco (1982:5) that family businesses are the backbone of businesses in America. Culturally and socially, a family business offers the opportunity to unify work and family concerns for the benefit of current and succeeding generations.

Poza (2004:19) indicates that family businesses are unique in their attributes as well as in their assets and vulnerabilities that they bring to the marketplace.

Some of the most successful businesses in the world are family controlled and indicated in Table 1.1 below.

Table 1.1: List of 10 well-known international family businesses

Business	Family	Country
Ford Motor Co.	Ford	USA
Fiat Group	Agnelli	Italy
Novartis	Landolt	Switzerland
BMW	Quandt	Germany
Samsung	Lee	South Korea
Mitchelin	Mitchelin	France
SAP	Hopp	Germany
Chanel	Wertheimer	France
Hallmark Cards	Hall	USA

Source: Family Business Magazine, 2006

From the above table it is clear that family businesses are by no means restricted to the United States of America, but are indeed a powerhouse of the world economy (Lansberg, 1999:1). Family businesses represent the majority of businesses in Belgium, France, Germany, the Netherlands, Finland, Italy, Spain, United Kingdom, Sweden, Greece Cyprus and Portugal.

Ackerman (2001:325) indicates that approximately 80 percent of businesses in South Africa can be classified as family businesses and these businesses make up 60 percent of the companies listed on the Johannesburg Stock Exchange. Anglo American (Oppenheimer), Pick 'n Pay (Ackerman) and the Rembrandt Group (Rupert) are all well-known family businesses in South Africa (Maas *et al.*, 2005:8).

According to Van der Merwe and Burger (2004) family farms, as an integral segment of family businesses, perform an important role in the South African economy. Not surprisingly, the oldest family business in South Africa is a family farm. The ninth generation of the Van der Merwe family is currently managing the farm, Boplaas, which was established in 1743.

1.2 IMPORTANCES OF FAMILY BUSINESSES

Kets de Vries (1996:3) states that the rise in entrepreneurial ventures does not only lead to more family businesses, but also emphasises the growing awareness of the vital importance of entrepreneurial and family business for future economic development. IFERA (2003) confirms that family businesses play a leading role in the economic and social life of the developed western market economies where entrepreneurial initiative is strongly encouraged. Maas *et al.* (2005:4) stresses the importance of family businesses in South Africa as they have been making a positive contribution towards South Africa's economy over the past 300 years.

South Africa, as a developing country, is not excluded when it comes to constant battle against poverty. According to Venter *et al.* (2003:1) the origin of poverty is to be found in unemployment. The number of unemployed persons in South Africa is estimated to be 4.48 million in September 2005 (Statistics South Africa, 2006:iv). Clearly it is critical to find solutions to the unemployment situation in South Africa to enable South Africans with the means of generating sustained income.

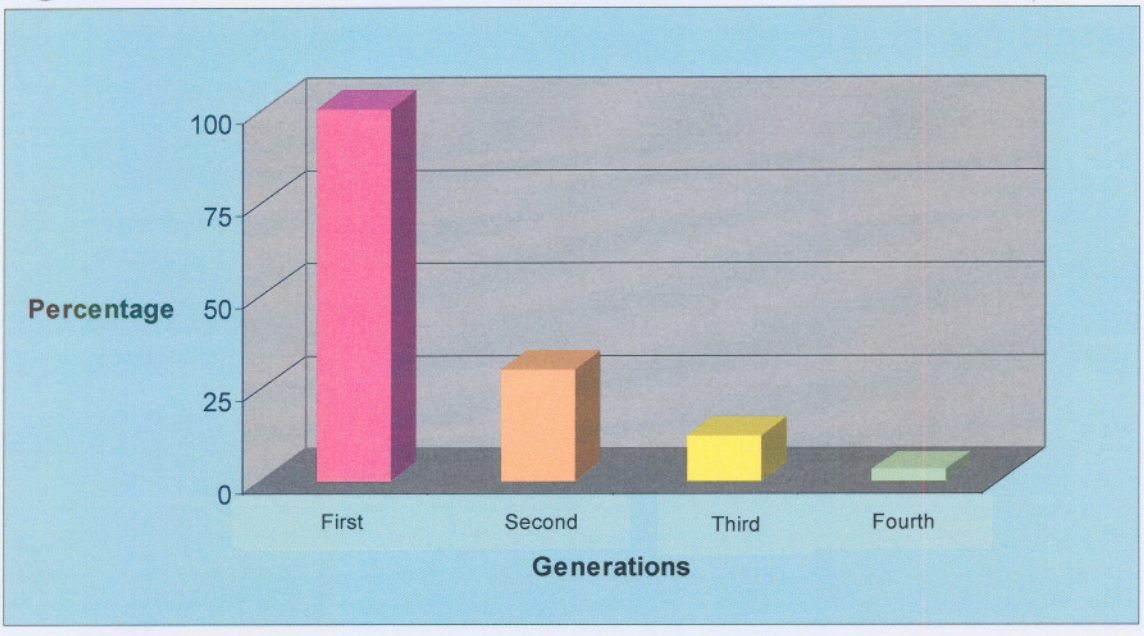
As noted by Venter *et al.* (2003:1) large businesses and the public sector have been unable to address the prevalent unemployment problems. Downsizing, business process reengineering and corporate transformation programs have enhanced the need for family businesses. Today's economic realities and unemployment have forced numerous people to establish their own business or to join an existing family business (Maas *et al.*, 2005:6).

The importance of family businesses is often underrated, partially due to the fact that privately owned companies are not always easy to study. Kets de Vries (1996:4) indicates that many family businesses are quite secretive, jealously protecting their privacy and manner of communication with outsiders.

On the downside however, Lansberg (1999:1) noted that the lack of longevity in family businesses is a concern because family businesses are primary contributors to the economy. Poza (2004:19) supports this by stating that in the region 85 percent of all family businesses fail within its first five years of operation.

Figure 1.1 indicates the percentage of family businesses that survive to the fourth generation and beyond.

Figure 1.1: The survival of family businesses



Source: Bareither and Reischl (2003:21) and Fleming (2000:12)

Approximately 30 percent of family businesses survive into the second generation of family ownership and merely 12 percent survive to the third generation (Bareither and Reischl, 2003:21; Fleming, 2000:12,13; Lea, 1991:13). Approximately three percent survive to the fourth generation and beyond. Maas *et al.* (2005:8) indicates the survival percentage in South Africa to the second generation is 30 percent and 10 percent to the third generation.

Family businesses that are not correctly run will lead to more traumas than good for the family (Maas *et al.,* 2005:12). This will manifest in more social instability, which South Africa cannot afford.

Due to the vital importance of family businesses as a leading form of business enterprises, all efforts should be made to enhance their chances of survival. Thus, the operations of family businesses should be aimed at achieving the ideal circumstances. Maas *et al.* (2005:6) describes these ideal circumstances to be when:

- the family business is generating a profit;
- the family members are happy;
- the full potential of the family members are realised;
- wealth is created for the entire family; and
- it is assumed that the existence of the family business is ensured for generations to come.

The above can only be achieved when all stakeholders are familiar with the nature and unique challenges family businesses face to enable the continuing existence of the business. Families in business together have a principally powerful motivation to govern themselves as they hold shared interests that are vast and profound (Aronoff & Ward, 1996:1).

Family businesses present a marvellous opportunity since it permits the character, energies as well as resources of a family focused over the long term on building a profitable business (Aronoff *et al.*, 2002:3). The business, in turn, can facilitate a family's growth and also provide an outlet for family members' talents and creativity.

Any country wanting to grow dynamically and compete in a rapidly changing competitive global environment cannot afford to ignore this crucial sector (Maas *et al.*, 2005:12).

1.3 PROBLEM STATEMENT

There are families and there are businesses, and then there are family businesses. Families have one set of purpose and the business another. The most crucial factor for a family business is the competency to look to the future for long-term survival and thereby necessitating the ability to effectively manage the unique challenges that they are confronted with.

A family farming business is a complicated phenomenon. This complication is caused by the fact that the family business is a culmination of two interacting systems: the family and the business. The family interests need to be aligned with the business interests of the farm (Van der Merwe, 2005:2). A non-family farm is operated purely on a business basis compared to a family farm where emotions of the family members are involved. To enable the effective management of a family farm, the business is required to work parallel with the family members.

Van der Merwe (2006) indicates that scientific research pertaining to family businesses is scant, and in South Africa, even more few and far between. In this day and age the successful management and survival of a family farm is a difficult assignment. Even more so, is managing a family farm as a business. Family farming businesses not only operate in an environment where needs and expectations are in conflict, but family members also portray diverse personalities (Van der Merwe, 2005:2).

Family farms are confronted with forces that will help and others that will get in the way of the road to success. Consequently, it is critical for family farm owner-managers to be attentive to the unique

challenges they face. The road to success is long and successful family businesses need help and should be willing to ask for it (Birley & Muzyka, 2000:292).

1.4 OBJECTIVES OF THE STUDY

The main objective of this study is to evaluate the unique challenges facing family farms in South Africa and to make recommendations to enable the family farming businesses to overcome these unique challenges to ensure long-term sustainability.

In order to comprehend the primary objective, the subsequent secondary objectives must be met:

- To establish what a family business is.
- To acknowledge and acquire information pertaining to the unique challenges facing a family business, by means of a literature study.
- To attain information on these unique challenges by empirically evaluating these challenges family businesses are confronted with by means of an existing questionnaire (Van der Merwe, 2004) and to analyse the evaluation.
- To verify the alignment of the measurement instrument to the information acquired by means of the literature study.
- To determine the practical significance for the differences in the arithmetic mean.
- To determine the reliability of the existing questionnaire.

1.5 SCOPE OF THE STUDY

The scope of this study is restricted to family farms that operate as businesses in South Africa. Numerous attempts were made to secure a database of family business in South Africa, but with no success. Therefore, it was decided to use a convenience sample, by means of the snowball sampling technique, to identify family farming businesses.

This study will test the existence and magnitude of the unique challenges facing family farms in South Africa. In addition, it will also compare and contrast which of these factors are important for the two major stakeholder groups in the family farm, namely the active (family members employed by the farm) and inactive family members (family members not employed by the family farm).

1.6 RESEARCH APPROACH

As indicated by Neuman (1997:1) research is a way of finding answers to questions. Welman and Kruger (1999:2) define research as the process that makes use of scientific methods to expand knowledge in a particular field of study.

Babbie and Mouton (2001:72) and Leedy (1989:9) are of the same opinion that true research is a procedure, which is attempted to systematically find, with the support of demonstrable facts, the answer to a question or the resolution of a problem. Research can be described as the process of systematically obtaining accurate answers to specific and significant questions by the use of the scientific method of gathering and interpreting information. This can be explained as follows:

- Systematic due to the systematic approach to lead through all the steps, areas, and phases necessary to ensure no facts or processes essential to obtaining a correct conclusion are overlooked.
- Specific and significant questions must be asked in the process of analysing the problem, as well as in deciding what information shall be sought when fact finding is started. A basic characteristic of a good researcher is the ability to determine what questions are most relevant and closely related to the situation being studied.
- The scientific method refers to the procedures followed by careful investigators and thinkers in arriving at conclusions.

1.6.1 Aims and objectives of research

As pointed out by Babbie and Mouton (2001:79) social research serves many purposes of which the three most common and useful purposes are exploration, description and explanation.

The aims and objectives of any research project are largely determined by how much is already known about the selected topic. Consequently, the extent to which existing knowledge and understanding can be used to develop hypotheses, which can be confirmed or refuted, must be considered (Leedy, 1989:8). Prior to establishing the aims and objectives of the substantive research problem, a comprehensive review of existing literature pertaining to the unique challenges facing family farms was undertaken.

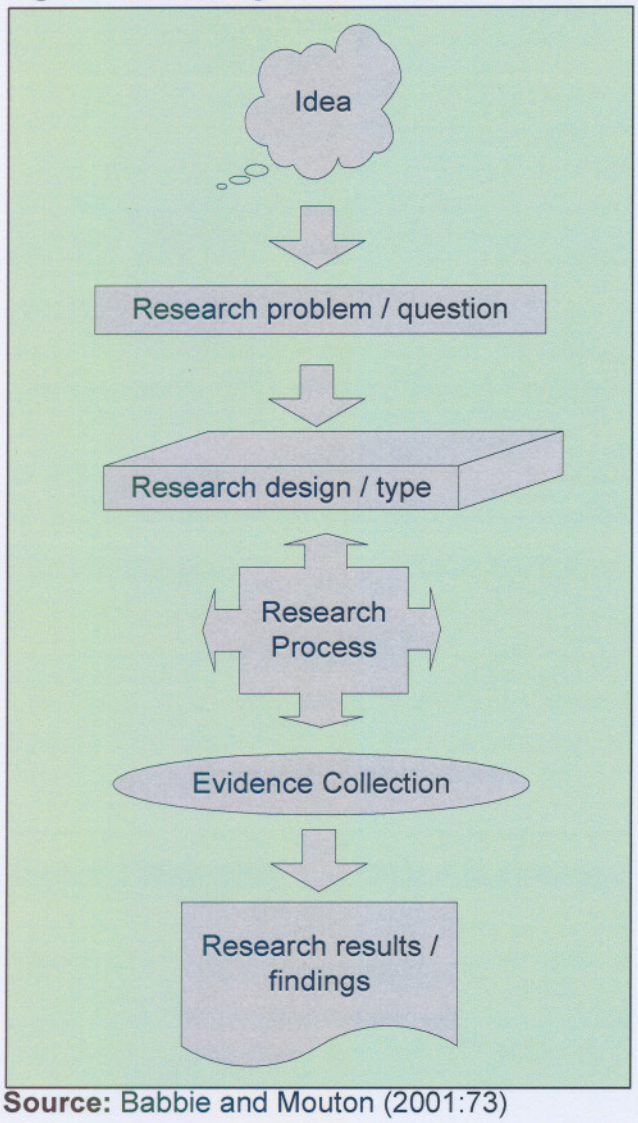
If a deeper understanding of the unique challenges facing family farms is to be generated, a quantitative approach is required. The contents and outcomes of the family involvement in the

unique challenges facing family farms can only be understood in terms of what their participants identify these unique challenges to mean.

1.6.2 Research process

Although researchers differ in the number of key steps in the research process, in essence they are the same. Research according to Leedy (1989:9) has seven steps. Babbie and Mouton (2001:73) and Frazer and Lawley (2000:8) identified six steps in the research process. These steps are indicated in Figure 1.2.

Figure 1.2: The logic of the research process



Source: Babbie and Mouton (2001:73)

Each of these steps is discussed in turn.

Step one: The idea

Research emanates with an idea as a question in the mind of the researcher. An inquisitive mind is the beginning of research (Babbie & Mouton, 2001:73; Frazer & Lawley, 2000:6; Leedy, 1989:5). The hope of mitigating ignorance lies in the questions asked and the facts summoned.

Step two: Research problem or question

Research is unable to proceed without a clear articulation of a goal. Babbie and Mouton (2001:75) indicate it requires a clear, unambiguous statement of a problem. This statement is an exercise in intellectual honesty. It cannot accommodate vagueness; neither can it ignore the obligation to clearly set forth, in a grammatically complete sentence, precisely what the goal of the research is (Frazer & Lawley, 2000:7; Leedy, 1989:5).

Step three: Research design or type

Research necessitates a research design or a specific plan of procedure according to Babbie and Mouton (2001:73), Frazer and Lawley (2000:8) and Leedy (1989:6). Research can be understood as a carefully planned attack with a search-and-discover mission. The overall research effort must be explicitly planned and logically designed.

Step four: Research process

According to Babbie and Mouton (2001:98) the principal purpose area of investigation (the problem) consists of dividing it into more manageable sub-areas. The sub-areas are normally referred to as sub-problems. The whole is composed of the sum of all its parts as indicated by Frazer and Lawley (2000:9,10).

Leedy (1989:7) clearly asserts that research seeks direction through appropriate hypothesis based upon obvious assumptions. Having stated the problem and the sub-problems, each of the sub-problems are then viewed through a construct called a hypothesis. The latter can be described as a logical supposition, a reasonable guess and an educated conjecture. Hypotheses are nothing new as they are constant, recurring features of everyday life. However, a hypothesis should not be confused with an assumption. Hypothesis is a conjectural supposition that is posited in order to

facilitate the search for facts, but it is held in abeyance until such time that the facts are available and have been interpreted. At this point, the facts either support or fail to support the hypothesis.

Step five: Evidence collection

Babbie and Mouton (2001:105) point out that the appropriate facts are collected and organised in a meaningful manner so that they can be interpreted. The significance of the data depends upon the way in which the human brain extracts meaning from the data. Unprocessed facts are worthless in research.

Step six: Research results or findings

According to Frazer and Lawley (2000:9,10) and Leedy (1989:8,9) this step is circular. The research process is cyclical and begins simply as a questioning mind confronts a situation for which there seems to be no answer. Facts are collected, organised and interpreted for the purpose of determining their meaning (Babbie & Mouton, 2001:101). The latter is the ultimate purpose of resolving the problem. The cycle is completed with the resolution of the problem.

Leedy (1989:9) cautions that what appears to be a neatly closed circle, is however deceptive as research is never conclusive. In a truer sense, the circle of research can more accurately be conceived as a helix or even a spiral of research. In exploring one area, additional problems arise that need to be resolved (Frazer & Lawley, 2000:6). Thus it is fair to conclude: research begets research.

This study pertaining to the evaluation of the unique challenges facing family farms in South Africa incorporates of two primary stages, being a literature review study (chapter two) and an empirical study (chapter three) which are discussed below.

1.7 LITERATURE RESEARCH

The literature study was approached in accordance to steps one and two as indicated in Figure 1.2.

The purpose of the literature study is to gain knowledge and insight pertaining to family farms and to evaluate the unique challenges they are confronted with. Without theory, results will remain isolated pieces of information.

A literature study was done through the utilisation of the Ferdinand Postma Library at the Northwest University, the Sasol Library in Sasolburg, the Rosebank Library in Johannesburg and the Internet. The literature study set out in chapter two comprises of the following:

- Introduction to family businesses.
- Definition of family businesses.
- Roles of the family, business and ownership.
- Advantages and disadvantages of family businesses.
- Harmony among family members.
- Corporate governance in family businesses.
- Management succession of family business.
- Ownership succession.
- The roles of family farms.

Theoretical insights from textbooks, Internet articles and research thesis will be identified, analised, summarised and presented.

1.8 EMPIRICAL STUDY

The empirical study has been approached according to steps three to six as indicated in Figure1.2.

- Research design or type.
- Research process.
- Evidence collection.
- Research results and findings.

The abovementioned steps are discussed below.

1.8.1 Research design or type

Research design is purely the blueprint of the plan of how the information to resolve the research problem will be gathered and answered (Babbie & Mouton, 2001:74; Frazer & Lawley, 2000:8; Welman & Kruger, 1999:46). The research design must be consistent with the problem definition. Although research design occurs at the outset of a research project, it involves all the steps of the subsequent project as stipulated by Babbie and Mouton (2001:97).

Questionnaire design and administration is a crucial component of research projects. The order in which the items are presented has an effect on the response (Babbie & Mouton, 2001:243,244). Frazer and Lawley (2000:2) emphasise that a well-deigned and administrated questionnaire can provide the necessary data to address research questions, whilst a poorly designed and administrated questionnaire will result in useless information.

Babbie & Mouton (2001:237) indicate that questions with the following characteristics should be avoided as far as possible:

- relying too heavily on the memory of the respondent;
- too general or vague;
- necessitate considerable amount of self-analysis on the part of the respondent;
- requires considerable amount of thinking prior to accurate decision making can be given; and
- involves information that is too personal.

Questionnaires with many closed questions will be ideal if the problem is well defined as well as specific and information on attitudes and opinions are required (Babbie & Mouton, 2001:237). The first decision in the design of the questionnaire entailed determining how the questionnaires would be administrated – by mail, by phone, or in person.

1.8.2 Research process

As soon as the design has been finalised and a sampling strategy determined, the next step in the process is to collect the data. It is during this stage that the questionnaires are actually administrated (Flick, 2002:190; Frazer & Lawley, 2000:10).

Babbie and Mouton (2001:236) indicate that it is not unusual to experience problems of persuading the participants to co-operate. A lack of co-operation can lead to various problems such as incomplete questionnaires, too little response and evidently unreliable results.

1.8.3 Evidence collection

As indicated by Frazer and Lawley (2000:11) following collection, the raw data has to be turned into information through analysis. Data analysis has to answer the question of what the meaning is.

Babbie and Mouton (2001:101) announces that the collected data must be interpreted in order to draw conclusions that reflect on the interests, ideas and theories that initiated the query. Data must

be in a suitable form to enable appropriate data analysis techniques. Evidently, it is critical to bear this stage of the research process in mind when designing a questionnaire.

The processing of data comprises mainly of three steps; recording the data, editing the data and constructing a new reality in and by the produced text (Flick, 2002:166). The process of analysing the data collected begins soon after the data has been collected. On a practical level, the sheer massive volumes of information generated by the qualitative methods used demands that analysis is not delayed until the completion of the collection of the primary data. Further more it is ongoing as well as inductive.

1.8.4 Research results and findings

The concluding stage of the research process involves preparing a final report and conclusion as well as putting forth practical, substantiated evaluations and recommendations pertaining to the unique challenges facing family farms in South Africa.

1.9 LIMITATIONS OF THE STUDY

The adoption of any research approach and the use of all methods of collecting and analysing data necessarily involve trade-offs. Common with any research project, this study was constrained by the methods chosen.

Due to the nature of the study, the validity and the exactness of the results are restricted by the following factors:

- In looking at the three systems in a family business, namely the family, the business and ownership, this study includes the family and the business systems, as well as the overlap between the systems, but does not include the daily operations side of the business.
- The grounded understanding of family businesses in which this research was interested required that the raw data is based upon the experiences and perceptions of those involved in these businesses. In collecting such data, it is possible that despite the sampling strategy and tactics employed, respondents were not always truthful.
- The extent to which the findings emerge from this research, can be generalised to the wider population of family farming businesses, is constrained. As the aim of this research was to generate a substantive understanding rather than to test the validity and reliability of a hypothesis deduced from previous research, the findings emerged from this study cannot be generalised to the wider population of family businesses.

- There is no database available on family farming businesses in South Africa. This study was performed by means of a convenient sample with a snowball effect. As the technique was not designed to generate a random sample, certain family farming businesses might be excluded from this study.
- Only limited research is available in South African pertaining to family farming businesses. The literature study of this mini-dissertation is therefore mainly based on foreign literature.

Based on the above, care must be taken when the results and conclusions of this mini-dissertation are applied to family businesses in a broad sense.

1.10 LAYOUT OF THE STUDY

The layout of this study is depicted in Figure 1.3 on the following page. This study consists of four chapters and the layout of the study can be described as follows:

Chapter one contains the nature and scope of the study. Specific topics covered in this chapter include an introduction, the importance of family businesses and the problem statement. The primary and secondary objectives of the study as well as the scope of the study follow the latter. The research approach, literature research, empirical research and limitations also form part of chapter one. The chapter is closed off with a layout of the study.

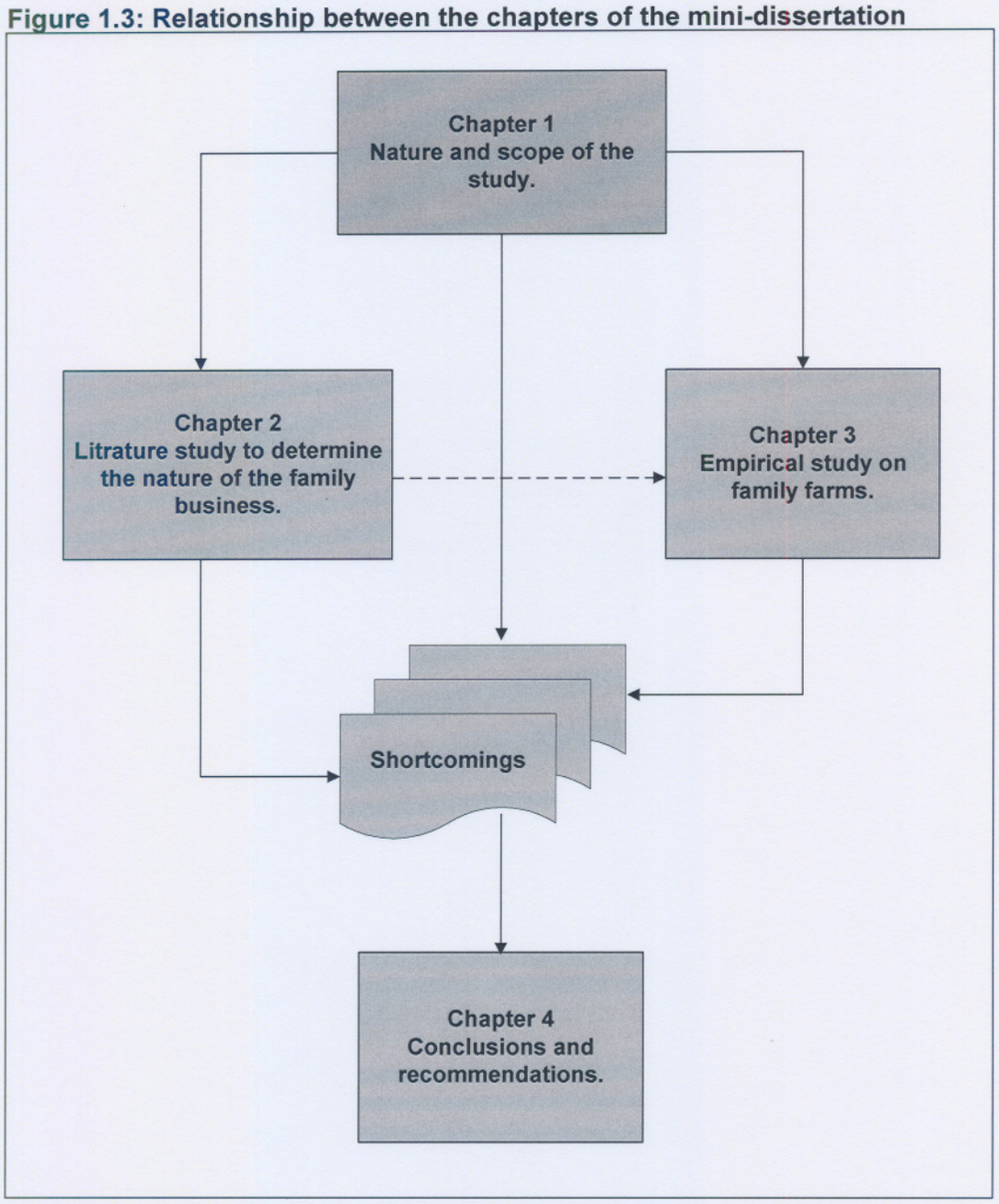
Chapter two consists of a comprehensive literature study guiding the dissertation in a direction to evaluate the problem statement on achieving the objectives of the study. Topics discuss include an introduction, definition of a family business, roles of the family, the business and ownership. Specific advantages and disadvantages are also discussed in chapter two. Family harmony, corporate governance, management succession, ownership succession and the role of the family farm are also discussed in this chapter.

Chapter three comprises of an empirical study done by means of textbooks, the Internet, questionnaires and by combining all of these empirically to make sense of all the data. Specific topics covered include the structuring of the questionnaire, the gathering of the data as well as the results and discussions.

Chapter four is based on all three of the abovementioned chapters to give a clear understanding as well as to enable the researcher to come to a conclusion and make recommendations.

Conclusions were drawn on the response of the family survey, the demographic and biographic information pertaining to the respondents and the structure of the family farming business. Conclusion were also made on the reliability of the research instrument, the twelve factors as evaluated by the family members, the effect size analysis and the conformity between the literature and the questionnaires. A critical evaluation was done to determine if the primary and secondary objectives, as set out in chapter one were achieved.

Figure 1.3: Relationship between the chapters of the mini-dissertation



CHAPTER 2:
LITERATURE STUDY ON THE NATURE OF FAMILY BUSINESSES

2.1 INTRODUCTION

Maas *et al.* (2005:10) clearly indicates that the importance of family businesses in all ethnic groups is increasingly recognised in South Africa. This is particularly due to their supportive role to promote economic growth and development together with their important contribution towards the social stability in South Africa. Family businesses are here to stay and will remain a strong force of the global economy (Neubauer & Lank, 1998:21).

The economic landscape of most nations remains dominated by family businesses (Cummings & Worley, 2005:579). Therefore it is fitting that academia has begun to recognise the importance of family business studies. The field has gathered considerable momentum, particularly over the last few years.

Without theory, results will remain isolated pieces of information. Thus, lacking the linkages necessary to aid family businesses to better manage their businesses; guide researchers towards the most fruitful directions of investigations and to improve the content studies pertaining to family business management.

Recognising that the family and business are intertwined in family businesses, some researchers define the performance of family businesses along both family and business dimensions (Pickard, 1999:1). Therefore, the success of a family business is more dependent upon effective management of the overlap between family and business than on the resources or processes in either the family or business systems (Feldman, 2006:72).

Pickard (1999:1) refers to the family business as a merger because it mergers the unique and varies resources each individual brings to the family business. However, much remains to be done as there continuous to be controversy over the definition of a family business.

The main purpose of this chapter is to gain literature insight on the unique challenges a family business. Jaffe (2005:55) indicates that a family business faces unique challenges as the business is required to balance the sometimes conflicting concerns and demands of both the owner's family

and the business itself. Specific topics covered in the literature research include: the definition of a family business; roles of the family, the business and ownership; advantages and disadvantages; family harmony; corporate governance; management succession, ownership succession and the role of family farms.

2.2 DEFINITION OF A FAMILY BUSINESS

Defining the object of study is a fundamental requirement for progress in any field. As noted by Bork (1993:24) and verified by Neubauer and Lank (1998:3) there is no consensus for the definition of family businesses in the research, consulting communities, amongst journalists and the general public.

However, the review of literature has revealed an extensive list of elements used by various authors to create their varying definitions. The following are the most general elements of the myriad of definitions they have found (Aronoff *et al.*, 2002:4; Neubauer & Lank, 1998:5):

- The percentage share capital owned by a family.
- The employment of family owning in executive or other positions.
- The extent to which the family intends to maintain family involvement in the future.
- The existence of non-family employees or executives.
- The number of generations the owning family has been involved in the business.
- The number of families concerned in either management and / or ownership.
- Whether a family accepts control of their own business.
- The extent to which non-family employees acknowledge that it is a family enterprise.
- Magnitudes to which descendants of the founder have management and / or ownership control.
- The size of the business, mostly referring to the number of employees.

This list is neither exhaustive nor mutually exclusive. However, most of the key variables used in literature have been noted.

Ibrahim and Ellis (1994:4) defined a family business as follows: at least 51 percent of the business is owned by a single family; at least two family members are involved in the management and day-to-day running of the business; and the transfer of leadership to the next generation family members is anticipated.

For the purpose of this study, a family farming business is defined as a farm where a single family owns the majority stake of the farm, the family farm employs two or more family members and the continuation of the farm, as a family business, is envisaged.

2.3 ROLES OF THE FAMILY, THE BUSINESS AND OWNERSHIP

Family businesses not only differ in a variety of extremely important ways from non-family businesses, but they also function in a different manner as non-family businesses. According to Ibrahim and Ellis (1994:44,45), and supported by Haynes (2005:34), family businesses are unique in the sense that there are three systems involved being the family members, business managers and owners of family businesses.

The crucial success indicator is how the family manages the overlap of the three systems (Bork *et al.*, 1996:73; Carlock and Ward, 2001:3; Fleming, 2000:21; Frankenberg, 1999:32; Jaffe, 1991:54; Leach & Bogod, 1999:26; Poza, 2004:9; Voeller *et al.*, 2002:16).

According to Voeller *et al.* (2002:17) a family business is challenging because it is essential to find a way for these two different systems to co-exist under a single roof. Family members are required to work together as well as struggle together to keep the interactions harmonious (Feldman, 2006:72). Evidently family members can be either a great strength or a potential weakness for the family business.

Experts who have dealt with family businesses over the last few decades have found that the most effective long-term treatment of family business problems is the systems approach (Bork, 1993:23; Poza, 2004:8,9).

2.3.1 The system theory perspective

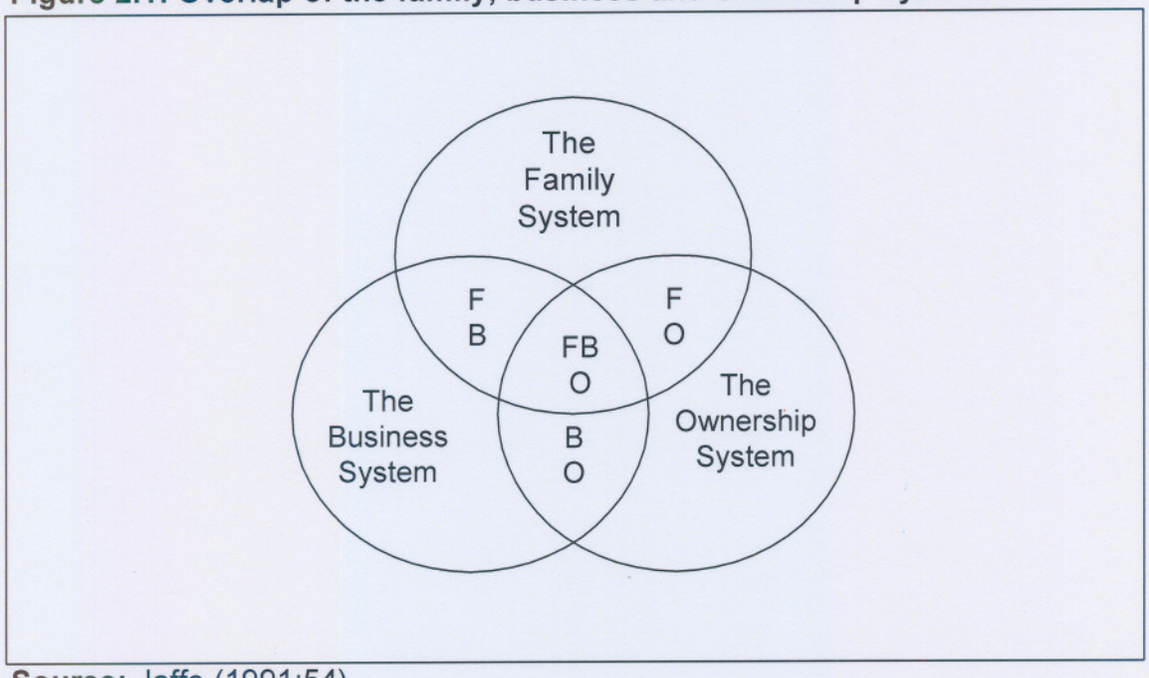
As indicated above, the family business comprises of three interrelated, completely different and distinct systems, namely the family, the business and the ownership systems (Bork *et al.*, 1996:73; Carlock & Ward, 2001:4; Fleming, 2000:21; Ibrahim & Ellis, 1994:44; Jaffe, 1991:53; Ward 2004:14).

Ibrahim and Ellis (1994:45); Jaffe (1991:53); Lea (1991;6,7); Poza (2004:9) and Syms (1992:14) highlight the difference between the three systems as follows:

- The family system is emotionally based, with the focus on loyalty, care and nurturing of family members.
- The business system in turn is task-based as they focus on the operational effectiveness of the business.
- The owners are interested in performance, the return on investment and the viability of the business.

Evidently from the above, Roberts (2005:16) emphasises that a business cannot be run like a family, neither can a family be run like a business. The family, the business and ownership systems are graphically depicted in Figure 2.1 below.

Figure 2.1: Overlap of the family, business and ownership systems.



Source: Jaffe (1991:54)

Jaffe (1991:53) points out that the three systems interlock resulting in several overlaps. The middle space, indicated as FBO, represents family members, business employees and owner members. It is very likely that this group of people might get confused in their relationship and the boundaries between family, the business and ownership decisions.

The area indicated as FB represents family members who work for the family business without owning shares. This group may normally include children, nephews, nieces or in-laws who expect

to become owners in the future. FO represents family members who own part of the business but do not work for the business. BO refers to employees who can own a share of the business.

As stresses by Jaffe (1991:53) and supported by Frankenberg (1999:32) family members can be part of any one of the three systems, or of all three. Problems arise when there is uncertainty as to which system takes precedence. Depending on the position they have in the system, individual perspectives of members of the family and the business will understandably be different (Poza, 2004:9).

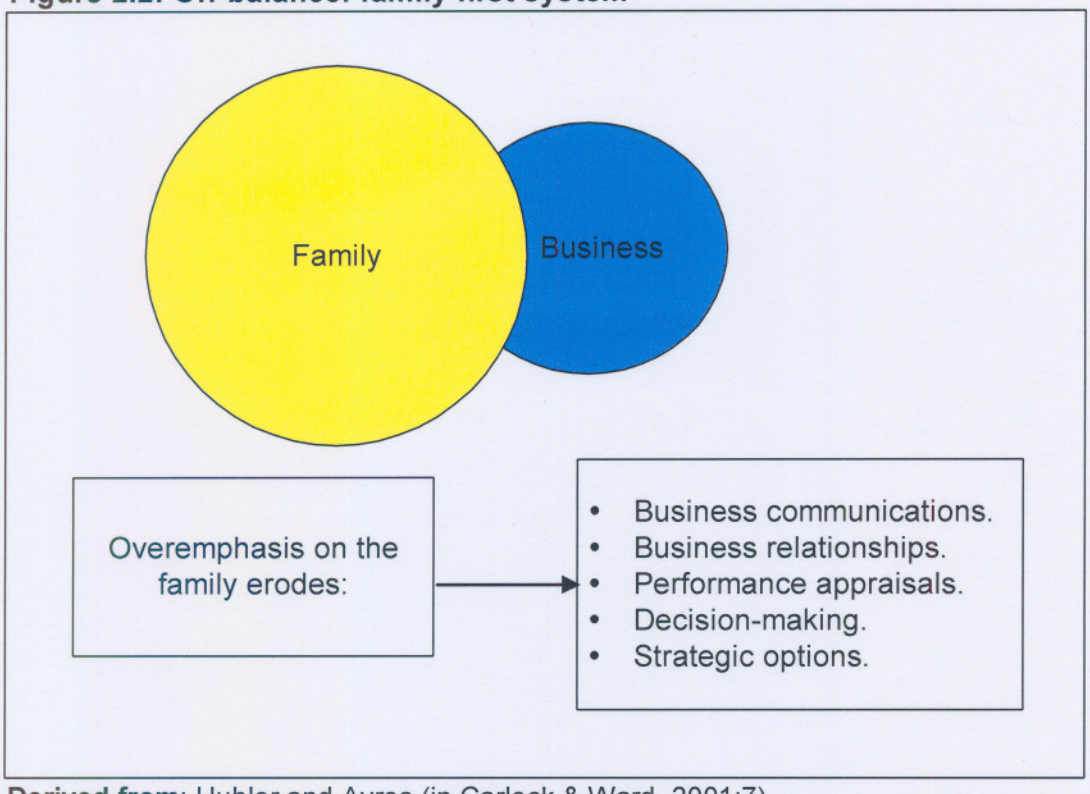
Poza (2004:10) indicates that problems can arise due to the complexity implicit in a system that is composed of three subsystems, each potentially with different goals and operating principles, family businesses are vulnerable to suffering the consequences of blurred boundaries amongst the family, the business and the ownership subsystems.

Decisions on how to effectively manage the unique challenges family businesses are confronted with, can be very different, depending on whether one is looking at things from a family perspective or a business perspective; in short, from a family first or business first system approach.

2.3.2 Family first system

Families often overemphasise their thinking concerning matters at home to the detriment of their business concerns. Figure 2.2 on the following page reflects the outcome of the off-balance family first thinking.

Figure 2.2: Off-balance: family first system



Derived from: Hubler and Ayres (in Carlock & Ward, 2001:7)

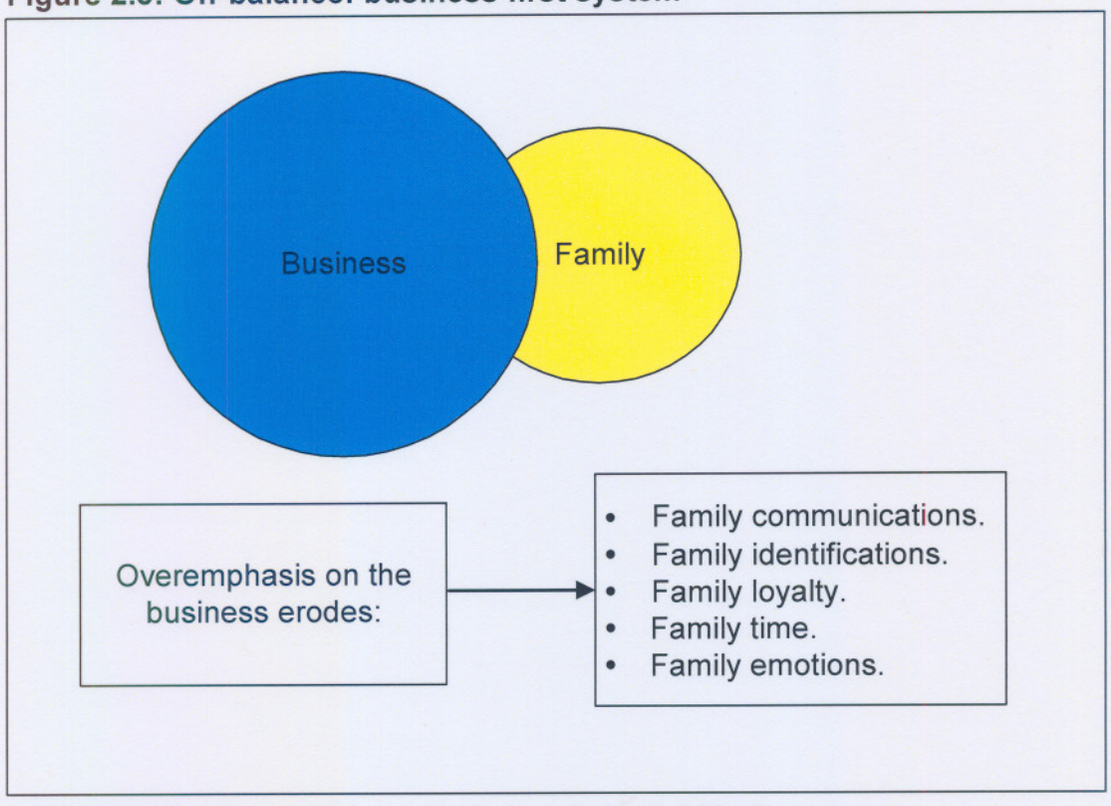
Frankenberg (1999:25) claims that some families even offer jobs to family members whom have limitations. Carlock and Ward (2001:6) confirm this by indicating that family consideration and needs become the first priority in business planning and decision-making. A desire to ensure everyone is happy can lead to unqualified family members being employed by the family business, which in turn threatens the effective next-generation leadership.

Carlock and Ward (2001:6) caution that a business which places the family first often neglects making objective performance appraisals and leadership development plans for family members.

2.3.3 Business first system

Leach and Bogod (1999:29) pronounce that building a business often becomes an obsessive pre-occupation for the owner. Ultimately this single-mindedness undermines the quality of the family life. Figure 2.3 indicates the outcome of a business first system approach.

Figure 2.3: Off-balance: business first system



Derived from: Hubler and Ayres (in Carlock & Ward, 2001:6)

Koenig (2000:5) states that if the business dominates the family continuously, the family times as well as their needs are neglected. Carlock and Ward (2001:5) confirm this by cautioning family businesses that by overemphasising the business system, and consequently diminishing attention to the family system, will result in families that do not relate to each other and thus psychologically compete with the business.

Evidently neither of the above systems approaches on their own contributes to the long-term success of a family business. One of the unique challenge family businesses are confronted with is to effectively balance the family and business system to ensure the sustainability of the family business.

2.3.4 Balancing the family and the business systems

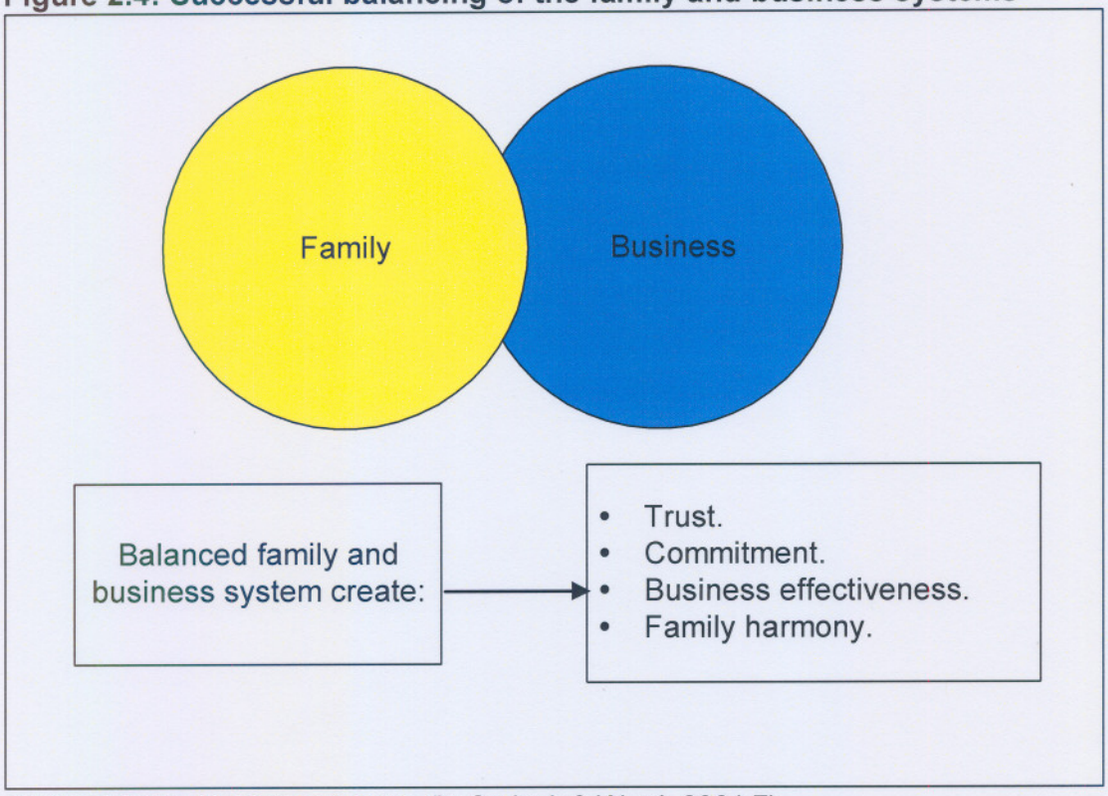
The principle of parallel focus on the interests of the family and the business has been proven to be the best and most enduring strategy for successful family businesses (Aronoff & Ward, 1996:9; Aronoff *et al.*, 2002:127; Carlock and Ward, 2001:140; Ibrahim & Ellis, 1994:431; Syms, 1992:13).

The family and the business are equally important and require mutual respect and the same care as indicated by Aronoff and Ward (1996:9). Family members have to earn a voice in business government by showing and developing qualifications that convey the right to be heard. The business needs to be accountable to the family (Carlock & Ward, 2001:146; Feldman, 2006:72).

Aronoff and Ward (1996:9) state that setting up separate governance processes for the business and the family is the best way to ensure effective management of the family business. Carlock and Ward (2001:146) also indicate that owners need a sound understanding of the business and family concepts.

The successful balancing of the family and business systems is indicated in Figure 2.4.

Figure 2.4: Successful balancing of the family and business systems



Derived from: Hubler and Ayres (in Carlock & Ward, 2001:7)

Families who equalise family and business systems create a positive environment whereby the family thrives and the business performs (Carlock & Ward, 2001:7). These families earnestly want both a successful family life and a successful business.

Thus, this balanced approach to addressing these two subsystems becomes the foundation for healthy family business relationships and ultimately for the creation of a family business legacy (Shanker, 2000:35).

2.3.5 Ownership system

As indicated in the beginning of section 2.3, a family business comprises of three systems. Up to this point, reference has been made to only two of the three systems, namely the family and business systems. According to Voeller *et al.* (2002:18) the third system, ownership, can include both family and non-family members. Further more these individuals may or may not be actively involved in the family business.

Jaffe (1991:52) acknowledges that those who own shares in the family business focus on profit, information, management and marketable goals. The latter is confirmed by Frankenberg (1999:29) with the clear statement that family business owners take pride in the business accomplishments and thus have unique sets of priorities.

Frankenberg (1999:29) highlights the need for family business owners to recognise that they hold the business in trust, not only because of their own dividend payouts, but also because their decisions affect employees, customers, suppliers and the communities in which the business is located.

Frankenberg (1999:29) continued that the owners' decisions not only affects the current stakeholders, but also affects all the future stakeholders who stand to inherit the wealth and heritage of the family business.

2.4 ADVANTAGES AND DISADVANTAGES OF A FAMILY BUSINESS

Many small business owners believe that by bringing family members into the business, they will create a harmonious collection of employees. Doing so offers specific advantages, but also opens the possibility that the smooth operations of the business may be compromised (Leach and Bogod, 1999:5).

2.4.1 Advantages

The overriding characteristic that distinguishes a family business from a non-family business is the unique atmosphere it creates (Leach & Bogod, 1999:5; Ward, 2004:151). The latter being a sense of belonging and an enhanced common purpose amongst the entire work force. Even though intangible, this factor manifests itself in a number of very concrete and positive attributes that can create significant competitive advantages for the family business (Ibrahim & Ellis, 1994:5).

Some of the advantages of family businesses are discussed below.

2.4.1.1 Shared values, beliefs and vision

According to Cummings and Worley (2005:580) values are at the centre of a family business as they represent the integrating point for aligning the business, shareholder and family systems. The family system is dominated by values of equality and security.

Aronoff and Ward (2001:1) indicate that values shape daily lives and fortunes. Values form the cornerstone of human achievement and commitment. Values are the groundwork of culture in family and in business alike.

Family members are likely to share the same ethos and beliefs on how things should be done. This leads to an added sense of purpose and pride and in turn makes certain the business has a competitive edge. Owning family's value form the heart of the business culture gives rise to vital synergies (Aronoff & Ward, 2001:2). An enduring commitment to values is the most intense strength a family can bring to the business ownership. As pointed out by Ibrahim and Ellis (1994:5) deeply entrenched values and beliefs are the bonding agents that hold a family business together.

A family business that consistently recognises and honours the dignity and individuality of people positions the groundwork for an alluring workplace (Aronoff & Ward, 2001:13).

2.4.1.2 Strong commitment

Leach and Bogod (1999:5) is of the opinion that an entrepreneur who starts their own business usually becomes very passionate about it. They consider the business to be their creation. They build it up, nurture it and for many, their business is their life.

This extremely deep commitment extends to all family members who come to have a stake in the success of the business (Ward, 2004:21). There is a family commitment that pulls them together. Aronoff and Ward (2001:20) explain that building a lasting family business means family members are more likely to go the extra mile and put in the extra effort needed for success. Family members understand each other better and have a more flexible approach to working extra hours. Relatives think of the business as an extension of the family, realising that they will personally benefit from the long-term success of it (Kets de Vries, 1996:17).

Ibrahim and Ellis (1994:6) point out that, whilst employees abandon the ship in crisis times, family members have a strong sense of commitment. Family enthusiasm develops added commitment as people care more and feel they are part of a team, all contributing to the same purposes (Ward 2004:21).

2.4.1.3 Common goal and strong sense of mission

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

As suggested by Astrachan *et al.* (2003:33) and Syms (1992:217) the optimal functioning of family businesses is dependent upon shared goals and a sense of mission. Only by working together in harmony the goals are easier achieved and the family business is more likely to survive and prosper.

Ibrahim and Ellis (1994:5) and Aronoff and Ward (1997:45) make the pronouncement that family members reveal high stakes in the family business in terms of employment, investment, inheritance, family name and social status.

2.4.1.4 Economic independence

As stated by Kets de Vries (1996:17) one of the most obvious advantages of being part of a family business is the perception of being in control of one's own destiny. Compared to publicly held co-operation's, family businesses are not the slaves of Wall Street, haunted by quarterly results as

highlighted by Carlock and Ward (2000:192), Ibrahim and Ellis (1994:6) and Kets de Vries (1996:17).

Family businesses are under less pressure and less public scrutiny, which enables them to experience greater independence of actions. Running a family business in which one has a personal stake most definitely creates a sense of independence as made clear by Aronoff and Ward (1997:47) and Kets de Vries (1996:16).

2.4.1.5 Flexibility in work, time and money

Leach and Bogod (1999:6) claim that family members are willing to put in the work and time necessary to build the business as well as taking out money when it can be afforded.

Thus, when work needs to be done and time spent in developing the business, the family puts in the time and does the work. They do this without negotiating of overtime rates or special bonuses for a rushed job (Leach and Bogod, 1999:6).

Aronoff and Ward (1997:46) confirm the statement made by Ibrahim and Ellis (1994:6) that family businesses enjoy more flexibility in decision-making, as they are less hierarchical and bureaucratic than professionally managed businesses. They are also less formal in day-to-day operations and this allows for efficient communication and effective managing of the business.

Carlock and Ward (2001:192) indicate that the management and staff of large companies often waste valuable business time on political warfare and they end up paying very highly for this.

Flexibility in time, work and money leads to a competitive advantage for the family business as it allows them agility in responding to a changing environment (Ibrahim & Ellis, 1994:6; Leach & Bogod, 1999:7).

2.4.1.6 Perception of the family name

Syms (1992:54) points out that a family's legend gives meaning to its history, both within and without the business. The family name in turn is the symbol of everything that the family business stands for.

As made clear by Le Van (1999:45) a family name can be a powerful symbol. The business can symbolise the accomplishments of the family, family heritage, family power, and family position in the eyes of the community and the world.

As stated by Ibrahim and Ellis (1994:6) and verified by Kets de Vries (1996:16) the confidence customers have in a family name and in the people, rather than a title, is a crucial contributor to success of family businesses.

Having their name on a product or building makes leaders more alert of their place in the community and prompts them to protect their reputation jealously (Kets de Vries, 1996:16). The power of a family name is not merely an abstract entity according to Syms (1992:55). Its value has been measured and found to give businesses a creative edge and even increase its chances for survival.

2.4.1.7 Business expertise

The extensive expertise of family businesses can lead to an important competitive advantage for the family business (Kets de Vries, 1996:18). The main reason for this is because the family members have been in contact with the business from an early childhood, creating ample opportunities to learn about the business environment (Jonovic, 1997:24; Kets de Vries, 1996:8).

Leach and Bogod (1999:7) indicate that family businesses often have particular ways of doing things – special technology or commercial know-how that their competitors do not possess.

The idea of knowledge is also relevant in relation to the founder's children joining the business (Ward, 2004:7). Children grow up in the business environment learning about the business, infected by the founder's experience and knowledge. When the time comes for them to consider joining the business, they already have a deep understanding of what the business is all about.

In depth business knowledge gives family members a head start over executives entering the business at a later stage. Ibrahim and Ellis (1994:6) state that studies have indicated that most entrepreneurs come from entrepreneurial families.

2.4.2 Disadvantages

Kets de Vries (1996:18) points out that family businesses do not create and receive good news only. Family relationships are the sources of both power and trouble in family businesses as stipulated by Le Van (1999:12). According to Leach and Bogod (1999:11) family businesses are prone to some serious and endemic disadvantages.

Some of the disadvantages relating to family businesses are discussed below.

2.4.2.1 Family infighting

As specified by Ibrahim and Ellis (1994:7) a major disadvantage of family businesses is the infighting amongst family members, which is caused by the differences in values between family members. This internal strife leads to undesirable behaviour, confusion, poor performance, goal conflict and, ultimately, the bereavement of the family business. Kickham (2004:48) agrees that nothing will kill a business faster than infighting amongst family members who disagree on how to run the business.

Kets de Vries (1996:15) noted that infighting could become extremely complex in family businesses that have survived a number of generations and are run by large families.

According to Koenig (2000:183) mistakes, conflicts and hard feelings are inevitable at home and work. Maas *et al.* (2005:29) confirms the latter by indicating when emotions are involved, it is essential to guard against falling prey to the whims of every family member. Family infighting results in business problems, low morale amongst employees and other family members.

2.4.2.2 Generational issues

Dyer (1986:80) makes the statement that the majority of children of entrepreneurs want to compete with their parents. Le Van (1999:24) acknowledges the latter by indicating that the children want to be richer, have bigger businesses and also do it quicker.

Lifelong issues between parents and children relate to power and control (Le Van 1999:32). This is because the older generations seek continued domination whilst the younger generation wants independence (Le Van, 1999:24). The older generation wants to hold on and the younger generation wants them to let go.

Older generation owners plan meticulously to give their children what they think the children ought to want (Le Van, 1999:45) and the children in turn don't talk about what they really want. This dilemma goes even further as children in family businesses frequently feel an unspoken obligation to work in the business.

Commitment to the future of the business and the willingness to work there indefinitely should not be assumed but rather discussed and dealt with (Le Van, 1999:47). The continuity in a family business ultimately depends upon instilling a sense of stewardship in every generation (Lansberg, 1999:9).

2.4.2.3 Role confusion

Ibrahim and Ellis (1994:7) make the statement that family businesses often experience confusion over who does what. This confusion is more often than not due to the dual role family member's play in being a member of the family and also an employee of the family business.

According to Kets de Vries (1996:23) and confirmed by Koenig (2000:31) the roles and responsibilities of family members involved in the business are often unclear or not defined at all. This leads to role confusion and evidently manifests in unproductive communication and poor decision-making (Ibrahim & Ellis, 1994:7).

2.4.2.4 Lack of objectivity

Ibrahim and Ellis (1994:7) are of the belief that decisions regarding family members in the family business are frequently based on emotions in stead of objective assessment of the situation. Crucial decisions such as promotions, compensation and hiring of family members are often biased.

Ibrahim and Ellis (1994:7) continue by pointing out that the lack of objectivity can take on various forms:

- Giving a higher salary and added benefits to the elder son compared to the daughter and other siblings, without consideration of qualification, duty and performance.
- Appointing younger members of the family or spouses, who have to work with significantly, less compensation.
- Hiring or promoting family members in spite of their qualifications in order to make peace with a family member.

Ibrahim and Ellis (1994:7) also stressed that family businesses must not define their leadership by position, title, family name and personality. Koenig (2000:30) supports the latter by stating that it is essential in this day and age for leaders to earn a position in stead of merely given the position.

2.4.2.5 Nepotism

Ibrahim and Ellis (1994:8) refer to nepotism as a career advancement of family members on basis of the relationship. Kets de Vries (1996:19) states that family logic frequently overrules business reason in a family business. According to Jonovic (1997:11) the danger in nepotism is that it seldom takes the needs of the business into consideration. Leach and Bogod (1999:29) agree with the latter by indicating that that nepotism can lead to a management system that favours the concerns of the family at the expense of the family business.

Kets de Vries (1996:19) claims that senior owner-managers repeatedly reveal a blind eye to the weaknesses of their beloved sons or daughters. Family members are time and again welcomed to the business regardless of their ability to contribute to the business.

According to Kets de Vries (1996:19) by working under a person who is evidently incompetent, places employees in a highly undesirable position. The absence of fair play undermines one of the pillars in corporate culture: trust. The latter in turn influences job satisfaction, motivation and performance. Nepotism can force the family business in a competitive disadvantage by burdening it with incompetent family members (Leach & Bogod, 1999:29).

2.4.2.6 Succession

Ibrahim and Ellis (1994:223) caution that not many family businesses survive intact beyond the first or second generation. A variety of maladies can lead to their downfall, but none is more lethal than the problem of succession. Ward (2004:3) confirms this by indicating that approximately half of all family businesses fail to make it to the next generation due to insufficient succession.

According Ibrahim and Ellis (1994:139) one the most agonising experiences family businesses face is the transfer of one generation of the top management to the following generation. Family businesses can undergo two transformations: moving from one generation to the next in leadership and ownership; and adopting a still-unproven appraoch to leadsership (Ward, 2004:3).

Succession more often than not leads to harsh family fighting sometimes waged in the courtroom (Ibrahim & Ellis, 1994:8). There is no doubt that succession is a difficult task for the majority of family businesses and that family owned businesses are frequently sold or shut down because the family did not satisfactory handle succession issues (Kets de Vries, 1996:65).

According to Jaffe (1991:210) the worst–case scenario is when the founder suddenly dies without any planning for succession. Equally appalling is the founder who stays too long after his business judgement has become clouded by age or disease. Another problem can occur when the founder steps down too soon before his successor is adequately trained with the necessary experience for the leadership roles.

There is no easy way to ensure the success of the successor. Basically is comes down to laying the groundwork, set the timetable and then get out of the way (Le Van, 1999:91). However, in the real world this does not happen so easily.

2.5 FAMILY HARMONY AMONGST FAMILY MEMBERS

Harmony amongst family members requires the correct degree of balance between the overlap of the family and the farming business. According to Leach and Bogod (1999:30) the correct degree of balance will enhance the chances of the business being effectively managed whilst still achieving family harmony. Pickard (1999:5) claims that a family in harmony, i.e. working together in a healthy balance, will merge to create a work environment that is harmonious.

Ward (1987:49) expresses that the success of a family business depends on the ability of family members to manage conflict in the interest of family harmony. Aronoff *et al.* (2002:299) states that the essence of the entire communication process is the creation of trust amongst family members. Astrachan and McMillan (2003:24) confirmed the latter by noting that family trust can only be created by means of openness and inclusion. Family trust in turn leads to family harmony.

2.5.1 Relationships amongst family members

Jaffe (1991:25) announces that healthy family relations begin with a structure to organise the family, to remain in touch with what each person wants (vision), what the family stands for (culture) as well as what the family wants from the business. Voeller *et al.* (2002:30) verifies that the family relationships affect the business and the business affects the family.

Ward (1987:157) cautions that the following signs that indicate that unhealthy family relations are developing:

- Family members are avoiding each other.
- Family members are making disrespectful remarks about one another.
- Family members are constantly arguing with each other.

Families may find it useful to formalise a code of conduct to establish certain rules for behaviour within the family business (Friedman 1998:30). Such a code does not only ensure a minimum level of courtesy, but also that a joint decency is present in the family business.

According to Astrachan and McMillan (2003:53) wise family business owners realise their relationships with each other are more important than their grievances. One of the main reasons for them being in business together is that they want to work together and to enjoy the fruits of their labour as a family.

2.5.2 Communication amongst family members

Ibrahim and Ellis (1994:131) announce that communication is a prevalent problem in family businesses. Subsequently, the importance of effective communication channels in a family business should not be ignored. Friedman (1998:33) supports the latter by believing that the absence of adequate channels of communication is a profound source of family conflict.

Astrachan and McMillan (2003:1) make no secret about the fact that history is filled with instances where family businesses failed to survive to the next generation because family members could not resolve their differences and communicate successfully with each other.

Frequent get-togethers in many family businesses provide a relaxed atmosphere that permits family members to express their feelings, communicate their point of view, discuss working relationships and resolve personal issues. Many family businesses set aside time to discuss problems, resolve disputes and defuse tension and conflict up front (Friedman, 1998:33).

Astrachan and McMillan (2003:1) indicate that family members should constantly avoid the following pitfalls in communication:

- Fear that communication will make things worse.
- Life crisis points, such as marriage, birth and death.
- Family patterns of communication and conflict cycles.

- Being locked into a role.
- Misinterpreting what someone else says.
- Multiple levels of communication: verbal, body language and parallel conversations.
- Fear that others in the family are too fragile to discuss tough issues.
- Hidden personal issues, such as need for parental love or to be a full-fledged family member.
- Fear of an emotional response.

Maas *et al.* (2005:119) testifies that effective communication provides the basis for harmony in the family. Family members should be receptive to the status of communication and the degree of conflict amongst family members. Hostility, anger and superiority should not portray communication.

According to Bareither and Reischl (2003:35) the most effective way to create a climate for open and honest communication is to use the direct approach method. The entire family must be called together, which means everyone in and out of the business, including in-laws, at a neutral site. A culture of open family communication, armoured by structured processes, is an integral precondition to create a harmonious family business (Aronoff *et al.,* 2002:299).

Even though, good communication does not eliminate conflict, it certainly contributes to managing a business effectively and to ensure it does not become toxicated, over emotional and destructive (Astrachan & McMillan, 2003:2).

2.5.3 Conflict amongst family members

In spite of their economic importance, most family businesses fail to survive a transition in leadership from one generation to the next. Friedman (1998:1) cautions that the failure of family businesses can often be attributed to unresolved conflict between family members. Aronoff *et al.* (2002:384), Astrachan and McMillan (2003:2) and Jonovic (1997:20) urge that conflict, as inevitable as it is and as healthy as it can be, has the potential to poison a family and the business.

Ibrahim and Ellis (1994:137) highlight that effective conflict management is an important skill in the management of a family business. Nothing distresses a family business as much as conflict amongst family members, or frustrates it as much as the inability of family members to communicate satisfactorily with each other (Astrachan & McMillan, 2003:1).

Cohn (1992:46) emphasises that conflict in a family business is usually more intense than in other relationship due to the spill over into personal lives. Carlock and Ward (2001:73) and Haynes (2005:34) agree with the latter by verifying that family businesses are exposed to bigger problems because they work so closely together.

Effective conflict management is not only essential for the smooth management of any family business, but also underlies the happiness of family members who work for the family business (Dyer, 1986:88; Syms, 1992:33).

Conflict can be seen as a challenge or even a positive driver for change. A dispute between family members on a strategic direction in the business may result in much needed rethinking of the business plan and a new agreed vision for the business.

Kets de Vries (1996:264) clearly indicates that no relationship will ever be perfect. Feelings of being treated unjustly will always be present amongst family. However, in well functioning families these feelings of unfairness are admitted and worked through (Astrachan & McMillan, 2003:1). The essence is for family members to develop mutual empathy whilst still appreciating each other's differences.

Cohn (1992:46) claims that healthy families and family businesses effectively manage conflict by developing mechanisms to resolve disputes. According to Bork (1993:41) numerous people have the misperception that the measure of the successful or healthy family is the lack of conflict. However, Pickard (1999:153) indicates that internal conflict is normal. It is the family's capability to manage and resolve conflict that determines its maturity and emotional health (Kickham, 2004:49).

2.5.3.1 Causes of conflict

Maas *et al.* (2005:103) is of the opinion that it crucial for a family business to develop a sound understanding of the causes of conflict. By adhering to this, the family will be able to take preventive action or solve existing conflict promptly and effectively.

Maas *et al.* (2005:103) summarises the sources of conflict as follows:

- Overlapping of the family and business systems.
- Conflict amongst generations.
- Conflict amongst children.
- Absence of clarity concerning roles and responsibilities.

- Dominating presence of a family with absolute power.
- Inactive family members' interference.

Friedman (1998:2) is of the opinion that ongoing decisions business owners have to make sooner or later leads to disagreement and thus laying the path for conflict. Sander and Bordone (2006:3) agree by noting that even in the smoothest running family businesses issues will surface that cause conflict.

2.5.3.2 Ways to avoid conflict

According to Ward (1987:157) and confirmed by Sander and Bordone (2006:4), the most effective way to avoid conflict is to prevent misunderstandings from happening in the first place. Astrachan *et al.* (2002:41) indicates that the drawing up a family constitution can help to prevent misunderstandings. Issues need to be addressed before they explode into hostility.

As revealed by Dyer (1986:88), and confirmed by Ward (1987:15), management can hold meetings and so doing resolve relatively minor disputes with decisions made by majority vote. For more serious matters the assistance of an outside advisor to act as a mediator can solve the problem.

According to Maas *et al.* (2005:106) there are a number of practical things family members can do to prevent conflict:

- Remove personal issues from business discussions by holding all meetings in a work rather than the home environment.
- Provide constructive feedback.
- Rising conflict should be discussed and resolved.
- Formulate a clear code of conduct to indicate what is acceptable and what not.
- Place family members in positions with different roles and responsibilities.
- Arrange occasional days away to discuss the strategy and direction of the business.

Friedman (1998:75) suggests that families should consider how to minimise the destructive effects of conflict to enable them to spend more time on productive endeavours such as growing their business and enjoying life.

2.5.4 Trust amongst family members

Carlock and Ward (2001:11) and Shanker (2000:13) agree that trust is the one thing that underlies the competitive advantage and distinctiveness of a family business. Trust provides a powerful advantage to a family business, as it is a source of long-term perspectives, the family effect, loyalty, commitment, stewardship and family harmony (Shanker 2000:13).

Shanker (2000:14) indicates that some of the components of trust are integrity, competence, consistency, openness and loyalty. Actions and behaviours that adhere to these components will lead to the enhancement of trust. Business culture that emphasises these values will reinforce trust. Carlock and Ward (2001:10) confirm the latter by emphasising that a family business creates trust when it works together to plan or solve problems. Trust is based on individual experiences with the business or with the family members. Trust is a special and unique form of business capital that is crucial to all the organisational relationships (Carlock & Ward, 2001:11).

Trust needs to be earned; it cannot be demanded. Astrachan and McMillan (2003:25) acknowledge that a lifetime of building trust can easily be destroyed by acting in ways which are inconsistent with one's usual behaviour.

According to Aronoff and Ward (2001:54), Astrachan and McMillan (2003:24) and Kreitner and Kinicki (2004:423) the following guidelines for building and maintaining trust exists:

- Communication: keep family members and employees informed by means of explaining policies and decisions as well as providing honest feedback.
- Competence: good business sense, professionalism and technical ability will enhance credibility and competence.
- Fairness: give credit and recognition timeously when deserved. Ensure that all performance appraisals and evaluations are objective and impartial.
- Predictability: portray consistent and predictable behaviour in daily affairs. Adhere to expressed and implied promises.
- Respect: delegation, in the form of real decision-making authority, is one of the most important expressions of managerial respect. Empowerment is not possible without respect.
- Support: provide help, advice, coaching and support for family members' ideas.

It is vital to create systems and then trust the systems to work, e.g. setting up a family council, having family meetings, so that everyone is informed and connected (Astrachan & McMillan, 2003:58).

Haynes (2005:34) cautions that family relationships that are not built upon trust risk will harm relationships and eventually destroying the family business.

2.5.5 Effective family meetings

Jaffe (1991:122) describes family meetings as the vehicle to address and explore family concerns that influences the family and the business. Ward (2004:113) confirms the latter by stating that one of the key things that a successful and sustainable family business can do, to hold the family together, is to have family meetings. An effective family meeting is a valuable tool to enhance family relationships and to improve communication.

Ward (2004:114) emphasises that the purpose of a family meeting is to build the cohesion of the family and to enhance the sense of identity as a family. Effective family meetings address many of the dimensions necessary for the continuing of the family business; articulating the meaning and mission of the family, the education and personal development of younger members, the pleasure and social aspects of being a family as well as planning for the future.

Cohn (1992:38) claims that families often get together on weekends, for social occasions, but rarely set up a formal family meeting to discuss family business issues. Voeller *et al.* (2002:39) confirms this by cautioning that ample of families is under the incorrect impression that harmony can be promoted by avoiding discussions concerning topics they feel uncomfortable with.

Family meetings can aid as a means of sharing experiences, acculturating new family members (such as in-laws), discussing the family's welfare and sharing the joys and spirit of family philanthropy (Ward, 2004:114). Most important of the family meetings is that it forces the family members to start working together rather than independently or against each other (Cohn, 1992:40).

2.6 CORPORATE GOVERNANCE IN FAMILY BUSINESSES

Neubauer and Lank (1998:60) describe corporate governance as a system of structures and processes intended to direct and control corporations and to account for them. Kenyon-Rouvinez and Ward (2005:45) describe family business governance as a system of processes and structures that are put in place at the highest level of the business, family and ownership to make the best possible decisions regarding the direction of the business and assurance of accountability and control.

According to Aronoff and Ward (1996:1) a business that is well governed, is open to work towards the highest and best objectives of the business. A well-developed family business entails understanding how the business and its governance structure interact with the family and its structures (Kenyon-Rouvinez & Ward, 2005:45).

The key focus of business governance should be to serve shareholders and other stakeholders together with meeting the goals set for it by shareholders and management (Aronoff & Ward, 1996:53; Neubauer & Lank, 1998:95).

The key focus of family governance should be to find consensus on matters where owners' wishes matter most, as well as to provide family members with a shared sense of identity and mission that transcends their individual interests in the business (Aronoff & Ward, 1996:53; Neubauer & Lank, 1998:95).

2.6.1 Importance of thoughtful and effective corporate governance

Aronoff and Ward (1996:3) caution that the history of family business is full of ruinous examples of what can happen in the absence of effective corporate governance. Thoughtful and effective governance leads to clarity within the family, between family and the board as well as to a stronger family and a stronger business as suggested by Kenyon-Rouvinez and Ward (2005:45).

According to Aronoff and Ward (1996:53,54) even though every family business is unique, embracing systematic governance processes is important because it will enhance the ability of the family business to achieve the following goals shared by:

- orderly decision-making;
- effective conflict resolution;
- peaceful continuity; and
- freedom to make decisions based on the utmost and best purposes of both the business and the family.

Kenyon-Rouvinez and Ward (2005:45) emphasise the benefits of effective governance - transparency, clarity, trust – lead to more successful businesses and families. Although good governance is not easy, it is well worth the expense, time and effort.

2.6.2 Parallel family and business structures

The intention of any business is to generate profits for its owners. This implies that the family members should understand sound business practice and the influence the family dynamics has on it (Bork, 1993:137). The essence here is to establish if a business is operating in the most professional manner as possible and, if not, what can be done to rectify the situation.

According to Bork (1993:137) an important starting point to focus on for sound family business management is the creation of a sound management base where the three subsystems of family business are in equilibrium. Effective governance is fundamentally the responsibility of ownership (Carlock and Ward, 2001:140).

Effective family business governance requires parallel family and business thinking to sustain the development of planning, decision-making and problem solving structures for both family and business systems. Family businesses that are effectively run prevent unconsciously drifting into haphazard or destructive patterns of decision-making and communication that can threaten and even destroy shared interests (Aronoff & Ward, 2001:140).

Effective governance does not happen by it self. Family policies and clear guidance need to be in place to prevent seemingly arbitrary decisions that cause much damage (Aronoff & Ward, 1996:7). Maas *et al.* (2005:3) confirms that it requires accountability between shareholders and the business.

Syms (1992:14) warns that over time, either a business first or family first mode of operations can lead to serious problems. A business first perspective, permits family concerns to foster and erupt into clashes that can threaten the future of the business. A family first view can distract and drain management as well as undermine the competitiveness of the business. Either situation sharply increases the likelihood of conflict between managers and shareholders (Aronoff & Ward, 1996:6; Syms, 1992:14).

2.6.3 Family members employment and compensation

According to Bork (1993:144) and verified by Maas *et al.* (2005:35) employment and compensation of family members are amongst the most important issues family businesses struggle with. A healthy way to overcome this struggle is to establish clear ground rules for joining or retiring from the family business (Roberts, 2005:16).

Sheehy (2005:76) cautions that questions pertaining to the compensation of family members can easily become increasingly complex and unmanageable as the family business grows and passes from generation to generation.

Aronoff *et al.* (2002:16), Bork (1993:144) and Maas *et al.* (2005:35) believe that a family business is not a place to park family members, neither is it a social charity. It is probably the biggest asset in the family portfolio.

Neubauer and Lank (1998:153) make the statement that a family member should not regard entrance to a family business as a right. The decision to permit family members into the business without the person adding sufficient value does not make business sense at all. Such actions threaten the sustainability of the family business.

Aronoff and Ward (1993:5) caution that special attention should be given to causes of potential compensation problems as stipulated in Table 2.1 on the following page.

Table 2.1: Ten common causes of family business compensation problems

Role confusion:	Confusing compensation to family members in their roles as owners or loved ones with compensation for performing a job in the business.
Using compensation to achieve tax savings:	Using high salaries or perks to transfer tax-deductible wealth to family members and avoid the heavy taxes imposed on dividends or gifts.
Using compensation to maintain parental control:	Using compensation to convey messages or accomplish goals that have nothing to do with the market value of the job performed, such as luring reluctant children to work in the business or pressuring offspring to learn the importance of frugality.
Using compensation to resolve emotional issues:	Providing extra compensation to ease uncomfortable feelings, such as parental guilt or resentment amongst offsprings.
Preserving secrecy al all costs:	Assuming that it is always in discreet, impolite or just plain wrong to talk about how people working in the business are paid.
Taking relationships for granted:	Assuming family members will trust, respect and be satisfied with your compensation decisions just because they are family members.
Using salary substitutes:	Offering titles perks or other salary substitutes to appease family members unhappy with their compensation.
Compensating everyone too little, or too much:	Holding down top management compensation as a mean to suppressing compensation throughout the business; or, conversely, raising compensation too high to retain people and avoid having to tell longtime employees how they are doing.
Confusing business and personal funds:	Assuming you can draw as much compensation from the business for as long as you need it to support the retirement lifestyle of your choice.
Using compensation to smooth ups and downs:	Altering compensation to soften the impact on employee's ups and downs in the business, compensating more in lean times to prove that you are a great boss and compensating less in good times because there is no need to prove anything.

Source: Aronoff and Ward (1993:5)

Bork (1993:14), Maas *et al.* (2005:39) and Syms (1992:142) agree that a great deal of trouble can be avoided by actually putting the company's compensation policy down in writing. The performance of family members must be objectively evaluated on a regular basis followed by honest feedback.

According to Sheehy (2005:76) the mission of a good compensation plan is to keep everyone involved in the family business to work at his or her best for what is best.

2.6.4 Management of non-family employees

Non-family members present an asset in most family businesses as indicate by Maas *et al.* (2005:138). Family members should be attentive not to make business decisions that benefit the family at the cost of non-family members or the business.

According to Syms (1992:191), unless a family business is very small (or a family very large), there will be far more non-family employees than family employees working in the business. The relationship between family members and non-family members presents family businesses with a unique dimension (Maas *et al.*, 2005:131). Should this relationship not be healthy, it will eventuate in disadvantages for the family business.

Business owners are often too modest to believe they can attract people of the highest caliber. Aronoff *et al.* (2002:326), Bareither & Reischl (2003:109) and Syms (1992:14) all point out that those business owners need to adhere to the following to combat their tendencies:

- Emphasise merit in personnel decisions.
- Provide opportunity for the top managers to accumulate personal wealth.
- Tie key members tightly to the business.
- Reassure career growth opportunities for the top non-family executives.

As made clear by Maas *et al.* (2005:132) experience indicates that ambitious non-family members are often unwilling to accept employment in a family business. The main reasons being:

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

Aronoff *et al.* (2002:326), Bareither & Reischl (2003:109) and Maas *et al.* (2005:138) agree that long-term growth demands a pool of talented non-family members, but the sad news is that most family businesses do not take this resource seriously enough. They are reluctant to invest in outside talent when they are unsure of the effect of strong non-family managers on the career paths of family members.

2.6.5 Disciplinary procedures

Members of a family farming business need to respect the rules and regulations that govern it. Ibrahim and Ellis (1994:113) indicate that family members frequently find it difficult to criticise each other and very often find it extremely strenuous to supervise and evaluate close family members.

Buchholz *et al.* (2000:276) states that every family business should establish up front how undesirable behaviour of family members should be managed. Buchholz *et al.* (2000:277) urges that the family business must create a clear understanding amongst employees regarding rules for business loans, personal use of business products and supplies, use of business credit cards, use of other business resources as well as for non-performance. Sander and Bordone (2006:3) confirm that the sting can be taken out of disciplinary procedures by having clear rules and procedures in place.

According to Buchholz *et al.* (2000:276) experts suggest that every family should create an environment of nurturing and competence to encourage talking, commitment and responsibility towards the family business. However, no family business should feel obliged to hire incompetent relatives (Buchholz, 2000:277). No other business will intentionally hire an incompetent or dishonest employee.

Spector (2001:60) claims that when standards are established at the time of employment, and non-performance implications are clearly explained as set out in the supportive disciplinary policy, employees and family members are less likely not to conform to performance standards. By linking compensation to performance, both family and non-family employees have incentives to work at an optimal level.

2.7 MANAGEMENT SUCCESSION IN FAMILY BUSINESSES

Few challenges require more of a business owner than passing on the family business to the next generation (Aronoff & Ward, 1992a:1). Family members' lifelong hopes, dreams, ambitions, relationships, personal struggles with mortality all come to play in succession planning.

Succession planning is critical to ensure the future of the family business. The failure to plan for succession is one of the greatest threats to the survival of the family business (Aronoff & Ward, 1992a:1).

However, succession planning can be a rich opportunity for the family business owner as it is a chance to make the most of the family business assets. It is also a chance to create a lasting business that will reflect the family's ideals and goals long after the founder is gone (Aronoff & Ward, 1992a:1).

2.7.1 Introduction to management succession

According to Lansberg (1999:1) every successful business is a miracle. Family businesses passed down from one generation to the next and continue to thrive represents an even greater accomplishment. Yet some of the world's most successful family businesses have managed to reinvent this miracle in every generation.

As indicated by Aronoff and Ward (1992a:4), and confirmed by Maas *et al.* (2005:53), succession can be defined as the process during which the business is transferred from one generation to the next. In broad, succession is the replacement of the leader of a family business by a successor who must be a member of the same family (Maas *et al.*, 2005:54).

Lansberg (1999:7) makes the comment that succession is a journey of which the family determines the choice of destination and is driven by a biological clock.

Bork (1993:126) advises that there are numerous tools available to the family business owner to facilitate the ownership transfer, these transfer techniques are usually complex and needs to be evaluated carefully. Bareither and Reischl (2003:113) and Neubauer and Lank (1998:135) affirm that simultaneously with the advantages of business ownership numerous difficult decisions become evident, not the least of which is how to ultimately transfer the business and to whom.

Maas *et al.* (2005:52) explains because of the important role family businesses perform in the South African economy, its survival is of the utmost importance. The sad news however, is that very few family businesses survive to the second generation (Bareither & Reischl, 2003:21) and considerably less make it to the third. The main reason for this dilemma is succession failure. In management succession, there is a crucial criterion, namely competence in the broadest possible sense of the word (Maas *et al.* 2005:53).

Pickard (1999:175) describes succession as a three-fold process, which involves preparing for change, implementing change and ultimately managing change. It is crucial to regulate the process in such a manner so that the actual transition takes place at the desired point and in the proper manner.

Succession is both a process and an event as explained by Neubauer and Lank (1998:134) and reinforced by Maas *et al.* (2005:54). The event has to do with the formal transfer of power from the outgoing generation to the successor generation. The process refers to the series of identifiable steps.

Maas *et al.* (2005:76) stipulates that succession should be a strategic process that is based on a thorough analysis of the business, family and other stakeholders involved. Succession should start early and be accompanied by a comprehensive succession plan that recognises the complex interaction of family, ownership and management issues.

The succession plan should be a feasible plan. Maas *et al.* (2005:77) continues by indicating that the succession process should be managed. It is fundamental that the potential successor should gradually and timely be involved in the family business. Like wise the timely departure of the founder is essential.

Lansberg (1999:15) makes the statement that most generation transitions would probably be smoother if a family could be pruned at every succession generation so that only one of the heirs would inherit ownership and management responsibility. Unfortunately pruning the tree is not always economically or emotionally viable in a family business.

2.7.2 Succession planning

As made clear by Pickard (1999:175) succession planning is a gradual change, a series of steps that strives towards a desired end being a rational, rather than emotional process. This process has

the potential to bring a family closer together. If ill conceived it will result in the family being torn apart (Ibrahim & Ellis, 1994:223).

Lansberg (1999:37) proclaims the succession journey begins when the current generation in control begins to worry about the transfer of ownership and management responsibilities. It ends when these people have fully handed the control of the business over to the next generation.

Kets de Vries (1996:264) points out that effective succession planning is more likely to succeed when dealing with a relatively healthy family. However, Neubauer and Lank (1998:133) illustrates that despite the amount of planning, the measure of success will always be the spirit and mettle of the individuals engaged in its execution.

Business owners, who resist planning, point to reasons that do not hold up under scrutiny as suggested by Aronoff and Ward (1997:21). Table 2.2 displays how owners can reframe their attitudes and assumptions pertaining to planning.

Table 2.2: Reframing assumptions about planning

PERCEPTIONS ABOUT PLANNING:	REALITY ABOUT PLANNING:
• limits flexibility	• expands flexibility
• is fruitless with so many uncertainties	• helps businesses predict and cope with uncertainty
• requires owners to share delicate information	• empowers organisation with more responsibility, understanding and commitment
• exposes mistakes and incompetence of managers	• allows management to improve their skills
• implies change that can threaten former strategies	• assists managers and owners to base decisions on current and future circumstances, not on former factors that may no longer be relevant

Source: Adapted from Aronoff and Ward (1997:21)

Aronoff and Ward (1997:21) urge that many entrepreneurs dislike formal planning. Formal planning for succession enhances the probability that the shift between the generations will be achieved in the best interests of the family as well as the business (Ibrahim & Ellis, 1994:223; Maas *et al.*,

2005:54). The substance of the issue increases drastically in more complex family businesses as clearly pointed out by Lansberg (1999:17). In spite of the importance of formal planning for succession many family businesses pay little attention to it (Ibrahim & Ellis, 1994:223; Neubauer & Lank, 1998:134).

Pickard (1999:175) is of the opinion that interplay is required between change and stability for successful succession planning to take place. Tradition plays an important role in the succession planning, as the leadership position needs to be passed on in a non-disruptive manner to ensure the smooth running of the business despite the change.

The process of planning forces owners and managers to keep their fingers on the pulse of the family business. The presence of uncertainty makes planning more, not less, critical as acknowledged by Aronoff and Ward (1997:22).

Kets de Vries (1996:264) announces that research has demonstrated that companies with a succession plan tend to be more profitable after succession compared to companies that fail to create one. Table 2.3 on the following page highlights the strategies for mobilising succession planning.

Table 2.3: Strategies for mobilising succession planning

Strategies for mobilising of the founder:

- Assist the founder to develop a supportive network of peers who can empathise and share learning.
- Be attentive to timing.
- Heighten the awareness of the family to the needs of the founder.
- Provide the founder with specific information pertaining to the steps involved as well as the timetable in the development of a succession plan.
- Motivate the founder to design a role for the future that will motivate him to let go of his present involvement in operational management.

Strategies for mobilising the family:

- Help the founder and his spouse to develop a shared vision of the future.
- Help the founder and his spouse to seek material counselling if needed.
- Develop a family council that facilitates meetings of the family in which members discuss their values and expectations for the business and one another.

Strategies for mobilising the managers:

- Create a succession task force and build in incentives that reward serious involvement in the development of a succession plan.
- Encourage planning for succession for senior managers as well as for the founder.

Strategies for mobilising the owners:

- Establish a board of directors that is appropriately staffed to provide an independent perspective that can safeguard the interests of the owners.

Source: Aronoff *et al.* (2002:59)

It is evident from the above strategies for mobilising succession planning that business succession is not a process business owners can only plan to take without ensuring actions (Rawls, 1999:246). In order for the business to survive into the next generation, the owner must get out of the wagon and push, pull or do whatever it takes to maintain the progressive movement.

Ibrahim and Ellis (1994:24) indicate several guidelines to enhance the effective succession planning process:

- Early inclusion of the offspring. Adequate mentoring and training to prepare the next generation for its future leadership.
- Include the offspring in the formulation of the mission, vision and strategy of the business.
- Plan for a gradual transfer of power.
- Compile an inheritance plan and discuss it with the family members.
- Ease the transition by hiring professional managers in some key positions to assist the successor to manage the change effectively and with less tension.
- Amend the job requirements to fit the successor's skills and competence.
- Ensure the process provides a comfort zone for siblings in order to avoid conflict and tension during the transition.
- Encourage family members and non-family members to participate in the succession plan.
- Consider the careers, seniority, ages and needs of the next generation.
- Establish clear guidelines concerning career advancements to all employees.

However, according to Aronoff and Ward (1997:21) a plan is merely a roadmap. The succession planning should be re-evaluated as circumstance change. A plan is in essence making the best choices for the future (Aronoff & Ward, 1997:22). Without a plan the business is likely to miss profitable prospects.

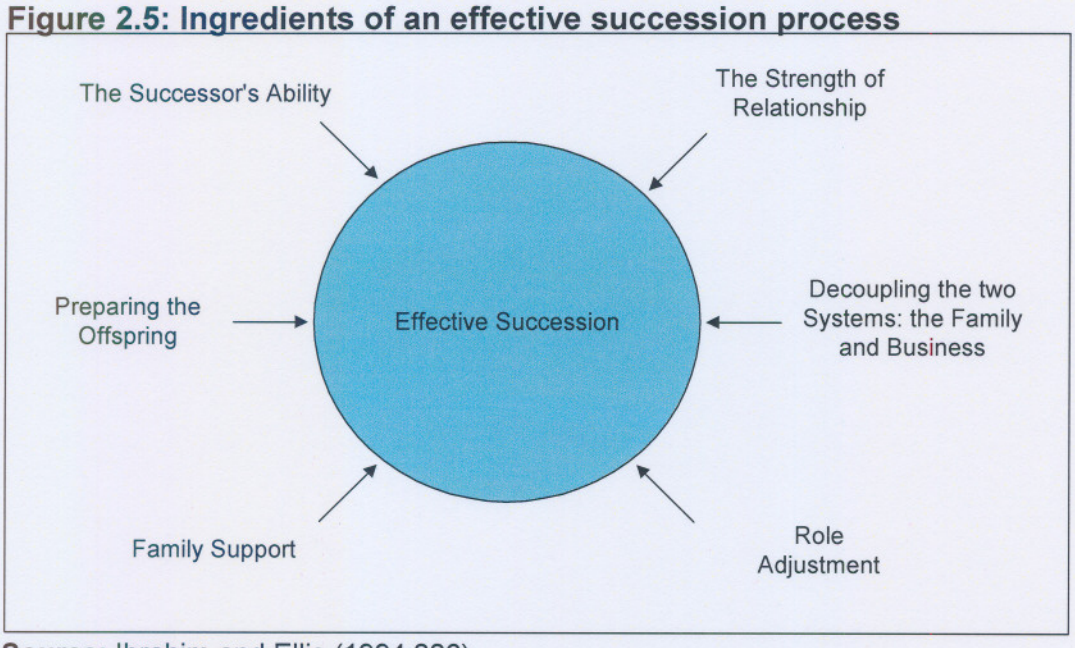
2.7.3 Succession process

The succession process refers to a series of identifiable steps that take place over time, with the expectation of ensuring the readiness of the successor to take over the difficult task of leadership when required (Ibrahim and Ellis, 1994:225; Lea, 1991:90; Maas *et al.*, 2005:54; Neubauer & Lank, 1998:134).

Ibrahim and Ellis (1994:224) clearly describe succession as a complex process involving difficult and challenging factors at business and family level. The process of succession involves the surfacing of individual and business requirements so that they can be nurtured and developed (Lansberg, 1999:121).

Figure 2.5 on the following page indicates the ingredients of an effective succession process.

Figure 2.5: Ingredients of an effective succession process



Source: Ibrahim and Ellis (1994:226)

The ongoing health of the family business, quality of life and family dynamics are vital to the accomplishment of the succession process. Lansberg (1999:131) announces that for the process to work evidence of strong commitment to the collaboration and an even distribution of complementary skills and talents need to be in place. Maas *et al.* (2005:54) stresses that the succession process does not end when the successor has assumed leadership of the family business.

2.7.4 Succession criteria

According to Lansberg (1999:225) failure in the selection of the most appropriate successors is frequently caused by the attitude of the family whereby they put the family's legacy ahead of the business needs. Maas *et al.* (2005:68) highlights that choosing the successor is a major challenge family business are confronted with. In reality ample of family businesses fail to make the correct selection.

Kets de Vries (1996:67) indicates the criteria for choosing a successor vary from family business to family business. There are a number of attributes that are considered important:

- relationship the successor has with incumbents and other family members;
- family ranking;
- personal features (e.g. independence, willingness to take risks);

- prevailing involvement in the business (e.g. respect and commitment);
- attention to detail;
- level of energy;
- high level of perseverance; and
- appropriate agreement with the business philosophy of the owner.

Identification of leadership requirements for the future is a crucial step prior to appointing a successor (Maas *et al.*, 2005:225). The choice of the successor should ultimately be based on the skills required for the specific managerial role.

2.7.5 Factors that necessitate succession

According to Ibrahim and Ellis (1994:211) the most critical decision a founder of a family business has to deal with is the decision to retire and relinquish control of the business to their offspring. This decision is accompanied by emotional difficulties.

Growth, just like other forms of change, creates a certain amount of pain, discomfort and even confusion (Poza, 1997:123). As a result, a new growth stage often takes place only after a significant crisis (example the death of the founder or a divorce in the family), has demonstrated old means of conduct inappropriate or untimely.

Dyer (1986:80) highlights some mutual conditions that trigger the contingency plan:

- Sudden unexpected death of the owner.
- Serious illness or incapability to perform duties.
- Retirement of the founder.
- Declining profitability of high growth.

Although these trigger events are fundamentally different, they all have the same effect: the founder is moved away from the direct management of the business. The absence of adequate technical or managerial skills to adapt to the changing environment causes the founder to flounder and eventually causes to the aura of success surrounding him or her to crumble.

2.7.6 Development of the successor

As stated by Ibrahim and Ellis (1994:227), and confirmed by Lansberg (1999:182) as well as Neubauer and Lank (1998:150), a smooth and effective succession process requires that the offspring gains acceptance, credibility and legitimacy amongst family members and non family members. The offspring needs to work hard to prove themselves. This process should be negotiated up front with the successor as to identify specific skills and competencies that have to be met at every stage prior to moving to the next stage.

Ibrahim and Ellis (1994:225) emphasise the preparing of the offspring for the future roles should begin at a very early stage and after they have joined the family business. This includes their participation and willingness in different business events (Lansberg, 1999:169; Maas *et al.,* 2005:57).

However, Neubauer and Lank (1998:150) make the statement that competence does not come about by osmosis. Systems need to be in place to enable the potential successor the opportunity to gain expertise over time. This necessitates the setting of realistic objectives and standards, providing challenging assignments with diverse experiences, offering education and training as appropriate and ensuring feedback on performance.

As made clear by Kets de Vries (1996:265) the quality of the relationship between the leader of the business and the potential successor is extremely important in the transition process. Trust, open communication and mutual support are fundamental requirements.

Lansberg (1999:173) announces the entry of the offspring into the parents work environment can change the family dynamics. Pre-entry acculturation enables offspring's to gain exposure and become familiar with the family business (Ibrahim and Ellis, 1994:226).

The most popular type of offspring entry into the family business is at shop-floor level. This enables the potential successor to learn the required skills and gain familiarity with various aspects of the business (Ibrahim & Ellis, 1994:227).

Even when the successor has passed all the relevant tests and has demonstrated exceptional competence, they still may not have done enough to establish their right to leadership (Ibrahim & Ellis, 1994:206).

Ibrahim and Ellis (1994:217) indicated that even as a successor prepares to take charge, the business should have a contingency plan in place in the event that accident or sudden illness incapacitates him or her.

2.7.7 Mentoring of the successor

According to Kets de Vries (1996:265), and verified by Lansberg (1999:193), mentoring indicates an insistence on measuring up to the stricter standards of the work world. Inevitably this requires a relationship dependent upon interdependence and not dependence.

The successor must prepare for a job that does not yet exist in an arena no one can fully foresee according to Aronoff and Ward (1992b:2). The most important role of the mentor is to ensure the interest of the mentee is congruent with those of the family business. To be effective the mentor's responsibility is to create a learning context that will motivate the mentee to do what needs to be done (Kets de Vries, 1996:265).

Rawls (1999:292) indicates that the person being developed must be actively involved in shaping the learning process. There is no greater advocate for ability than consistent, high-quality effort directed at assigned duties (Rawls, 1999:255).

2.7.8 Planning the founders exit

Danco (1982:143) indicates that too many business owners cling onto their business control into senility, and by the time, if ever, they get around to thinking about succession, their heirs may no longer be interested or competent in continuing the business.

The need for succession from generation to generation is inevitable given the mortality of mankind (Ibrahim & Ellis, 1994:216; Kets de Vries, 1996:65). To ease the tension and hostile attitudes the following principles may help to smooth the process:

- Change is not always a bad thing as it may reflect differences in values between generations.
- The younger generation usually brings along new values and cultures that lead to new ideas and innovations.
- The founder must assess his or her skills and make peace with the limitations.
- Family business should be responsive to possible emotional difficulties prior to the exit of the founder.
- The founder needs to make detailed plans of activities after his or her exit.

Ibrahim and Ellis (1994:212,213) advise that the founders may experience the prospect of retiring as difficult and unthinkable. It is quite common for the founder to resist letting go (Kets de Vries 1996:65). This resistance can be attributed to a number of factors:

- Emotional attachment: the founder develops a strong sense of attachment to the business and sees it as his baby.
- Lack of trust: entrepreneurs often lack the trust in other people's skill and competence. They perceive their business to be part of themselves and thus find it difficult to let someone else assume control.
- Lack of other interests: lack of interest beyond the business makes letting go even more difficult. The prospects of retiring to a quite and docile lifestyle seem unthinkable.
- Fear of retirement: this may be caused due to retirement possibly representing discontinuity of activities and the loss of self-respect.

Neubauer and Lank (1998:152) make the observation that once the phasing-out process has been made known and the retirement plan is concluded the best recommendation to the successee is to stick to the plan.

2.8 OWNERSHIP SUCCESSION OF FAMILY BUSINESSES

Kenyon-Rouvinez and Ward (2005:59) define ownership succession as a complete and irreversible legal succession from one owner to the next owner. According to Cohn (1992:24) ownership succession is the process of deciding, communicating and implementing a plan with the intent to transfer ownership, i.e. transfer of shares or assets of the family business, to the next generation. The focus with ownership succession is on *whom*, thus family members, non-family members or a third party. Kenyon-Rouvinez and Ward (2005:59) confirm by stating that ownership succession as a complete and irreversible legal succession from one owner to the next owner

Maas *et al.* (2005:80) refers to ownership succession as a life long process that enables the family to arrange, manage and secure its assets and liabilities. Evidently the outcome of the process is the protection, transition and development of the business and other assets to the benefit of the family without prejudicing any inactive family members.

Jaffe (1991:212) states that ownership succession can be orderly, taking place in planned steps over time; or it could be quick, sudden and decisive; or it can be ugly leaving permanent scars.

Aronoff *et al.* (1997:18) is of the opinion that planning the founder's exist from the family business and sticking with it, is much more of an emotional issue than it is one of money.

Some of the most critical family business issues are long-term strategic orientation, careful estate tax planning and the concern for leadership and ownership succession planning (Aronoff *et al.*, 2002:3).

Indeed, letting go can be very difficult (Birley & Muzyka, 2000:199). However, this is the final test of greatness for the outgoing generation. Adequate attention must be given to the necessary planning for the critical transition and in doing so, honour the established process so that the inherent fragility of family businesses would be transformed into enhanced robustness and health. The latter will lead to advantages for both the family and its business.

2.8.1 Estate planning

Estate planning is the general term that describes the development and implementation of strategies pertaining to the transfer, management and perpetuation of an individual's or a family's assets from one generation to the next (Rawls, 1999:68).

Rawls (1999:67) is of the opinion that estate planning supports business succession planning by means of providing for efficient fulfillment of the asset transfer goals after the death of the owner. Voeller *et al.* (2002:79) makes the statement that estate planning comes down to a single crucial aspect: how can the family and business be left in the best possible financial position. Estate planning is critical to succession of the family business to prevent the assets of success from becoming the liabilities of the succession (Rawls, 1999:67).

Bork *et al.* (1996:199) claims that estate planning involves the compiling of documentation that directs the transfer of property from one owner to the next in the most tax efficient manner. Shanoff (2006:22) agrees by stating that successful estate planning involves explicit written directions on who gets what. Estate planning in the business succession realm is a formidable challenge demanding significant commitments of time, energy as well as financial resources (Rawls, 1999:72).

Poza (2004:99) indicates business owners frequently delay estate planning due to the following reason:

- They do not wish to discuss their death and its implications for the family and the business.
- They are attempting to avoid potential family conflict.
- They are afraid of giving up control of their business.

If estate planning is initiated during a lifetime, it allows a parent or business to evaluate the wisdom of their estate planning intentions. It may even impel children to work harder and strive for greater achievement (Rawls, 1999:71).

Regardless of which techniques and tools are used in estate planning, Leach and Bogod (1999:231) indicate that three guiding principles should always be adhered to:

- Continuity: effective management of any business is to ensure continuity. A critical component in retaining the family business assets is to avoid a forced sale of the business.
- Liquidity: the sudden departure of a principle in a family business can lead to sudden demands for cash to pay taxes, support the family or to provide retirement income. Thus, effective planning requires that family members estimate future needs and the means to provide for them. Few family business owners have an accurate idea of cost to settle their estate, or when the taxes and other expenses must be paid.
- Family needs: the most important part of estate planning is evaluating the financial needs of the family as well as their future roles in the business. It is critical to keep the financial well being of each family member in mind.

Emens and Wolper (2000:46) emphasise that family business owners should review their latest trusts and wills to ensure all major changes have been taken into account. Documents need to be amended with regards to any changes in legislation.

Jonovic (1997:140) makes it clear that tax avoidance is a high level objective in estate planning. The reasons being that by planning in advance for retirement will enable the family business to minimise inherent tax as well as ensuring a smooth transition to the next generation. Tax considerations should not stand-alone; neither should it be the drivers of the planning process itself. Instead, tax considerations should serve as reference point in comparing competing planning options.

Another important aspect in estate planning pertains to the perception of equity and fairness of the will of the business owner. According to Jaffe (1991:229) the confusion of fairness and equality

causes problems in allocating family inheritance and when making decisions regarding ownership and control of the business. Parents are often of the opinion that children should inherit equally. However, equality for the family members can result in being unfair to some of the family members. It can even been demoralising and dangerous to the business. Leach and Bogod (1999:231) agree with Jaffe (1991:229) that fairness does not necessary mean equal. The family members who inherit the family business should deserve the inheritance.

Professional advisors as well as a board of directors that includes independent outsiders can help a family business to successfully plan the estate and ownership transfer in a timely and professional manner (Poza, 2004:100).

2.8.2 Retirement planning

Friedman (1998:132) stresses that no estate plan is complete if it does not include an acceptable retirement plan. The mere fact that a senior member retires from the business does not mean he or she no longer has expenses. Potts *et al.* (2001:86) urges that ensuring financial stability is a critical issue when owner-managers consider withdrawing from the family business.

The lack of understanding what the retiring leader is going through strengthens the psychological resistance to retirement planning (Lansberg, 1999:274). A person who spent his or her lifetime building and running a business usually finds it very difficult to let go when it is time to hand the reins over to somebody else (Lansberg, 1999:250; Lea, 1991:143).

Lansberg (1999:271) claims that most family business leaders do not have a clear vision of their lives in retirement. Aging business owners should be encouraged to earnestly think what they will do once they have stepped down. Voeller *et al.* (2002:28) confirms that retirement requires the ability to find meaning in life after giving up the challenge, influence, status, identity, control and daily structure associated with running a business.

Potts *et al.* (2001:87) cautions that a lower standard of living may have a deeper impact on retirees than the actual loss of material comfort. For this reason, maintaining an acceptable lifestyle may affect the ability of the person retiring and their spouse to accept their new self-image and new identities.

2.9 ROLE OF FAMILY FARMS

The family farm is a form of social organisation, where all the aspects of the farming process including production, marketing and farm operations are in harmony with the concept of the family.

Independent family farms are the pillars of their communities. They grow high quality food, and are essential to the economic vitality of both their hometowns and the nation. As stewards of the nation, family farmers work to protect the soil, air, water and biodiversity in addition to producing high-quality, healthy food for all to enjoy. Family farms provide the substructure for building strong communities, while enabling the rest of the nation to enjoy locally produced food.

Unlike industrial agricultural operations, family farmers live on or near their farms and strive to preserve the surrounding environment for future generations. Since these farmers have a vested concern in their communities, they are more likely to use sustainable farming techniques to protect the natural resources and human health.

Unfortunately, once a family farm is forced out of business, the farmland is often sold for development and ultimately, the quality land and soil needed for farming, is lost.

Family farms also play a crucial role in the rural economies. In addition to providing jobs to local people, family farmers also support small businesses by purchasing goods and services within the community.

Even though the family farm system creates tremendous economic advantages for the farmers and the community, little scientific material is locally available on them. The basic principles relevant to family businesses also apply to family farms. Although this study focuses on the unique challenges facing family farms in South Africa, the literature section was mainly based on foreign literature pertaining to family businesses in general.

Family farms are unique due to the reality that the family interests need to be aligned with the business interests of the farm (Maas *et al.*, 2005:8). Family-relationship management is entirely different from farm-business management. A non-family farm is run on a business basis only. However, a family farm is open for many problems as emotions are involved when family members work together. Disputes in the farm normally have a ripple effect on the family relations, and vice versa. The sustainability of the family farm can seriously be put in danger when the interactions between the family and the business are not managed effectively.

According to Coughler (2005) family farms involve a careful balance between the business operations (the farm) and the family harmony. The purpose of the family is to love and nurture its members and also to pass on the family's history, core values and family traditions (Coughler, 2005). However, the main purpose of the family farm is to maintain a good working environment and generate profit for the owners. The family farm has to generate money and support the family members.

The loss the family farm will dramatically reduce the supply of foods. In addition, it will also contribute to the disintegration of rural communities as well as eliminating an important aspect of our national heritage.

Clearly, family farms are a valuable resource worth preserving.

2.10 SUMMARY

The main purpose of this chapter was to discuss what a family business is. Topics discussed include; an introduction to family businesses, the definition of a family business, roles of the family, the business and ownership, advantages and disadvantages of a family business, family harmony, corporate governance, management succession, ownership succession and the role of the family farm.

The family business has a far-reaching influence on economies throughout the world. No other type of business has driven economic development in the same way. In almost all countries family businesses are the source of more than half of the Gross National Product and employment.

There is no consensus for the definition of a family business. However, a family business can be defined as a business where a single family owns the majority stake of the business, the business employs two or more family members and the continuation of the family business is envisaged.

Family businesses face unique challenges to survive and thrive, and to ensure a secure future for the family business. These challenges are often embedded in the family dynamics.

A family business comprises of three interrelated, completely different and distinct systems, being the family, the business and the ownership system. Family members can belong to one or all three of the systems. Problems arise when there is uncertainty as to which system takes precedence. A

healthy family business is able to effectively manage the overlapping concerns. The family and the business are equally important and require mutual respect and care.

Trust is a source of long-term perspectives, the family effect, loyalty, stewardship and family harmony. The latter in turn is dependent upon the correct degree of balance between the overlap of the family and the family business.

The interaction between the family and the family business often directs the way to role conflict and confusion. Conflict and the failure of effective communication often contribute to the ruin of a family business. However, good communication does not eliminate conflict, but it certainly contributes to managing a family business effectively as to ensure that it does not become poisonous, over emotional and destructive.

The overriding characteristic that distinguishes a family business is the unique atmosphere that creates a sense of belonging and enhanced common purpose amongst the entire work force.

A number of specific advantages include shared values, beliefs and vision; strong commitment; common goal; flexibility in work, time and money as well as the perception of the family name.

Unfortunately a family business does not create and receive good news only. Family relations are the source of both power and trouble. Specific disadvantages include family infighting, generational issues, role confusion, nepotism and succession.

A key ingredient to successfully sustain a family business and to hold the family together is to have family meetings. The some of the benefits of effective governance are transparency, clarity and trust. The benefits lead to a more successful business and family. Effective governance does not happen by itself. Instead, it requires parallel family and business thinking to sustain the development of planning, decision-making and problem solving structures for both the family and the family business.

Employment and compensation are amongst the most important family issues a family business struggle with. A family business is not a place to park family members neither is it a social charity. Competence, not the family name, is the key determinant for success.

Few challenges require more of a family business owner than passing the business on to the next generation. The failure to plan for success is the greatest threat to the survival of the family

business. However, succession planning can be a rich opportunity for the farm owner as it is a chance to create a lasting family business that will reflect the family's ideals and goals long after the founder is gone.

The need for succession is inevitable given the mortality of mankind. Too many family business owners cling onto their business control into senility, by which time the heirs may no longer be interested or competent to continue the business.

Succession is a gradual change, a series of steps that strives towards a desired end being a rational rather that emotional process. Once the phasing out process has been made known and the retirement plan is concluded, the best advice to the founder is to stick to the plan.
Family farms are an integral part and therefore play a vital role in the South African economy. Today's economic realities and unemployment have forced numerous people to enter an existing family farm.

Family farms are unique due to the reality that the family interests need to be aligned with the business interests of the farm. A non-family farm is run on a business basis only. However, a family farm is open for many problems as emotions are involved when family members work together. The sustainability of the family farm can seriously be put in danger when the interactions between the family and the business are not managed effectively.

The family farm is a form of social organisation, where all the aspects of the farming process including production, marketing and farm operations are in harmony with the concept of the family. Family farms involve a careful balance between the business operations (the farm) and the family harmony. The purpose of the family is to love and nurture its members and also to pass on the family's history, core values and family traditions. However, the main purpose of the family farm is to maintain a good working environment and generate profit for the owners. The family farm has to generate money and support the family members.

The loss the family farm will dramatically reduce the supply of foods. In addition, it will also contribute to the disintegration of rural communities as well as eliminating an important aspect of our national heritage. Family farms are a valuable resource worth preserving.

CHAPTER 3:
EMPIRICAL STUDY ON FAMILY FARMS

3.1 INTRODUCTION

The purpose of the empirical study is to align with the primary and secondary objectives of the research study, as discusses in chapter one.

The empirical research was done by means of a field study using a structured questionnaire as the main component. This chapter opens with information pertaining to the structuring of the questionnaire, gathering of the data and subsequently discussions on to the results. The latter includes various aspects such as; the response of the family farming survey, the demographic and biographic information of the respondents and the structure of the family farming businesses. With specific reference to the 12 unique challenges facing family farms the following topics are also accounted for; the reliability of the research instruments, analysis of the arithmetic mean, effect size analysis and the effect of the number of respondents.

3.2 STRUCTURING OF THE QUESTIONNAIRE

Step three in the research approach, as indicated in Figure 1.2 in chapter one, refers to the research design. The research instrument used is a structured questionnaire named Fampro (Van der Merwe, 2004) and is included in Appendix A, (designed by dr. S.P. van der Merwe and previously used in various research studies). The original design of this questionnaire took into account the unique challenges facing family farms in South Africa. This questionnaire proved to adhere to the requirements of being reliable and valid (Flick, 2002:235; Leedy, 1989:26). This questionnaire was reviewed and minor adjustments were made.

The research design in this study is based on non-experimental research. According to Welman and Kruger (1999:67), non-experimental research means that there is no planned intervention and that the relationship between variables is examined.

The unit of analysis relevant to this study was aimed at all family members, actively and inactively involved in a family business.

The target population pertaining to this study is family farms in South Africa. However, prior to a farm being added to the sample, it was first determined if the farm adheres to the criteria of a family business as identified in section 2.1.

3.2.1 Questionnaire sections

The family farming diagnostic questionnaire is divided into the following sections (refer Appendix A) that are discussed below.

3.2.1.1 Section A

The purpose of this section was to gain information on the relationship and other issues between active and inactive family members. Active family members refer to family members employed on a permanent base by the family farming business, whereas inactive family members refer to family members not in the employment of the family farming business. Various aspects such as communication, commitment, conflict and sound governance are addressed in this section. This section entailed fifty-three questions and was completed by all active and inactive family members.

3.2.1.2 Section B

Section B was developed with the purpose of gathering information pertaining to conflict amongst family members. Specific topics included; roles and responsibilities, separation of family and business matters, compensation of family members, and performance and recognition of family members. Goals of estate planning, trust amongst family members, impact of the retirement of the senior generation on the family business, financial dependence, formal job descriptions and the existence of signed wills were also covered in this section. The active family members completed this section and it comprised of eighty-two questions.

3.2.1.3 Section C

The purpose of Section C was to gather information on the younger generation family members actively involved in the family business. The intention was to gain information on the skills of the successor, the academic qualification, opportunities, mentoring, selection criteria to identify successors, the willingness of the senior generation to let go of ownership, time-scales of succession and the expected support of the employees. Section C consists of eighty-nine questions and was completed by all active family members.

3.2.1.4 Section D

The purpose of Section D was to gain specific information on family members such as age group, gender, marital status, relationship to owner or senior executive, highest qualification and the percentage of shares they own in the business. Seven questions were asked in Section D and were completed by active and inactive members.

3.2.1.5 Section E

The reasoning behind Section E was to gather specific information on the farm such as number of employees, annual turnover, age and the legal status. Section E consists of five questions and was completed by the senior generation executive manager of the family business.

3.2.2 Basis of design

This questionnaire was designed on the basis of a seven point Likert scale. The latter, commonly referred to as a summated scale, consists of a collection of statements about the attitudinal object as stipulated by Babbie and Mouton (2001:153). In respect of each statement respondents have to indicate their degree of agreement or disagreement with its content on, example a five point scale.

Likert initiated the Likert scale and it is currently the most popular type of scale used in social sciences research studies. A major advantage, as indicated by Welman and Kruger (1999:155), is the fact that it is easier to compile, compared to any other attitude scale.

Another particular significance of the Likert scale format is the unambiguous ordinarily of the response categories (Babbie & Mouton, 2001:153). If respondents were permitted to choose answers such as sort of agree, or pretty much agree, the researcher would find it impossible to judge the relative strength of agreement intended by the various respondents. Evidently, the Likert scale format resolves this problem.

In the questionnaire used in this study, the following format was used:

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A1	Relevant question / statement.	1	X 2	3	4	5	6	7

All the questions may be answered by making a cross in the relevant block by using the following key:

1 = Strongly disagree.	**2** = Disagree.	**3** = Slightly disagree.	**4** = Neutral view.
5 = Slightly agree.	**6** = Agree.	**7** = Strongly agree.	

To answer the question, the respondent selected the number which best describes how he or she experienced the item.

The questionnaire was made available in English as well as Afrikaans to enable family members to complete the questionnaire in the language they are most familiar with.

3.3 GATHERING OF THE DATA

The gathering of the data relates to step four (research process) and step five (evidence collections) of the research process as indicated in Figure 1.2 in chapter one.

3.3.1 Research process

Step four in the research process entails the research process. Primary data was collected in this study. Data collected in this manner is the most adequate to fulfil the aims of any research, because the gathering of the data is directed towards answering precisely the questions raised by the researcher.

3.3.1.1 Population

A population refers to the entire set of data that is of interest. A sample is a representative part of that population (Wisniewski, 2002:100).

The target population relevant to this research was family farms in South Africa.

3.3.1.2 Sampling method

Numerous attempts were made to obtain a list of family farms in South Africa. However, this proved to be unsuccessful, as no list is currently available in South Africa to distinguish family farming businesses from non-family farming businesses. Hence, the only available option was to rely on a non-probability sampling methods. The sampling method used in this study was a convenience sampling.

Well-know family farms in various regions were contacted in an attempt to compile a preliminary list of family farms. These family farms then acted as informants to identify potential family farms for inclusion in the sample. The latter then identified additional family farms. These referrals were contacted to determine their willingness to participate in this study.

Potential farms were also identified by means of workshops, presentations and articles. The identified owners were contacted to determine if they would be interested to participate in the study.

Such samples cannot be fully representative of the population, but there is no other way of accessing the members of the population.

3.3.2 Data collection

The next step, step five in the research design involves the collection of data.

As this study is based on primary data collection the data was collected for the first time and original in character. Primary data was collected by means of the research surveys. An existing structured questionnaire, as mentioned in section 3.2, was used.

Various techniques were used to distribute and completed questionnaires such as; personal delivery by a representative well know to the family farms, questionnaires distribute via post and

questionnaires handed out at workshops and presentations. These were followed up by telephone calls to the family farms directly or to the representative.

A major challenge throughout the data collection process was to convince all the family members of a specific family to complete the questionnaire.

Each questionnaire was sent out with a covering letter that guaranteed the anonymity of the respondents. A return paid envelope was also included to make it as easy as possible for the respondents to return the questionnaire.

3.3.3 Data analysis

All data, including biographical as well as company specific information, was captured and summarised where relevant. The results of the questionnaires were statistically analysed, by making use of Statsoft, Inc (2004). The arithmetic mean, standard deviation and Cronbach alpha coefficients were determined for each factors and sub-factor. The validity and reliability of the measuring instrument (questionnaire) have already been tested in previous research studies.

Statistical descriptive measures used in this study are explained in Table 3.1.

Table 3.1: Statistical descriptive measures

STATISTICAL TERM	DESCRIPTION
Population	A population refers to the entire set of data or the complete set of measurements in a particular problem (Wisniewski, 2002:100).
Sample	A sample is a representative part of the population containing those measurements actually obtained by the experiment (Wisniewski, 2002:100).
Probability sampling	Probability sampling involves the selection of a random sample from a list, containing all the names of the members in the population to be studied (Wisniewski, 2002:100).
Primary data	Data which has been collected at first hand and for the purpose of the analysis undertaken (Wisniewski, 2002:16).

STATISTICAL TERM	DESCRIPTION
Mean	The mean, also called arithmetic mean, is the most commonly used average or measure of central tendency. It is calculated by adding all the observations in a batch of data and then dividing the total by the number of items involved (Wisniewski, 2002:92).
Standard deviation	The standard deviation is an indication of how much the items in the data set differ from the mean value. The standard deviation can be defined as the square root of the variance, where the variance is the average of the squared differences between each observation and the sample mean, divided by the number of observations minus one (Wisniewski, 2002:96).
Cronbach alpha coefficient	The Cronbach alpha coefficient is used to evaluate the internal consistency between the data (factors and sub-factors in the questionnaire).

The abovementioned descriptive measures are applicable in the empirical study.

3.4 RESULTS AND DISCUSSIONS

This section refers to step 6 (research results) of the research process as indicated in Figure 1.2 in chapter one.

3.4.1 Response to the family farming survey

A total of 259 usable questionnaires were gathered. This represented 40 farms with 259 family members.

A few families were excluded from this study, as the questionnaires were not returned in time to meet the cut-off date or because the questionnaires were not completed in full.

3.4.2 Demographic and biographic information of the respondents

The data, as portrayed in Section D of the questionnaire, relates to the demographic and biographic information of the respondents.

The variables (questions) were used to determine the relationship between the family farm members. Active family members are family members who are permanently employed by the family farming business. Inactive family members refer to family members who are not permanently employed by the family farm and could include spouses, children, brothers, sisters or in-laws. Inactive family members play a vital role in the lives of active family. They are often part of the family of the executive manger. Therefore, the inactive family members form an integral part of the family dynamics in the family farming business.

The results of the analysis of the questionnaires are influenced by a range of demographical factors such as age, gender, marital status, highest academic qualification, percentage of shares owned, the relationship to the owner, number of employees, turnover, age of the business and the legal status. The intent with these questions is to form an overall view of the family farming businesses applicable in this research. Forty family farming businesses participated in this study.

3.4.2.1 Age groups of the respondents

This question was included to establish the distribution of the age groups of the respondents. The questionnaire was setup in such a manner that the respondents were requested to indicate their relating age group in one out of five pre-determined age groups. The age groups give an indication of the estimates to retirement, experience and knowledge pertaining to the farm, self-development and the respondents' proneness to risk. Table 3.2 summarises the age groups of the respondents.

Table 3.2: Split between age groups of the respondents

AGE GROUP	TOTAL	
	NUMBER	%
≤ 29	83	32%
30 – 39	71	27%
40 – 49	35	14%
50 – 59	43	17%
60 +	27	10%
Total	**259**	**100%**

The age category with the highest number of respondents is 29 and younger, with 83 (32%) of the total respondents. The majority, 154 (59%) of the respondents are younger than 40. The age categories for 50 and older represent 70 (27%) of the total respondents.

3.4.2.2 Gender of the respondents

Gender was included to determine the split between male and female respondents. The gender of the respondents is indicated in Table 3.3.

Table 3.3: Gender of the respondents

GENDER	TOTAL	
	NUMBER	%
Male	133	51%
Female	126	49%
Total	**259**	**100%**

The gender distributions are almost equal, with 133 (51%) of the respondents being male and 126 (49%) being female.

3.4.2.3 Marital status of the respondents

Marital status was included in the questionnaire as it has an influence on the management of the overlap between the family and the family farming business. The marital statuses of the respondents are set out in Table 3.4.

Table 3.4: Marital status of the respondents

MARITAL STATUS	TOTAL	
	NUMBER	%
Single	57	22%
Married	195	74.5%
Divorced	1	0.5%
Widow(er)	6	3%
Total	**259**	**100%**

According to the analysis, the number of single respondents is 57 (22%). The majority of the respondents are married and comprises of 195 (74.5%) of the total respondents. The number of divorced and widow(ed) respondents entails a mere 7 (3.5%) of the total respondents.

3.4.2.4 Relationship of the respondents to the owner

The rationale of this question was to ascertain the relationship of the family farm members to the owner of the farm. Relationship information indicates if family members are directly or indirectly related to the owner or senior generation executive. For the purpose of this study, owner refers to the founder of the family farm, or the most senior family executive of the family farming business.

The relevance of this question lies with the distinction between the family and the farming systems. The closer the family ties, the more difficult the owner may find it to put the business first in decision-making.

The relationship of the respondents to the owner is indicated in Table 3.5.

Table 3.5: Relationship of the respondents to the owner

RELATIONSHIP TO THE OWNER	TOTAL	
	NUMBER	%
Owner	36	14%
Spouse	40	15%
Brother	8	3%
Sister	0	0%
1st Son	40	15%
2nd Son	23	9%
3rd Son	6	2%
1st Daughter	30	12%
2nd Daughter	12	5%
3rd Daughter	2	1%
4th Daughter	1	0.4%
In-laws	57	22%
Other	4	1.6%
Total	**259**	**100%**

The involvement of the direct family members, i.e. parents including sons and daughters, entails 190 (73.4%) of the respondents. The category with the highest representation is sons with 69 (26%) of the respondents. Daughters are less, representing 45 (18.4%) of the respondents.

The owners plus spouses entails a total of 76 (29%) of the respondents. The analysis for the number of spouses relative to the owners brings to light that this section was not completed correctly, as there are 36 owners and 40 spouses.

None of the family businesses pertaining to this research indicated sisters of the owners to be involved in the family business.

3.4.2.5 Highest academic qualification of the respondents

The reason of this question was to determine the highest academic qualification of the family members. The level of formal qualification has a direct influence on the manner in which the farm is managed as a business, as well as attitude, performance and risk profile of the respondent.

The highest academic qualifications of the respondents are summarised in Table 3.6.

Table 3.6: Highest academic qualification of the respondents

ACADEMIC QUALIFICATION	TOTAL	
	NUMBER	%
Lower than matric	11	5%
Matric	62	23%
Certificate	18	7%
Diploma	80	30%
University degree	57	22%
Post graduate degree	31	13%
Total	**259**	**100%**

In total, the category that represents the smallest number of respondents is lower than matric with only 11 (5%) respondents. Diploma is the highest academic qualification representing 80 (30%) of the respondents. Matric and university degree represent an almost equal percentage of the total respondents at 62 (23%) and 57 (22%) respectively. Thirteen percent of the respondents have a post graduate degree.

3.4.2.6 Jobs or careers prior to entering the family business

The purpose of this question was to determine the experience of the owner. Experience has a direct influence on the manner in which the farm is managed as a business as well as attitude, performance and risk profile of the respondent.

A total of 23 (62%) owners have been involved in farming all their lives.

3.4.2.7 Percentage of shares owned by the respondents

This question formed part of the questionnaire with the intention to determine the percentage of shares owned by the family members. The number of shares owned by a family member could have an impact on the respondent's attitude, loyalty and overall commitment towards the family farm as a business.

According to the analysis the assumption can be made that there appears to be confusion and inconsistencies pertaining to the percentage of shares owned as indicated by the respondents. In many families the number of shares did not represent 100%. A number of families did not indicate the percentage shares owned at all.

3.4.3 STRUCTURE OF THE FAMILY FARMING BUSINESSES

The data pertaining to Section E of the questionnaire relates to the structural information of the family farming business. The structure of the family farm such as number of permanent employees, annual turnover, age, as well as the legal status of the family farm was collected to enable the data be sorted according to these demographics. The intent is also to form an overall view of the family farming businesses applicable in this research.

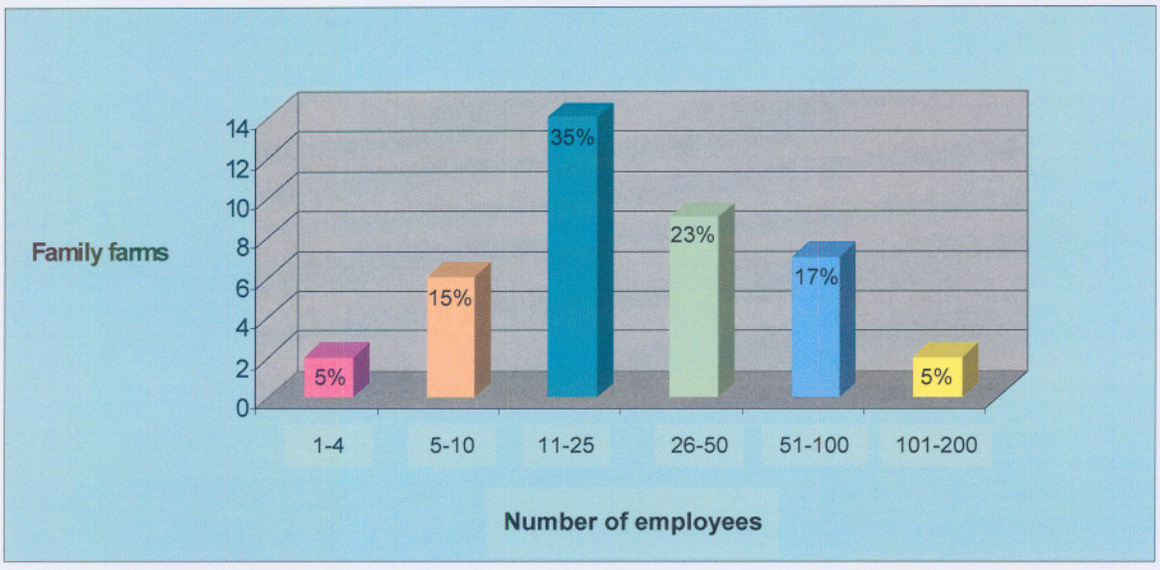
3.4.3.1 Number of permanent employees

The rationale of Section E of the questionnaire was to gain information pertaining to the size and financial success of the family farm as a business.

S A (2003) verifies that the total number of fulltime employees and the annual turnover can determine the size of a family business. The owner was requested to indicate the number of

permanent employees employed by the farm, as well as the annual turnover of the farm. The number of permanent employees employed by the family farm is set out in Figure 3.1.

Figure 3.1: Number of permanent employees employed by the family farms



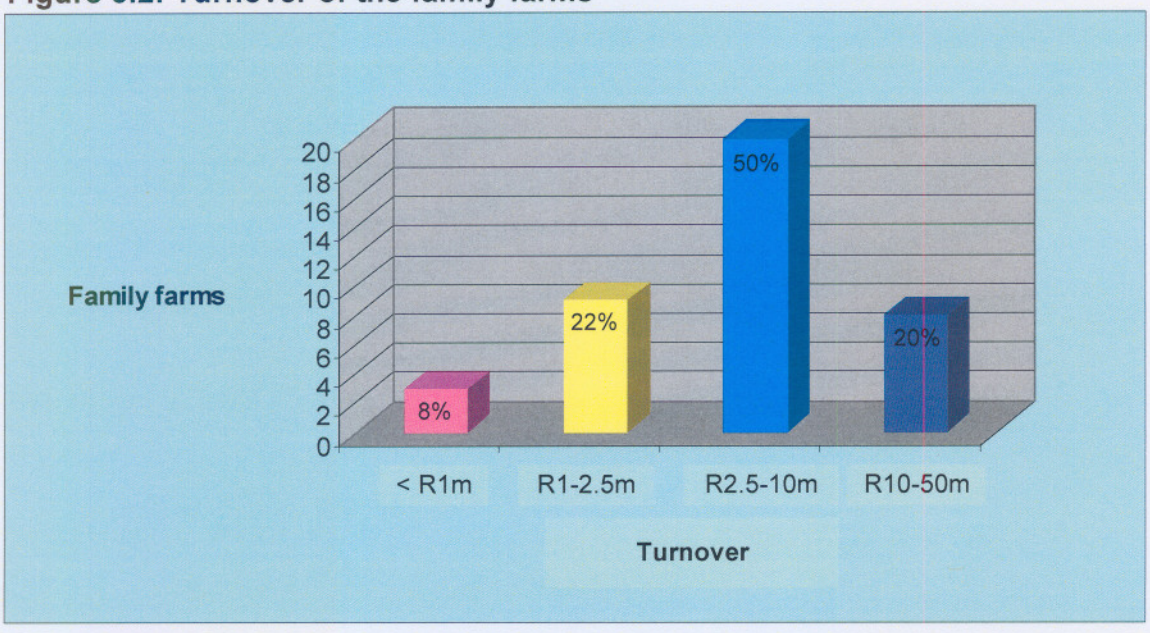
Employment between 11 to 25 employees represents the highest number of family farms, being 14 (35%) out of the total of 40 family farming businesses. Nine (23%) family farms that employ between 26 to 50 employees follow this category. Employment between 51 to 100 employees is represented by seven (9%) of the family farms. A total of six (15%) of the family farms employ between 5 to10 employees. The two categories, 1 to 4 employees and 101 to 200 employees are represented by only two (5%) family farm each.

3.4.3.2 Turnover of the family farms

The rationale of Section E of the questionnaire was to gain information on the financial success of the family farm as a business.

The owner was requested to indicate the turnover of the farm. Figure 3.2 represents the turnover of the farms.

Figure 3.2: Turnover of the family farms



The turnover of the 40 farms closely represents a normal distribution curve.

Twenty (50%) of the family farms have a turnover of between R2.5 million and R10 million. Nine (22%) of the family farms represent an annual income between R1 million and R2.5 million, whereas eight (20%) of the family farms have a turnover between R10 million and R50 million. The remaining three (8%) family farms have a turnover of less than R1 million each.

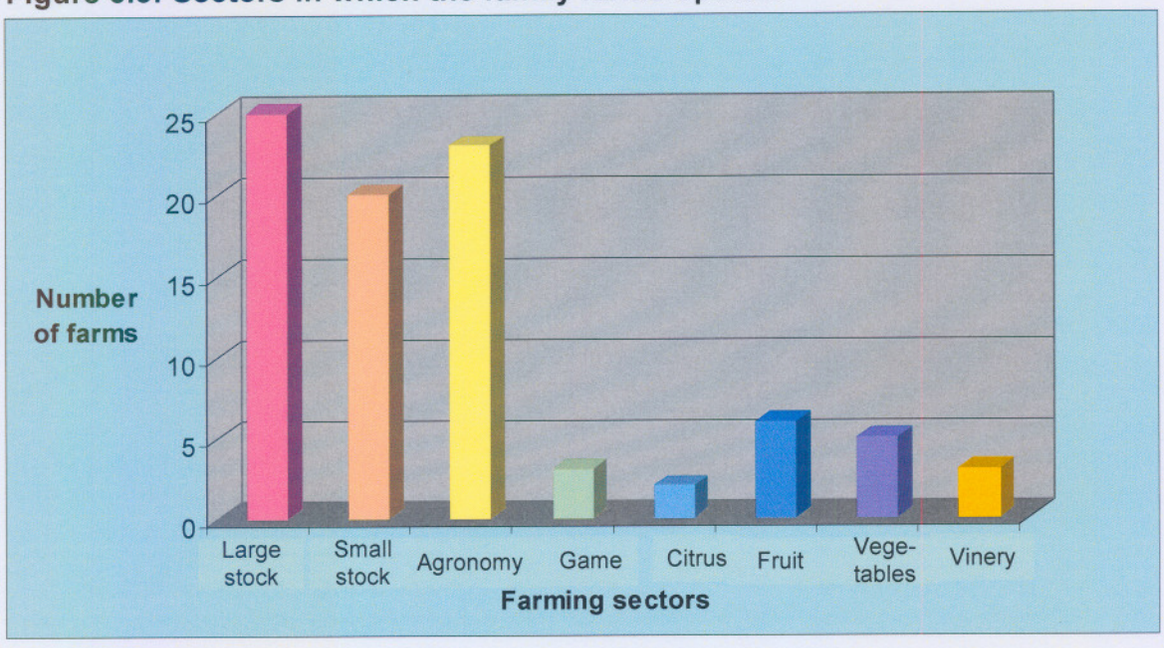
3.4.3.3 Sectors in which the farm operates

This question was included to determine the main sectors that the family farm as a business concentrates on. This study pertained to farms operating in various sectors. This sector is relevant as it may impact on the number of permanent employees required by the farm, as well as the anticipated turnover.

During the empirical study it became evident that some of the family farms operate in more than one sector. The latter is the reason why percentages are not provided in the evaluation of the sectors.

The distributions of the farms, in relation to the various sectors they operate, are indicated in Figure 3.3.

Figure 3.3: Sectors in which the family farms operate



This study pertained to farms operating in various sectors.

Large stock, small stock and agronomy are the most popular sectors. Large stock farming is applicable to 25 farms, small stock farming is applicable to 20 farms and 23 farms on focus on agronomy.

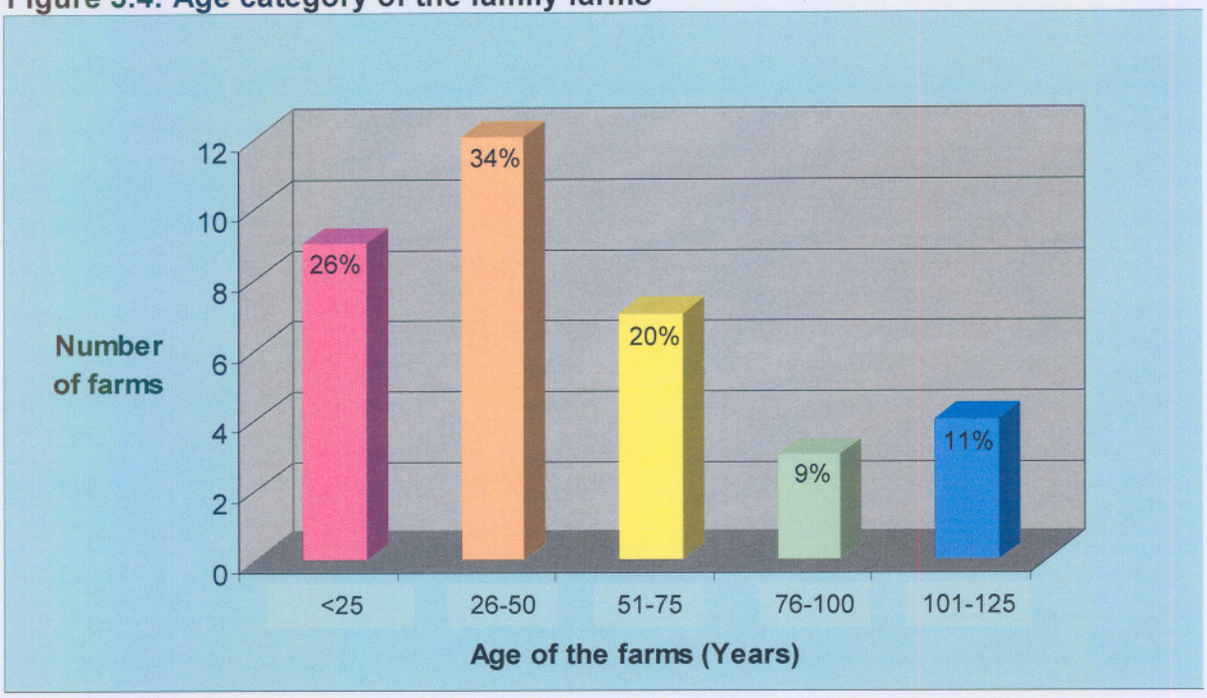
Six farms attend to fruit farming and five farms attend to vegetable farming. Only one farm attends to both fruit and vegetable farming. Other minority sectors also involved are game farming, citrus farming and vinery.

3.4.3.4 Age of the family farm

The reason for including this question was to obtain information pertaining to the age of the family farm. The age is an indication of the possibility for survival of the farm to the next generation.

The owner was requested to indicate the age of the family farm as a business. The age category of the farms, in years, is indicated in Figure 3.4.

Figure 3.4: Age category of the family farms



A total of 35 of the 40 farms indicated the age of the farm as a family business. The total age of the 35 farms relevant to this study is 1703 years. This gives an arithmetic mean age of 48.7 years per farm.

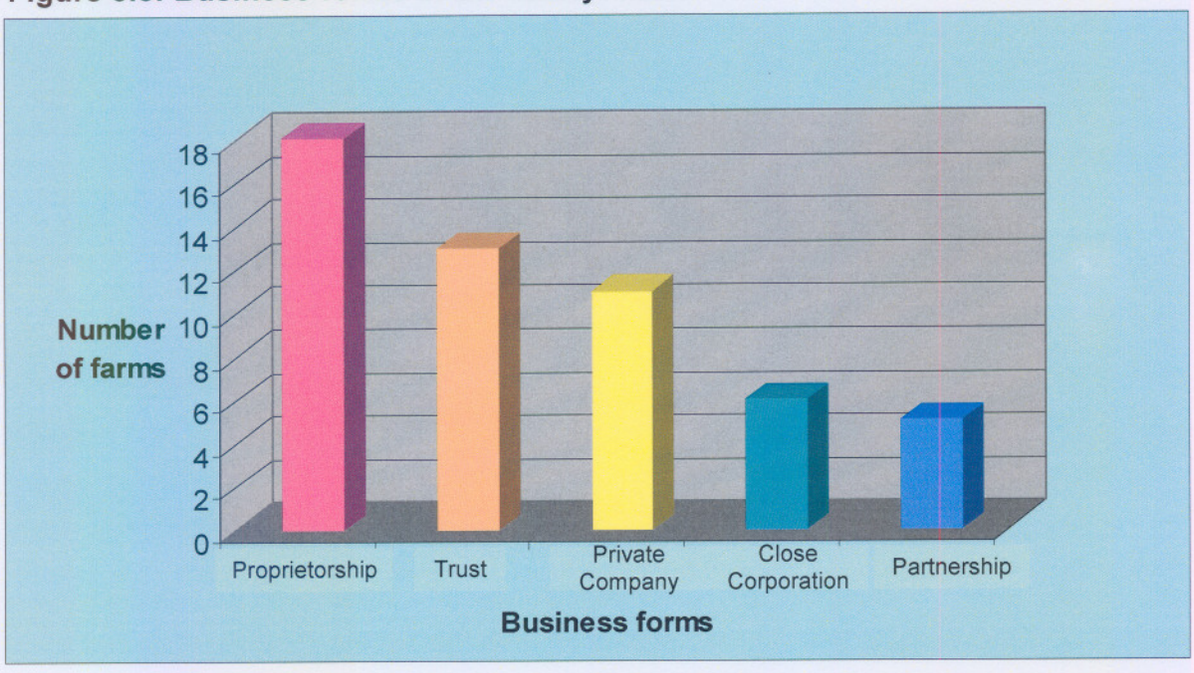
The majority of the farms, 12 (34%) are between 26 and 50 years old. Nine farms (26%) are younger than 25 years old and seven farms (20%) are between 51 and 75 years old. Three (9%) of the farms are between 76 and 100 years old. The age category 101 to 125 is represented by 4 (11%) of the farms.

3.4.3.5 Legal status of the family farm

The expectation of question E5 in Section E of the questionnaire was to find out what business forms (legal status) are relevant to the family farms. This information is important in the event of ownership planning.

Percentages are not given in this category due to the fact that some of the family farming businesses has more than one business form. The business forms of the farms are set out in Figure 3.5.

Figure 3.5: Business forms of the family farms



The question regarding to the legal status was answered by 37 of the 40 family farms.

Proprietorship is the legal form with the most representation, being 18 farms. Trusts are applicable to 13 of the farms and private companies to 11 of the farms. The two-remainder legal forms, close corporations and partnerships, involve six and five farms respectively.

3.4.4 RELIABILITY OF THE RESEARCH INSTRUMENT

The Cronbach alpha coefficient was used to evaluate the internal consistency between the data (factors and sub-factors in the questionnaire).

3.4.4.1 Calculation and discussion of the Cronbach alpha coefficient

The Cronbach alpha coefficient was calculated for all the factors and sub-factors. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the data.

Although not a scientifically proven correct method, a rule of thumb was used in this study for practical reasons to attain a more logical presentation. Hence, the following coefficient limits are applicable to this study:

- > 0.9 = excellent,
- > 0.8 = very good,
- > 0.7 = good,
- > 0.6 = acceptable,
- > 0.5 = poor, and
- < 0.5 = unacceptable.

Thus, the rule of thumb lower limit relevant to this study for the Cronbach alpha coefficient is 0.60. Reliable scores of lower than 0.60 are considered to be poor and therefore questionable. Reliable score of more than 0.80 indicates a high reliability. Thus, a coefficient above 0.60 is considered to be adequate in this study.

The Cronbach alpha coefficient for the factors and sub-factors are indicated in Table 3.7.

Table 3.7: Factors and sub-factors with the calculated Cronbach alpha coefficient

FACTORS AND SUB-FACTORS	CRONBACH ALPHA COEFFICIENT
1. Managing the interaction between family and business issues	**0.763363**
2. Family harmony among all family members (active & inactive)	**0.959858**
2.1 Degree of family harmony among all family members	0.911800
2.2 Degree of communication among all family members	0.904490
2.3 Establishing and maintaining effective communication forums	0.906682
2.4 Degree of conflict among all family members	0.756763
2.5 Prevention and management of conflict among all family members	0.883760
3. Family harmony among the active family members	**0.971695**
3.1 Relationships among the younger generation family members	0.919909
3.2 Relationship among the senior and younger generation family members	0.927262
3.3 Degree of communication among the active family members	0.891068
3.4 Establishing and maintaining effective communication forums	0.914097
3.5 Degree of conflict among the active family members	0.927242
3.6 Prevention and management of conflict among the active family members	0.882485

FACTORS AND SUB-FACTORS	CRONBACH ALPHA COEFFICIENT
4. Performance measurement and compensation of family members	**0.941710**
4.1 Clear roles and responsibilities in the family farm	0.829928
4.2 Performance measurement of the family members	0.854473
4.3 Disciplinary procedures in the family farm	0.918100
4.4 Compensation policy for the family farm	0.892288
5. Continuation of the farm as a family farm	**0.893973**
5.1 A clear future vision of the family farm	0.859237
5.2 Acknowledgement of individual needs and dreams of family members	0.802642
5.3 Commitment of the senior generation family members	0.741605
5.4 Commitment of the younger generation family members	0.804717
6. Successful participation of the younger generation family members	**0.931411**
6.1 The younger generation has good business sense	0.796959
6.2 The younger generation adds value to the family farm	0.693979
6.3 Voluntary and happy participation by the younger generation	0.751499
6.4 Credibility of the younger generation in the family farm	0.826467
6.5 Establishing and sustaining of a network by the younger generation	0.801527
6.6 Degree of self-empowerment by the younger generation	0.786087
7. Development of the younger generation family members	**0.923542**
7.1 Competence of the younger generation family member	0.782870
7.2 Formal training and development of the younger generation	0.669498
7.3 Mentoring of the younger generation family member	0.534708
7.4 Participative management in the family farm	0.878479
7.5 Realising the full potential of the younger generation family member	0.826593
8. Lack of factors that necessitate management succession	**0.788729**
9. Readiness for succession of the senior generation family member	**0.810168**
10. Management succession	**0.921496**
10.1 Management succession planning	0.818550
10.2 Criteria for the selection of the successor(s)	0.788733
10.3 Suitability of the prospective successor(s)	0.837812
10.4 Final transfer of management to the prospective successor(s)	0.847118
10.5 The expected outcome after the completion of management succession	0.743433

FACTORS AND SUB-FACTORS	CRONBACH ALPHA COEFFICIENT
11. Ownership succession	**0.943271**
11.1 Estate planning	0.832573
11.2 Calculation and minimising of estate taxes	0.866440
11.3 Acquiring ownership or proprietary interest in the farm	0.620984
11.4 Perception of the equality and fairness of the will	0.905562
11.5 Sufficient financial provision for the retirement of the senior generation	0.891239
11.6 Liquidity of the farm after retirement/trauma/death	0.666740
12. Corporate governance in the family farm	**0.712995**

Cronbach alpha coefficients higher than 0.7 values were recorded in respect of 40 of the 45 factors and sub-factors. Four of the 45 factors and sub-factors were below 0.7 but above 0.6 and is subsequently considered to be acceptable in the basic exploratory research such as this study.

Only Sub-factor 7.3, *Mentoring of the younger generation family member,* was rated below 0.6 at 0.534708 and is thus considered to be unacceptable in the basic exploratory research such as this study. This low score indicates a low rate of internal consistency of the data.

3.4.4.2 Manipulation of the Cronbach alpha coefficient

The intention of this section is to indicate the change in the Cronbach alpha coefficient in the event of a variable being deleted in an attempt to improve the Cronbach alpha coefficient.

3.4.4.3 Example one of the manipulation of the Cronbach alpha coefficient

Sub-factor 7.3, *Mentoring of the younger generation family member as a family farm,* had the lowest Cronbach alpha coefficient (0.534708) and is used in example one.

Table 3.8 indicates the effect on the Cronbach alpha coefficient in the event of a variable being deleted.

Table 3.8: Example one of the Cronbach alpha coefficient if a variable is deleted

QUESTION NUMBER	DESCRIPTION	ORIGINAL CRONBACH ALPHA COEFFICIENT: .534708
		CRONBACH ALPHA COEFFICIENT IF DELETED
C3	The senior generation family members are actively mentoring the younger generation family member.	0.210953
C25	The senior generation family members include the younger generation family member in key meetings with suppliers, customers and advisors.	0.374600
C89	The younger generation family member has a non-family member (outside or inside the family business) as mentor.	0.704221

If variable (question) C3 and C25 are deleted, the original Cronbach alpha coefficient of 0.534708 decreases to a lower value of 0.210953 and 0.374600 respectively. The change to a lower value is perceived as being negative because a lower Cronbach alpha coefficient indicates less internal consistency between the variables. If variables C89 is deleted the Cronbach alpha coefficient increase for the better as it increases to 0.704221.

3.4.4.4 Example two of the manipulation of the Cronbach alpha coefficient

Sub-factor 6.2, *The younger generation adds value to the family farm,* has an original Cronbach alpha coefficient of just under 0.7.

Table 3.9 on the following page indicates the effect on the Cronbach alpha coefficient in the event of a variable being deleted.

If variable (question) C10 is deleted, the original Cronbach alpha coefficient of 0.693979 decreases to a lower value of 0.573677. Similarly, if variables C22 and C28 are deleted, the Cronbach alpha coefficient changes for the worse to 0.5467025 and 0.590805 respectively. This implies a lower rate of internal consistency between the data and is perceived to be negative. On the other hand, if variables C45 and C71 are deleted, the Cronbach alpha coefficient changes for the better to 0.747007 and 0.719673 respectively, thus indicating a better internal rate of consistency

Table 3.9: Example two of the Cronbach alpha coefficient if a variable is deleted

QUESTION NUMBER	DESCRIPTION	ORIGINAL CRONBACH ALPHA COEFFICIENT: .693979
		CRONBACH ALPHA COEFFICIENT IF DELETED
C10	The younger generation family member adds more value to the business than what he/she costs the family business.	0.573677
C22	The business expanded significantly after the younger generation family member's entry into the family business.	0.546702
C28	The younger generation family member adds significant value to the family business.	0.590805
C45	The younger generation family member's entry into the business did not put financial pressure on the family business.	0.747007
C71	The business explored new income streams after the younger generation family member's entry into the family business.	0.719673

If variable (question) C10 is deleted, the original Cronbach alpha coefficient of 0.693979 decreases to a lower value of 0.573677. Similarly, if variables C22 and C28 are deleted, the Cronbach alpha coefficient changes for the worse to 0.5467025 and 0.590805 respectively. This implies a lower rate of internal consistency between the data and is perceived to be negative. On the other hand, if variables C45 and C71 are deleted, the Cronbach alpha coefficient changes for the better to 0.747007 and 0.719673 respectively, thus indicating a better internal rate of consistency.

3.4.5 ANALYSIS OF THE FACTORS AND SUB-FACTORS RELEVANT TO THE UNIQUE CHALLENGES FACING FAMILY FARMS

During the literature study (chapter two) insight was obtained relating to the unique challenges facing family farms in South Africa. These factors agree to the factors included by dr. S.P. van der Merwe (Van der Merwe, 2004) in the family farming questionnaire.

The existing questionnaire used in this study (Van der Merwe, 2004), measured 12 factors as well as 41 sub-factors.

All twelve of the factors are relevant to the active farming family members, but only four of these factors are relevant to inactive members, namely, factors two, five, eleven and twelve.

The twelve factors are as follows:

- **Factor 1:** Separation of the family and farming business matters.
- **Factor 2:** Family harmony amongst all family members.
- **Factor 3:** Family harmony amongst the active family members.
- **Factor 4:** Performance measurement and compensation of the family members.
- **Factor 5:** Continuation of the family farm as a family business.
- **Factor 6:** Successful participation of the younger generation.
- **Factor 7:** Development of the young successor.
- **Factor 8:** Factors that necessitate succession.
- **Factor 9:** Executive manager's readiness for succession.
- **Factor 10:** Management succession.
- **Factor 11:** Ownership succession.
- **Factor 12:** Corporate governance of the family farm.

The data obtained from the completed questionnaires were statistically analysed with Statsoft, Inc (2004). The software was used for calculating the arithmetic mean, as well as various other statistical calculations. The reliability of the research instrument (Cronbach alpha coefficient), as well as the effect size, were calculated.

3.4.6 RANKING OF THE ARITHMETIC MEAN

The arithmetic mean stipulates the degree of agreement or harmony. The lower the arithmetic mean, the less the agreement with the question. Thus, a lower arithmetic mean indicates that the factor or sub-factor can be perceived as a deficiency in the family farming business. On the other hand, a higher arithmetic mean indicates that the factor or sub-factor to be perceived as a strength within the family farming business. The total arithmetic mean represents the arithmetic mean for the combination of all the factors and sub-factors.

For the purpose of this study the arithmetic mean of all the factors and sub-factors were ranked in ascending order and subsequently divided into three equal portions. The lower third being ranked as relatively low, the middle third is ranked as relatively average and the highest third is ranked as

relatively high. Although this is not a scientifically proven correct method, it was used for practical reasons to attain a more logical presentation.

The relevance of the subdivision, as well as the ranking, is indicated in Table 3.10.

Table 3.10: Relative ranking of the arithmetic mean

RELATIVE RANKING	VALUE FROM	VALUE TO
LOW	2.8436	4.1914
AVERAGE	4.1987	5.0324
HIGH	5.0417	5.5827

From the above table the practical conclusion is that an arithmetic mean between $\bar{x}$ =2.8436 and $\bar{x}$ =4.1914 is considered to be a relative low evaluation for the purpose of this study. An arithmetic mean between $\bar{x}$ =4.1987 and $\bar{x}$ =5.0324 is ranked as a relatively average mean. A relative high ranking is considered to be applicable for an arithmetic mean between $\bar{x}$ =5.0417 and $\bar{x}$ =5.5827.

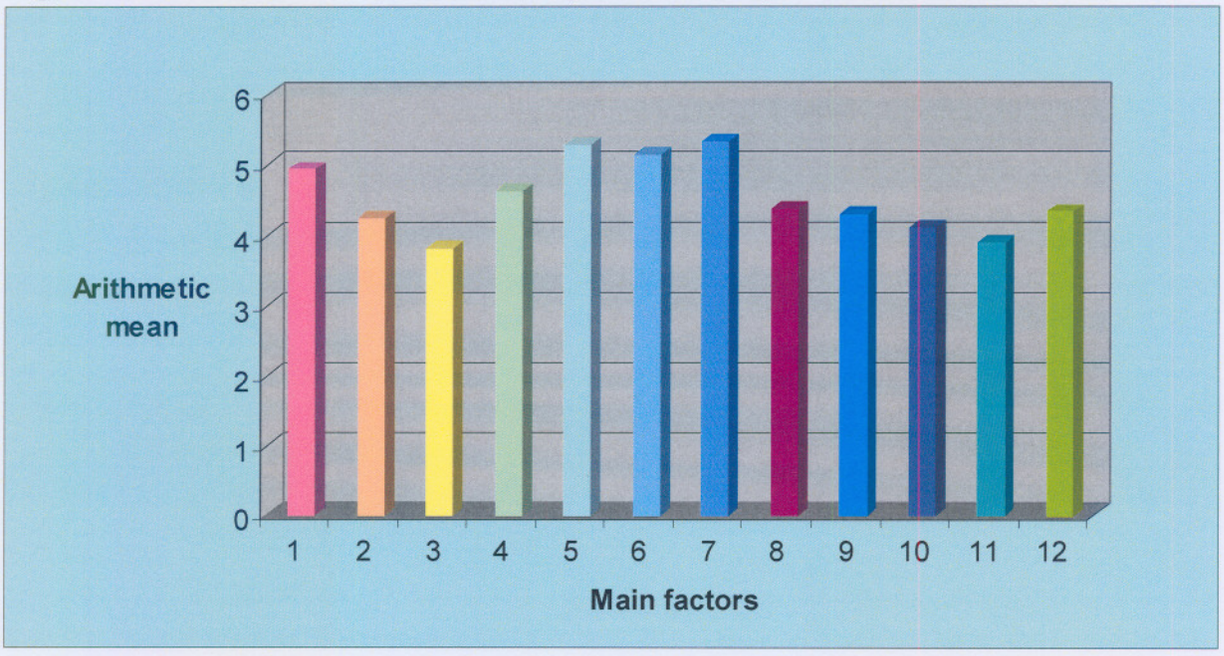
3.4.7 Analysis of the arithmetic mean for the factors and sub-factors as evaluated by all the family farm members

The purpose of the arithmetic mean analysis is to determine the average response of all family farming members and to identify the unique challenges facing family farms in South Africa that are not adequately addressed to enhance long-term sustainability of the family farming business.

The details of the mean relating to all the factors and sub-factors, as evaluated by all the family members, are set out in Appendix C.1. The results of the mean relating to all twelve main factors, as evaluated by all of the family farm members, are graphically illustrated in Figure 3.6 on the following page.

The results of the evaluation of all farming family members were done by ranking the 12 factors in a descending order and the divided into three groups. The three groups being; the lowest four factors, the middle four factors and the highest ranking four factors.

Figure 3.6: Results of the evaluation by all the family farm members



The arithmetic mean of all factors and sub-factors, for all the farming family members is $\bar{x}$ =4.336. Based on the ranking of the arithmetic mean as indicated in Section 3.4.6, it is evident that all the family members experience the factors and sub-factors in their family farming business as average and thus moderately addressed.

To enable distinguishing between the factors and sub-factors, a different font was used when commenting on the results. Using a bold format indicates the 12 factors, whereas using an italic format indicates the sub-factors.

3.4.7.1 Factors which were evaluated the lowest

The arithmetic means of the four lowest factors, together with their sub-factors, as evaluated by all family farm members are indicated in Table 3.11 on the following page.

The below mentioned four factors, **Performance measurement and compensation of family members, Corporate governance in the family farm, Ownership succession** and **Family harmony amongst all family members (active and inactive)** revealed the lowest arithmetic mean of the 12 factors.

Table 3.11: Arithmetic mean of the four lowest factors of the response of all family members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
4. Performance measurement and compensation of family members	**3.815**	**1.192**
4.1 Clear roles and responsibilities in the family farm	4.898	1.293
4.2 Performance measurement of the family members	3.569	1.460
4.3 Disciplinary procedures in the family farm	2.844	1.445
4.4 Compensation policy for the family farm	3.949	1.406
12. Corporate governance in the family farm	**3.889**	**1.363**
11. Ownership succession	**4.105**	**1.159**
11.1 Estate planning	3.978	1.274
11.2 Calculation and minimising of estate taxes	4.063	1.500
11.3 Acquiring ownership or proprietary interest in the farm	3.591	1.416
11.4 Perception of the equality and fairness of the will	4.768	1.358
11.5 Sufficient financial provision for the retirement of the senior generation	3.690	1.423
11.6 Liquidity of the farm after retirement/trauma/death	4.671	1.182
2. Family harmony among all family members (active & inactive)	**4.241**	**1.241**
2.1 Degree of family harmony among all family members	5.289	1.313
2.2 Degree of communication among all family members	4.312	1.447
2.3 Establishing and maintaining effective communication forums	3.838	1.597
2.4 Degree of conflict among all family members	4.191	1.356
2.5 Prevention and management of conflict among all family members	3.574	1.507

Performance measurement and compensation of family members (Factor 4: $\bar{x}$ =3.815) scored the lowest arithmetic mean. The sub-factors, *Performance measurement of the family members* ($\bar{x}$ =3.569), *Disciplinary procedures in the family farm* ($\bar{x}$ =2.844) and *Compensation policy for the family farm* ($\bar{x}$ =3.949), were all evaluated as low. This suggests that these factors have not been sufficiently addressed according to the evaluation of all family members. However, sub-factor *Clear roles and responsibilities in the family farm* ($\bar{x}$ =4.898) was rated as average.

Ownership succession (Factor 11: $\bar{x}$ =4.105) revealed a low arithmetic mean. The sub-factors *Perception of the equality and fairness of the will* ($\bar{x}$ =4.768) and *Liquidity of the farm after retirement/trauma/death* ($\bar{x}$ =4.671) were evaluated as moderately addressed. The sub-factor *Acquiring ownership or proprietary interest in the farm ($\bar{x}$ =3.591)* had the lowest score.

Family harmony amongst all family members (active & inactive) (Factor 2: $\bar{x}$ =4.241) scored an average rating. The sub-factor *Degree of family harmony amongst all family members* ($\bar{x}$ =5.289)

had a high ranking. One sub-factor, *Degree of communication amongst all family members* ($\bar{x}$ =4.312), reflected an average ranking. The arithmetic means of the remaining three sub-factors were ranked as low.

Based on the ranking in Section 3.4.6, three out of the four factors can be ranked as low and one as average. Ten sub-factors can be ranked as low, four as average and one as high.

3.4.7.2 Factors which were evaluated as average

The means of the four average factors are indicated in Table 3.12.

Table 3.12: Arithmetic mean of the four average factors of the response of all family members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
10. Management succession	**4.307**	**1.039**
10.1 Management succession planning	3.385	1.387
10.2 Criteria for the selection of the successor(s)	4.199	1.528
10.3 Suitability of the prospective successor(s)	5.391	1.055
10.4 Final transfer of management to the prospective successor(s)	3.171	1.348
10.5 The expected outcome after the completion of management succession	5.390	1.050
9. Readiness for succession of the senior generation family member	**4.384**	**1.181**
3. Family harmony among the active family members	**4.598**	**1.294**
3.1 Relationships among the younger generation family members	4.762	1.363
3.2 Relationship among the senior and younger generation family members	5.032	1.356
3.3 Degree of communication among the active family members	4.783	1.470
3.4 Establishing and maintaining effective communication forums	4.628	1.749
3.5 Degree of conflict among the active family members	4.473	1.634
3.6 Prevention and management of conflict among the active family members	3.909	1.467
5. Continuation of the farm as a family farm	**4.619**	**1.075**
5.1 A clear future vision of the family farm	3.991	1.550
5.2 Acknowledgement of individual needs and dreams of family members	3.810	1.440
5.3 Commitment of the senior generation family members	5.439	1.218
5.4 Commitment of the younger generation family members	5.250	1.288

Management succession (Factor 10: $\bar{x}$ =4.307), **Readiness for succession of the senior generation family member** (Factor 9: $\bar{x}$ =4.384), **Family harmony amongst the active family members** (Factor 3: $\bar{x}$ =4.598) and **Continuation of the farm as a family farm** (Factor 5:

$\bar{x}$ =4.619) are the four factors, in ascending order, that are evaluated as average according to the response from all the family members. This implies that these four factors have been moderately addressed according to the evaluation of all family members.

3.4.7.3 Factors which were evaluated as high

The mean of the four highest factors, together with their sub-factors, as evaluated by all the family farm members, is indicated in Table 3.13.

Table 3.13: Arithmetic mean of the four highest factors of the response of all family members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
1. Managing the interaction between family and business issues	**4.932**	**1.220**
7. Development of the younger generation family members	**5.144**	**0.971**
7.1 Competence of the younger generation family member	5.427	0.985
7.2 Formal training and development of the younger generation	4.980	0.972
7.3 Mentoring of the younger generation family member	5.042	1.226
7.4 Participative management in the family farm	5.186	1.357
7.5 Realising the full potential of the younger generation family member	5.087	1.174
6. Successful participation of the younger generation family members	**5.281**	**0.868**
6.1 The younger generation has good business sense	5.583	1.054
6.2 The younger generation adds value to the family farm	5.200	1.022
6.3 Voluntary and happy participation by the younger generation	5.284	1.012
6.4 Credibility of the younger generation in the family farm	5.260	1.100
6.5 Establishing and sustaining of a network by the younger generation	5.131	1.229
6.6 Degree of self-empowerment by the younger generation	5.231	1.053
8. Lack of factors that necessitate management succession	**5.319**	**1.080**

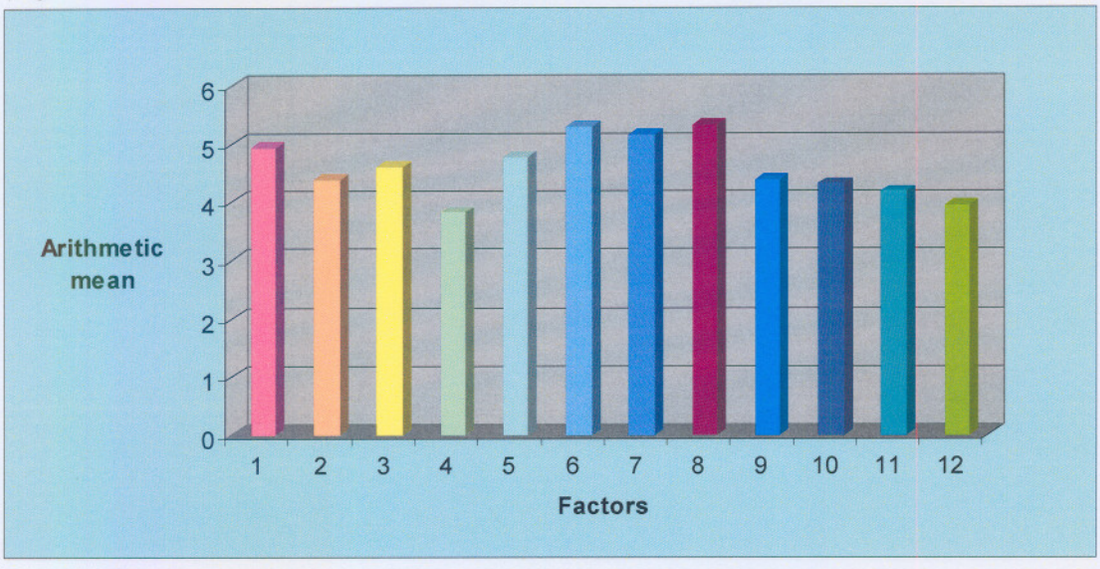
According to the response from all the family members, the four factors with the highest arithmetic mean in ascending order are; **Managing the interaction between family and business issues** (Factor 1: $\bar{x}$ =4.932), **Development of the younger generation family members** (Factor 7: $\bar{x}$ =5.144), **Successful participation of the younger generation family members** (Factor 6: $\bar{x}$ =5.281) and the **Lack of factors that necessitate management succession** (Factor 8: $\bar{x}$ =5.319). This implies that factor, **Managing the interaction between family and business issues** has been ranked as average, whereas the other three factor are ranked as high and have been adequately addressed.

3.4.8 Analysis of the arithmetic mean for the factors and sub-factors as evaluated by the active family farm members

The purpose of the arithmetic mean analysis is to indicate the response from active family members and to determine the areas that are not adequately addressed to ensure the long-term sustainability of family business.

The details of the mean relating to all the factors and sub-factors, as evaluated by the active family members are set out in Appendix C.2. The results of the mean relating to all twelve factors as evaluated by the active farming family member are indicated in Figure 3.7.

Figure 3.7: Results of the evaluation by the active family farm members



The results of the evaluation of the active family members are ranked according to the 12 factors from the lowest to the highest mean. Subsequently, the 12 factors are then divided in three groups, being the lowest four, the middle four factors and the highest four.

The total arithmetic mean of all factors and sub-factors, as evaluated by active family members, is $\bar{x}$ =4.559. Based on the ranking of the mean as in Section 3.4.6, the conclusion can be made that active family members experience the factors and sub-factors in their family farming business as average and thus moderately addressed.

3.4.8.1 Factors which were evaluated the lowest

The arithmetic means of the four lowest factors as rated by the active family members are indicated in Table 3.14.

Table 3.14: Arithmetic mean of the four lowest factors of the response from active family members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
4. Performance measurement and compensation of family members	**3.815**	**1.192**
4.1 Clear roles and responsibilities in the family farm	4.898	1.293
4.2 Performance measurement of the family members	3.569	1.460
4.3 Disciplinary procedures in the family farm	2.844	1.445
4.4 Compensation policy for the family farm	3.949	1.406
12. Corporate governance in the family farm	**3.936**	**1.277**
11. Ownership succession	**4.169**	**1.088**
11.1 Estate planning	3.978	1.274
11.2 Calculation and minimising of estate taxes	4.063	1.500
11.3 Acquiring ownership or proprietary interest in the farm	3.587	1.450
11.4 Perception of the equality and fairness of the will	5.027	1.282
11.5 Sufficient financial provision for the retirement of the senior generation	3.690	1.423
11.6 Liquidity of the farm after retirement/trauma/death	4.671	1.182
10. Management succession	**4.307**	**1.039**
10.1 Management succession planning	3.385	1.387
10.2 Criteria for the selection of the successor(s)	4.199	1.528
10.3 Suitability of the prospective successor(s)	5.391	1.055
10.4 Final transfer of management to the prospective successor(s)	3.171	1.348
10.5 The expected outcome after the completion of management succession	5.390	1.050

Performance measurement and compensation of family members (Factor 4: $\bar{x}$ =3.815), **Corporate governance in the family farm** (Factor 12: $\bar{x}$ =3.936), **Ownership succession** (Factor 11: $\bar{x}$ =4.169) and **Management succession** (Factor 10: $\bar{x}$ =4.307), in ascending order, are the four factors with the lowest arithmetic mean as evaluated by the active family members. The first three factors have a low arithmetic mean and thus suggest that the family farm has not adequately addressed these factors. **Management succession** (Factor 10: $\bar{x}$ = 4.307) had an average rating and therefore considered to be moderately addressed.

The factor with the lowest overall rating of the 12 factors is **Performance measurement and compensation of family members** (Factor 4: $\bar{x}$ =3.815). All, except one (*Clear roles and responsibilities in the family farm*), of the sub-factors of factor **Performance measurement and compensation of family members** was rated as low.

Corporate governance in the family farm (Factor 12: $\bar{x}$ = 3.936) has the second lowest ranking.

Ownership succession (Factor 11: $\bar{x}$ =4.169) is third in line with four of the six sub-factors reflecting a low ranking. Sub-factors *Perception of the equality and fairness of the will* ($\bar{x}$ =5.027) and *Liquidity of the farm after retirement/trauma/death* ($\bar{x}$ =4.671) both scored an average rating and are considered to be moderately addressed as evaluated by the active family members.

Management succession (Factor 10: $\bar{x}$ =4.307) was ranked the highest factor of the four factors with a low ranking. The two sub-factors *Suitability of the prospective successor(s)* ($\bar{x}$ =5.391) and *The expected outcome after the completion of management succession* ($\bar{x}$ =5.390) both had a high ranking as evaluated by the active family members. The sub-factor with the lowest ranking is *Final transfer of management to the prospective successor(s)* ($\bar{x}$ =3.171).

3.4.8.2 Factors which were evaluated as average

The arithmetic means of the average four factors are indicated in Table 3.15 on the following page.

Active family members rated the following as average, and accordingly considered them to be moderately addressed; **Family harmony amongst all family members (active and inactive)** (Factor 2: $\bar{x}$ =4.377), **Readiness for succession of the senior generation family member** (Factor 9: $\bar{x}$ =4.384), **Family harmony amongst the active family members** (Factor 3: $\bar{x}$ =4.598) and **Continuation of the farm as a family farm** (Factor 5: $\bar{x}$ =4.775).

Table 3.15: Arithmetic mean of the four average factors of the response from active family members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
2. Family harmony among all family members (active & inactive)	**4.377**	**1.220**
2.1 Degree of family harmony among all family members	5.383	1.193
2.2 Degree of communication among all family members	4.449	1.400
2.3 Establishing and maintaining effective communication forums	4.056	1.639
2.4 Degree of conflict among all family members	4.330	1.360
2.5 Prevention and management of conflict among all family members	3.668	1.531
9. Readiness for succession of the senior generation family member	**4.384**	**1.181**
3. Family harmony among the active family members	**4.598**	**1.294**
3.1 Relationships among the younger generation family members	4.762	1.363
3.2 Relationship among the senior and younger generation family members	5.032	1.356
3.3 Degree of communication among the active family members	4.783	1.470
3.4 Establishing and maintaining effective communication forums	4.628	1.749
3.5 Degree of conflict among the active family members	4.473	1.634
3.6 Prevention and management of conflict among the active family members	3.909	1.467
5. Continuation of the farm as a family farm	**4.775**	**1.011**
5.1 A clear future vision of the family farm	4.187	1.562
5.2 Acknowledgement of individual needs and dreams of family members	3.953	1.399
5.3 Commitment of the senior generation family members	5.587	1.200
5.4 Commitment of the younger generation family members	5.375	1.231

3.4.8.3 Factors which were evaluated as high

The arithmetic means of the four highest factors as evaluated by the active family members are indicated in Table 3.16 on the following page.

The four factors with the highest arithmetic mean as evaluated by the response of the active family members are; **Managing the interaction between family and business issues** (Factor 1: $\bar{x}$ =4.932), **Development of the younger generation family members** (Factor 7: $\bar{x}$ =5.144), **Successful participation of the younger generation family members** (Factor 6: $\bar{x}$ =5.281) and the **Lack of factors that necessitate management succession** (Factor 8: $\bar{x}$ =5.319).

The three of the four factors were all ranked as high. Only one factor, **Managing the interaction between family and business issues** (Factor 1: $\bar{x}$ =4.932), scored an average rating.

Table 3.16: Arithmetic mean of the four highest factors of the response from active family members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
1. Managing the interaction between family and business issues	**4.932**	**1.220**
7. Development of the younger generation family members	**5.144**	**0.971**
7.1 Competence of the younger generation family member	5.427	0.985
7.2 Formal training and development of the younger generation	4.980	0.972
7.3 Mentoring of the younger generation family member	5.042	1.226
7.4 Participative management in the family farm	5.186	1.357
7.5 Realising the full potential of the younger generation family member	5.087	1.174
6. Successful participation of the younger generation family members	**5.281**	**0.868**
6.1 The younger generation has good business sense	5.583	1.054
6.2 The younger generation adds value to the family farm	5.200	1.022
6.3 Voluntary and happy participation by the younger generation	5.284	1.012
6.4 Credibility of the younger generation in the family farm	5.260	1.100
6.5 Establishing and sustaining of a network by the younger generation	5.131	1.229
6.6 Degree of self-empowerment by the younger generation	5.231	1.053
8. Lack of factors that necessitate management succession	**5.319**	**1.080**

Nine out of the ten sub-factors scored a high ranking. Sub-factor, *Formal training and development of the younger generation* ($\bar{x}$ =4.980) was rated as average and is a sub-factor of **Development of the younger generation family members** (Factor 7: $\bar{x}$ =5.144).

3.4.9 Analysis of the arithmetic mean for the factors and sub-factors as evaluated by the inactive family farm members

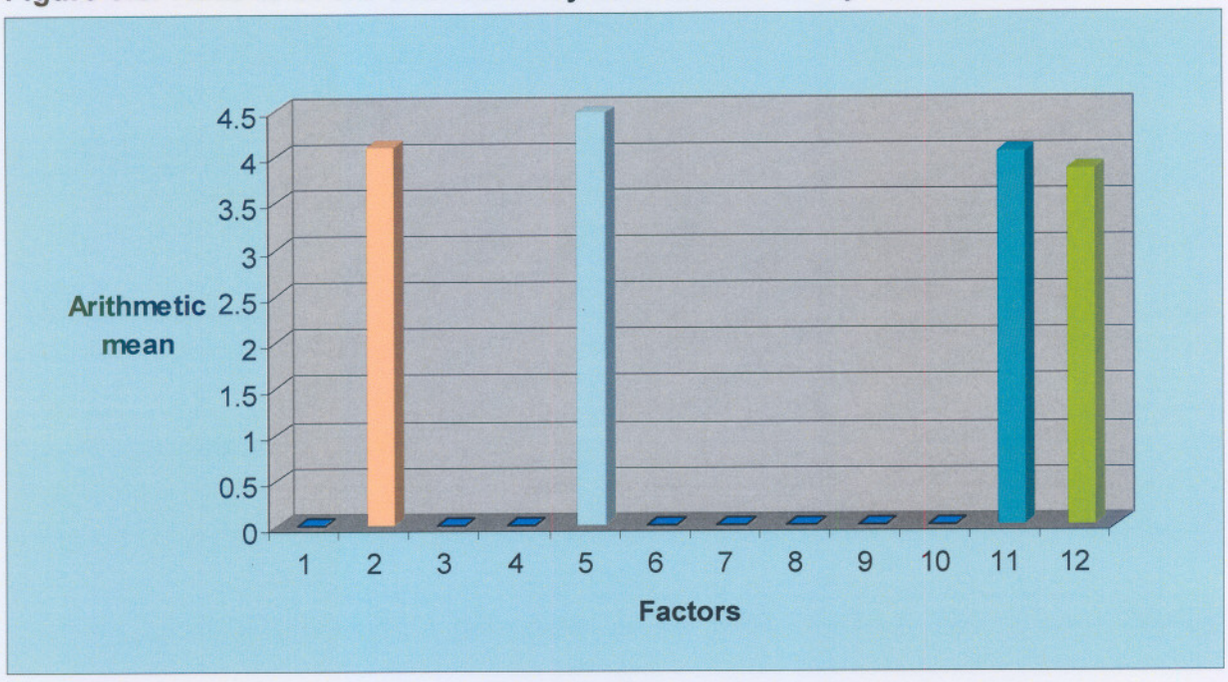
The purpose of the arithmetic mean analysis is to indicate the response from the inactive family members and to determine the areas that are not adequately addressed to ensure the long-term sustainability of family farm.

The total arithmetic mean of the factors and sub-factors, as evaluated by the inactive members only, is $\bar{x}$ =4.111. This suggests that the inactive family members in general experience the family business as a low ranking and hence inadequately addressed.

The details of the mean relating to all the factors and sub-factors, as evaluated by the inactive family members are set out in Appendix C.3.

The results of the mean relating to the four factors relevant to the inactive farming family member are indicated in Figure 3.8.

Figure 3.8: Results of the evaluation by the inactive family farm members



The arithmetic means of the four factors relevant to the inactive members are set out, in ascending order, in Table 3.17 on the following page.

The factor **Corporate governance in the family farm** (Factor 12: $\bar{x}$ =3.842) was evaluated as low by the inactive members and is accordingly inadequately addressed.

The factor **Ownership succession** (Factor 11: $\bar{x}$ =4.039), together with one of the sub-factors, *Acquiring ownership or proprietary interest in the farm* ($\bar{x}$ =3.594) were ranked as low and hence inadequately addressed as evaluated by the inactive family members only. Sub-factor, *Perception of the equality and fairness of the will* ($\bar{x}$ =4.500) scored an average ranking.

Table 3.17: Arithmetic mean of the four factors of the response from inactive family farm members

FACTORS AND SUB-FACTORS	MEAN	STD DEV
12. Corporate governance in the family farm	**3.842**	**1.448**
11. Ownership succession	**4.039**	**1.228**
11.3 Acquiring ownership or proprietary interest in the farm	3.594	1.386
11.4 Perception of the equality and fairness of the will	4.500	1.387
2. Family harmony among all family members (active & inactive)	**4.103**	**1.252**
2.1 Degree of family harmony among all family members	5.194	1.421
2.2 Degree of communication among all family members	4.174	1.485
2.3 Establishing and maintaining effective communication forums	3.619	1.530
2.4 Degree of conflict among all family members	4.052	1.343
2.5 Prevention and management of conflict among all family members	3.478	1.482
5. Continuation of the farm as a family farm	**4.460**	**1.118**
5.1 A clear future vision of the family farm	3.795	1.519
5.2 Acknowledgement of individual needs and dreams of family members	3.667	1.472
5.3 Commitment of the senior generation family members	5.289	1.222
5.4 Commitment of the younger generation family members	5.122	1.337

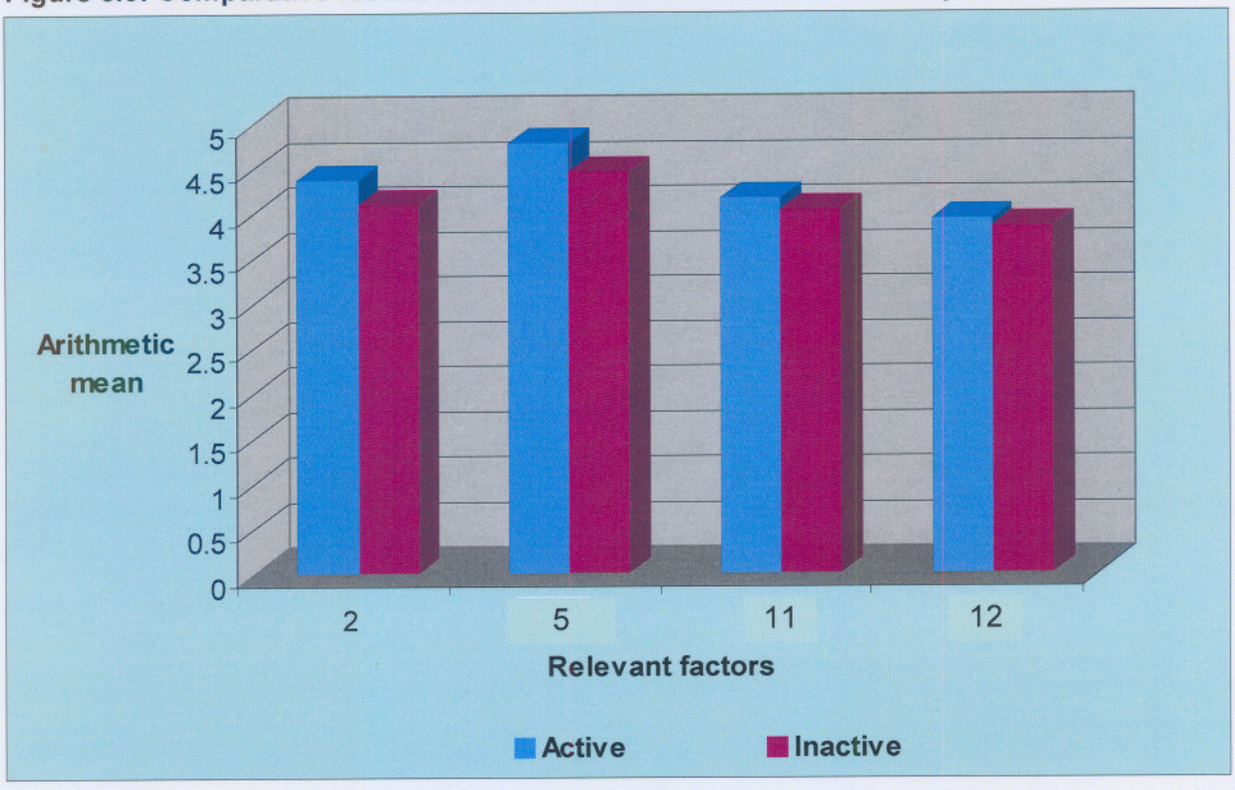
The factor **Family harmony amongst all family members (active & inactive)** (Factor 2: $\bar{x}$ =4.103) also scored a low ranking. Only one of the five sub-factors, *Degree of family harmony amongst all family members* ($\bar{x}$ =5.194), scored a high ranking. The remaining four sub-factors, *Degree of communication amongst all family members* ($\bar{x}$ =4.174), *Establishing and maintaining effective communication forums* ($\bar{x}$ =3.619), *Degree of conflict amongst all family members* ($\bar{x}$ =4.052) and *Prevention and management of conflict amongst all family members* ($\bar{x}$ =3.478) were all ranked as low and consequently inadequately addressed according to the evaluation of the inactive respondents.

The factor with an average ranking, **Continuation of the farm as a family farm** (Factor 5: $\bar{x}$ =4.460) is moderately addressed. Two sub-factors, *A clear future vision of the family farm* ($\bar{x}$ =3.795) and *Acknowledgement of individual needs and dreams of family members* ($\bar{x}$ =3.667) were ranked as low. The remaining two sub-factors, *Commitment of the senior generation family members* ($\bar{x}$ =5.289) and *Commitment of the younger generation family members* ($\bar{x}$ =5.122) were ranked as high.

3.4.10 Comparative results between the active and inactive family farm members

Factors two, five, eleven and twelve were completed and analysed for the active and the inactive family members. Figure 3.9 indicates the comparative results of the evaluation of these four factors between the active and inactive family members.

Figure 3.9: Comparative results between the active and inactive family farm members



There are only slight differences in the evaluation of the factors relevant to active members to the inactive members.

3.4.11 Effect size analysis

Statistical significance tests are used to indicate that the results (e.g. difference between the mean values) are significant (Ellis & Steyn, 2003:1). The *p*-value is a criterion of this, giving the probability that the obtained value could be obtained under the assumption that the null hypothesis (e.g. no difference between the population mean) is true.

A small *p*-value (smaller than 0.05) is considered as sufficient evidence that the results is statistically significant, whereas a practical significance can be understood as a large enough

difference to have an effect in practice. As the data relevant to this study was obtained from convenience sampling, *p*-values are not relevant and effect sizes will be reported. Ellis and Steyn (2003:1) point out that the effect size is independent of the sample size and is a measure of practical significance.

Effect sizes for dependent data are defined by:

$$d = \frac{\overline{x}_{diff}}{s_{\max}}$$

Where:

- $\overline{x}_{diff}$ is the mean difference between active and inactive members and
- $s_{\max}$ the maximum standard deviation.

Effect sizes for independent data are defined by:

$$d = \frac{|\overline{x}_1 - \overline{x}_2|}{s_{\max}}$$

Where:

- $|\overline{x}_1 - \overline{x}_2|$ is the difference between $\overline{x}_1$ and $\overline{x}_2$ without taking the sign into consideration and
- $s_{\max}$ the maximum standard deviation.

According to Ellis and Steyn (2003:4) the following guidelines are recommended for the interpretation of the effect size:

- Small effect: $d = 0.2$.
- Medium effect: $d = 0.5$, therefore a possibility exists in practice.
- Large effect: $d = 0.8$, therefore a large possibility exists in practice.

For the purpose of this study the dependent t-test was performed.

3.4.11.1 Dependent t-test

The dependent t-test is used to compare the evaluation of two sets of data with each other. The dependent t-test was conducted between the evaluation of active and inactive family members.

The calculations of the *d*-values for the dependent t-test, for all the factors, relevant to both active and inactive family members are set out in Table 3.18.

Table 3.18: T-test for dependent samples (active and inactive family members)

FACTOR OR SUB-FACTOR	VARIABLE DESCRIPTION	ACTIVE / INACTIVE	MEAN	STD. DV.	DIFF.	STD. DV. DIFF.	*P* =	*D* =
2	**Family harmony between all family members.**	Active	4.4005	1.1198	0.2146	0.7751	0.0962	
		Inactive	4.1859	1.1508				
2.1	Degree of family harmony between all family members.	Active	5.4125	1.0962	0.1342	0.7645	0.2862	
		Inactive	5.2783	1.1692				
2.2	Degree of communication between all family members.	Active	4.5421	1.2374	0.2133	1.0310	0.2101	
		Inactive	4.3287	1.3275				
2.3	Establishing and maintaining communication forums.	Active	3.9508	1.3714	0.2977	1.0258	0.0817	
		Inactive	3.6530	1.3140				
2.4	Degree of conflict between all family members.	Active	4.3893	1.1979	0.3153	0.8749	0.0324	0.26
		Inactive	4.0739	1.1926				
2.5	Prevention and management of conflict between all family members.	Active	3.7082	1.3643	0.1124	1.1058	0.5346	
		Inactive	3.5957	1.4024				

FACTOR OR SUB-FACTOR	VARIABLE DESCRIPTION	ACTIVE / INACTIVE	MEAN	STD. DV.	DIFF.	STD. DV. DIFF.	P =	D =
5	**Continuation of the business as a family business.**	Active	4.7171	0.8778	0.1304	0.7645	0.2997	
		Inactive	4.5862	0.9853				
5.1	A clear future vision for the family business.	Active	4.1286	1.2025	0.1679	0.9934	0.3040	
		Inactive	3.9606	1.3115				
5.2	Acknowledgement of individual needs and dreams of all family members.	Active	3.9426	1.1580	0.0825	1.0233	0.6220	
		Inactive	3.8601	1.2763				
5.3	Commitment of the senior generation towards the continuity of the family business.	Active	5.4553	1.0746	0.1395	0.9623	0.3769	
		Inactive	5.3157	0.9711				
5.4	Commitment of the younger generation towards the continuity of the family business.	Active	5.3301	0.8606	0.1135	0.8905	0.4370	
		Inactive	5.2166	0.9657				
11	**Ownership succession.**	Active	4.1993	0.8619	-0.0463	0.9498	0.7652	
		Inactive	4.2457	1.0858				
11.3	Proprietary interest in the family business.	Active	3.5940	1.1434	-0.2087	0.9101	0.1657	
		Inactive	3.8027	1.1841				
11.4	Equality and fairness of the will of the senior generation.	Active	5.0638	0.9063	0.3646	1.2422	0.0784	
		Inactive	4.6991	1.1627				
12	**Corporate governance of the family business.**	Active	3.8897	1.0737	-0.0280	0.9527	0.8569	
		Inactive	3.9178	1.2368				

The sub-factor with a *p*-value less than, or equal to, 0.05 is indicated in yellow. The effect size is determined for this factor only.

Sub-factor 2.4, *Degree of conflict between all family members* has a *p*-value of less than 0.05, as it is calculated to be 0.0324. The *d*-value for sub-factor 2.4, *Degree of conflict between all family members* is 0.26. This indicates a small to medium effect signifying that the active members do not necessarily experience more conflict than the inactive members.

3.4.12 Effect of the number of respondents versus the number of families on the arithmetic mean values

The calculations of the arithmetic means values this study thus were based on the total number of 259 respondents. Hence, each respondent contributed a weight of one to the calculation of the arithmetic mean value. However, the question comes to mind as to what the effect will be on the arithmetic mean value if each family farm represents a weight of one.

The answer to this question was determined by making use of the following method:

- The arithmetic mean for every factor and sub-factor was calculated in accordance to the evaluation of every family member.
- Subsequently, the overall arithmetic mean for each factor and sub-factor was calculated by dividing the sum of the arithmetic mean values by the number of family businesses (i.e. n=40).
- Consequently, the observed unit is now a family business as opposed to a respondent previously.

The comparison of the arithmetic mean values with n1 = 259 (number of the respondents) versus n2 = 40 (number of family farms) is set out in Table 3.19.

Table 3.19: Arithmetic mean comparison values

FACTORS AND SUB-FACTORS	n1	MEAN 1	n2	MEAN 2
1. Managing the interaction between family and business issues	**130**	**4.932**	**40**	**4.898**
2. Family harmony among all family members (active & inactive)	**259**	**4.241**	**40**	**4.403**
2.1 Degree of family harmony among all family members	259	5.289	40	5.398
2.2 Degree of communication among all family members	259	4.312	40	4.532
2.3 Establishing and maintaining effective communication forums	259	3.838	40	4.022
2.4 Degree of conflict among all family members	259	4.191	40	4.360
2.5 Prevention and management of conflict among all family members	259	3.574	40	3.703

FACTORS AND SUB-FACTORS	n1	MEAN 1	n2	MEAN 2
3. Family harmony among the active family members	**130**	**4.598**	**40**	**4.626**
3.1 Relationships among the younger generation family members	130	4.762	40	4.807
3.2 Relationship among the senior and younger generation family members	130	5.032	40	5.046
3.3 Degree of communication among the active family members	130	4.783	40	4.863
3.4 Establishing and maintaining effective communication forums	130	4.628	40	4.561
3.5 Degree of conflict among the active family members	130	4.473	40	4.527
3.6 Prevention and management of conflict among the active members	130	3.909	40	3.955
4. Performance measurement and compensation of family members	**130**	**3.815**	**40**	**3.806**
4.1 Clear roles and responsibilities in the family farm	130	4.898	40	4.845
4.2 Performance measurement of the family members	130	3.569	40	3.593
4.3 Disciplinary procedures in the family farm	130	2.844	40	2.870
4.4 Compensation policy for the family farm	130	3.949	40	3.918
5. Continuation of the farm as a family farm	**259**	**4.619**	**40**	**4.753**
5.1 A clear future vision of the family farm	259	3.991	40	4.180
5.2 Acknowledgement of individual needs and dreams of family members	259	3.810	40	3.999
5.3 Commitment of the senior generation family members	259	5.439	40	5.492
5.4 Commitment of the younger generation family members	259	5.250	40	5.331
6. Successful participation of the younger generation family members	**104**	**5.281**	**37**	**5.227**
6.1 The younger generation has good business sense	104	5.583	37	5.495
6.2 The younger generation adds value to the family farm	104	5.200	37	5.099
6.3 Voluntary and happy participation by the younger generation	104	5.284	37	5.269
6.4 Credibility of the younger generation in the family farm	104	5.260	37	5.198
6.5 Establishing and sustaining of a network by the younger generation	104	5.131	37	5.057
6.6 Degree of self-empowerment by the younger generation	104	5.231	37	5.243
7. Development of the younger generation family members	**104**	**5.144**	**37**	**5.116**
7.1 Competence of the younger generation family member	104	5.427	37	5.379
7.2 Formal training and development of the younger generation	104	4.980	37	4.931
7.3 Mentoring of the younger generation family member	104	5.042	37	5.013
7.4 Participative management in the family farm	104	5.186	37	5.180
7.5 Realising the full potential of the younger generation family member	104	5.087	37	5.080
8. Lack of factors that necessitate management succession	**104**	**5.319**	**37**	**5.326**
9. Readiness for succession of the senior generation family member	**104**	**4.384**	**37**	**4.450**

FACTORS AND SUB-FACTORS	n1	MEAN 1	n2	MEAN 2
10. Management succession	**104**	**4.307**	**37**	**4.322**
10.1 Management succession planning	104	3.385	37	3.396
10.2 Criteria for the selection of the successor(s)	104	4.199	37	4.221
10.3 Suitability of the prospective successor(s)	104	5.391	37	5.331
10.4 Final transfer of management to the prospective successor(s)	104	3.171	37	3.249
10.5 The expected outcome after the completion of management succession	104	5.390	37	5.416
11. Ownership succession	**259**	**4.105**	**40**	**4.205**
11.1 Estate planning	130	3.978	40	4.015
11.2 Calculation and minimising of estate taxes	130	4.063	40	4.076
11.3 Acquiring ownership or proprietary interest in the farm	259	3.591	40	3.618
11.4 Perception of the equality and fairness of the will	256	4.768	40	5.063
11.5 Sufficient financial provision for retirement of the senior generation	130	3.690	40	3.768
11.6 Liquidity of the farm after retirement/trauma/death	130	4.671	40	4.688
12. Corporate governance in the family farm	**259**	**3.889**	**40**	**3.931**
Total	**259**	**4.336**	**40**	**4.561**

As indicated in the previous sections, the arithmetic values are evaluated in comparison with each other. The arithmetic mean values are relatively close to each other.

3.5 SUMMARY

The empirical research was done by means of a field study using a structured questionnaire as the main component. The purpose of literature study (chapter two) was to attain insight on the unique challenges facing family farms in South Africa. These unique challenges were aligned with the factors included by dr. S.P. van der Merwe (Van der Merwe, 2004) during the design of the family farm business diagnostic questionnaire. All twelve factors in the questionnaire were applicable to active members, whilst only factors two, five, eleven and twelve were applicable to inactive members. The data collected from the completed questionnaires were processed using Statsoft, Inc (2004).

Chapter three presented and analysed the empirical results of this study. This chapter comprised of the structuring of the questionnaire, gathering of the data, results and discussions, reliability of the research instrument, analysis of the factors and sub-factors and an effect size analysis.

Step three in the research approach, as indicated in Figure 1.2 in chapter one, refers to the research design. The research instrument used is a structured questionnaire named Fampro (Van der Merwe, 2004). The original design of this questionnaire took into account the unique challenges facing family farms in South Africa. This questionnaire proved to adhere to the requirements of being reliable and valid. This questionnaire was reviewed and minor adjustments were made.

The gathering of the data relates to step four (research process) and step five (evidence collections) of the research process as indicated in Figure 1.2 in chapter one. Primary data was collected by means of questionnaires. Various techniques were used to distribute and completed questionnaires. Each questionnaire was sent out with a covering letter that guaranteed the anonymity of the respondents. A return paid envelope was also included to make it as easy as possible for the respondents to return the questionnaire.

Step six in the research approach refers to the analysis of the data. All data, was captured and summarised where relevant. The arithmetic mean, standard deviation and Cronbach alpha coefficients were determined for each factor and sub-factors.

A total of 259 usable questionnaires were gathered. This represented 40 farms with 259 family members. A few families were excluded from this study, as the questionnaires were not returned in time to meet the cut-off date or because the questionnaires were not completed in full.

The reliability of the research instrument, the questionnaire, was determined by means of the Cronbach alpha coefficient. Reliable scores of lower than 0.60 are considered to be poor and therefore questionable. Thus, a coefficient above 0.60 is considered to be adequate in this study. Cronbach alpha coefficients higher than 0.7 values were recorded in respect of 40 of the 45 factors and sub-factors. Four of the 45 factors and sub-factors were below 0.7 but above 0.6 and is subsequently considered to be acceptable in the basic exploratory research such as this study. Only Sub-factor 7.3, *Mentoring of the younger generation family member,* was rated below 0.6 at 0.534708 and is thus considered to be unacceptable in the basic exploratory research such as this study. This low score indicates a low rate of internal consistency of the data.

Detailed statistical techniques were used in the evaluation of Section A to E to derive an arithmetic mean of the respondents. The statistical results were tabulated and some of the summaries were also depicted by means of a graph to display the results in a graphical format. The four factors, **Performance measurement and compensation of family members, Corporate governance in the family farm, Ownership succession** and **Family harmony amongst all family members**

(active and inactive) revealed the lowest arithmetic mean of the 12 factors. Hence, the conclusion can be that these factors are inadequately addressed as evaluated by all family members.

Management succession (Factor 10: $\bar{x}$ =4.307), **Readiness for succession of the senior generation family member** (Factor 9: $\bar{x}$ =4.384), **Family harmony amongst the active family members** (Factor 3: $\bar{x}$ =4.598) and **Continuation of the farm as a family farm** (Factor 5: $\bar{x}$ =4.619) are the four factors, in ascending order, that are evaluated as average according to the response from all the family members. This implies that these four factors have been moderately addressed according to the evaluation of all family members.

According to the response from all the family members, the four factors with the highest arithmetic mean in ascending order are; **Managing the interaction between family and business issues** (Factor 1: $\bar{x}$ =4.932), **Development of the younger generation family members** (Factor 7: $\bar{x}$ =5.144), **Successful participation of the younger generation family members** (Factor 6: $\bar{x}$ =5.281) and the **Lack of factors that necessitate management succession** (Factor 8: $\bar{x}$ =5.319). This implies that factor, **Managing the interaction between family and business issues** has been ranked as average, whereas the other three factor are ranked as high and have been adequately addressed.

There are only slight differences in the evaluation of the factors relevant to active and inactive members.

The dependent t-test was conducted between the evaluation of active and inactive family members. Sub-factor 2.4, *Degree of conflict between all family members* has a *p*-value of less than 0.05, as it is calculated to be 0.0324 and a *d*-value of 0.26. This indicates a small to medium effect signifying that the active members do not necessarily experience more conflict than the inactive members.

The calculations of the arithmetic means values in this study were based on the total number of 259 respondents. Hence, each respondent contributed a weight of one to the calculation of the arithmetic mean value. However, the question comes to mind as to what the effect will be on the arithmetic mean value if each family business represents a weight of one. A comparison of the arithmetic mean values with n1 = 259 (number of the respondents) versus n2 = 40 (number of family businesses) was performed. The arithmetic values were evaluated in comparison with each other. Based on the same principle, the arithmetic mean values were relatively close to each other. As a result, the basis of the previous calculations is acceptable.

CHAPTER 4:
CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The final chapter comprises of conclusions and recommendations drawn up, based on the unique challenges facing family farms in South Africa, as evaluated during the literature study in chapter two and the empirical study in chapter three. The results from the questionnaire were analysed and subsequently utilised to compare the unique challenges facing family farming businesses in theory and in practice.

Conclusions were drawn on the response of the family survey, the demographic and biographic information pertaining to the respondents and the structure of the family farming business. Conclusions were also made on the reliability of the research instrument, the twelve factors as evaluated by the family members, the effect size analysis and the conformity between the literature and the questionnaires.

Subsequently, based on the above, a list of recommendations was proposed on how to comprehend the unique challenges facing family farms in South Africa.

A critical evaluation was done to determine if the primary and secondary objectives, as set out in chapter one, were achieved. Finally, recommendations were made for future research.

4.2 CONCLUSIONS ON THE QUESTIONNAIRES

An empirical study was undertaken using 40 family farms in South Africa as determined by means of the convenient sampling method, as described in Section 1.5.

Based on the literature study in chapter two and the empirical study in chapter three, it is now possible to draw conclusions on the evaluation of the unique challenges facing family farms in South Africa. Conclusions are made on the most significant findings as analysed in chapter three.

4.2.1 Response of the family farming survey

A total of 40 family farming businesses participated in this study.

Some of the families that were contacted indicated that they were not willing to participate in this study. The main reasons for not participating can be summarised as follows:

- A questionnaire took an active family member approximately 45 minutes to complete and an inactive member in the region of ten minutes. The completion of the questionnaire was not compulsory and the long completion time most definitely had a negative impact on the response rate.
- Every family member in the family business had to complete a questionnaire, i.e. active and inactive family members. For this study it implies an average of 6.9 questionnaires per family farming business. Some of the families were incomplete and therefore had to be left out.

4.2.2 Demographic and biographic information of the respondents

A total of 259 family members participated in this study. The split between active and inactive members is very close with 130 active family members and 129 inactive family members. Hence, approximately 50% of the family members are actively involved in the farm.

4.2.2.1 Age of the respondents

Although family businesses have no mandatory retirement age, owners of the family farm older than 50 years are theoretically ready to hand the reigns over to a successor. The number of respondents in the age category 50 years and older represents 70 (27%) respondents (Table 3.2) and 36 (14%) of the respondents are owners (Table 3.5).

The conclusion can be made that, due to the high age of the owners, and 27% of the family members are in the age group 30 to 39, the transfer of ownership to a successor is due. However, the family members rated management succession planning and the transfer of ownership, as relative low (sections 3.4.7.1 and 3.4.7.2). Therefore, the conclusion can be made that limited time is left for succession planning.

4.2.2.2 Gender of the respondents

The gender split is almost equal for the total family members with 51% of the family members being male and 49% being female. There is a definite pull towards sons in the farms as sons represent 69 (26%) and daughters 45 (18.4%) of the total respondents.

According to Ibrahim and Ellis (1994:229), a father-daughter relationship tends to be relatively conflict-free and complementary compared with the father-son relationship, which is more of a rivalry. It is concluded that talented daughters or wives should also be recognised as potential successors of the family farms.

4.2.2.3 Marital status of the respondents

The marital status is important due to the overlap between the family and business systems. The overlap can be more complicated with married than unmarried family members.

According to the analysis in Table 3.4, the number of single respondents is 57 (22%). The majority of the respondents are married and comprises of 195 (74.5%) of the total respondents. The number of divorced and widow(ed) respondents entails as mere 7 (3.5%) of the total respondents.

The high involvement of married status influences the management of the overlap between the family and the farm. Hence, it is concluded that spouses are important resources of the family farms and care should be taken that they do not feel left out.

4.2.2.4 Relationship of the respondents to the owner

The involvement of the direct family members, i.e. parents including sons and daughters, entails 190 (73.4%) of the respondents as indicated in Table 3.5. Owners plus spouses comprise of 76 (29%) of the respondents.

The conclusion can be made that this section was not completed correctly, as there are 36 owners and 40 spouses.

Furthermore, it can be concluded that closer family relationships enhance the chances that the children will bring the similar values than those of their parents with them when they join the family business. Family members are likely to share the same ethos and beliefs on how things should be

done. This leads to an added sense of purpose and pride, which in turn creates a competitive edge for the business. Owning family's value form the heart of the business culture gives rise to vital synergies (Aronoff & Ward, 2001:2). An enduring commitment to values is the most intense strength a family can bring to the business ownership. As pointed out by Ibrahim and Ellis (1994:5), deeply entrenched values and beliefs are the bonding agents that hold a family business together.

However, Ibrahim and Ellis (1994:7) caution that a major disadvantage of family businesses is the infighting amongst family members, which is caused by the differences in values between family members. This internal strife leads to undesirable behaviour, confusion, poor performance, goal conflict and, ultimately, the bereavement of the family business. Kickham (2004:48) agrees that nothing will kill a business faster than infighting amongst family members who disagree on how to run the business.

Due to the high involvement of the direct family in the farm, the conclusion can be made that the farm must have an effective governance structure in place. By adhering to the latter, a family can leverage on the positive aspects of family involvement. The governance structures of the farm will not only have a major impact on the family's own health and ability to survive, but also on the success and longevity of the farm as a family business.

4.2.2.5 Highest academic qualification of the respondents

Diploma is the highest academic qualification representing 80 (30%) of the respondents. Matric and university degree represent an almost equal percentage of the total respondents at 62 (23%) and 57 (22%) respectively. Thirty-one (13%) of the respondents have a post graduate degree. The category that represents the smallest number of respondents is lower than matric with only 11 (5%) respondents.

Hence, it can be concluded that the success of the family farm does not solely rely upon academic qualifications. Entry at floor level also plays a vital part in the success of a family farm. Mentorship and external resources, e.g. a financial advisor can fill a crucial gap due to the lack of formal education.

4.2.2.6 Jobs or careers prior to entering the family business

The majority of the owners, 23 (62%), have been involved in farming all their lives. Based on the latter, the conclusion can be made that the majority of the owners have ample of experience in the

farming environment and this enhances the chances for success. Early inclusion of the offspring enhances effective succession and the long-term success of the family business.

4.2.2.7 Percentage of shares owned by the respondents

Based on the analysis the conclusion can be made that there appears to be confusion and inconsistencies pertaining to the percentage of shares owned, as indicated by the respondents. In many families the number of shares did not represent 100%. A number of families did not indicate the percentage shares owned at all.

The overall conclusion can be made that the majority of the shares belong to the owners. Consequently, no other meaningful comparisons could be presented pertaining to the percentage of shares owned by the respondents.

4.2.3 Structure of the family farming business

The data pertaining to Section E of the questionnaire was analysed to determine the structural information of the family farming businesses. The structure of the family farm such as number of permanent employees, turnover, sectors in which the farm operates, age, as well as the legal status of the family farm was collected to enable the data to be sorted according to these demographics. The intent is to form an overall view of the family farming businesses in this study.

4.2.3.1 Number of permanent employees

The categorisation of micro, small and medium enterprises, as defined by the National Small Business Act (Act No. 26 of 2003: National Small Business Amendment Act, 2003), is indicated in Appendix B.

Based on the number of employees only two (5%) of the family farms can be classified as being a micro businesses. Six (15%) family farms represent the category very small businesses. Small businesses account for 23 (58%) of the 40 family farms. Seven (17%) of the family farms can be classified as being medium size businesses, as they employ 50 to 100 employees. A mere two (5%) of the family farms employee more than 100 employees.

Hence, it can be concluded that the majority 23 (58%) of the family farms can be categorised as small businesses.

4.2.3.2 Turnover of the family farm

The turnover of the 40 family farming businesses closely represents a normal distribution curve. Twenty (50%) of the family farms have a turnover of between R2.5 million and R10 million. Nine (22%) of the family farms generate a turnover between R1 million and R2.5 million, whereas eight (20%) of the family farms have a turnover between R10 million and R50 million. The remaining three (8%) family farms have a turnover of less than R1 million each.

4.2.3.3 Sectors in which the farm operates

The farms operate in various sectors. Large stock farming, small stock farming and agronomy are the most popular sectors. Large stock farming is applicable to 25 farms, small stock farming to 20 farms and agronomy to 23 farms.

Six farms attend to fruit farming and five farms attend to vegetable farming. Only one farm attends to both fruit and vegetable farming. Other minority sectors also involved are game farming, citrus farming and vinery.

The conclusion can be made that the majority of the farms generate their income from at least two sectors. Seven farms are not diversifying their income between the sectors as they generate their income from one sector only. Furthermore, it can be concluded that the most popular sectors are large stock farming, small stock farming and agronomy.

4.2.3.4 Age of the family farm

A total of 35 of the 40 farms indicated the age of the farm as a family business. The total age of the 35 farms relevant to this study is 1703 years. This gives an arithmetic mean age of 48.7 years per farm.

The majority of the farms, 12 (34%) are between 26 and 50 years old. Nine farms (26%) are younger than 25 years old and seven farms (20%) are between 51 and 75 years old. Three (9%) of the farms are between 76 and 100 years old. The age category 101 to 125 is represented by four (11%) of the farms.

Nine (26%) farms appear to be in the first generation, as the farms are in the age category younger than 25 years. Twenty-seven (74%) farms are older than 25 years and the conclusion can be made

that these farms have successfully passed the farm on at least once, as they appear to be in the second generation.

It can be concluded that the majority of the farms are already, or will soon be, in the most critical point of the farm, namely the hand over to the next generation. Hence, these current owners should seriously start with ownership succession planning.

4.2.3.5 Legal status of the family farm

The question regarding to the legal status was answered by 37 of the 40 family farms.

Proprietorship is the legal form with the most representation, being 18 farms. Trusts are applicable to 13 of the farms and private companies to 11 of the farms. The two-remainder legal forms, close corporations and partnerships, involve six and five farms respectively.

The total number of legal statuses exceeds the total number of farms relevant to this study. Thus, it can be concluded that the majority of the farms have more than one legal status.

4.2.4 Reliability of the research instrument

The Cronbach alpha coefficient was used to determine the internal consistency between the data (factors and sub-factors in the questionnaire).

Cronbach alpha coefficients higher than 0.7 values were recorded in respect of 40 of the 45 factors and sub-factors. Four of the 45 factors and sub-factors were below 0.7 but above 0.6 and is subsequently considered to be acceptable in the basic exploratory research such as this study.

Only Sub-factor 7.3, *Mentoring of the younger generation family member,* was rated below 0.6 at 0.534708 and is thus considered to be unacceptable in the basic exploratory research such as this study. This low score indicates a low rate of internal consistency of the data for this sub-factor.

The overall conclusion can be made that, based on the results obtained by means of the Cronbach alpha coefficient, there appears to be internal consistency between the data (factors and sub-factors in the questionnaire).

4.2.5 Factors and sub-factors relevant to the unique challenges facing family farms

The 12 factors, together with their sub-factors, were analysed in Section 3.4.7 in accordance with the evaluation of the respondents. Based on these analyses, the following conclusions are made.

4.2.5.1 Overall evaluation

The total mean is an indication of how all the family members experience the family farming business. The arithmetic mean of all the family members pertaining to this study was $\bar{x}$ =4.336, as indicated in Appendix C.1. Based on the ranking of the arithmetic mean as set out in Table 3.10 the conclusion can be made that the family members experience their family farming business as average and therefore moderately addressed.

Factors two, five, eleven and twelve were completed and analysed for the active, as well as the inactive, family members. There are only slight differences in the evaluation of the mean values pertaining to the four relevant factors when comparing the mean values of the active respondents to the mean values of the inactive respondents. Factor 5, **Continuation of the farm as a family farm,** reveals the biggest difference in the comparisons of the means of the four factors, with active members being ($\bar{x}$ =4.775) and inactive members ($\bar{x}$ =4.460). Although Factor 5 has the biggest difference of the four factors applicable to both and active and inactive members, it is nevertheless a relative small difference.

The conclusion can be made that there are no major gaps in the perspectives of the active and the inactive family members.

4.2.5.2 Factor 1: Separation of family and farming business matters

The separation of the business and family matters was ranked average and thus moderately addressed. The foundation for a healthy family business relationship, as well as the creation of a family business legacy, is based upon the balanced approach in addressing the family and business systems.

As the separation of the family and business matters was evaluated as average, the family members should strive towards a higher ranking. Once a high ranking has been achieved, care must be taken to ensure that the balanced approach is maintained.

4.2.5.3 Factor 2: Family harmony amongst all farming family members

Both active and inactive family members evaluated factor 2 as low. Factor 2 focused on the relationships and conflict amongst all the family members. Active family members rated it as $\bar{x}$ =4.377 and inactive family members rated it as $\bar{x}$ =4.103.

According to the evaluation of all members, Factor 2 scored an average rating of $\bar{x}$ =4.241. The sub-factor, *Degree of family harmony amongst all family members* ($\bar{x}$ =5.289) had a high ranking. One sub-factor, *Degree of communication amongst all family members* ($\bar{x}$ =4.312) reflected an average ranking. The two sub-factors with the lowest ranking are *Establishing and maintaining effective communication forums* ($\bar{x}$ =3.838) and *Prevention of management of conflict amongst all family members* ($\bar{x}$ =3.574). Even though family harmony is evaluated as average, the low sub-factors can lead to serious relationship differences and conflict.

Although there are no major gaps between the evaluation by the active and inactive family members, care should be taken to ensure that the gap does not get bigger in which case the inactive members feel left out of the family business. The latter can be a breeding-ground for distrust and misunderstandings.

4.2.5.4 Factor 3: Family harmony amongst the active farming family members

Factor 3 is only applicable to active family members as it analyses the relationship between active family members. This factor was ranked as average, with an arithmetic mean of $\bar{x}$ =4.598. The most important concerns of the active family members are similar to **Family harmony amongst all the family members** (Factor 2), namely *Establishing and maintaining effective communication forums, Prevention of management of conflict amongst all family member* and *Degree of conflict amongst the active family members.*

Ibrahim and Ellis (1994:137) highlight that conflict management is an important skill in the management of the family business. Nothing distresses a family business as much as conflict amongst family members, or frustrates it as much as the inability of family members to communicate satisfactorily with each other (Astrachan & McMillan, 2003:1).

Aronoff *et al.* (2002:384), Astrachan and McMillan (2003:2) and Jonovic (1997:20) all urge that conflict, as inevitable as it is and as healthy as it can be, has the potential to poison a family and the business. Conflict can be seen as a challenge or even a positive driver for change. A dispute

between family members on a strategic direction in the business may result in much needed rethinking of the business plan and a new agreed vision for the business.

Effective communication forms the basis of harmony in the family, family business and the resolution of conflict.

4.2.5.5 Factor 4: Performance measurement and compensation of farming family members

The active members rated performance measurement and compensation of family members ($\bar{x}$ =4: 3.815) as the lowest of the 12 factors. The sub-factor, *Disciplinary procedures in the family farm* ($\bar{x}$ =2.844) is the sub-factor with the lowest ranking of all the sub-factors pertaining to this study. The sub-factors, *Performance measurement of the family members* ($\bar{x}$ =3.569) and *Compensation policy for the family farm* ($\bar{x}$ =3.949) also scored a low ranking. As this evaluation is very low, it can be concluded that the relevant policies are not in place or not adhered to.

Members of a family farming business need to respect the rules and regulations that govern it. Ibrahim and Ellis (1994:113) indicate that family members frequently find it difficult to criticise each other and very often find it extremely strenuous to supervise and evaluate close family members.

Every family business should establish up front how undesirable behaviour of family members, as well as compensation, should be managed. The family business must create a clear understanding amongst employees regarding rules for employment and compensation. Once a formal procedure for performance is in place and adhered to, it will automatically enhance the clarity of roles and responsibilities.

4.2.5.6 Factor 5: Continuation of the farm as a family business

All the members evaluated this factor as average ($\bar{x}$ =4.619). Active member ranked it as average ($\bar{x}$ =4.775) and the inactive members also ranked it as average ($\bar{x}$ =4.460). Hence, it can be concluded that the continuation of the family farm as a business appears to be closer to the hearts of active members than that of the inactive members.

Few challenges require more of a business owner than passing on the family business to the next generation (Aronoff & Ward, 1992a:1). Family members' lifelong hopes, dreams, ambitions, relationships and personal struggles with mortality, all come to play in succession planning.

Succession planning is critical to ensure the future of the family business and should take the entire family into consideration. The failure to plan for succession is one of the greatest threats to the survival of the family business (Aronoff & Ward, 1992a:1).

However, succession planning can be a rich opportunity for the family business owner as it is a chance to make the most of the family business assets. It is also a chance to create a lasting business that will reflect the family's ideals and goals long after the founder is gone (Aronoff & Ward, 1992a:1).

4.2.5.7 Factor 6: Successful participation of the younger generation family members

This factor, **Successful participation of the younger generation family members** ($\bar{x}$ =6: 5.281) scored a high ranking as evaluated by the active family members. Therefore, the conclusion can be made that the active family members are in agreement that the younger generation will be able to successfully participate in the family farming business.

Sub-factor 6.1, *The younger generation has good business sense* ($\bar{x}$ =5.583) scored the highest ranking of all the sub-factors relevant to this study. Thus, it can be concluded that the active family members are of the opinion that the younger generation has good business sense, can add value to the family business.

The idea of knowledge is also relevant in relation to the founder's children joining the business (Ward, 2004:7). Children grow up in the business environment learning about the business, infected by the founder's experience and knowledge. When the time comes for them to consider joining the business, they already have a deep understanding of what the business is all about.

4.2.5.8 Factor 7: Development of the younger generation family members

The development of the younger generation family members scored a high ranking ($\bar{x}$ =5.144) according to the active family members. Only one sub-factor, *Formal training and development of the younger generation* ($\bar{x}$ =4.980) was ranked as average. The remaining four sub-factors were all rated as high. This is a compliment for the owners in respect of their management style.

In depth business knowledge gives family members a head start over executives entering the business at a later stage. Ibrahim and Ellis (1994:6) states that studies have indicated that most entrepreneurs come from entrepreneurial families.

4.2.5.9 Factor 8: Lack of factors that necessitate succession

The factor, **Lack of factors that necessitate management succession** ($\bar{x}$ =5.319) scored the highest ranking of the twelve factors. Hence, the conclusion can be made that the active family members have faith and trust in the senior generation executive manager. Furthermore, the senior generation executive manager still adds value to the family farming business.

Thus the conclusion can be made that the performance of the operations of the family farming business can be contributed to the leadership of the senior generation executive manager.

4.2.5.10 Factor 9: Readiness for succession of the senior generation family members

The active members ranked this factor as average and thus moderately addressed. Consequently, the active family members are of the opinion that the senior generation executive manager is more or less ready for management succession.

Ibrahim and Ellis (1994:212,213) advise that the founders may experience the prospect of retiring as difficult and unthinkable. It is quite common for the founder to resist letting go (Kets de Vries 1996:65). This resistance can be attributed to a number of factors:

- Emotional attachment: the founder develops a strong sense of attachment to the business and sees it as his baby.
- Lack of trust: entrepreneurs often lack the trust in other people's skill and competence. They perceive their business to be part of themselves and thus find it difficult to let someone else assume control.
- Lack of other interests: lack of interest beyond the business makes letting go even more difficult. The prospects of retiring to a quite and docile lifestyle seem unthinkable.
- Fear of retirement: this may be caused due to retirement possibly representing discontinuity of activities and the loss of self-respect.

Neubauer and Lank (1998:152) make the observation that once the phasing-out process has been made known and the retirement plan is concluded the best recommendation to the successee is to stick to the plan.

4.2.5.11 Factor 10: Management succession

The active family members rated the factor; **Management succession** ($\bar{x}$ =10: 4.307) as low. This is a major concern as the literature clearly indicates that a smooth transition requires that a successor be chosen long before the owner steps down.

Except for the *Suitability of the prospective successor(s)* ($\bar{x}$ =5.391) and *Criteria for the selection of the successor(s)* ($\bar{x}$ =4.199), the other sub-factors are very low.

Consequently it can be concluded that the following in not in place:

- A detailed plan on how and when management transition will take place.
- Effective communication to all the stakeholders regarding the succession planning.
- A timetable pertaining to the implementation of the management transition.
- A public announcement of the retirement date of the owner.

Effective succession planning can take up to five years therefore succession planning is an extremely critical issue to address immediately.

4.2.5.12 Factor 11: Ownership succession

The factor, **Ownership succession** was evaluated low by the active family members ($\bar{x}$ =4.169) and even lower by the inactive family members ($\bar{x}$ =4.039).

Four of the six sub-factors were rated as low. Thus, it can be concluded that the family members are concerned about; *Estate planning* ($\bar{x}$ =3.978), *Calculation and minimising of estates taxes* ($\bar{x}$ =4.063), *Acquiring ownership or proprietary interest in the farm* ($\bar{x}$ =3.591) and *Sufficient financial provision for the retirement of the senior generation* ($\bar{x}$ =3.690).

4.2.5.13 Factor 12: Corporate governance in the family farm

The active and inactive family members ranked the factor, **Corporate governance in the family farm** almost equally low. The evaluated arithmetic means of the active and inactive family members were $\bar{x}$ =3.936 and $\bar{x}$ =3.842 respectively.

This factor was ranked the second lowest of all the twelve factors, therefore it can be concluded that corporate governance of the family farming businesses in this study is a major concern.

Kenyon-Rouvinez and Ward (2005:45) emphasise the benefits of effective governance - transparency, clarity, trust – lead to more successful businesses and families. Although good governance is not easy, it is well worth the expense, time and effort. Corporate governance structures and processes can be utilised to monitor succession and to ensure the unique challenges facing family farms are adequately addressed.

Effective family business governance requires parallel family and business thinking to sustain the development of planning, decision-making and problem solving structures for both family and business systems. Family businesses that are effectively run prevent unconsciously drifting into haphazard or destructive patterns of decision-making and communication that can threaten and even destroy shared interests (Aronoff & Ward, 2001:140).

Effective governance does not happen by it self. Family policies and clear guidance need to be in place to prevent seemingly arbitrary decisions that cause much damage (Aronoff & Ward, 1996:7).

4.2.6 Comparative results between the active and inactive family members

Factors two, five, eleven and twelve were completed and analysed for the active as well as the inactive family members.

Factor 5, **Continuation of the farm as a family farm,** is the factor with the biggest difference in the comparisons of the means.

The conclusion can be made that there are only slight differences in the evaluation of the factors relevant to both active and inactive members.

4.2.7 Effect size analysis

The purpose of the effect size was to compare the evaluation of the active and inactive family members with each other by means of the dependent t-test. The reason was to determine if there is any practical significance, with large enough difference, to have an effect in practice.

Sub-factor 2.4, *Degree of conflict between all family members* has a *p*-value of less than 0.05, as it is calculated to be 0.0324. The *d*-value for sub-factor 2.4, *Degree of conflict between all family members* is 0.26. This indicates a small to medium effect signifying that the active members do not necessarily experience more conflict than the inactive members.

Based on the results of the dependent t-test analysis, it can be concluded that there are no significant differences between the results of the active and inactive family members.

4.3 CONFORMITY BETWEEN THE LITERATURE STUDY AND THE QUESTIONNAIRE

The main purpose of the literature study in chapter two was to gain insight to the unique challenges facing family farms in South Africa. The questionnaire used, as developed by Van der Merwe (2004), also took these unique challenges into consideration. The conformity between the literature study (chapter two) and the questionnaire was done by means of cross-referencing the issued addressed by the questionnaire to the literature study. Table 4.1 indicates the cross references from the literature study to the questionnaire.

Table 4.1: Cross-reference from the literature study to the questionnaire

UNIQUE CHALLENGES	REFERENCES IN THE LITERATURE STUDY	
	Section nr.	Author
Family, business and ownership systems.	2.1	Pickard (1999:1)
	2.3	Feldman (2006:72)
	2.3	Fleming (2000:21)
	2.3	Poza (2004:8,9)
	2.3.1	Bork *et al.* (1996:73)
	2.3.1	Jaffe (1991:53)
	2.3.2	Carlock and Ward (2001:6)
	2.3.3	Leach and Bogod (1999:29)
	2.3.4	Aronoff and Ward (1996:9)
	2.3.5	Frankenberg (1999:29)
	2.6.2	Bork (1993:137)

UNIQUE CHALLENGES	REFERENCES IN THE LITERATURE STUDY	
	Section nr.	Author
Family harmony. (Including family culture, values and trust.)	2.4.1	Ward (2004:151)
	2.4.1.1	Cummings and Worley (2005:580)
	2.4.1.2	Aronoff and Ward (2001:20)
	2.4.1.3	Astrachan *et al.* (2003:33)
	2.5	Astrachan and McMillan (2003:24)
	2.5.3	Bork (1993:41)
	2.5.3	Haynes (2005:34)
	2.5.4	Shanker (2000:14)
	2.7	Aronoff and Ward (1992a:1)
Relationships in family businesses.	2.1	Jaffe (2005:55)
	2.4.2	Le Van (1999:12)
	2.4.2.1	Maas *et al.* (2005:29)
	2.5.1	Jaffe (1991:25)
	2.5.1	Ward (1987:157)
	2.5.4	Haynes (2005:34)
	2.5.5	Voeller *et al.* (2002:39)
	2.7.8	Danco (1982:143)
Communication in family businesses.	2.4.2.3	Ibrahim and Ellis (1994:7)
	2.5	Aronoff *et al.* (2002:299)
	2.5.2	Bareither and Reischl (2003:35)
	2.5.2	Friedman (1998:33)
	2.5.4	Kreitner and Kinicki (2004:423)
	2.5.5	Ward (2004:113,114)
	2.7.6	Kets de Vries (1996:265)
	2.8	Cohn (1992:24)
Conflict in family businesses.	2.4.2.1	Kets de Vries (1996:15)
	2.5.3	Cohn (1992:46)
	2.5.3	Kickman (2004:49)
	2.5.3	Syms (1992:33)
	2.5.3.1.	Sander and Bordone (2006:3)
	2.5.3.2.	Maas *et al.* (2005:106)
	2.6.2.	Bork (1993:137)

UNIQUE CHALLENGES	REFERENCES IN THE LITERATURE STUDY	
	Section nr.	Author
Compensation in family businesses.	2.3.2	Frankenberg (1999:25)
	2.4.1.5	Leach and Bogod (1999:6)
	2.4.2.4	Ibrahim and Ellis (1994:7)
	2.6.3	Bork (1993:144)
	2.6.3	Neubauer and Lank (1998:153)
	2.6.3	Sheehy (2005:76)
Disciplinary procedures.	2.4.2.5	Kets de Vries (1996:19)
	2.5.1	Friedman (1998:30)
	2.5.3.2	Astrachan *et al.* (2002:41)
	2.6.3	Roberts (2005:16)
	2.6.5	Buchholz (2000:276)
	2.6.5	Ibrahim and Ellis (1994:113)
	2.6.5	Spector (2001:60)
Management succession.	2.4.2.6	Ward (2004:3)
	2.7	Aronoff and Ward (1992a:1)
	2.7.1	Bareither and Reischl (2003:113)
	2.7.2	Aronoff and Ward (1997:21)
	2.7.2	Ibrahim and Ellis (1994:223)
	2.7.2	Lansberg (1999:17)
	2.7.3	Lea (1991:90)
	2.7.7	Rawls (1999:292)
Ownership succession.	2.8	Aronoff *et al.* (1997:18)
	2.8	Birley and Muzyka (2000:199)
	2.8	Jaffe (1991:212)
	2.8.1	Emens and Wolper (2000:46)
	2.8.1	Poza (2004:99)
	2.8.1	Shanoff (2006:22)
	2.8.1	Rawls (1999:67)
	2.8.2	Potts *et al.* (2001:87)
Corporate governance of family businesses.	2.4.1.5	Aronoff and Ward (1997:46)
	2.4.2.4	Koenig (2000:30)
	2.4.2.5	Jonovic (1997:11)
	2.5.3.2	Dyer (1986:88)
	2.5.5	Jaffe (1991:122)
	2.6	Kenyon-Rouvinez and Ward (2005:45)
	2.6.1	Aronoff and Ward (1996:3)

All the factors relevant to the questionnaire were discussed in the literature study. Based on the above cross-referencing, it can be concluded that there appears to be conformity between the literature study and the questionnaire in this study. Subsequently, all of the unique challenges derived in the literature study are covered in the questionnaire and vice versa.

4.4 CRITICAL EVALUATION OF THE STUDY

The measurement of success of this study is based upon the achievement of the primary and secondary objectives, as indicated in Section 1.4 of this study.

4.4.1 Primary objective

The primary objective of this study is to evaluate the unique challenges facing family farms in South Africa and to put forward recommendations to enable the family farming businesses to overcome these unique challenges to ensure long-term sustainability.

The achievement of the primary objective was depended upon the realising the secondary objective (as indicated in Sections 1.4 and 4.4.2 of this study) and the recommendations put forward in Section 4.5. The management recommendations made include, directly or indirectly, recommendations pertaining to the factors and sub-factors with arithmetic mean evaluated as being inadequately addressed.

4.4.2 Secondary objective

As indicated in Section 1.4, the secondary objectives had to be met to be able to achieve the primary objectives. The following secondary objectives had to be met:

- To establish what a family business is.
- To acknowledge and acquire information pertaining to the unique challenges facing a family business, by means of a literature study.
- To attain information on these unique challenges by empirically evaluating these challenges family businesses are confronted with by means of an existing questionnaire (Van der Merwe, 2004) and to analyse the evaluation.
- To verify the alignment of the measurement instrument to the information acquired by means of the literature study.
- To determine the practical significance for the differences in the arithmetic mean.
- To determine the reliability of the existing questionnaire.

The first secondary objective, to establish what a family business is, was achieved by means of the literature study as presented in chapter two. This chapter entailed literature research pertaining to family businesses.

The second objective, acknowledge and acquire information pertaining to the unique challenges facing a family business, was also achieved by means of a literature study. The main purpose of chapter two was to discuss what a family business is. Topics discussed include; an introduction to family businesses, the definition of a family business, roles of the family, the business and ownership, advantages and disadvantages of a family business, family harmony, corporate governance, management succession, ownership succession and the role of the family farm.

The third objective was to attain information on these unique challenges by empirically evaluating these challenges family businesses are confronted with by means of an existing questionnaire (Van der Merwe, 2004) and to analyse the evaluation. The latter was achieved by means of a detailed empirical research followed by a presentation thereof in chapter three, as well as conclusions made in chapter four. The literature study in chapter two supports all the questions asked in the questionnaire, thus it can be concluded in theory that all these independent factors lead to the dependant variable.

The fourth objective was to verify the alignment of the measurement instrument to the information acquired by means of the literature study. Based on the cross-referencing in Section 4.3 this objective was achieved as it can be concluded that there appears to be conformity between the literature study and the questionnaire used in this study.

The fifth objective was to determine the practical significance for the differences in the arithmetic means. This objective was achieved by means of the empirical study as set out in section 3.4.11 and subsequently conclusions were made in Section 4.2.7 of this study.

The sixth objective was to determine the reliability of the existing questionnaire. This objective was achieved as it was concluded that the existing questionnaire is reliable. The empirical study in Section 3.4.4 made use of the Cronbach alpha coefficient and the conclusions were put forward in Section 4.2.4 of this study.

The conclusion can be made that all of the secondary objectives were achieved. Based on the realising of the secondary objectives, as well as the recommendation put forward in Section 4.5, it can be concluded that the primary objective was achieved.

4.5 RECOMMENDATIONS

The principle of parallel focus on the interests of the family and the farm should always be the main focus, as it is the most enduring strategy for successful family businesses. The family and the farm are equally important and should receive mutual respect and care. Family members have to earn a voice in farm governance by showing and developing qualifications that convey the right to be heard. The farm needs to be accountable to the family.

Families should equalise the family and the business systems to create a positive environment whereby the family thrives and the farm performs. Families should earnestly want both a successful family life and a successful farming business.

Therefore, it is recommended that the balancing approach should be in place so that these two subsystems become the foundation for healthy family business relationships and ultimately for the creation of a family farm legacy.

4.5.1 Practical recommendations on the evaluations of the unique challenges

It is very clear from this study that performance measure and compensation of family members should be regarded as a high priority issue. A feasible starting point will be to reinforce clear-cut roles and responsibilities of the active family members and by actually putting the compensation policy down in writing. This can be used as the basis for future performance measure and market-related compensation. Clear rules and regulations need to be in place so that the setting up of disciplinary policies and procedures can address any inconsistencies. The performance of family members should be objectively evaluated on a regular basis and followed by honest feedback. The goal of a good compensation plan should be to keep everyone involved in the family business to work at his or her best and for what is best.

Establishing corporate governance bodies, as well as rules and regulations to ensure effective corporate governance, also requires urgent attention, as it is currently not adequately addressed. The key focus of business governance should be to serve shareholders and other stakeholders together with meeting the goals set for it by shareholders. The key focus of family governance should be to find consensus on matters where owners' wishes matter most, as well as to provide family members with a shared sense of identity and mission that transcends their individual interests in the business.

Ownership succession is a critical issue that has not received all the planning and urgency as would be expected. Estate planning is neglected and it is recommended that the assistance and guidance of an estate planner be called in to assist the family. The estate planner should assist the family in specific area such as shareholding and equity, the ownership succession transfer from the senior generation to the younger generation, as well as fair estate planning. The tax implications of the latest will and testament should be discussed and revisited in the event of changes in legislation.

The building of healthy interpersonal relationships should receive immediate and ongoing attention. Healthy family relations should begin with a structure to organise the family, to remain in touch with what each person wants (vision), what the family stands for (culture) as well as what the family wants from the business. The family members should not loose sight of the fact that the family relationships affect the business and the business affects the family.

The family farm should focus on the prevention and management of conflict amongst all family members, together with the establishing and maintaining of effective communication forums. Conflict is normal when emotions are involved. However, a family forum meeting is an excellent communication improvement tool to vent uprising conflict. Nevertheless, good communication does not eliminate conflict, but it certainly contributes to managing a business effectively and to ensure it does not become toxicated, over emotional and destructive.

Management succession planning is not adequately addressed and should accordingly receive urgent attention. Management succession should be seen as a three-fold process and should include the organising for change, implementing change and ultimately managing change. It should be a strategic process that is based on a thorough analysis of the business, family and other stakeholders involved. Succession should start early and be accompanied by a comprehensive succession plan that recognises the complex interaction of family, ownership and management issues. The succession plan should be a feasible plan that is managed so that the actual transition takes place at the desired point and in an appropriate manner. It is fundamental that the potential successor should gradually and timely be involved in the family business. Like wise, the timely departure of the founder is essential.

It is evident from this study that the senior family members need to spend more time in preparing for the transfer of ownership and management succession. It is recommended that coaching and mentorship of the younger generation receive a high priority so that more responsibilities can be delegated from the senior generation to the younger generation. Once the phasing-out process has

been made known and the retirement plan is concluded, the best recommendation to the successee is to stick to the plan.

The future of the farm as a family business should be discussed at the family forum meetings. The purpose of a family meeting should be to build the cohesion of the family and to enhance the sense of identity as a family. Family meetings should address many of the dimensions necessary for the continuity of the family farm; articulating the meaning and mission of the family, the education and personal development of younger members, the pleasure and social aspects of being a family, as well as planning for the future.

The results of the research study can be used as a basis for discussions during family forum meetings.

4.5.2 General recommendations to the family farm

Based on the literature and empirical study, the analysis of the empirical study and the conclusions, the management recommendations made are listed below. The recommendations are not according to a specific ranking. The importance will depend on the requirements of the specific family farm as determined by management.

4.5.2.1 Corporate governance

It is recommended that the family owners ensure good corporate governance. As the family business expands, the power of the individual leaders to hold the family farm together will not always be sufficient. The family may then seek other avenues for decision-making, guidance and leadership.

Consequently, large family businesses are then advised to appoint outside board members. Small and medium family businesses are not large enough to attract outside board members, thus, family councils, review councils, or advisory councils are recommended.

4.5.2.2 Family forums

The establishment and maintenance of family forums require urgent attention. The values, ideals and sense of purpose nurtured by the family are a potentially vast resource for the family business. At the same time, business ownership is an opportunity for the family farm to grow, develop and

manifest its values and goals. Family forums assist the farm owners to make the most of the opportunities and resources.

Family forums are one of the most important resources in ensuring the continuity of the family farm as a business. Family forums offer a variety of important benefits, including planning for the future of the family farm as a business, building a stronger family and a stronger business, ensuring family participation, opening up the succession process as well as preserving family tradition and history. However, care must be taken that the overall picture is seen, and not only the needs and dreams of a few dominant family members. The overall approach should be a strategic approach to managing the unique challenges to family farms.

4.5.2.3 Formalising policies

Family businesses are recommended to formalise policies addressing performance measurement, disciplinary procedures and compensation for family members. Active and inactive family members should be involved in the process. The latter will ensure buy-in and will form the basis to work from. Compensation should be market related as well as demonstrating a strong connection between performance and compensation. It is recommended to appoint a specific group to resolve compensation issues. By having procedures in place and adhering to them, all family members will know what is expected of them and what they can expect from the business.

4.5.2.4 Family harmony

Family members are recommended to seek the correct degree of balance between the overlap of the family and the farming business. The correct degree of balance will enhance the chances of the farm being effectively managed whilst still achieving family harmony. Family members should not lose sight of the fact that a successful family farm depends on the ability of family members to manage conflict in the interest of family harmony.

Urgent and ongoing attention should be given to the relationships between family members. It is recommended to give specific attention to inactive family members to ensure they do not feel left. Systems and policies need to be in place so that all the family members can participate and discuss important issues. Family forums can effectively be used to enhance family harmony.

4.5.2.5 Talented daughters or wives

The recommendation is made that woman must be valued and acknowledged as important resources of the family farm because their contribution in the family business is both critical and substantial. Research has indicated that a father-daughter relationship tends to be relatively conflict-free and complementary compared with the father-son relationship, which is more of a rivalry.

4.5.2.6 Succession planning

It is strongly recommended that succession planning must commence as soon as possible. A decision must be made on a suitable successor. The family, employees, suppliers, clients and other relevant stakeholders should be clearly informed on the decision of the suitable successor. Care must be taken to ensure that the potential successor develops the necessary skills, experience and confidence to effectively manage the family farm in the future.

A timetable must be drawn up for retirement or a deadline to finally shift leadership. It is recommended that this plan is put is writing and to stick to it. An estate plan should be drawn up to indicate how the assets are to be divided as well as ensuring the appropriate transfer ownership the next generation.

4.5.2.7 Retirement planning

Family business leaders are recommended to have a clear vision of their lives in retirement. No estate plan is complete if it does not include an acceptable retirement plan.

It is recommended that ageing farm owners should be encouraged to earnestly think what they would do once they have stepped down. The current owner must seek the ability to find meaning in life after giving up the challenge, influence, status, identity, control and daily structure associated with running a business.

It is critical to ensure the financial stability of the owner when planning for retirement. The mere fact that the owner retires from the business does not mean he or she no longer has expenses.

It is also recommended that the family members must gain an understanding of what the retiring leader is going through, as this will strengthen the psychological resistance to retirement planning.

4.6 RECOMMENDATIONS FOR FURTHER RESEARCH

Despite the important role that family farms play in the economy of South Africa, very little literature is locally available concerning family farming businesses.

Therefore, scientific research on the unique challenges facing family farms in South Africa should be encouraged. As a result of insufficient research there is a gap concerning an in-depth understanding of the unique challenges facing family farms.

Existing knowledge and understanding should be broadened so that a common understanding and knowledge exists on these unique challenges to enable family farms to optimise on these challenges. Adherence to the latter will enhance the long-term survival rate of the farms as family businesses.

4.7 SUMMARY

In comparing the factors and sub-factors relatively to each other, the following conclusion can be made from this investigation.

Family members who participated in this study are in agreement that the lack of factors that necessitate management succession has been adequately addressed.

Successful participation of the younger family members was evaluated as very high. Active family members are of the opinion that the younger generation family members successfully participate in the farming operations. The younger generation adds value to the farm as they have very good business sense. They are content to be employed by the farm. By exhibiting a high degree of self-empowerment they earn credibility in the farm. Establishing and sustaining of networks feature high on their priority list.

According to the active family members, the younger generation family members are competent and a participative management style is preferred at their respective farms. Training appears to be adequate as they feel that their full potential can be realised within the family farm.

Family members are in agreement that the interactions between family and business issues are moderately addressed. In general sound business decision-making takes preference. However,

care should be taken to guard against anxiety concerning family favouritism or family partiality in the farm. Business decisions, based on emotions should be avoided at all cost, as it will have a negative impact on the farm.

It is apparent from this study that family members have a concern about a clear vision for the family farm, as well as the acknowledgement of individual needs and dreams of the family members. The senior generation family members indicate a higher level of commitment than the younger generation. Hence, this is a potential problem area and requires immediate attention.

Family harmony amongst active members was evaluated as being more favourable than family harmony amongst all family members. The relationships amongst senior and younger generation family members were evaluated as more favourable compared to the relationships amongst the younger generation family members. Effective communication forums, together with the prevention and management of conflict, require urgent and ongoing attention.

Urgent and ongoing attention should be given to the relationships between family members. Family members are recommended to seek the correct degree of balance between the overlap of the family and the farming business. The correct degree of balance will enhance the chances of the farm being effectively managed whilst still achieving family harmony. Family members should not lose sight of the fact that a successful family farm depends on the ability of family members to manage conflict in the interest of family harmony. Systems and policies need to be in place so that all the family members can participate and discuss important issues. Family forums can effectively be used to enhance family harmony.

This study indicated that the family members view the senior generation family members as not ready for management succession. However, it is critical to bear in mind that the unique circumstances prevail in each family farm and subsequently a generalised conclusion is inappropriate. The unique circumstances relevant to each farm should be kept in mind when determining the relevance and urgency of the transfer of the management of the farm to the younger generation family members.

Family members are of the opinion that the senior generation executive managers should not be discarded or replaced prematurely. However, family members evaluate the suitability of the prospective successor(s), as well as the expected outcome after the completion of management succession, as being high. Management succession planning and the final transfer of management to the prospective successor(s) were evaluated very low.

Ownership succession is a major concern area. Family members clearly indicate specific concerns are; estate planning, estate taxation, a clear policy regarding ownership and proprietorship and sufficient retirement planning together with provision for senior family members.

Family business leaders are recommended to have a clear vision of their lives in retirement. No estate plan is complete if it does not include an acceptable retirement plan. It is recommended that ageing farm owners should be encouraged to earnestly think what they would do once they have stepped down. The current owner must seek the ability to find meaning in life after giving up the challenge, influence, status, identity, control and daily structure associated with running a business.

It is critical to ensure the financial stability of the owner when planning for retirement. The mere fact that the owner retires from the business does not mean he or she no longer has expenses.

It is also recommended that the family members must gain an understanding of what the retiring leader is going through, as this will strengthen the psychological resistance to retirement planning

Corporate governance was evaluated as the second highest area of concern. The long-term sustainability of any family business is highly dependent upon effective corporate governance. As the family business expands, the power of the individual leaders to hold the family farm together will not always be sufficient. The family may then seek other avenues for decision-making, guidance and leadership. Clear rules and regulations, as well as the establishments of family forums, are required to be in place to ensure effective corporate control in the family business.

Performance measurement and compensation of family members were evaluated as the highest area of concern. Disciplinary policy for the family farm, objective performance appraisals of family members and a compensation policy are clearly inadequately addressed and require urgent attention. Family businesses are recommended to formalise policies addressing performance measurement, disciplinary procedures and compensation for family members. Active and inactive family members should be involved in the process. On the positive side, family members are of the opinion that clear roles and responsibilities are in place.

The establishment and maintenance of family forums require urgent attention. The values, ideals and sense of purpose nurtured by the family are a potentially vast resource for the family business. At the same time, business ownership is an opportunity for the family farm to grow, develop and manifest its values and goals. Family forums assist the farm owners to make the most of the opportunities and resources. Family forums offer a variety of important benefits, including planning

for the future of the family farm as a business, building a stronger family and a stronger business, ensuring family participation, opening up the succession process as well as preserving family tradition and history. However, care must be taken that the overall picture is seen, and not only the needs and dreams of a few dominant family members. The overall approach should be a strategic approach to managing the unique challenges to family farms.

The use of questionnaires as the diagnostic tool not only identifies unique challenges facing family farms, but also ranks them in order of urgency. This valuable additional information can assist management in the formulation of strategies and practical business solutions to overcome the unique challenges they are confronted with and by doing so enhance the long-term sustainability of the family farm. The completion of the questionnaire gives family members the opportunity to air their view. It prevents family members from feeling left out. Important issues that are normally left behind will now surface and receive the much-needed attention they deserve.

The questionnaire can also aid in aligning the family interest to that of the farm to have the best of both worlds; fulfilling family live, as well as a successful family farming business.

In conclusion, it could be stated that whilst family and non-family farms share certain common characteristics, they also exhibit distinct differences from the onset. These differences widen over time as growth takes place. However, growth is necessary for survival. Effective management of growth requires formal management practices that are often absent in family farms. Whilst certain informal practices constitute unique resources that the family farm can use to gain a competitive advantage, these resources need to be balanced with formal practices to enhance the farm's value.

Even though there is no formula addresses all situations, adopting a balanced, strategic approach to managing the unique challenges to family farms, delivers positive returns and enhances the chances of passing on the family farm legacy.

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APPENDIX A:
FAMILY BUSINESS DIAGNOSTIC QUESTIONNAIRE (FAMPRO 3.1)

The questionnaire that was used in this study is set out in Appendix A.

Code number:

FAMILY FARMING DIAGNOSTIC QUESTIONNAIRE

(Fampro 3.1)

FAMILY MEMBERS EMPLOYED BY THE FAMILY FARM

(ACTIVE FAMILY MEMBERS)



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FAMILY FARMING DIAGNOSTIC QUESTIONNAIRE

Family businesses are unique in the sense that family interests have to be brought into balance with the farming interests of the family farm. Should the interaction between the interests of the family and the farm not be managed efficiently, this may lead to a serious conflict of interest, which will be detrimental to the long-term survival of the family farm.

This questionnaire is designed to collect information to measure the position of various aspects in family farming. It may form the basis for assisting the family farm in the light of their very important role in the economy, to take corrective and proactive steps in order to be successful.

Feedback of the information will be given to the family in summarised form. Your answers will be dealt with in the utmost confidence. The value of the diagnosis depends on the honesty and open-heartedness with which you answer the questions.

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

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

GENERAL INSTRUCTIONS

Virtually all the questions may be answered by making a cross in the relevant block. Use the following key:

1 = Strongly disagree; **2** = Disagree; **3** = Slightly disagree; **4** = Neutral view; **5** = Slightly agree; **6** = Agree; **7** = Strongly agree. **You must select the number which best describes how you feel about the item**. For example, should you be asked the extent to which you agree with the statement:

"All family members are kept informed about farming matters."

and you feel that you agree, you will mark the number 6 **(6 = Agree)** as in the example:

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A1	All family members are kept informed about farming matters.	1	2 ✗	3	4	5	6	7

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

Please complete the different sections of the questionnaire as follows:

	Section A	Section B	Section C	Section D	Section E
Senior generation executive manager	X	X	X	X	X
Family members employed by the farm (active family members).	X	X	X	X	
Inactive family members (not employed by the farm).	X			X	
In the case where young farmers are employed by the farm and the transfer of management is planned in the future, Section C should be completed.			X		

Please read the full instructions and make sure that you complete the right sections. It is important that you complete all the questions in the relevant sections.

TERMINOLOGY

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

TERM	DEFINITION
Active family members	**Active family members** are family members who are **permanently** employed by the family farm.
Estate duty	**Estate duty** is payable after the estate has been settled. One of the main aims of estate planning is to reduce estate duty.
Estate planning	The planning of the transfer of ownership is normally done by means of **estate planning**. The result of estate planning is the **estate plan**. The prescripts and the interpretation of the estate plan are normally contained in a will.
Family member	A **family member** for purposes of the diagnosis does not only include the family members of origin (fathers, mothers, brothers and sisters), but also the extended family (uncles, aunts, cousins, nieces, nephews and in-laws).
Inactive family members	**Inactive family members** refer to family members **not in the service** of the farm and could include spouses, children, in-law, brothers and sisters. They are often part of the family of the executive manager or play an important role in the lives of family-member employees, for example in-laws. These family members form an integral part of the family dynamics that play themselves out within and around the family farm. These make a family farm unique.
Management succession	**Management succession** indicates the transfer of the executive management of the farm from the current executive manager to a successor.
Management succession planning	**Management succession planning** is the process of making the necessary preparations to ensure harmony in the family and the continuity of the enterprise to the next generation. The result thereof is a **management succession plan**.
Ownership	**Ownership** refers to the terms used in various forms of enterprise to account for the interest of individuals in the family farm: shareholders' interest (company), members' interest (CC) and ownership capital (sole proprietorship and partnership).
Ownership succession	**Ownership succession** indicates the transfer of the shareholding or ownership interest of the farm from the current owners (senior generation family members, but may also include non-family members) to the younger generation or heirs.

Prospective successor	The **prospective successor** is that person or persons who have been identified or earmarked to take over the management of the farm in the future.
Senior generation	The **senior generation** family members (parents) are those family members who are currently in control of the farm and who plan to transfer the management and ownership of the farm to the **younger generation** of family members (children) in future.
Senior generation executive manager	The **senior generation executive manager** or Chief Executive Officer (**CEO**) is the person responsible for the management of the family farm. It is normally the person who established the farm or who is the owner. Sometimes a management team manages the business, i.e. more than one executive manager.
Successor	The **successor** is the person to whom the management of the farm will be transferred. There may be more than one successor (business managed by a management team).
Young farmer	The **young farmer** refers to a younger generation family member (children) who is **permanently** employed by the family farm.

SECTION A

All family members must complete this section. This includes active family members (employed by the farm) and inactive family members (not employed).

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

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A1	All family members are kept informed about farming matters.	1	2	3	4	5	6	7
A2	The communication between family members is constructive.	1	2	3	4	5	6	7
A3	When conflict arises between family members it is dealt with quickly/ immediately.	1	2	3	4	5	6	7
A4	The inactive family members have opportunities to share their expectations of the family farm with other family members.	1	2	3	4	5	6	7
A5	The wills of the senior generation family members provide for the unique needs of each heir.	1	2	3	4	5	6	7
A6	Family members trust each other.	1	2	3	4	5	6	7
A7	A forum exists where differences of opinion between family members can be discussed and resolved openly.	1	2	3	4	5	6	7
A8	The younger generation family members have a strong desire to take over the family farming in the future.	1	2	3	4	5	6	7
A9	A policy which clearly states who may own proprietary interest (ownership capital, shares, members' interest) in the family farm, exists.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A10	There is rarely conflict between family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A11	The family has established the necessary policies and procedures (financial reporting, labour relations, conservation of the environment) to ensure sound governance.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A12	The senior generation family members are committed to the continuation of the family farming in the future.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A13	The senior generation family members have fair wills for the active (those in the service of the farming) as well as the inactive family members of the younger generation.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A14	Family members get along well.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A15	All family members know what is planned for the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A16	There is good communication between family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A17	The senior generation family members have communicated to the family their intentions to keep or sell the family farm.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A18	The wills of the senior generation family members are fair towards the younger generation family members that are active in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A19	The younger generation family members are committed to the continuation of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A20	Family members meet regularly to discuss matters of mutual interest.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A21	The family has procedures in place to pro-actively avoid conflict.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A22	The family established corporate governance bodies (advisory board, family forum) to ensure corporate governance.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A23	Family members support each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A24	The inactive family members know what the active family members' plans with the family farming are.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A25	All family members are familiar with the future vision of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A26	Differences of opinion between family members rarely lead to serious conflict.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A27	Family members communicate openly with each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A28	The family creates opportunities to discuss the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A29	Differences of opinion between family members are discussed openly.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A30	The senior generation family members never threaten to stop the family farming in the future.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A31	The family creates opportunities for individual family members to share their dreams, fears and needs with each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A32	The wills of the senior generation family members meet the requirements of equality and fairness.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A33	Family members respect each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A34	Family members understand each other's views.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A35	Inactive family members rarely interfere in operational farming matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A36	The family members hold family meetings to discuss family and farming matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A37	Family members are close.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A38	Family members have a mutually acceptable method to convert into money their proprietary interest in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A39	The family (active as well as inactive family members) agree on what they want from the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A40	The younger generation family members are committed to the continuation of the farming as a family farm.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A41	Family members hold meetings to discuss matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A42	The family members often discuss the future role and involvement of the family in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A43	A written policy exists on the way in which proprietary interest in the family farm can be transferred from one family member to another.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A44	Family members listen to each other's opinions.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A45	There are enough opportunities to address the accountability of the family farming towards the owners (members, share holders).	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A46	Family members rarely have serious differences of opinion.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A47	Conflict between family members is resolved effectively.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A48	The senior generation family members would like the younger generation family members to take over the family farming from them in the future.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A49	Family members care about each other's well-being.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A50	The challenges of the family farming and future plans are discussed openly by the family.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A51	The family has a family forum that meets to communicate about family and farming matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
A52	The younger generation family members are willing to make significant sacrifices to make the family farming a success.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
A53	The wills of the senior generation family members are fair towards the younger generation family members that are inactive in (not in the service of) the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

SECTION B

All active family members (employed by the farm) must complete this section.

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

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B1	When conflict arises between family members in the family farming, it is dealt with quickly.	1	2	3	4	5	6	7
B2	Family members in the family farming have clear work and responsibilities.	1	2	3	4	5	6	7
B3	Sufficient retirement packages are available to the senior generation family members in the family farming.	1	2	3	4	5	6	7
B4	The family holds work meetings to discuss farming matters.	1	2	3	4	5	6	7
B5	A clear separation between farming and family matters exists in the workplace.	1	2	3	4	5	6	7
B6	The family farming will be financially secure after the retirement of the senior generation family members.	1	2	3	4	5	6	7
B7	Written decisions exist about the ownership and distribution of family assets to the younger generation after retirement of the senior generation family members.	1	2	3	4	5	6	7
B8	The work performance of family members in the family farming is evaluated regularly.	1	2	3	4	5	6	7
B9	The senior and younger generation family members give recognition about inputs and abilities to each other.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B10	Family members in the family farming are compensated at levels consistent with the standards of the industry.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B11	A forum exists where differences of opinion between family members in the family farming can be discussed and resolved openly.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B12	Farming decisions do not benefit the family at the expense of the farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B13	The capital gains tax to be paid by the family farming when senior generation family members pass away was determined.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B14	The goals of the estate plan are known to the family.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B15	The senior generation family members have determined their expected current and future lifestyle expenditures.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B16	There are no serious differences of opinions between family members in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B17	There is mutual trust between the younger generation family members in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B18	Family members in the farming air their views about the family farming openly.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B19	The estate plan addresses future claims against the estate (e.g. previous marriages, minor children).	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B20	Sufficient capital will be available to successfully manage the family farming after the retirement of the senior generation family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B21	The senior and younger generation family members in the family farming trust each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B22	The younger generation family members co-operate as a team in the workplace.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B23	The work performance of family members in the family farming is regularly compared with their critical performance areas.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B24	The senior generation family members have signed wills which were reviewed and updated during the past two years.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B25	The family members in the family farming have policies and procedures in place to pro-actively handle conflict.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B26	Sufficient provision was made so that the senior generation family members will be financially secure after retirement.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B27	The estate plan addresses the implications of the current and the heir's future form of enterprise.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B28	The younger generation family members in the family farming support each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B29	There is open communication between family members in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B30	The work performance of family members in the family farming is regularly compared with previously determined objectives.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B31	Family members in the family farming meet to discuss farming matters.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B32	Clear ground rules exist for disciplinary action against family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B33	The senior and younger generation family members in the family farming cooperate well as a team.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B34	Family members in the family farming know what is expected of them in the work situation.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B35	The senior generation family members will not be financially dependent on the family farming after retirement.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B36	The senior generation family members have written estate plans that meet the unique needs of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B37	The family is informed about and is prepared for the impact of capital gains tax on the family farming when senior generation family members pass away.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B38	Family members in the farming create opportunities to discuss the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B39	The younger generation family members rarely argue at work.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B40	The financial retirement needs of the senior generation family members should not put the family farming under financial strain.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B41	There is a direct link between the amount of responsibility and compensation in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B42	The senior and younger generation family members in the family farming respect each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B43	It is rarely necessary for the senior generation family members to intervene in order to resolve conflict between the younger generation family members in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B44	Family members in the family farming know who to report to.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B45	A clear policy exists regarding actions to be taken should a family member in the family farming under perform.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B46	The family farming has a clear bonus and profit-sharing policy in place.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B47	The family farming is managed on a basis of "farming/business first".	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B48	Family members in the family farming respect each other's opinions.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B49	Differences of opinion between family members in the family farming are discussed openly.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B50	The estate plan provides in case of disability of the senior generation family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B51	The retirement programme of the family farming is adequately funded.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B52	The liquidity of the estate when senior generation family members pass away was determined.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B53	The family knows what to do if a family member has to be disciplined.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B54	Formal job descriptions for family members exist in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B55	Family skeletons and secrets do not have an impact on the success of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B56	The estate tax to be paid by the family farming when senior generation family members pass away was determined.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B57	The family farming has a financial system in place that ensures the financial independence of its retirees.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B58	The compensation to individual family members is reasonable compared to the salaries of other family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B59	Provision was made in the estate plan for threats such as divorce, matrimonial property system and insolvency.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B60	The senior and younger generation family members in the family farming support each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B61	There is rarely serious conflict between family members in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B62	The younger generation family members recognise each other's successes in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B63	The family farming is characterised by little conflict between family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B64	Family members are compensated according to their contribution to the business and not according to age or gender.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B65	The family is informed about and is prepared for the financial impact that estate tax may have on the family farming when senior generation family members pass away.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B66	Certain family members in the family farming are not favoured at the expense of other employees (either family or non-family members).	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B67	The communication between family members in the family farming is constructive.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B68	Conflict between family members in the family farming is resolved effectively.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B69	A clear policy exists regarding actions to be taken if a family member in the family farming habitually acts in an irresponsible way.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B70	The estate plan meets the requirements to minimise estate tax.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B71	The existing capital available to the senior generation family members will generate the income and cash flow to meet their expenditure requirements for the remainder of their lifetimes.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B72	The younger generation family members appreciate each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B73	There is a direct link between work performance and compensation.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B74	Family members involved in the family farming get regular feedback on their work performance.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B75	Family members in the family farming meet to discuss matters of mutual interest.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B76	The family farming has a transparent compensation policy.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B77	The senior and younger generation family members in the family farming appreciate each other.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B78	The family does not make emotional business decisions in favour of the family, but at the expense of the sustainability of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B79	The senior generation family members have done estate planning in addition to their own basic wills.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B80	Differences of opinion between family members in the work situation rarely lead to serious conflict.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B81	Every family member knows for which area of the family farming he or she is responsible.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
B82	The senior and younger generation family members recognise each other's successes in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

SECTION C

All active family members (employed by the farm) must complete this section.

Take note: In cases where no family members of the younger generation is employed by the family farm (active members), you don't have to complete this section - no transfer of management is envisaged for the next 10-15 years.

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

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C1	The prospective successor(s) possess(es) the necessary skills to ensure the success of the family farming after succession.	1	2	3	4	5	6	7
C2	The family farming provides opportunities for the young farmer to grow and develop.	1	2	3	4	5	6	7
C3	The senior generation family members are actively mentoring the young farmer.	1	2	3	4	5	6	7
C4	The young farmer attends courses and seminars to better equip himself/herself for the family farming.	1	2	3	4	5	6	7
C5	The young farmer is passionate about the family farming.	1	2	3	4	5	6	7
C6	The criteria for the selection of the successor(s) have been identified.	1	2	3	4	5	6	7
C7	It is expected that the family farming will perform equally well after succession.	1	2	3	4	5	6	7
C8	The senior generation executive management of the family farming is currently not experiencing any physical or psychological problems.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C9	The senior generation family members listen to and consider new ideas from the young farmer.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C10	The young farmer adds more value to the farming than what he/she costs the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C11	The senior generation family members have faith in the ability of the young farmer to run the family farming independently.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C12	The young farmer has the necessary skills to do his/her work well.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C13	The senior generation family members encourage the young farmer to attend training courses and seminars.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C14	There is no deterioration in the performance of the family farming (finances, market share, contracts, quality) during the past number of years.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C15	The young farmer seizes opportunities to develop his/her skills.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C16	The time scale according to which management succession will take place, is planned.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C17	The younger generation family member maintains a network to support or advise him/her.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C18	A well thought-out process is followed to select the most suitable successor(s) for the family farm.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C19	The senior generation executive manager feels increasingly that his/her direct involvement in the family farming is not essential for its survival.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C20	The family farming provides opportunities for the young farmer to use his/her particular skills and abilities.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C21	The young farmer has acquired a good knowledge base of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C22	The farming expanded significantly after the young farmer's entry into the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C23	The family planned for management succession.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C24	The prospective successor(s) has/have the necessary leadership skills to manage the family farming after the transfer of management.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C25	The senior generation family members include the young farmer in key meetings with suppliers, customers and advisors.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C26	The date for transfer of management has been scheduled and announced.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C27	It is expected that it will be possible to maintain the existing contracts and client base after succession.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C28	The young farmer adds significant value to the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C29	The young farmer has an academic qualification that better equips him/her to make a success of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C30	The senior generation executive manager is willing to delegate authority to younger family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C31	The young farmer is very happy to be working in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C32	The young farmer knows what the required skills, experience and knowledge are to be successful in his/her particular job.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C33	The young farmer has acquired relevant outside experience that better equips him/her to make a success of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C34	The young farmer is able to realise his/her full potential in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C35	The young farmer is a farmer to the core.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C36	It is expected that all family members will support the successor(s) once the leadership has been transferred to him/her.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C37	The family farming provides opportunities for the young farmer to fulfil his/her personal and career goals.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C38	The young farmer has the ability to influence the strategic direction of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C39	The career requirements and interests of the young farmer are suited to the opportunities within the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C40	The senior generation executive manager will be financially secure after his/her retirement.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C41	The young farmer is eager to learn and is receptive.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C42	The young farmer's interests and career requirements are suited to the opportunities offered by the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C43	The senior generation executive manager talks with other farmers who are also in the process of transferring management of their family farm to the younger family members.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C44	The prospective successor(s) believe(s) in his/her ability to successfully manage the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C45	The young farmer's entry into the farming did not put financial pressure on the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C46	The family farming functions well when senior generation family members are away for long periods of time.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C47	The prospective successor(s) possess(es) the knowledge and experience needed to ensure the success of the family farming after succession.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C48	The young farmer has an advice network to better equip himself/herself for the challenges of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C49	The senior generation executive manager will be willing to relinquish control of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C50	The family has a plan in place to ensure smooth management succession.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C51	The young farmer finds it exciting to work in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C52	It is expected that family relationships will remain good after succession.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C53	The young farmer has sufficient training to do his/her work well.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C54	The senior generation family members have faith in the ability of the young farmer to run the family farming independently.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C55	The senior generation executive management definitely kept up with modern farming methods.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C56	The young farmer prefers to work in the family farm (although he/she has other career options available).	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C57	We established a formal mechanism (committee, work team) to lead the management succession process.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C58	The senior generation executive management listens to new innovative ideas to improve the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C59	There is an active attempt to prepare the young farmer to manage the family farming in the future.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C60	The senior generation executive manager has passionate interests outside the family farming to fill his/her time after retirement (hobbies, sport, and other interests).	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C61	The senior generation family members encourage the young farmer to participate in making important decisions.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C62	The performance of the family farming is due to the leadership of the senior generation executive manager.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C63	There is a good fit between the skills and knowledge of the prospective successor(s) and what is needed for the family farming to succeed.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C64	The family has developed criteria to evaluate the work performance of the new executive manager (after succession).	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C65	The young farmer has built up an active network of fellow farmers and other experts to support him/her.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C66	The family has selected (a) successor(s) to take over the management of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C67	Die young farmer is actively busy to qualify himself/herself.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C68	The young farmer has, over time, acquired credibility in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C69	The family knows which criteria must be satisfied by the prospective successor(s) to ensure the success of the family farming after succession.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C70	The young farmer has acquired enough experience (at all levels) in the family farming to be successful.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C71	The farming explored new income streams after the young farmer's entry into the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C72	The family farming offers the young farmer good job security.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C73	The young farmer has a good sense of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C74	The senior generation executive manager is involved in activities outside the context of the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C75	The young farmer avails himself of opportunities to grow and develop.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C76	The senior generation executive management adapts easily to change.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C77	The senior generation family members encourage the young farmer to air his/her views whenever he/she does not agree with a decision.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C78	The young farmer is consulted when decisions are made that affect him/her in the family farming.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C79	The family knows when and how management transition will take place.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C80	Plans exist for management succession in the event of the untimely death of the senior generation executive manager.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C81	The young farmer has sufficient knowledge and experience to do his/her work well.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C82	The young farmer has a choice to work in the family farm or not.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C83	A policy exists to actively unlock the young farmer's leadership potential.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C84	It is expected that the employees of the family farm will support the successor(s) once the leadership has been transferred to him/her.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
C85	There is a personal and leadership development plan in place to train and develop the young farmer.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C86	The choice of successor(s) was communicated to key interest groups.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C87	The senior generation executive manager feels that the younger family members are capable of managing the family farming after his/her retirement.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C88	The senior generation family members can count on the young farmer to complete tasks successfully.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
C89	The young farmer has a non-family member (outside or inside the family farming) as mentor.	**1**	**2**	**3**	**4**	**5**	**6**	**7**

SECTION D

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

Take note: This section should be completed by all the family members – these include the active and inactive family members.

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

P1	**In which age group do you fall?**	≤ 29	30 - 39	40 - 49	50 - 59	60+

P2	**What is your sex?**	Male	Female

P3	**What is your marital status?**	Single	Married	Divorce	Widow(er)

P4	**What is your relationship to the family? (Owner/senior generation executive as the basis)**						
	Owner	Spouse	Brother	Sister	1st son	2nd son	3rd son
	1st daughter	2nd daughter	3rd daughter	In-law	Other: Specify:		

P5	**State your highest academic qualification. Mark the applicable block with a cross (X).**	
	Lower than matric	
	Matric	
	Certificate	
	Diploma (Technical College or Technicon)	
	University degree	
	Post Graduate degree	

P6	**State other jobs/careers before you entered the family farming business (if applicable)**

	Specify

P7	**Percentage shares you own in the business?**	%

SECTION E

This section should be completed by the **senior generation executive manager/owner** of the family farm.

Mark the applicable block with a cross (X).

Complete the applicable information.

E1	**How many permanent employees are employed by the family farm?**							
	1-4	5-10	11-25	26-50	51-100	101-200	201-500	500+

E2	**What is the turnover of the family farm per year?**					
	<R 1m	R 1 – R 2.5 m	R 2.5 – R 10 m	R 10 – R 50 m	R 50 – R 100 m	>R 100 m

E3	**Specifiy the main focus area(s) of the farm.**				
	Agronomy	Horticulture	Fruit	Vegetables	Citrus
	Vinery	Poultry	Large stock	Small stock	Game
	Other: (Specify):				

E4	**What is the age of the business (years)?**
	Specify:

E5	**What is the legal status of the business?**			
	Proprietorship	Partnership	Company (Private)	Company (Public)
	Close Corporation	Co-operative	Business Trust	Franchise
	Other or combination (specify):			

THANK YOU FOR YOUR TIME.

APPENDIX B:
CATEGORISATION OF MICRO, SMALL AND MEDIUM ENTERPRISES

Appendix B indicates the categorisation of micro, small and medium businesses, as defined by the National Small Business Act (Act No. 26 of 2003: National Small Business Amendment Act, 2003).

Appendix B: Categorisation of micro, small and medium enterprises

INDUSTRY	CATEGORISATION	TOTAL NUMBER OF FULLTIME EMPLOYEES	TOTAL ANNUAL TURNOVER (in million)
Retail and motor trade and repair services	Medium	200	R 39.0
	Small	50	R 19.0
	Very small	20	R 4.0
	Micro	5	R 0.2
Catering, accommodations and other trade (food)	Medium	200	R 13.0
	Small	50	R 6.0
	Very small	20	R 5.1
	Micro	5	R 0.2
Construction	Medium	200	R 26.0
	Small	50	R 6.0
	Very small	20	R 3.0
	Micro	5	R 0.2
Transport	Medium	200	R 26.0
	Small	50	R 13.0
	Very small	20	R 3.0
	Micro	5	R 0.2
Wholesale, commercial agents and allied services	Medium	200	R 64.0
	Small	50	R 32.0
	Very small	20	R 6.0
	Micro	5	R 0.2
Manufacturing	Medium	200	R 51.0
	Small	50	R 13.0
	Very small	20	R 5.0
	Micro	5	R 0.2
Agriculture	Medium	100	R 5.0
	Small	50	R 3.0
	Very small	10	R 0.5
	Micro	5	R 0.2

Source: SA (2003)

APPENDIX C:
ARITHMETIC MEAN FOR THE FACTORS AND SUB-FACTORS

The results of the arithmetic mean for the following evaluations are tabled in Appendix C:

Appendix C.1: Results of the evaluation by all the family members.

Appendix C.2: Results of the evaluation by the active family members.

Appendix C.3: Results of the evaluation by the inactive family members.

Appendix C.1: Results of the evaluation by all the family members

FACTORS AND SUB-FACTORS	n	MEAN	STD DEV
1. Managing the interaction between family and business issues	**130**	**4.932**	**1.220**
2. Family harmony among all family members (active & inactive)	**259**	**4.241**	**1.241**
2.1 Degree of family harmony among all family members	259	5.289	1.313
2.2 Degree of communication among all family members	259	4.312	1.447
2.3 Establishing and maintaining effective communication forums	259	3.838	1.597
2.4 Degree of conflict among all family members	259	4.191	1.356
2.5 Prevention and management of conflict among all family members	259	3.574	1.507
3. Family harmony among the active family members	**130**	**4.598**	**1.294**
3.1 Relationships among the younger generation family members	130	4.762	1.363
3.2 Relationship among the senior and younger generation family members	130	5.032	1.356
3.3 Degree of communication among the active family members	130	4.783	1.470
3.4 Establishing and maintaining effective communication forums	130	4.628	1.749
3.5 Degree of conflict among the active family members	130	4.473	1.634
3.6 Prevention and management of conflict among the active family members	130	3.909	1.467
4. Performance measurement and compensation of family members	**130**	**3.815**	**1.192**
4.1 Clear roles and responsibilities in the family farm	130	4.898	1.293
4.2 Performance measurement of the family members	130	3.569	1.460
4.3 Disciplinary procedures in the family farm	130	2.844	1.445
4.4 Compensation policy for the family farm	130	3.949	1.406
5. Continuation of the farm as a family farm	**259**	**4.619**	**1.075**
5.1 A clear future vision of the family farm	259	3.991	1.550
5.2 Acknowledgement of individual needs and dreams of family members	259	3.810	1.440
5.3 Commitment of the senior generation family members	259	5.439	1.218
5.4 Commitment of the younger generation family members	259	5.250	1.288
6. Successful participation of the younger generation family members	**104**	**5.281**	**0.868**
6.1 The younger generation has good business sense	104	5.583	1.054
6.2 The younger generation adds value to the family farm	104	5.200	1.022
6.3 Voluntary and happy participation by the younger generation	104	5.284	1.012
6.4 Credibility of the younger generation in the family farm	104	5.260	1.100
6.5 Establishing and sustaining of a network by the younger generation	104	5.131	1.229
6.6 Degree of self-empowerment by the younger generation	104	5.231	1.053
7. Development of the younger generation family members	**104**	**5.144**	**0.971**
7.1 Competence of the younger generation family member	104	5.427	0.985
7.2 Formal training and development of the younger generation	104	4.980	0.972
7.3 Mentoring of the younger generation family member	104	5.042	1.226
7.4 Participative management in the family farm	104	5.186	1.357
7.5 Realising the full potential of the younger generation family member	104	5.087	1.174

FACTORS AND SUB-FACTORS	n	MEAN	STD DEV
8. Lack of factors that necessitate management succession	**104**	**5.319**	**1.080**
9. Readiness for succession of the senior generation family member	**104**	**4.384**	**1.181**
10. Management succession	**104**	**4.307**	**1.039**
10.1 Management succession planning	104	3.385	1.387
10.2 Criteria for the selection of the successor(s)	104	4.199	1.528
10.3 Suitability of the prospective successor(s)	104	5.391	1.055
10.4 Final transfer of management to the prospective successor(s)	104	3.171	1.348
10.5 The expected outcome after the completion of management succession	104	5.390	1.050
11. Ownership succession	**259**	**4.105**	**1.159**
11.1 Estate planning	130	3.978	1.274
11.2 Calculation and minimising of estate taxes	130	4.063	1.500
11.3 Acquiring ownership or proprietary interest in the farm	259	3.591	1.416
11.4 Perception of the equality and fairness of the will	256	4.768	1.358
11.5 Sufficient financial provision for the retirement of the senior generation	130	3.690	1.423
11.6 Liquidity of the farm after retirement/trauma/death	130	4.671	1.182
12. Corporate governance in the family farm	**259**	**3.889**	**1.363**
Total	**259**	**4.336**	**1.016**

Appendix C.2: Results of the evaluation by all active family members

FACTORS AND SUB-FACTORS	n	MEAN	STD DEV
1. Managing the interaction between family and business issues	**130**	**4.932**	**1.220**
2. Family harmony among all family members (active & inactive)	**130**	**4.377**	**1.220**
2.1 Degree of family harmony among all family members	130	5.383	1.193
2.2 Degree of communication among all family members	130	4.449	1.400
2.3 Establishing and maintaining effective communication forums	130	4.056	1.639
2.4 Degree of conflict among all family members	130	4.330	1.360
2.5 Prevention and management of conflict among all family members	130	3.668	1.531
3. Family harmony among the active family members	**130**	**4.598**	**1.294**
3.1 Relationships among the younger generation family members	130	4.762	1.363
3.2 Relationship among the senior and younger generation family members	130	5.032	1.356
3.3 Degree of communication among the active family members	130	4.783	1.470
3.4 Establishing and maintaining effective communication forums	130	4.628	1.749
3.5 Degree of conflict among the active family members	130	4.473	1.634
3.6 Prevention and management of conflict among the active family members	130	3.909	1.467
4. Performance measurement and compensation of family members	**130**	**3.815**	**1.192**
4.1 Clear roles and responsibilities in the family farm	130	4.898	1.293
4.2 Performance measurement of the family members	130	3.569	1.460
4.3 Disciplinary procedures in the family farm	130	2.844	1.445
4.4 Compensation policy for the family farm	130	3.949	1.406
5. Continuation of the farm as a family farm	**130**	**4.775**	**1.011**
5.1 A clear future vision of the family farm	130	4.187	1.562
5.2 Acknowledgement of individual needs and dreams of family members	130	3.953	1.399
5.3 Commitment of the senior generation family members	129	5.587	1.200
5.4 Commitment of the younger generation family members	130	5.375	1.231
6. Successful participation of the younger generation family members	**104**	**5.281**	**0.868**
6.1 The younger generation has good business sense	104	5.583	1.054
6.2 The younger generation adds value to the family farm	104	5.200	1.022
6.3 Voluntary and happy participation by the younger generation	104	5.284	1.012
6.4 Credibility of the younger generation in the family farm	104	5.260	1.100
6.5 Establishing and sustaining of a network by the younger generation	104	5.131	1.229
6.6 Degree of self-empowerment by the younger generation	104	5.231	1.053
7. Development of the younger generation family members	**104**	**5.144**	**0.971**
7.1 Competence of the younger generation family member	104	5.427	0.985
7.2 Formal training and development of the younger generation	104	4.980	0.972
7.3 Mentoring of the younger generation family member	104	5.042	1.226
7.4 Participative management in the family farm	104	5.186	1.357
7.5 Realising the full potential of the younger generation family member	104	5.087	1.174

FACTORS AND SUB-FACTORS	n	MEAN	STD DEV
8. Lack of factors that necessitate management succession	**104**	**5.319**	**1.080**
9. Readiness for succession of the senior generation family member	**104**	**4.384**	**1.181**
10. Management succession	**104**	**4.307**	**1.039**
10.1 Management succession planning	104	3.385	1.387
10.2 Criteria for the selection of the successor(s)	104	4.199	1.528
10.3 Suitability of the prospective successor(s)	104	5.391	1.055
10.4 Final transfer of management to the prospective successor(s)	104	3.171	1.348
10.5 The expected outcome after the completion of management succession	104	5.390	1.050
11. Ownership succession	**130**	**4.169**	**1.088**
11.1 Estate planning	130	3.978	1.274
11.2 Calculation and minimising of estate taxes	130	4.063	1.500
11.3 Acquiring ownership or proprietary interest in the farm	130	3.587	1.450
11.4 Perception of the equality and fairness of the will	130	5.027	1.282
11.5 Sufficient financial provision for the retirement of the senior generation	130	3.690	1.423
11.6 Liquidity of the farm after retirement/trauma/death	130	4.671	1.182
12. Corporate governance in the family farm	**130**	**3.936**	**1.277**
Total	**130**	**4.559**	**0.877**

Appendix C.3: Results of the evaluation by all inactive family members

FACTORS AND SUB-FACTORS	n	MEAN	STD DEV
1. Managing the interaction between family and business issues	**0**		
2. Family harmony among all family members (active & inactive)	**129**	**4.103**	**1.252**
2.1 Degree of family harmony among all family members	129	5.194	1.421
2.2 Degree of communication among all family members	129	4.174	1.485
2.3 Establishing and maintaining effective communication forums	129	3.619	1.530
2.4 Degree of conflict among all family members	129	4.052	1.343
2.5 Prevention and management of conflict among all family members	129	3.478	1.482
3. Family harmony among the active family members	**0**		
3.1 Relationships among the younger generation family members	0		
3.2 Relationship among the senior and younger generation family members	0		
3.3 Degree of communication among the active family members	0		
3.4 Establishing and maintaining effective communication forums	0		
3.5 Degree of conflict among the active family members	0		
3.6 Prevention and management of conflict among the active family members	0		
4. Performance measurement and compensation of family members	**0**		
4.1 Clear roles and responsibilities in the family farm	0		
4.2 Performance measurement of the family members	0		
4.3 Disciplinary procedures in the family farm	0		
4.4 Compensation policy for the family farm	0		
5. Continuation of the farm as a family farm	**129**	**4.460**	**1.118**
5.1 A clear future vision of the family farm	129	3.795	1.519
5.2 Acknowledgement of individual needs and dreams of family members	129	3.667	1.472
5.3 Commitment of the senior generation family members	127	5.289	1.222
5.4 Commitment of the younger generation family members	128	5.122	1.337
6. Successful participation of the younger generation family members	**0**		
6.1 The younger generation has good business sense	0		
6.2 The younger generation adds value to the family farm	0		
6.3 Voluntary and happy participation by the younger generation	0		
6.4 Credibility of the younger generation in the family farm	0		
6.5 Establishing and sustaining of a network by the younger generation	0		
6.6 Degree of self-empowerment by the younger generation	0		
7. Development of the younger generation family members	**0**		
7.1 Competence of the younger generation family member	0		
7.2 Formal training and development of the younger generation	0		
7.3 Mentoring of the younger generation family member	0		
7.4 Participative management in the family farm	0		
7.5 Realising the full potential of the younger generation family member	0		

FACTORS AND SUB-FACTORS	n	MEAN	STD DEV
8. Lack of factors that necessitate management succession	**0**		
9. Readiness for succession of the senior generation family member	**0**		
10. Management succession	**0**		
10.1 Management succession planning	0		
10.2 Criteria for the selection of the successor(s)	0		
10.3 Suitability of the prospective successor(s)	0		
10.4 Final transfer of management to the prospective successor(s)	0		
10.5 The expected outcome after the completion of management succession	0		
11. Ownership succession	**129**	**4.039**	**1.228**
11.1 Estate planning	0		
11.2 Calculation and minimising of estate taxes	0		
11.3 Acquiring ownership or proprietary interest in the farm	129	3.594	1.386
11.4 Perception of the equality and fairness of the will	126	4.500	1.387
11.5 Sufficient financial provision for the retirement of the senior generation	0		
11.6 Liquidity of the farm after retirement/trauma/death	0		
12. Corporate governance in the family farm	**129**	**3.842**	**1.448**
Total	**129**	**4.111**	**1.097**