

# An investigation of selected factors influencing the success of small and medium-sized family businesses

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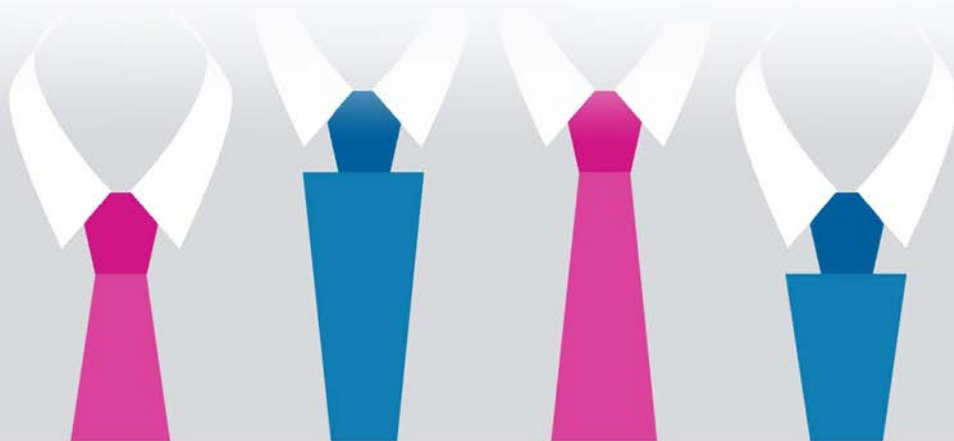
# **AN INVESTIGATION OF SELECTED FACTORS**

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## **INFLUENCING THE SUCCESS OF SMALL AND MEDIUM-SIZED**

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# **FAMILY BUSINESSES**



**FRANCOIS DE WAAL VAN BREDA**

## **ABSTRACT**

Family businesses have unique dynamics and success stories but at the same time face unique challenges. Intergenerational small and medium-sized family businesses in South Africa play an increasingly important role in creating jobs together with wealth distribution. This study attempts to explore the complicated relationship and inimitable characteristics of family business surroundings against the added challenges of family business perceived success and family business continuity.

Notwithstanding family businesses being a prevalent phenomenon in the economies of most countries, insight into this form of enterprise is still limited. Topics such as commitment, entrepreneurial orientation, job satisfaction, satisfaction with life and perceived success of the family business, among others, were investigated.

In order to achieve the primary objective of this study, a survey was undertaken using a structured questionnaire. The reliability of the questionnaire was determined by calculating the Cronbach alpha coefficient, which indicated that the questionnaire used in this study conformed to the criteria of acceptable reliability and can be regarded as internally consistent. The survey yielded 143 usable questionnaires from 42 family businesses restricted to Gauteng province and the North West province in South Africa.

The nature of this study was investigative and descriptive statistics was therefore used to analyse the statements of all the participating respondents. The selected determinants influencing the perceived success of small and medium-sized family business was then measured and regression analyses were further conducted.

Conclusions were drawn from this study on the outcomes of the selected factors influencing the perceived success of small and medium-sized family business. Finally, a critical evaluation was done and practical recommendations are suggested to improve family business wellness and, subsequently, increase the sustainability of such business.

**Keywords:** Commitment, family business, entrepreneurial orientation, job satisfaction, perceived success, small and medium-sized businesses, success.

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## **LIST OF ACRONYMS**

CEO:	Chief executive officer
EO:	Entrepreneurial orientation
FBR:	Family Business Review
RBV:	Resource-based view

## **CHAPTER 1**

### **NATURE AND SCOPE OF THE STUDY**

#### **1.1. INTRODUCTION**

Family businesses are arguably the main driver of economic growth and vitality in free economies (Poza & Daugherty, 2014:3). In both established and emerging countries, family businesses play a substantial role in economic development and are the base for the creation of wealth (Ibrahim, McGuire & Soufani, 2009:1; Zahra, Hayton, Neubaum, Dibell & Craig, 2008:1050; Venter & Boshoff, 2005:283). Family businesses are midst the most significant contributors to employment creation in practically every country (Farrington, 2009:64) and the most predominant form of business organisations in the world (Melin, Nordqvist & Sharma, 2014:1). According to Poza and Daugherty (2014:2), numerous studies across the globe found that family businesses do perform better than the non-family businesses. These findings are contrary to the impression one gathers from academic and non-academic literature that family businesses are businesses with high nepotism and conflict dominated underperformers.

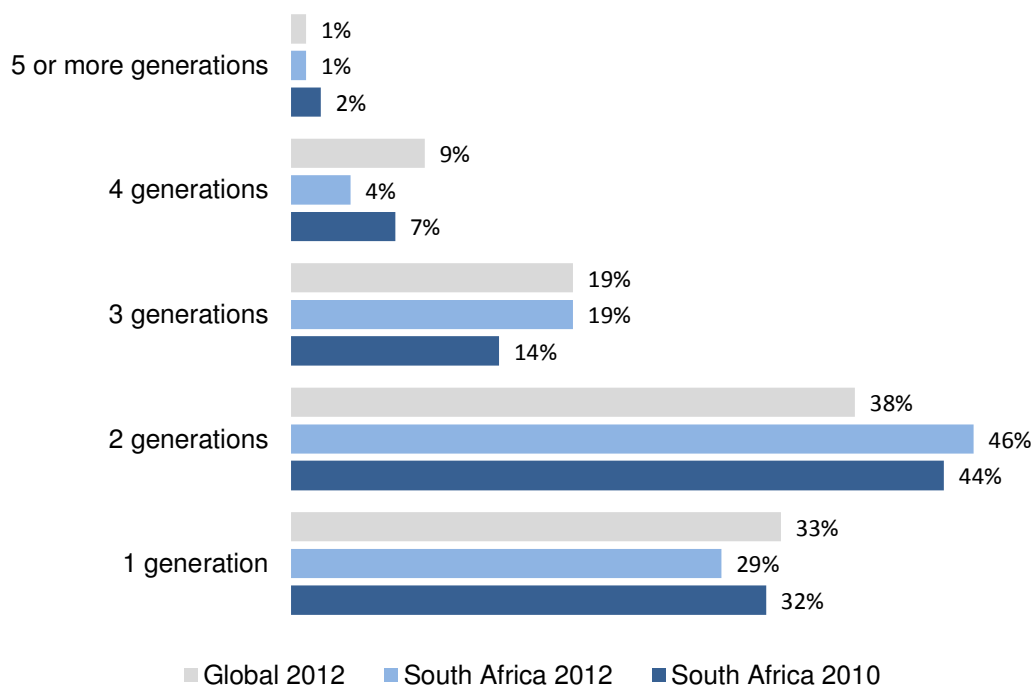
Family businesses and family controlled businesses are universal and account for approximately 70% of all incorporated business in the United States, 79% in Germany, 85% in Spain and France, 90 to 98% in Italy, India and Latin American countries and 95% in Asia and the Middle East (Poza & Daugherty, 2014:2).

The study will focus on intergenerational small and medium-sized family businesses in South Africa due to the significant role that these businesses play in creating jobs and dispensing wealth. For the purpose of this study, small and medium-sized intergenerational family business, as defined by Ibrahim and Ellis (2004:5), is where a minimum of 51% of the business is controlled by a sole family; at least two family members which are involved in the daily operating activities in the business; and where the handover of control and leadership to the next generation family members are intended. Most family businesses are found in the small and medium-sized business sector with unique dynamics and challenges facing intergenerational family

businesses which differentiate family firms from other organisational forms (Gomez-Mejia, Cruz, Berrone & De Castro, 2011:695).

There are, however, challenges in the sense that very few family businesses (see **Figure 1.1**) endure to the second generation, and significantly less make it to the third generation (PricewaterhouseCoopers, 2013:10; Lee, 2006:104) which raise questions around the perceived success of family businesses. Consequently, this study highlights the selected aspects of perceived success (dependent variable) such as commitment, entrepreneurial orientation and job satisfaction (independent variables).

**Figure 1.1: Number of generations that the family businesses have been in existence**



**Source:** PricewaterhouseCoopers (2013:12)

The success rate of family businesses to national economies is crucial and clearly a significant contributor to the economy and for creating employment (refer to Appendix A).

## **1.2. PROBLEM STATEMENT**

Very few previous studies examined medium-sized family businesses (Zellweger & Sieger, 2012:67). According to Casillas, Acedo and Moreno (2007:7), the study of family businesses as a methodical discipline is still in its early stages and research on family businesses remain limited despite the increased attention to family businesses in mature economies (Khavul, Bruton & Wood, 2009:1219). The Family Business Review (FBR), a refereed journal started in 1988, was the first academic paper to observe the family-controlled enterprise on a regular basis. The overall lack of research into the protuberant field of family businesses has caused many theoretical and empirical matters still being argued (Birdthistle & Flemming, 2005:734).

Most family business academics and experts would probably agree that family businesses derive its unique nature from the guidance from the family in the family business (Hall & Nordqvist, 2008:51). On the other hand, the ultimate threats to the success, continuity, sustainability and longevity of a family business are certain aspects related to family relationships (Royer, Simons, Boyd & Rafferty, 2008:15). Some of these aspects of perceived success that have not been extensively evaluated before are commitment, entrepreneurial orientation, job satisfaction and satisfaction with life (Van der Merwe, 2014). The dynamic forces between the healthy and mutual relationship among the family, together with the scope within the family business and the positive role that family relationships play on the perceived success of family businesses are imperative.

As family businesses are a vital benefactor to economic development and job creation, the overall knowledge and research in this field on the aspects that influence perceived success are limited and is a reason for further investigation. According to Hall and Nordqvist (2008:51), family members in family businesses have a major impact on the business, and they are a major contributor to the success rate for future continuity of such business.

Consequently, this study aims at investigating the following selective factors influencing the perceived success, that being commitment, entrepreneurial

orientation and job satisfaction. What becomes progressively more apparent is that the aspects that affect the perceived success of the family business are intimate to the dynamics of the family.

The objective of continuity challenges family business owners and managers to attain change while upholding enough stability to keep the business successful in the short term. The interactive and underlying forces among family members in family businesses have been recognised as a stern factor in the small number of effective and successful family businesses (Farrington, Venter & Van der Merwe, 2011:52). There is a constant challenge facing family business members in managing both the family and the business (Schuman, Stutz & Ward, 2010:131). It is as a result of this “caught in the middle” family relationships where numerous family issues originate that can influence perceived success (Molly, Laveren & Deloof, 2010:132).

### **1.3. OBJECTIVES OF THE STUDY**

The objectives are being specified in order to bring the literature aligned with the objectives of this study.

#### **1.3.1. Primary objective**

The primary objective of this study is firstly, to examine the influence of selected aspects on the perceived success of small and medium-sized family businesses, and secondly to provide recommendations to ensure the continuity of the business.

#### **1.3.2. Secondary objectives**

In order to address the primary objective, the following secondary objectives were formulated:

- To obtain insight into the defining characteristics and unique dynamics of family businesses by means of a literature study on family businesses, but

more specifically on commitment, entrepreneurial orientation, job satisfaction and perceived success.

- To determine the reliability of the questionnaire (see Appendix B) used in the study.
- To examine the relationship between the independent variables and the dependent variable by means of multiple linear regression analysis.
- To examine the influence, arising from the primary objectives, of commitment on perceived success, entrepreneurial orientation on perceived success and job satisfaction on perceived success.
- To evaluate the selected aspects of perceived success within the small and medium-sized family businesses.
- To add to the empirical body of family business research.
- To suggest recommendations on the perceived success of family businesses.
- To provide hope, inspiration and guidance for family business entrepreneurs.

#### **1.4. SCOPE OF THE STUDY**

The scope of the study is divided into two parts, namely the field of the study and the geographical demarcation of the study.

##### **1.4.1. Field of the study**

This study falls primarily in the subject discipline of entrepreneurship with particular reference to family businesses and secondary, organisational behaviour aspects such as commitment, entrepreneurial orientation, job satisfaction and perceived success.

#### 1.4.2. Geographical demarcation of the study

The researcher targeted a population in the study that was aimed at small and medium-sized family businesses where intergenerational family members were actively involved. The study was conducted in the North West and Gauteng province within South Africa as indicated in **Figure 1.2**. The study was not limited to a specific trade, and all participants who were classified under the definition of intergenerational small and medium-sized family businesses were allowed to take part. **Figure 1.2** is a map of the greater South Africa, illustrating all provinces but more specifically where North West and Gauteng province are situated within South Africa.

**Figure 1.2: Map indicating the geographical areas of the study within South Africa**



**Source:** Statistics South Africa (2006)

## **1.5. RESEARCH METHODOLOGY**

This study was conducted in two segments namely a literature study of family businesses followed by an empirical study examining the selected aspects of perceived success.

### **1.5.1. Literature study**

The process in the literature study which was followed was a process of research by means of the gathering of records and facts that were relevant to the study and resulted in an increase of understanding on the problem after analysing and the interpretation thereof (Babbie & Mouton, 2004:38).

The literature study in Chapter 2 contains an introduction to small and medium-sized family businesses followed by an overview and description of family businesses. The uniqueness, strengths and weaknesses and characteristics are described further to

get a general understanding of the unique challenges but also the benefits these businesses have on the South African and other economies.

The purpose of the literature study is to understand the contributions and role the selected aspects of perceived success have and play in family businesses. These selected aspects of perceived success which were defined, researched and studied in detail were also used in the empirical study. The selected aspects are commitment, entrepreneurial orientation, job satisfaction (independent variables) and perceived success (dependent variable).

The literature study concluded with the value of this study, which used the selected factors of perceived success, has on family businesses as well as the need for further studies on family businesses.

The following sources of information were consulted:

- Internet
- Scientific databases, e.g. NEXUS, EBSCO, JSTOR
- Journal articles
- Newspaper articles and press releases
- Theses and dissertations in the family business field
- Books

Other relevant documents such as publications, reports, departmental guidelines, and reports of companies were also consulted.

#### 1.5.2. Empirical study

The purpose of this section is to present the research and practical strategy that will be executed in the quantitative study. It includes the utilisation of the questionnaire, study population and sample, method of data collection and statistical procedures. The researcher directed the survey and administered a questionnaire to family members in family businesses in South Africa and more specifically the Gauteng and North West province. The questionnaire design sustains findings of the literature study. A convenient sample of family businesses was selected.

#### 1.5.2.1. Construction of questionnaire

The construction of the questionnaire (See Appendix B: Family diagnostic questionnaire) forms an integral part of the research design which needs to be implemented correctly to ensure the objectives of the study are met. In this study, the researcher utilised a questionnaire developed by the NWU Potchefstroom Business School to analyse the selected factors influencing the perceived success of small and medium-sized family businesses.

Mellenbergh (2008:211) defines a questionnaire as a research instrument containing a formalised set of questions for obtaining and gathering of information from respondents. A questionnaire can differ to the level that it is standardised or custom-made to a specific organisation (Cummings & Worley, 2005:117).

In view of Cummings and Worley, a measuring questionnaire was used to evaluate the hypothesis. The selected factors influencing perceived success were assessed on the basis of a five-point Likert type scale ranging from strongly disagree as 1 and strongly agree as 5 and which tested the attitude of respondents towards a particular objective (Welman, Kruger & Mitchell, 2011:156).

The questionnaire was constructed with the following sections:

Section A was designed to gather data on commitment, that employed family members have towards the family business. This section consists of 24 statements where respondents were asked to rate the degree to which they agree or disagree on the 1 to 5 point scale next to each statement.

Section B was designed to gather data on entrepreneurial orientation and consists of 27 statements. Respondents were asked to rate the extent to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

Section C was designed to gather data on job satisfaction and consists of 20 statements. Respondents were asked to rate the extent to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

Section D was designed to gather data and to assess how family members in family businesses view satisfaction with life and consists of 7 statements. Respondents were asked to rate the extent to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

Section E was designed to gather information on the dependent variable which is perceived success. The purpose of this section is to evaluate family members' perception of success in family businesses. This section consists of 20 statements and respondents were asked to rate the degree to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

Section F of the questionnaire includes demographic information of age, gender, marital status, inactive or active family business members, academic qualification and work history. This information is needed to assist with statistical analysis of the data for comparison among different interest groups.

Section G of the questionnaire was developed to gather specific information from the senior generation executive managers of the family business. The specific information take account of the number of permanent employees, turnover, industry, years of trading, number of generations and the legal status of the family business. The main reason for the five-point Likert type scale is to force the respondents to make a decision indicating it with a cross in the 1 to 5 point scale next to each statement. The following keys: 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 strongly agree were used in the questionnaire.

#### 1.5.2.2. Study population and sample

The target population of this study was intergenerational small and medium-sized family businesses in the Gauteng and North West province of South Africa. Several efforts were made to obtain a database of family businesses in South Africa but without any success. The decision was then made to make use of a convenience sample technique by means of the snowball sampling method which assisted in finding the family businesses that took part in this study.

The sampling method is consistent with that of other family business researchers who have been limited by the absence of a national database on family businesses (Eybers, 2010; Farrington, 2009; Van der Merwe & Ellis, 2007:24; Adendorff, 2004; Sonfield & Lussier, 2004:190).

In order to attain a statistically representative sample, it was decided to obtain a minimum sample size of 30 respondents. In total, 143 questionnaires were completed.

#### 1.5.2.3. Data collection

A total of 57 family businesses was identified and contacted to explain the need for the study and also to determine their willingness to participate in this study. A total of 9 were not willing to participate, and a further 6 did not meet the criteria to participate. Questionnaires were emailed, and hand delivered to the family businesses willing to participate.

Each questionnaire was sent with a cover letter clarifying who may participate as respondents and the researcher undertook to keep all information confidential. A prepaid envelope was sent with all hand delivered questionnaires for the comfort of the respondents participating in this study.

A total of 170 questionnaires were handed out, and 143 have been completed.

#### 1.5.2.4. Statistical analysis

The completed questionnaires were processed by Statistical Consultation Services at the Potchefstroom Campus of the North-West University and analysed using STATISTICA (Statsoft, 2010). The statements given in the questionnaire, to collect the information on the selected aspects of perceived success and was then analysed by means of descriptive statistics. The reliability of the measuring instrument was evaluated by calculating Cronbach alpha coefficients, whereas the relationship between the independent variables (commitment, entrepreneurial orientation and job satisfaction) and the dependent variable (perceived success) was studied by means of a multiple linear regression analysis.

### **1.6. LIMITATIONS OF THE STUDY**

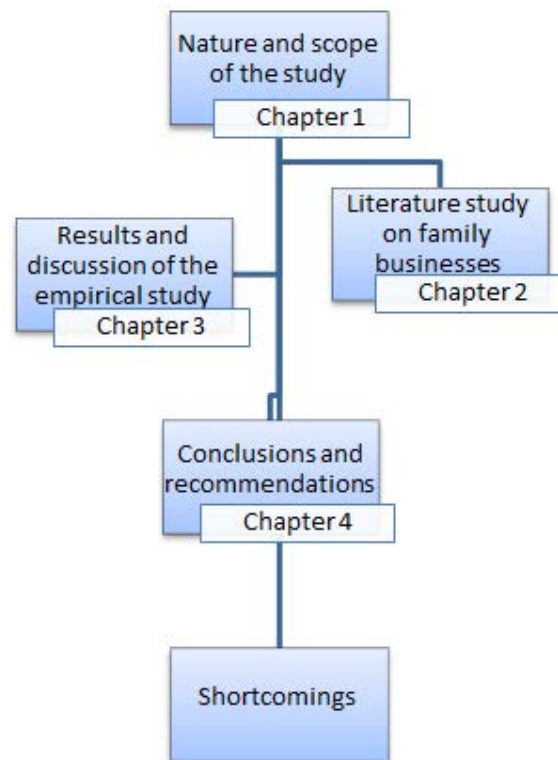
The study is an investigative study into the selected factors influencing perceived success on family businesses. Certain limitations on both the literature study and empirical study are mentioned in this section. Future research is, therefore, possible on this same topic.

- The aim of the literature study was to recognise the applicable literature nationally and internationally on the hypothesis under investigation. It is for that reason likely that some articles have not been taken into consideration for this study.
- The study focused on the South African family business whereas the majority of the literature study consisted of an international family business theory.
- The scope of the study was restricted to small and medium-sized family businesses which are situated within the Gauteng and North West province of South Africa only.
- Recommendations made as a result of the results of this study had particular reference to the population group and geographical area which were small.

## 1.7. LAYOUT OF THE STUDY

The study is divided into four Chapters and portrayed in **Figure 1.3**:

**Figure 1.3: Layout of the study**



- Chapter 1: Nature and scope of the study

Chapter 1 serves as an outline and overall coordination to the study. It includes an introduction, problem statement, objectives and scope, research methodology and the limitations of the study.

- Chapter 2: Literature study on family businesses

Chapter 2 examines the key concepts and the literature study relative to small and medium-sized family businesses nationally and internationally. Chapter two will create the academic design and layout of the study. The requirements

for family businesses, family businesses, commitment, entrepreneurial orientation, job satisfaction, satisfaction with life and perceived success were explored.

- Chapter 3: Results, analysis and discussion of the empirical study

Chapter 3 describes the research methodology, data collection and the processing of the data to information. In this chapter the sample, the construction of the questionnaire, data collection, analysis and evaluation of data as well as the legitimacy of methods applied is discussed. Sample outlines, tables and figures are provided together with an analysis and summarising of interpretations is also included in this chapter.

- Chapter 4: Conclusions and recommendations

Chapter 4 summarises and discusses the study with relevant points by means of various recommendations. Suggestions for future research were made in the chapter.

# CHAPTER 2

## 2. LITERATURE STUDY ON FAMILY BUSINESSES

### 2.1. INTRODUCTION

Family business is an exciting area of increasing interest today among academics, philosophers, stakeholders, policy makers and business persons. Intergenerational small and medium-sized family businesses in South Africa will be the focus of this literature study. Family businesses have unique dynamics and at the same time face unique challenges. Intergenerational small and medium-sized family businesses in South Africa play an increasingly important role in creating jobs together with wealth distribution.

Family businesses are recognised as the most predominant form of business organisation under the field of entrepreneurship (Lee, 2006:112). In numerous countries in developed economies, family businesses are extensively presented midst some of the largest businesses and are often the reason for a significant proportion of the value added, investments and employment (Bjuggren, Johansson & Sjögren, 2011:363).

Family business studies are illustrious from its sister disciplines by its singular focus on the paradoxes caused by the involvement of family within the business (Sharma, Chrisman & Gersick, 2012:5). Notwithstanding family businesses being a predominant phenomenon in the economies of most countries, insight into this form of enterprise is still limited. The field of study of family businesses goes back only to 1975, when businessperson, family-business mentor, and consultant Dr. Lèon Danco issued his ground-breaking work, *Beyond survival: A guide for the business owner and his family*. Other important events that played key roles in turning the study of family businesses into a field were:

- The publication of a special issue of the Journal of Organisational Dynamics in 1983.

- The launching of the specialised journal, Family Business Review, in 1986.

A dire need exists to produce a fundamental family business theory and a realistic, practical guidance for current family business owners (Birdthistle & Flemming, 2005:734). In a survey conducted by Litz, Pearson and Litchfield (2012:17) on family business academics, one of the predominant drivers for undertaking family business research was because family businesses are intrinsically interesting.

Scholarship is however increasingly more difficult for next generation family business academics as it requires specialised skill to connect, tie and link current and prior research work (Rindova, 2008:301).

Chapter 2 comprises a comprehensive literature study which forms the base of the empirical study. The literature study is aimed to understand how the family involvement through, commitment, entrepreneurial orientation and job satisfaction influences the formation and evolution of perceived success within family businesses in the South African context. A small to medium-sized intergenerational family business is defined in detail, and the distinctiveness of the family business is discussed. Other topics studied in detail comprise an overview of the systems in family businesses, the significance of the family business in the economic environment, advantages and disadvantages of family businesses and the perception of success, This all done and measured through the designed questionnaire (refer to Appendix B).

## **2.2. DEFINING SMALL TO MEDIUM-SIZED INTERGENERATIONAL FAMILY BUSINESSES**

The differences of family businesses are immense and demanding in terms of age, size, scope, and its legal form and challenging authors to clearly define the segment of these enterprises under investigation (Melin *et al.*, 2014:1).

### **2.2.1. Defining small to medium-sized family businesses**

The South African National Small Business Act (102 of 1996) (SA, 1996) together with the National Small Business Amendment Act (29/2004:2) (SA, 2004) categorise small and medium-sized businesses as businesses that employ less than 200 permanent employees.

### 2.2.2. Defining intergenerational within the context of family businesses

According to recent studies (Wiktor, 2010:69), researchers have projected that over the next 50 years, a wealth transfer of over \$41 trillion will pass from one generation to the next. Research on commitment, entrepreneurial orientation, job satisfaction and satisfaction with life need to be taken a step further to understand the impact on perceived success. In an effort to address the principal issue that goes along when transferring ownership from one generation to the next generation, Wiktor (2010:75) highlights a six-step process:

- Define the family's history and values.
- Timing and fostering an interest.
- Share the money message.
- Choose the right wealth transfer vehicle.
- Have family meetings often.
- On-going support.

Nordqvist and Melin (2010:223) noted that a key element of the family is its propensity to continue its existence by ensuring its integration.

For the purpose of this study the definition of Ibrahim and Ellis (2004:5) has been accepted to define an intergenerational family business as follows:

- where a single family owns at least 51% of the equity of the business.
- Where at least two family members are connected with senior management in the business.
- Family members of both the senior and next generation are active in the business.
- The transfer of the ownership of the businesses to next generation family members is anticipated.

In broader sense, family owners must have a sibling or child able or willing and approved by the owners to take over and continue pursuing the vision of the family business.

### 2.2.3. Defining family businesses

Family firms are ubiquitous (See **Table 2.1**). Contradictory definitions of what constitute family businesses, its general platform, ownership and management effects have ensued in some varying conclusions. Throughout the world, family businesses play an important role in job creation, generating income and wealth creation and distribution. This makes family business very hard to define as there are different levels of dimensions, management, ownerships and organisational forms and no single definition fully captures their fundamental multiplicity.

**Table 2.1: Family Business: The Statistical Story**

Family businesses constitute	80-98%	of all businesses in the world's free economies.
Family businesses generate	49%	of the gross domestic product (GDP) in the United States.
Family businesses generate	70-75%	of the GDP in most other countries, 82% in Indonesia.
Family businesses employ	80%	of the U.S. workforce.
Family businesses employ	50-75%	of the working population around the world.
Family businesses created	86%	of all new jobs in the United States (1999-2009).
A total of	37%	of Fortune 500 companies are family-controlled.
A total of	60%	of all publicly held U.S. companies are family-controlled.
Number of family-owned business in the United States:	17 million	
Number of U.S family owned business with annual revenues greater than \$25 million:	35 000	
Family business outperformance of nonfamily business in the United States:	6.65% annually in return on assets (ROA)	
Family business outperformance of nonfamily business in Europe:	8-16% annually in return on equity (ROE), depending on the study	
Family business outperformance of nonfamily business in Latin America (Chile):	8% annually in ROA, ROE and Tobin's Q value	
Family business outperformance of nonfamily business in the information technology, consumer staples, consumer discretionary, and industrial sectors worldwide:	2.5% greater compounded annual growth rate of total return to shareholders over a 10-year period versus the MSCI World Index (1997-2009)	

**Source:** Poza and Daugherty (2014:4)

The argument of whether the quest of investigation into family business is a phenomenon, a discipline or a field continues in some papers. Progressively more academics are referring to the field of family business studies, indicating a definite need to focus research efforts on the uniqueness of family firms that separate them from other organisational forms (Gomez-Mejia *et al.*, 2011:695).

The definition of the family business must recognise its uniqueness because it is this uniqueness that makes the family business field worthy to differentiate and to study further (Melin *et al.*, 2014:2). Sharma and Salvato (2013) propose the adoption of essence and component-based approaches for defining the variable in the family

business definition, and suggests the following components to operationalize the definition of family businesses; consanguinity, cohabitation, legal status, generations, gender and birth-order.

The family business definition remains a challenge although several researchers have tried to develop a suitable definition (Miller, Le Breton-Miller, Lester & Canella, 2007:830). There is still however no consensus about a widely accepted definition. In a detailed study of family businesses, Chua, Chrisman and Sharma (1999:25) found 21 different definitions of family businesses since 1964 (See **Table 2.2**). In review of these important definitions presented, it is clear that most definitions are likely to focus primarily on the ownership and management dimensions. The absence of definitional clarity on the concept of family business is a substantial problem in the family business field.

What has become evident during the literature study performed by Chua *et al.* (1999:20) was that the definitions do not differentiate between governance and management. Some definitions require controlling ownership or family management alone while other definitions require both ownership and management before it is recognised as a family business.

Taken these requirements into consideration, it can clearly be seen that all the definitions set out in **Table 2.2** consider a business to be a family business when the firm is family owned, and family managed.

**Table 2.2: Different definitions of family businesses**

Year	Source	Definition of family business
1964	Donnelley (1964: 94)	When it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family.
1975	Bernard (1975: 42)	An enterprise which, in practice, is controlled by the members of a single family.
1976	Barnes and Hershon (1976: 106)	Controlling ownership is rested in the hands of an individual or of the members of a single family.
1982	Alcorn (1982:230)	A profit making concern that is either a proprietorship, a partnership, or a corporation. If part of the stock is publicly owned, the family must also operate the business.
1983	Davis (1983: 47)	Are those whose policy and direction are subject to significance influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management.
1985	Davis and Tagiuri (1985)	A business in which two or more extended family members influence the direction of the business. (quoted in Rothstein, 1992)
1985	Rosenblatt, deMIK, Anderson and Johnson (1985: 4)	Any business in which majority ownership or control lies within a single family and in which two or more family members are or at some stage were directly involved in the business.
1986	Pratt and Davis (1986: 3.2)	One in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or involved in the business.
1986	Stern (1986: xx1)	Owned and run by the members of one or two families.
1987	Babicky (1987:25)	Is the kind of small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership of the enterprise.
1987	Churchill and Hatten (1987: 52)	What is usually meant by family business is either the occurrence of the anticipation that a younger family member has or will assume control of the business from the elder.
1988	Lansberg, Perrow and Rogolsky (1988: 2)	A business in which members of a family have legal control over ownership.
1989	Handler (1989: 262)	An organization whose major operations decisions and plans for leadership succession are influenced by family members serving in management or on the board.
1990	Dreux (1990: 226)	Are economic enterprises that happen to be controlled by one or more families (that have) a degree of influence in the organizational governance sufficient to substantially influence or compel action.
1990	Leach et al. (1990)	A company in which more than 50 percent of the voting shares are controlled by one family, and/or a single family group effectively controls the firm, and/or significant proportion of the firm's senior management is members from the same family. (Quoted by Astrachan, 1993:341-342).
1991	Donckels and Fröhlich (1991: 152)	If family members own at least 60 percent of equity.
1991	Galio and Sveen (1991: 181)	A business where a single family owns the majority of stock and has total control.
1991	Lyman (1991: 304)	The ownership had to reside completely with family members, at least one owner had to be employed in the business, and one other family member had either to be employed in the business or to help out on a regular basis even if not officially employed.
1992	Holland and Olivier (1992: 27)	Any business in which decisions regarding its ownership or management are influenced by a relationship to a family or families.
1993	Welsh (1993: 40)	One in which ownership is concentrated, and owners or relatives of owners are involved in the management process.
1994	Carsrud (1994: 40)	Closely-held firm's ownership and policy making are dominant by members of an "emotional kinship group".

**Source:** Chua *et al.* (1999:25)

Management, in the context of this family business study, refers to the nature of the participation of family members as part of the management team as board members, shareholders and supportive members of the family business. Ownership control refers to the rights and responsibilities family members originate from significant possession of voting shares and the governance of the family business affairs (Poza & Daugherty, 2014:6).

Chrisman, Chua and Sharma (2005:556) reviewed important trends in family business research and identified two approaches of how family businesses are defined in the collected works. Firstly, the components-of-involvement approach and secondly the essence approach. While the components-of-involvement method treats family involvement as an adequate condition in order to define a business as a family business, the essence approach treats it as a compulsory condition. The components-of-involvement approach take the following variable into consideration when defining a family business:

- a family is the owner,
- the business is family-managed, or
- the business is controlled by a family.

If one of these three features relates to a business, it can be defined as a family business. The essence approach is more restrictive and takes the following variables into consideration when defining a family business:

- a family's influence concerning the strategy of the firm,
- a family's vision and intent to keep control and,
- family firm behaviour, and
- distinctive familiness.

In order to categorise a business as a family business, the above physical characteristics are compulsory.

The influence of altruism on the relationships between shareholders and management was found to be a distinctive character of family businesses compared to closely held firms in an empirical study conducted by Schulze, Lubatkin, Dino and Buchholtz (2001:99). Family firms are distinguished by both the active involvement of family in the management and the intent of family members to hold the rights of business (Poza & Daugherty, 2014:6).

The use of diverse family business definitions makes the comparability of these results difficult and in turn difficult to compare businesses in family business research. While academics analyse related topics, it remains a challenge to developing a general definition since family businesses are a unique group of organisations, but differentiate within this group too. The participation of the family in the management and ownership structure of the firm is distinctive to each family business and thus it cannot be seen as a constant factor.

The definition offered by Ibrahim and Ellis (2004) seems to come closest to combining the social measurements and will therefore accordingly be used: small and medium-sized intergenerational family business is a business where:

- Ownership control of a minimum 51% of the family business is owned by a single family
- a minimum of two family members are involved in the business' management and or operational activities
- where a single family can exercise substantial influence in the business
- and the transmission of leadership to next generation family members (succession) is foreseen.

- and where the family business employs fewer than 200 personnel in a permanent nature.

The following physiognomies define the core distinctiveness of family business (Poza & Daugherty, 2014:7):

- The attendance of the family.
- The overlay of family, management, and ownership.
- The unique sources of competitive advantage derivative from the alliance from family, management and ownership, specifically when family unity is great.
- The owner's vision of keeping the business in the family from generation to generation.
- The strategic influence of noneconomic family aims and morals.

According to James, Jennings and Breitkruz (2012:101), more emphasis should be given on the family variable in family businesses and by doing this it will be mindful of the multiplicity of the concept of family across cultures and time (Hoy, 2014:7). In addition to the non-economical and nonfinancial goals that influence the perceived success of family members in family firms, factors like commitment, job satisfaction and entrepreneurial orientation contribute to the essence of the distinctiveness of the family business (Poza & Daugherty, 2014:7).

### **2.3. THEORETICAL PERSPECTIVES**

Family business science is a functional, interdisciplinary field of study on the basis of theories and one in which academics tend to give attention to communication, processes, relationships, wellbeing and involvements in a socio-cultural and financial and political context.

According to Dilworth-Anderson, Burton and Klein (2005:37), the major theories which consider constituting the major traditions within family business research are the:

- Life course theory,
- Social exchange theory,
- Structural functionalism,
- Symbolic interactionism, and
- Systems theory.

The five major, most enduring and influential theoretical perspectives within family science are summarised in **Table 2.3**

### 2.3.1. Life course theory

Life course theory is a dynamic, appropriate theory that pursues to understand the permanence and change of families over time and across generations. According to Rauscher (2011:554), the life course theory explains that it speeds later transitions when there are exposure to adult attitudes, experiences, networks, and even responsibilities where the mechanism through which early life course transitions is expected.

The life course theory and the systems theory have been most observably applied within the family business literature (Melin *et al.*, 2014:26).

### 2.3.2. Social exchange theory

Social exchange theory is premised on the concept that human social relations are linked to the exchange of resources (Donnelly & Burgess, 2008:525). There are four key assumptions in the social exchange theory:

- People are driven by self-interest (White & Klein, 2008).
- People are forced by their choices (Smith, Hamon, Ingoldsby & Miller, 2009).
- People are rational (Melin *et al.*, 2014:34).
- Social relationships entail interdependence and mutuality (Smith *et al.*, 2009).

### 2.3.3. Structural functionalism

Structural functionalism was found by Talcott Parsons during 1951 and lead the family research field up to the mid-1960s (Mann, Grimes, Kemp & Jenkins, 1997:315).

According to Melin *et al.* (2014:36), the following key assumption is made in the structural functionalism theory:

- The societal milieu is recognised to use outside forces upon families and sometimes seen as a threat and where the family is used as a shield against these threats.

Smith *et al.* (2009) make the following assumption on the structural function theory:

- Families socialise children which provide them with stability. The theory suggests that the stability is essential for the maintenance of society and maintained through compliance with a narrowly defined notion of family tradition.

Kingsbury and Scanzoni (2004) make the following key assumption on the structural function theory:

- Structural functionalists assume interdependence between the different roles. Although distinct and differentiated by gender, both serve a vital function within the family.

#### 2.3.4. Symbolic interactionism

LaRossa and Reitzes (2004:136) argue that the symbolic interactionism theory aims to understand how families create symbolic worlds and how in turn these symbolic worlds shape human conduct. These symbols refer to the shared connotations ascribed to specific objects, circumstances or norms (Melin *et al.*, 2014:39).

Three main assumptions form the symbolic interactionism theory:

- The development of self-concept is imperative and one which teach family members how to behave through interactions with others (Smith *et al.*, 2009).
- By gaining insight to the meanings the family members' link to specific objects, circumstances or norms, these behaviours can be understood.
- The environment in which family members are born in, develop values and symbols of the family members.

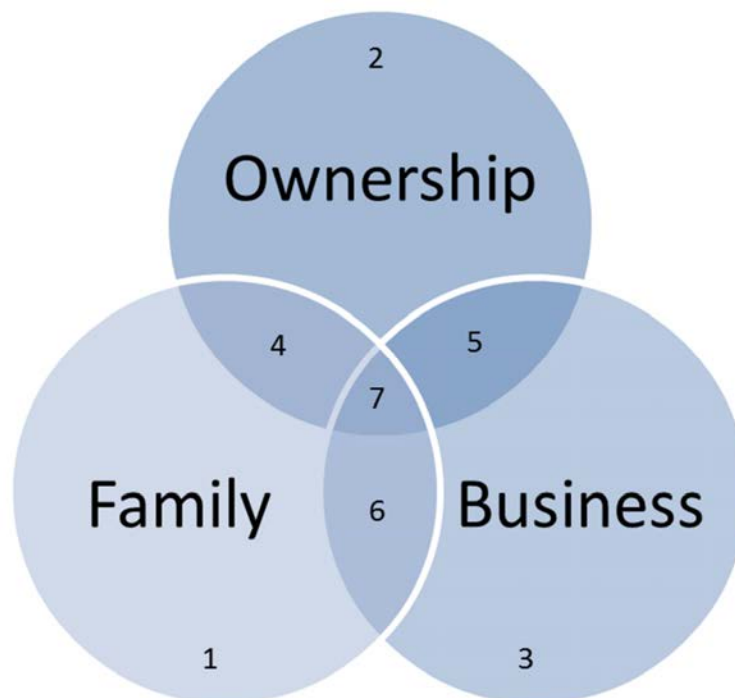
#### 2.3.5. The systems theory perspective

Systems theory is an academic approach most often used in theoretical studies of family businesses and remains pervasive in the literature today (Poza & Daugherty, 2014:9). For the purpose of this study, more focus will be given on this theory perspective. Family business theory, derived from the general systems theory, suggests that organisations need to be both stable and flexible. In the systems theory perspective, a family business is demonstrated in the three overlapping, interrelating, and interdependent subsystems of family, business and ownership.

In family systems theory, the family is considered as a rather closed system of connections among individual members (Albanese, 2010:3). Stanton (2009:9)

pointed out: “If we want to understand and treat individuals, couples, families and larger social groups effectively, we need to conceptualise cases within the system in which they exist (the context and the meaning attributed to the context), assess the salient factors in the system, and intervene at identified points across the system”. The system theory presents an all-inclusive framework focusing on shared relationships within families as depicted in **Figure 2.1**.

**Figure 2.1: The systems theory model of family business**



**Source:** Adapted from Poza and Daugherty (2014:10)

Each segment presents an important constituency of the family business and any individual can be positioned in the seven segments which are formed by the three overlying, interrelating, and interdependent subsystems of family, business and ownership as outlined in **Figure 2.1**.

**Individuals with one link to the system are (fields):**

1. Family members

2. Owners

3. Employees and or board members

Goals and expectations, for example, are health, prosperity, continuity, participation, community role, communication, education, values and goals.

**People with two links to the system are (subsystems):**

4. Family members and owners

5. Owners and employees and or board members

6. Family members and employees of board members

Goals and expectations, for example, are liquidity, capital allocation, assuring succession, strategic direction and performance.

**People with three links to the system are (subsystems):**

7. Family members. Owners and employees or board members

Goals and expectations, for example, are operations, finance, employees, supplier and customized relationships.

Several crucial assumptions of the systems theory are used in the family business research, and the most important is that family systems must be understood in a holistic view (Melin *et al.*, 2014:27). This view is arguably in line with Albanese (2010) given this focus of a holistic view on the systems theory, pathology within families is not seen attributable to individuals but rather as dysfunctions of the whole system. Melin *et al.* (2014) further explain that systems academics assume that individuals, and thus the system in which they are living in, are capable of self-reflexivity.

There are numerous specific concepts that underlie the theoretical framework of family systems theory and Whitchurch and Constantine (2009) reviewed some of the more prominent ones:

- Holism
- Goal orientation
- Equifinality and multifinality
- Regularity, rules and patterns
- Circular causality
- Positive and negative feedback
- Homeostasis versus heterostasis
- Boundaries
- Self-organisation and self-reference
- Inter model of experience

Family members' lasting hopes, dreams, determinations, interactions, and personal struggles with civilisation all come to play in succession design (Van der Merwe, Venter & Ellis, 2009:4,5). The perception of the older generation family members about the perceived success of the family business is crucial for a successful management transition. Family businesses's dream of the business is seen to be a lasting resource basis to be used by the family and possibly by numerous other generations (Distelberg & Sorenson, 2009:75).

The family members have to be clear about the positive link between the prolonged existence of the organisation and the well-being of the family (Ibrahim *et al.*,, 2009:4). Family businesses should share in an attentive and sensible planned agenda of career development for the younger generation family members in order to increase the chance of the family business perceived success over generations (Schuman, 2004:1).

The five of the most enduring and influential theoretical perspectives within family science are summarised in **Table 2.3**.

**Table 2.3: Summary of selected foundational theories predominant within the family science literature**

	Systems	Life course	Social exchange	Structural functionalism	Symbolic interactionism
<b>Emerged</b>	Emerged in the late 1950s. Derived from general systems theory.	Emerged in the 1960s. derived from family development theory.	Emerged in the late 1950s. derived from market concept of exchange.	Emerged in the post war era. Derived from American functionalism.	Emerged in the 1920s. derived from American pragmatism.
<b>Derived from</b>	Early theorist include Bateson et al. (1950) and Kantor and Lehr (1975).	Early theorist include Hill and Rogers (1964) and Elder (1974).	Early theorists include Homans (1961) and Thibault and Kelly (1959).	Early theorist include Parsons (1951).	Early theorists include Mead (1934), Cooley (1956) and Blumer (1969).
<b>Core constructs</b>	Interaction patterns within the whole family system (e.g., conflict, communication); self-reflexivity).	Life events, transitions, and pathways; historical context; linked lives between family members.	Resource exchange: social rewards and costs; self-interest; rationality; reciprocity; interdependence.	Normative and non-normative family compositions; spousal roles; child roles; child socialisation; stability; equilibrium.	Symbols; values; behavioural norms; shared meanings; family identity; self-concept.
<b>Central premises</b>	The interconnections between family members impact the functioning of the family system.	The life pathways of individuals are influenced by the social ecology and historical context in which they live.	Family relationships entail a rational exchange of resources (social and economic) to maximise rewards and minimise costs.	Specified, gendered roles within normative family structures provide greater stability for family members and society.	Interactions between family members create shared identities through common symbols (e.g., situations and values).
<b>Key assumptions</b>	Individual behaviour's best understood through an analysis of the family system.	The timing and context of key events and transitions throughout an individual's life course are important.	Individuals are rational and motivated by self-interest in relationships.	The normative family unit best maintains equilibrium in the family and society.	Individuals develop concepts of self identity primarily through interactions in the family.
<b>Level of analysis</b>	Family	Individual in social context	Individual	Family	Individual within the family
<b>Fundamental question</b>	What are the process or interactions within families that impact the overall functioning of the family system?	What are the implications of an individual's family context, and the timing of key events and transitions, on his or her life course?	What are the rewards and costs of family relationships for a particular individual in the family and how do these influence his or her behaviour?	What are the effects of stability and instability in family structures on family members and other institutions?	How do a family's symbolic meanings and interactions patterns affect how individual family members think, feel and act?.
<b>Recent work within the family science literature</b>	Doherty and Craft (2011); Garrett-Peters et al. (2011)	Kennedy et al. (2010); Rauscher (2011)	Donnelly and Burgess (2008); Nakonesny and Denton (2008)	Potter (2010); Zeiders et al (2011)	Powell (2011); Sykes (2011).

**Source:** Adapted from Melin *et al.* (2014:28)

## 2.4. THE UNIQUENESS OF FAMILY BUSINESS

More and more academics are directing towards a clear need for an emphasis in research efforts on the uniqueness of the family business which differentiates these forms of businesses from other organisational forms (Gomez-Mejia *et al.*, 2011:695). Family businesses can access resources that are not available to non-family businesses and constitute a unique competitive advantage (Zellweger, Eddleston & Kellermans, 2010:54).

Nordqvist and Melin (2010:211) have documented the link between small and medium-sized enterprises, entrepreneurship and family businesses (see **Figure 2.2**).

**Figure 2.2: Related academic fields**



**Source:** Adapted from: Zellweger and Sieger (2012:70)

According to Astrachan, Klein and Smyrnios (2002:45), the uniqueness of family businesses is further endorsed by the different influence family members has on the ownership, governance and the management involvement within the business through:

- the business strategy direction,
- direct family involvement in the daily operations and,
- retaining voting control.

Mitchell, Agle, Chrisman and Spence (2011:252) studied the stakeholder salience in family businesses' framework where they shared three key conclusions in the two studies:

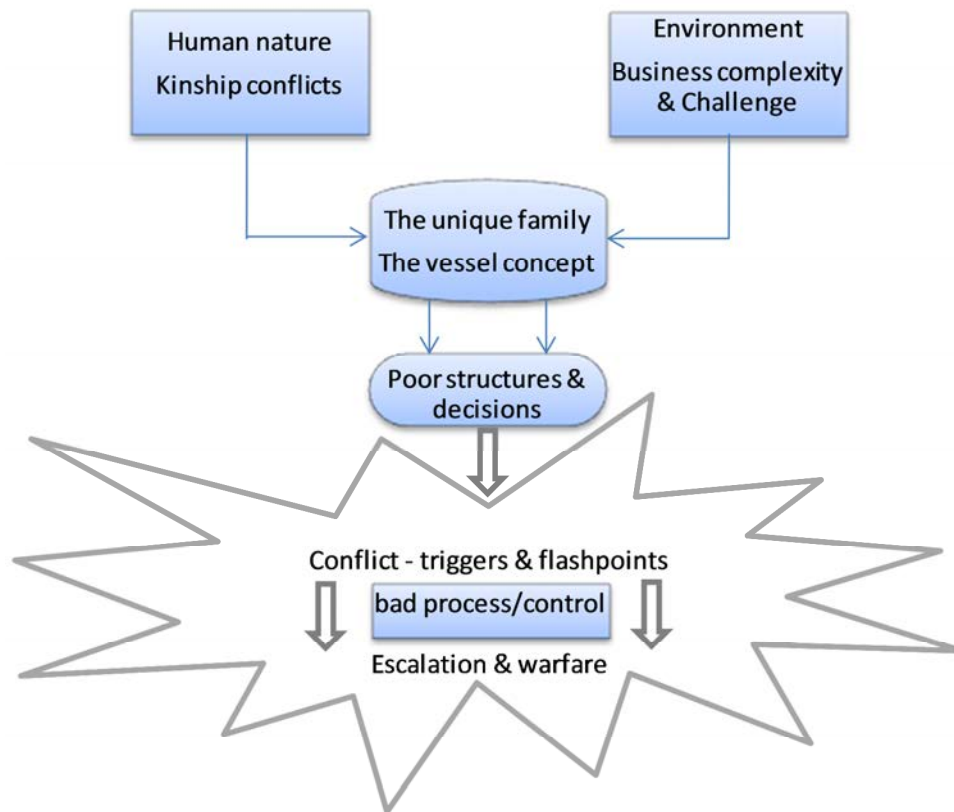
- the significance of the family as a unique stakeholder in the business;
- the idea that the combination of economic and non-economic motives makes family businesses naturally prone to satisfy the demands of several stakeholders and,
- the above aspects make stakeholder management more difficult for family owners.

Family businesses place scores of prominence on their existence (Distelberg & Sorenson, 2009:70) and family members are ever so often more worried about the continuousness of the family business than non-family members in businesses are (Miller, Le Breton-Miller & Scholnick, 2008:56; Short, Payne, Brigham, Lumpkin & Broberg, 2009:21).

#### 2.4.1. The vessel principle, a uniqueness perspective

The family is a unique biological body (Melin *et al.*, 2014:121). Among primates one finds a range of unique shared structures, with a cooperative and mutual carefulness for descendants and replicating among both related and unrelated group members (Hrdy, 2009). Family businesses have a unique risk compared to non-family businesses which is illustrated in **Figure 2.3**.

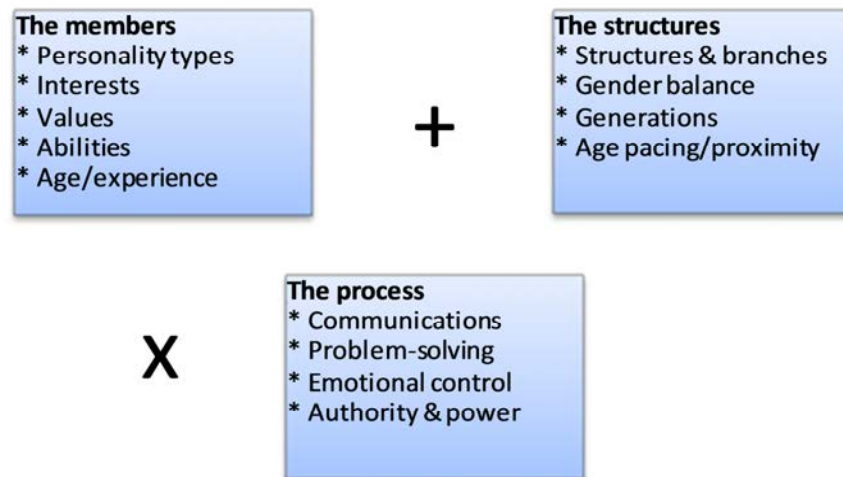
**Figure 2.3: The unique family – the vessel principle**



**Source:** Melin *et al.* (2014:130)

The vessel represents the typical human family. According to Gordan and Nicholson (2008), family take further high load pressures and the model suggest that not every family is fit to run a business. Melin *et al.* (2014:130) further explain that the vessel principle uses the analogy of a clay pot which, barring accidents, functions reliably to carry water of life and will show weaknesses once these pressures takes place. Together these weaknesses create a family climate, which can predispose members to make poor decisions and failing to exercise self-control (Bjornberg & Nicholson, 2007:236). Simultaneously it must be noted that siblings, cousins, parents and children can forge remarkable partnerships in the conduct of their enterprises through the members, the structures and processes illustrated in **Figure 2.4** (Melin *et al.*, 2014:131).

**Figure 2.4: The unique family**



**Source:** Melin *et al.* (2014:131)

Family businesses are a basis of inspired energy to deliver a spirit of flexibility and regeneration that demonstrates so many successful family firms (Miller & Le-Breton-Miller, 2005).

#### 2.4.2. Strengths and weaknesses of family businesses

**Strengths** Numerous studies have revealed that family-owned businesses outperform their non-family peers in terms of sales, proceeds, and other growth measures. Carlock (2010:20) believes that the competitive advantage can be ascribed to operative family ownership values and specially commitment.

A study conducted by Abouzaid (2008:7), revealed the following about family businesses compared to its rivals on the six major indexes in Europe:

- From London's FTSE to Madrid's IBEX, family businesses outperformed their competitors on all of these indexes,
- In Germany, the family index climbed 206% whereas the non-family stocks climbed by only 47%.

- In France, the family index surged 203%, whereas its counterpart climbed a mere 76%.
- Family businesses also outperformed their counterparts in Britain, Italy, Switzerland and in Spain.

According to Abouzaid (2008:12), this high performance can be ascribed to the inherent strengths that family businesses have. Some of these strengths include:

- **Commitment.** The family demonstrates the highest devotion in their long-term goals of business growth, success, and succession. As a result of this higher commitment, family members are typically prepared to work harder and plough part of their proceeds back into the business to allow the business to grow in the long term. Families prioritise to pass their experiences, knowledge and skills to the next generations. Many family members get absorbed into the family business from a young age which raises their level of commitment and afford them with the essential tools to run their family business (Abouzaid, 2008:13).
- **Entrepreneurial orientation.** The role of the family in forming a new entrepreneurial venture is usually explored by the entrepreneurial rather than the family business (Nordqvist & Melin, 2010). However, Zahra (2005:24) found that family ownership and family participation endorse entrepreneurial orientation in family members better than in non-family firms. Zahra (2005:30) also found that culture is a more significant predictor of entrepreneurial orientation for family businesses than for non-family businesses.
- **Job satisfaction.** In a study conducted by Bacon (2011:1), family members revealed greater job satisfaction by the accomplishment they get from their work, the choice they have for using their own innovativeness and the amount of influence they have over their jobs.

**Weaknesses:** Maybe the most often mentioned characteristic of family businesses is that many of them are unsuccessful when it comes to sustainability in the long run (Abouzaid, 2008:13). There are challenges in the sense that very few family

businesses (see **Figure 1.1**) endure to the second generation, and significantly less make it to the third generation (PricewaterhouseCoopers, 2013:10; Lee, 2006:104). Some of these reasons are the same reasons which can have the same detrimental impact on non-family businesses such as poor management, cash flow, poor control of costs, industry and other economic conditions. However, family businesses can show some weaknesses that are especially relevant to their nature (Abouzaid, 2008:13). Some of these weaknesses are:

- **Complexity.** By adding an extra variable, (the family) to the family business, makes these types of organisations more complex in terms of governance. Family members play different parts within their organisation which can sometimes lead to a disorder of duties among all family members. Family businesses therefore have a complex resource issue in terms of social exchange and the nature of reciprocal obligations between family members (Ward, Envick & Langford, 2007:38). Not all family firms follow family-centred goals (Westhead & Howorth, 2007:406), and the link between family involvement and the vision adopted by family businesses is likely to be complex (Chrisman, Chua, Pearson & Barnett, 2012:267).
- **Informality.** It is well known that family businesses have a liking for informality (Melin *et al.*, 2014:125). The bonds of loyalty and affection between family members lessen the need for controls that apply in conditions where trust cannot be guaranteed, but to the aversion of governance mechanisms, family businesses are defenceless from these illogical needs of family members (Gordon & Nicholson, 2008:133).
- **Lack of Discipline.** Numerous family businesses do not pay adequate attention to key strategic areas and is likely to activate an undesirable spiralling effect that worsens or creates problems within both over time (Melin *et al.*, 2014:26). Postponing or overlooking important strategic decisions could lead to a business catastrophe in any family business.

Van der Westhuizen (2009:25) further highlights the following:

- Family businesses can be regarded as unprofessional.

- Non-family members sometimes cannot reach the top of the hierarchy.
- It can be hard to raise money.
- Senior family members may feel unchallenged.
- Decisions may be sensitive.
- There may be a deep-seated dislike for change.
- It can be a scuffle to continue with the spirit of entrepreneurial flair.
- Generational matters can cause role clarity.

### 2.4.3. Characteristics of family versus non-family businesses

Variable	Type of firm	
	Family	Non-Family
Speed of the decision-making process related to social innovation	Fast	Slow
Timing of decision related to social innovation across the business life cycle	Early, middle, and late cycle stages.	Mainly late life cycle stages.
Strength and structure of social networks and partners	Predominantly closely-knit family and local / regional communities.	Predominantly weak but dispersed national and international partners.
Focus of involvement	Causes related to the sphere of family firms' operations and network and to the family background.	More akin to standard corporate social responsibility practices.
Investment ideology	Social-business portfolio.	Primarily business portfolio.
Social innovation elicitors	Mainly guided by the family business continuity across generations as a means to transfer values to and involve the next generation, and to strengthen family cohesion.	Mainly guided by competitive, ideological and regulatory considerations as a means to survive and increase performance.
Lower cost of capital	When the business owner controls 100% of the stock and the stock is in the hands of family shareholders enjoying family harmony, the effective cost of capital is nearly 0%. Although there is an opportunity cost, cash flow from the business can be reinvested for growth without paying out high dividends or taxes or incurring high interest on debt.	Financing cost for other businesses can range from 25-30% for venture capital to 17-20% for mezzanine financing to the prime rate of bank financing.
Lower administrative costs	According to the agency cost literature, the overlap between owner and manager or principal and the agent allows family-owned business to enjoy lower administrative cost because of lower CEO compensation, reduced levels of supervision, and reduced investment in financial systems and controls.	Compliance cost with Section 404 of the Sarbanes-Oxley Act, for example, are estimated to run between \$824,000 and \$2.5 million annually, depending on the size of the firm. Family-controlled but publicly traded firms would also incur these cost.
Employment Policy	Open door policy for all family members. The family-owned company often becomes a safety net for those who can not succeed outside the business.	Only qualified family members join the company. Conditions for family employment are clearly set and contain requirements concerning education and prior work experience outside of the family business.
Compensation	Equal pay for all. Everyone is paid the same, regardless of their experience and contribution to the business. Competent family members are expected to care for (via compensation, benefits, and more.) their less-than-competent siblings or cousins.	Compensation is based on performance and responsibility. Compensation is based on market and industry measures, not on family needs. Accountabilities and reporting relationships are clearly communicated and understood. High performers are highly paid. Family members may be terminated for poor performance.
Leadership	Leadership is based on seniority, rather than demonstrated competences or successes. Longevity in the family business may be more highly valued than working and succeeding outside the business.	Making sure leadership is earned. The family mantra is to have "the best and the brightest" running the business: family or non-family. Non-family senior executives may be recruited from within the industry although some companies successfully grow their own top managers.
Business Resources Allocation	Business resources are used for family members' personal needs (housing, cars, personal purchases and more.)	Business resources are used strategically. There is a clear separation of business and family assets. Budgeting and planning are important; earnings are used for growth initiatives or paid out as dividends.
Training	No formal training programs. Family members are expected to intuitively learn business practices.	Need for formal training is timely recognized. Trainings are scheduled and delivered to teach family members necessary business practices.

**Source:** Adapted from Poza and Daugherty (2014:21), Melin *et al.* (2014:333,451)

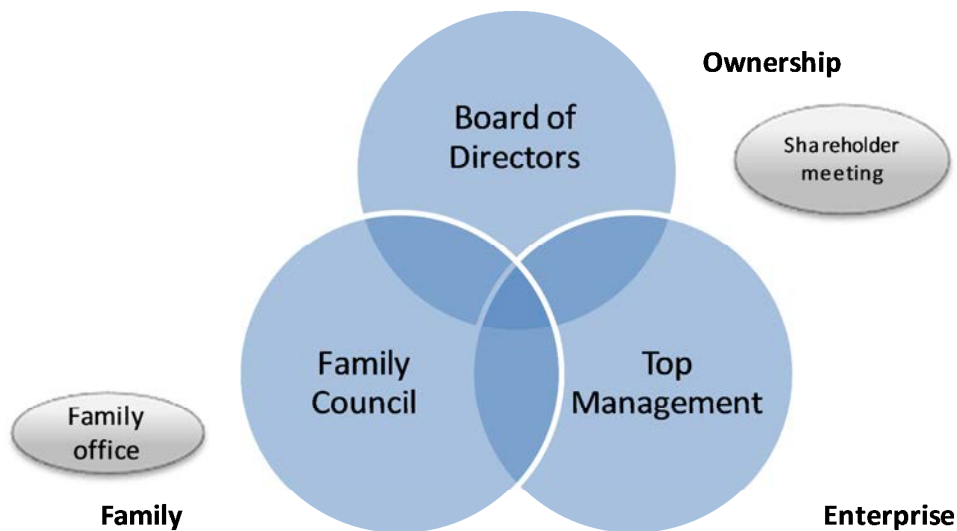
### 2.4.4. Challenges to family businesses

**Altruism** or the attending to the welfare of a relative is a prominent feature of many family businesses. It presents the risk of incurring principle-principle agency costs that are unsustainable in the long term for the family business (Stewart & Hitt, 2011:20).

**Confusion regarding what is a family, a management, and an ownership issue.** Given the nature of family business as portrayed in **Figure 2.5**, it should not be

surprising to see violations across borders of family-business subsystems happening regularly (Poza & Daugherty, 2014:97).

**Figure 2.5: Family governance structure**



**Source:** Poza (2010)

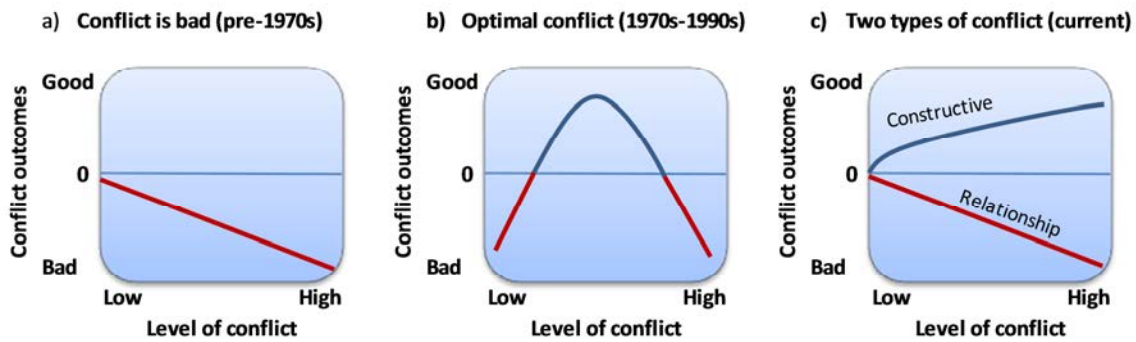
**The current leader's unwillingness to let go** is a challenge in the sense that a CEO/parent may be the last to identify the importance of leading change efforts and forming an organisation that will successfully administer the family business and family wealth relationship while absent (Poza, 2010).

**Entitlement culture** is a phenomenon that is witnessed where the younger peer group will often want to navigate the business on a new path which is not constant with the view of the older peer group (PricewaterhouseCoopers, 2013).

**Family conflicts** could be seen as good and bad and remains a challenge in family businesses (McShane & Von Glinow, 2010:329). It should, however, be noted that numerous studies across the globe found that family businesses do perform better than the nonfamily businesses. These findings are contrary to the impression one gathers from academic and non-academic literature that family businesses are businesses with high nepotism, and conflict dominated underperformers (Poza & Daugherty, 2014:2). According to Visser and Strydom (2010:70), family business

members know that the success of the business and connection between family members are at stake when members run into conflict. According to Molly *et al.* (2010:135), it is from conflict burdened family relationships that many family business difficulties start. The conflict-is-bad perspective has prevailed most of the time and illustrated in **Figure 2.6** (a).

**Figure 2.6: Past and present perspectives of conflict**



**Source:** McShane and Von Glinow (2010:329)

By the 1970s, then again, the conflict-is-bad perspective had been substituted by the optimal-conflict perspective which states that most businesses are best operating when the family experience some level of conflict. The optimal-conflict perspective was later replaced by the view that there are two types of conflict with contrasting significances and broken into constructive conflict and relationship conflict (Eddleston, Otondo & Kellermanns, 2008:461).

Relationship conflict focuses on negative feelings and effects such as irritation, aggravation, frustration and dislike and it breeds mistrust, hostility, and extreme rivalry among family members (Eddleston & Kellermanns, 2007:551).

Constructive conflict is the ultimate goal of the family members in the business (Eddleston *et al.*, 2008) and family members focuses their argument on the issue while maintaining respect for family members with other points of view (McShane & Von Glinow, 2010:330). There is sufficient anecdotal and empirical evidence that the prevention and management of conflict could ensure a higher level of family harmony in family businesses (Van der Merwe & Ellis, 2007:30).

**Loss of family identity and values** end up in difference among the next generation as to whether or not to cut the family ties to the business by selling it or by employing outsiders (Warsalee, 2014:6).

**Nepotism** is a universal that influences family businesses and focus in the area where paternities seek to increase the ability of themselves and relatives by selective benefits (Jaskiewicz, Uhlenbruck, Balkin & Reay, 2013:123). This one-sided practice often infuses within the family additionally. In other words, certain family members may be preferred as predecessors over others for reasons isolated to the family business. The nature of human goals combines universals with local variation and the source of variation is a mix of culture and individual differences.

#### 2.4.5. INDEPENDENT VARIABLES LITERATURE REVIEW

The literature study is aimed to understand how the family involvement through, commitment, entrepreneurial orientation and job satisfaction influences the formation and evolution of perceived success within family businesses.

### 2.5. COMMITMENT

Commitment is perhaps the most observed phenomenon of the entrepreneurial process and defining characteristic of many successful family business entrepreneurs (Cardon, Wincent, Singh & Drnovsek, 2009:512). The concept of organisational commitment has engrossed significant interest by academics in an effort to understand and shed light on the intensity and stability of family dedication to the family business (Ferreira, Basson & Coetzee, 2010:5). Almost without exception, family business owners live under enormous constant pressure, first for the family business to survive start-up, and then for the business to stay alive and finally to grow (Spinelli & Adams, 2012:39). Family member commitment has been recognised as one of the most appropriate features in next generation family members to contribute towards safeguarding the sustained success of family businesses (Eddleston, Morgan & Pieper, 2011:113). Total commitment is needed in nearly all entrepreneurial ventures. Hoy and Sharma (2010:49) view family businesses as a group of people affiliated through bonds of collective history and commitment to

share a future together while supporting the development and welfare of the individual members.

Commitment in this study specifically refers to family members, having pride in the family business, emotional attachment and a intellect of belonging to the business, and a preparedness to put in energy to ensure its success (Letele-Mataboee, 2012:16). Parente and Feola (2013:159) define commitment as the measure of energy that an individual puts into generating a new undertaking and should be understood as a different concept from entrepreneurial intention that could rather be considered as the willingness of a person to start a new business.

Commitment, placing this in the context of family businesses, refers to the extent to which family members are dedicated and committed to the future continuousness of the family business, and whether the family members are prepared to put in an further effort and make personal sacrifices to safeguard the success of the family business (Van der Merwe *et al.* 2012:6). In addition, family members who are committed to the business may probably be more willing to take part in extra-role activities, such as being creative or innovative, which often guarantees an organisation's competitiveness in the marketplace.

The family demonstrates the highest devotion in their long-term goals of business growth, success, and succession. As a result of this higher commitment, family members are typically prepared to work harder and plough part of their proceeds back into the business to allow it to grow in the long term. Families prioritise to pass their experiences, knowledge and skills to the next generations. Many family members get absorbed into the family business from a young age which raises their level of commitment and afford them with the essential tools to run their family business (Abouzaid, 2008:13). Commitment is therefore a connection with the entire organisation and not to a job or work group. It embraces an employee's belief in the organisation's goals and values, an aspiration to remain a member of the family business, and faithful to the family business (Yiing & Ahmad, 2009:56).

Commitment is defined as the personal sacrifices family members make towards the family business's survival, unity between other family members and other people in

the family business. In a wider sense it also means the acceptance of the business's norms (Letele-Matabooue, 2012:16). Cummings and Worley (2005) define commitment as something that binds family business members to behaviours associated with the intervention and which embraces initial commitment to the business, as well as recommitment over time.

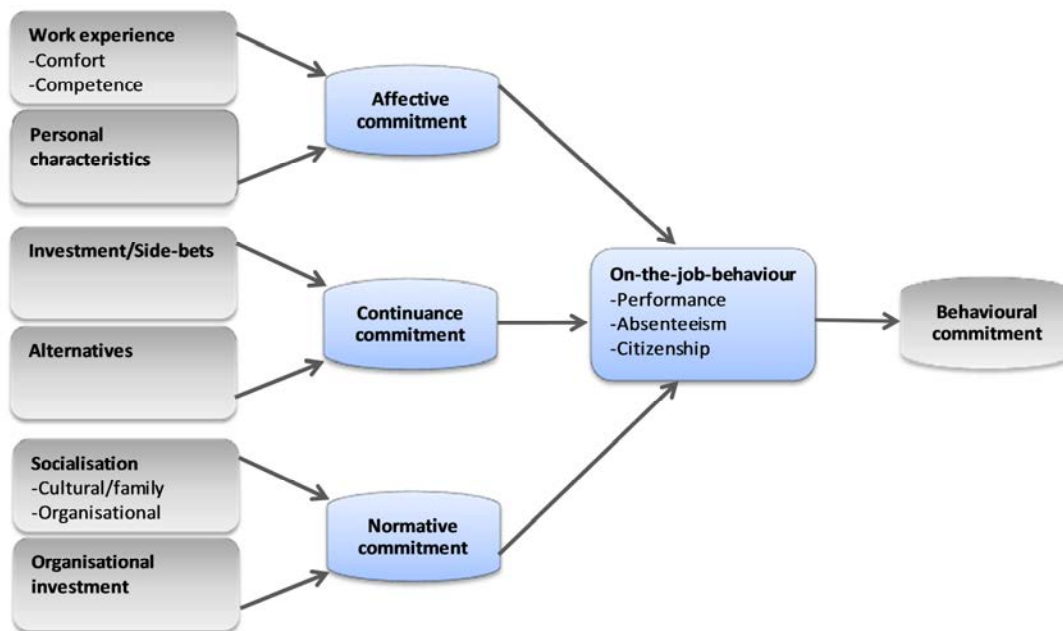
Family businesses are able to build social relationships and connections, and are known to have the honesty and commitment to keep to those relationships (Miller, Lee, Chang & Le Breton-Miller, 2009:802). The demonstration of commitment determines that family entrepreneurs follow their visions in a coherent and harmonised way (Cardon *et al.*, 2009:516), thus allowing the family business successors to identify with these visions and to activate their own efforts to contribute to their accomplishments. Family commitment to the company is thus critical to the continuousness and for the existence of the family business (Ibrahim *et al.*, 2009:9).

Family members generally have greater levels of commitment to the business. Long-serving members may have wide-ranging tacit knowledge of their trade. They tend to be more consistent and enthusiastic to make sacrifices in terms of time, money and efforts with long-term goals taken into consideration (Anderson, Jack & Dodd, 2005:135). The level of family member commitment can affect the family business's general performance and continuity considerably (Vallejo, 2008:381).

According to Melin *et al.* (2014:129), when family business owners are planning to divide shares, they are likely to want that to be linked with the promise of commitment and competence in the next generation owners to put resources to good use. In a study conducted by Krappe, Goutas and Von Schlippe (2011:37), it was found that family businesses are valued for their long-term corporate philosophies and fair working conditions. Amusingly, participants regarded family businesses as higher on commitment regardless of a perceived lower degree of ratification of processes and procedures. According to the organisational commitment literature, the encouraging conclusions of employee commitment to the firm include, amongst others, lower employee turnover, improved firm performance, higher profits and improved long-term continued existence forecasts (Vallejo, 2008:380).

In a three-component conceptualisation model of organisational commitment, Meyer and Allen (1991:61) differentiate between affective commitment, continuance commitment, and normative commitment. Meyer and Herscovitch (2001:300) conclude that commitment is characterised by distinguishable 'mind-sets' that shape the behaviour of an individual. Normative commitment is related to feelings of responsibility to stay in a family business and continuance commitment signifies the costs of exiting a family business, affective commitment refer to employees' attachment and emotional response to the family business (see **Figure 2.7**).

**Figure 2.7: A three component conceptualisation of organisational commitment**



**Source:** Adapted from Meyer and Allen (1991:61)

### 2.5.1. Affective commitment

In the collected works of family businesses, organisational commitment is commonly considered an affective or emotional connection to the family business, such that the firmly committed individual is involved and enjoys being a family member of the company (Islam, Khan, Ahmad & Ahmed (2012:4). Family members who have a high level of organisational identification have enriched feelings of belonging to the family business and are more emotionally attached to it (Lee & Sukoco, 2007:550).

Affective commitment is theorised as the person's positive feelings of identification with the company. Organisational-based emotional ownership is concerned with the individual member's feelings of possession and emotional connection to the organisation as a whole, including business culture, viewpoints of senior management, business goals and vision, reputation of the business, and company policies and procedures (Mayhew, Ashkanasy & Dan Gardner, 2007:477).

Family members who are devoted at an emotional level to the family business generally continue with the business because the relationship is seen as harmonious, which includes the objectives and moral standards of the organisation. Affective commitment development contains acknowledgement of the organisation and internalisation of organisational objectives and moral standards (Ferreira *et al.*, 2010:5).

Islam *et al.* (2012:5) further characterise affective commitment according to the following three factors:

- belief in and acceptance of the organisation's objectives and moral standards,
- a willingness to focus effort in assisting the organisation achieve its objectives, and
- a desire to conserve organisational affiliation.

Eight questions were used to measure the affective commitment level of family members. These eight questions were developed on the five-point Likert type scale varying from 5 (strongly agree) to 1 (strongly disagree).

This construct will be measured by the following eight items:

- I would be happy to spend the rest of my career with the family business.
- I enjoy discussing the family business with people outside it.

- I feel as if the family business's problems are my own.
- I do not think I could become as attached to another organisation as I am to the family business.
- I feel like "part of the family" at the family business.
- I feel emotionally attached to the family business.
- The family business has personal meaning for me.
- I feel a strong sense of belonging to the family business.

Family members with a high level of affective commitment to the family business depict a strong belief in recognition and an excitement about the business's objectives and moral standards.

#### 2.5.2. Continuance commitment

Continuance commitment is based on a family member's awareness of the costs component when leaving the family business which is based on the 'cost-avoidance' frame of mind (Sharma & Irving, 2005:20). One distinct factor of continuance commitment reveals apparent sacrifices or costs associated when leaving the firm. Meyer and Herscovitch (2001:300) argue that continuance commitment develops when family members realise that they have mount up investments that would vanish if they left the family business Sharma and Irving (2005:21) label this dimension of continuance commitment as calculative commitment. The second measurement is the recognition of the absence of substitute employment opportunities, which Sharma and Irving (2005:21) call imperative commitment. Family members continue to work with the family business since the money they add because of the time spent in the family business, not because they want to. Continuance commitment differs from affective commitment, where individuals remain with the family business because

they want to and since they are familiar with it and its principles (Ferreira *et al.*, 2010:6).

Eight questions were used to measure the continuance commitment level of family members. These eight questions were developed on the five-point Likert type scale varying from 5 (strongly agree) to 1 (strongly disagree).

- This construct will be measured by the following eight items: It would be hard for me to leave the family business right now even if I wanted to.
- My life would be disrupted if I decided I wanted to leave the family business now.
- I am afraid of what might happen if I quit my job without having another one lined up.
- It would be costly for me to leave the family business now.
- Right now, staying with the family business is a matter of necessity as much as desire.
- I feel that I have few options to consider leaving the family business.
- One of the serious consequences of leaving the family business would be scarcity of available alternatives.
- One of the major reasons I continue to work with the family business is that leaving would require personal sacrifice – another organisation may not match the overall benefits I have.

### 2.5.3. Normative commitment

The normative component is seen as the commitment family members think about ethically regarding their right to remain with the family business, in spite of how much status development or accomplishment the family business provides to the family member (Ferreira *et al.*, 2010:6). As with affective commitment, the principal behaviour revealed in the case of normative commitment is a decision to follow a career in the business. However, unlike affective commitment, the push factor is a proficient responsibility to do so rather than an inherent longing to participate in the actions.

Two aspects that might be forerunners to normative commitment are (Sharma & Irving, 2005):

- family standards related to gender and birth-order, and
- institutionalisation of standards.

Eight questions were used to measure the normative commitment level of family members. These eight questions were developed on the five-point Likert type scale varying from 5 (strongly agree) to 1 (strongly disagree).

- I think that people these days move from organisation to organisation too often.
- I believe that a person must always be loyal to his/her organisation.
- Jumping from organisation to organisation seems unethical to me.
- I believe that loyalty is important and therefore I feel a strong sense of moral obligation to remain.
- If I get another offer for a better job elsewhere I would not feel it was right to leave the family business.

- I was taught to believe in the value of remaining loyal to one organisation.
- Things were better in the days when people stayed with one organisation for most of their careers.
- I think that wanting to be “a company man” or “company woman” is sensible.

There is a sense of being locked into the family business although the family member may not perceive this negatively. The family member assents to the impelling force and is keen to create or to look after sustaining relationships. As in the case of affective commitment, the focal behaviour demonstrated in the case of normative commitment is a choice to follow a career in the family business. However, the push factor is an experienced commitment to do so rather than an inherent need to indulge in such conduct. The above supports the argument of Cardon *et al.* (2009:512) that entrepreneurial urge is primarily affective in nature.

Sharma and Irving (2005:19) summarised the three shades of commitment as follow:

- Affective commitment is centred on a strong belief in and recognition of the organisation’s objectives, combined with a longing to contribute to these objectives, and the confidence and capability to do so. In essence, the descendant “wants to” follow such an occupation.
- Normative commitment is centred on feelings of obligation to follow a career in the family business. By following a career with the family firm, the descendant tries to foster and uphold good relationships with the older generation. Descendants with high levels of normative commitment feel that they “should” follow such an occupation.
- Calculative commitment is centred on the descendants’ beliefs of substantial opportunity costs and possible loss of capital if they do not pursue a career in the family business. Descendants with high levels of calculative commitment feel that the family member “has to” follow such an occupation.

Numerous studies have shown that an organisation that accomplishes its family members' emotional needs increases their level of commitment to the business (Iqbal, 2010:17). Family member commitment, for this reason, forms one of the pillars on which a successful family business is constructed and is critical for nurturing family harmony and warranting the future continuity of the business. Family commitment is consequently critical for the continuity and survival of the family business and plays a crucial part in how family members perceive success (Ibrahim *et al.*, 2009:9).

The central point in this view is that commitment comprehends an employee's belief in the business objectives and standards, a desire to stay a family member of the business and loyal to the business (Yiing & Ahmad, 2009:56).

## **2.6. ENTREPRENEURIAL ORIENTATION**

Entrepreneurial orientation is one of the most frequently studied process-related approaches to entrepreneurship which have emerged from the strategy literature (Rauch, Wiklund, Lumpkin & Frese, 2009:761). Entrepreneurship is aligned with entrepreneurial activities such as the process by which the family members in the family businesses discover and drive new business opportunities which exist within a marketplace, revive the existing family business, or bring together new products or processes (Irava, 2010:228).

A number of studies have shown that to completely appreciate the role of entrepreneurial orientation in understanding family business performance, entrepreneurial orientation must be assessed in multivariate outlines with other variables such as autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness (Wiklund & Shepherd, 2005:71). The view is arguably in line with Chirico, Sirmon, Sciascia and Mazzola (2011:309) who studied the effect of entrepreneurial orientation and other forces on family business performance and perceived success.

The role of the family in generating a new entrepreneurial endeavour is typically discovered and driven by the entrepreneurial rather than family business literature (Nordqvist & Melin, 2010:217). Nonetheless, family business academics have shown great attention in differences in entrepreneurial orientation, which refers to an entrepreneur's abilities in reacting to opportunities shaped by external surroundings (Melin *et al.*, 2014:92).

Studying entrepreneurship within the family business setting, call for a firm level approach of which the most broadly used is the entrepreneurial orientation concept. The entrepreneurial orientation concept within family businesses has only recently gained popularity and momentum within the family business field although it has been studied in the entrepreneurship literature for over two decades. Entrepreneurial orientation studies have advanced the scholarship and discipline in research between entrepreneurship and the family business field (Irava, 2010:228).

According to Poza and Daugherty (2014:2), numerous studies across the globe found that family businesses do perform better than the nonfamily businesses. Miller and Le Breton-Miller (2005) found that long-term entrepreneurial orientation was one of the major reasons why the strongest family businesses were likely to perform better than the non-family business. The question put forward here is whether a long-term entrepreneurial orientation aid or obstructs the performance of family business? Lumpkin, Brigham and Moss (2010:255) concluded that innovativeness, pro-activeness, and autonomy are more probable to flourish in an environment where long-term principles are preferential. Risk-taking and Competitive aggressiveness were found to be less probable to be emphasised in family business where long-term principles are preferential.

The question of whether family businesses have a better propensity in the direction of entrepreneurial orientation than other forms of businesses remains of interest to family business academics. This question has been addressed by the most popular of the entrepreneurial orientation dimensions (Chrisman, Kellermanns, Chan & Liano, 2010:9):

- autonomy,

- innovativeness,
- risk-taking,
- pro-activeness, and
- competitive aggressiveness.

According to Melin *et al.* (2014:347), the three most outstanding theory frameworks engaged in family business research are the:

- resource-based view (RBV)
- agency theory, and
- organisational identity.

For example, Chirico *et al.* (2011:309) integrate entrepreneurial orientation and resource based view perspectives, Singal and Singal (2011:373) integrate agency perspectives, and Nordqvist, Marzano, Brenes, Jimenez and Fonseca-Paredes. (2011) bring together organisational identity perspectives. These theories are not only used in the entrepreneurial orientation field but also in the broader family business theoretical studies (Chrisman *et al.*, 2010:9).

From an identity perspective, many of the objectives of the family business are geared in the direction of protecting the family name and inheritance of the founders (Dyer & Whetten, 2006:785).

There appear to be two contrasting opinions of the role of entrepreneurial orientation in family businesses when taken their ability, willingness and potential to achieve success in entrepreneurial orientation activities, into account. Certain academics view the unique nature of family businesses as fundamental in fostering and others

claim that the characteristics of family businesses, such as risk-taking or hesitancy for transformation, work as inhibitors of entrepreneurial orientation (Melin *et al.*, 2014:347).

In addition to the competitive aggressiveness component, it includes innovativeness, risk taking, pro-activeness and the tendency toward autonomous action. This commitment therefore urges family members to conserve financial and other resources and to build them for the years to come (Miller & Le Breton-Miller, 2005:38).

### 2.6.1. Autonomy

Rauch *et al.* (2009:761) define autonomy as an independent action where the entrepreneurial leaders or teams of the business concentrate on new undertakings and seeing it thrive. Postmodern concepts challenge individuals as an intelligible object with natural rights and potential autonomy (Melin *et al.*, 2014:146) and organisations that depend on entrepreneurial orientation to generate new value and growth must inspire entrepreneurial conduct by letting employees act and think more freely (Gürbüz & Aykol, 2009:324).

According to McShane and Von Glinow (2010:178), businesses with high levels of autonomy provide self-determination, individuality, and freedom of choice in scheduling the work and determining the measures to be used to complete the work. Autonomy therefore creates the foundation for innovative and entrepreneurial conduct (Casillas & Morena, 2010:270). Rauch *et al.* (2009:769) support this view that autonomy inspires innovation, endorses the initiation of new undertakings and increases the competitiveness of organisations. In autonomous family businesses, family members make their own choices rather than be dependent on detailed instructions from superiors, procedure manuals or family business owners. McShane and Von Glinow (2010:13) further argue that job autonomy tend to strengthen employee motivation along with improving decision-making, commitment to change and the ability of employees to respond to organisational needs.

Family members require sufficient autonomy to engage in some or most aspects of self-leadership and probably feel more confident with self-leadership. According to Melin *et al.* (2014:353), several family business leaders create a protective culture where the leader applies substantial control. Melin *et al.* further explain that family businesses with these controlling type leaders, autonomous entrepreneurial orientation methods are not likely to offer adequate control or certainty to create buy-in.

Autonomy is therefore crucial to positively influence a family business, to identify new opportunities, to add to its present strengths, and to encourage the development of new ventures and enhanced business practices (Lassen, Gertsen & Riis, 2006:361). Five questions were used to measure the autonomy level of family members. These five questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree).

- I have enough autonomy in my job without continual supervision to do my work.
- Our family business allows me to be creative and try different methods to do my job.
- Employees (including family members) in our family business are allowed to make decisions without going through elaborate justification and approval procedures.
- Employees (including family members) in our family business are encouraged to manage their own work and have flexibility to resolve problems.
- I seldom have to follow the same work methods or steps while performing my major tasks from day to day.

## 2.6.2. Innovativeness

Research on family businesses and entrepreneurship is increasing and there is now substantiation that family businesses spend less on research and development activities than other business (McKelvie, McKenny, Lumpkin & Short, 2014:445). Research on family businesses' innovativeness and research and development costs along with product and process innovation-based activities has been observed through a competitive lens for a long period now (Melin *et al.*, 2014:446). Innovative activities help the family business to serve the consumer of their product better or at a lower price than its rivals. Placing this in context, Zahra, Hayton and Salvato (2004:363) found that long-term ownership which, permit family businesses to commit required resources for innovation, was one of the main reasons.

Innovativeness reflects a family business's trend to participate, experiment and support new concepts. It also reflects originality, research and creative processes that may cause existing and new products to start, services or technological processes to start (McFadzean, O'Loughlin & Shaw, 2005:353). This view is arguably in line with McShane and Von Glinow (2010:419) who define the characteristics as, experimenting, opportunity seeking, risk-taking, few rules and low cautiousness. As such, it can occur in the firm's products and services, operations decision-making processes, resource apportionment and tactics which improve the family business's competitiveness (Melin *et al.*, 2014:445).

In a study conducted by Lumpkin *et al.* (2010:241), it was suggested that where entrepreneurial orientation is stronger, the higher the business's innovativeness will be due to the longer time horizons wherein experimentation and creativity is unleashed. According to Gordon and Rosen (2004:230) there is a great chance of a fundamental swing in leadership style as one generation takes over from a previous generation than in public firms where leaders can be selected from a broader platform but might not have the same innovative qualities. Melin *et al.* (2014:446) argue that innovation within family businesses increases when there is a change in generational leadership. This points to a source of innovation as family businesses evolve through the generations (Melin *et al.*, 2014:131).

A study conducted by Altindag, Zehir and Acar (2011:18) on 130 Turkish family firms, it was found that entrepreneurial orientation, but more specific, innovation, have a positive impact on both the growth and financial performance on family businesses. Craig and Moores (2006:237) found that, in a study on 278 Australian family owned firms, established family businesses seem to place considerable importance on innovation practices. The businesses were found to actively manage and adjust its innovation strategies over time. In view of the study conducted by Munoz-Bullon and Sanchez-Bueno (2011:62) on 736 Canadian publicly-listed family businesses, it was found that these family businesses record lower research and development intensity compared to non-family businesses. It can therefore be argued that innovation plays a significant role in business-level entrepreneurship within family businesses (Gürbüz & Aykol, 2009:323).

When the family is also involved in the management of the business, firms are more likely to develop more radical innovation than non-family businesses (Zahra, 2005:31). Family businesses and their partners hold an open approach towards the initiatives of the other party and are prepared to join forces in order to solve combined challenges, such as research and development. This is highlighted by Lichtenthaler and Muethel (2012:1235) who explains that family businesses have been shown to be on the whole successful in the field of open innovation which earns family business consistency-based trust.

Product and service innovation is the most clearly understood form of innovation and consists of disruptive, or radical innovation, and incremental innovation (Zahra, 2005:38).

Nine questions were used to measure the level of innovation on family members. These nine questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree).

- Our family business regularly introduces new services/products/ processes.
- Our family business places a strong emphasis on new and innovative products/ services/processes.
- Our family business has increased the number of services/products offered during the past two years.
- Our family business is continually pursuing new opportunities.
- Over the past few years, changes in our processes, services and product lines have been quite dramatic.
- In our family business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.
- Our family business places a strong emphasis on continuous improvement in products/service delivery/processes.
- Our family business has a widely held belief that innovation is an absolute necessity for the business's future.
- Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.

### 2.6.3. Risk-taking

Risk is considered as either the possibility to act too fast on an unconfirmed opportunity or the possibility to miss the opportunity by not acting timeously (Mullins & Forlani, 2005:51). Risk is defined by Dewett (2004:258) as the degree to which there is doubt about whether outcomes of a decision will be realised, be it potentially

important and/or unsatisfactory where risk-taking reflects the uncertainty that is a consequence from entrepreneurial behaviours.

Entrepreneurial behaviour in the risk-taking context within family business implicates investing a significant amount of resources into a potential opportunity where there is a likelihood of failure. Thus, family business entrepreneurs must stand for a strong ability to identify the right path for their businesses where there is uncertainty (Eggers, Kraus, Hughes, Laraway & Snyckerski, 2013:531). Like entrepreneurs in general (Ucbasaran, Westhead & Wright, 2009:99), family firms may engage in multiple ventures that are sequential or concurrent. Yet, the extent to which family support may encourage or impede both the extent and nature of subsequent entrepreneurial activity is little understood. Furthermore, habitual entrepreneurs may learn different lessons from prior entrepreneurial experience depending on whether it was successful or not (Ucbasaran, Westhead, Wright & Floris, 2010:541).

Strong family relationships and a lack of resources may have a strong influence on performance in small and medium-sized family businesses and risk-taking behaviours in these businesses are likely to be different to public trading family businesses (Melin *et al.*, 2014:352).

Lumpkin *et al.* (2010:255) concluded in an investigation of how short-term versus long-term concerns might affect the entrepreneurial orientation of family businesses, that “innovativeness, pro-activeness, and autonomy are more likely to thrive in a climate where long-term values are favoured; risk taking and competitive aggressiveness, by contrast, are less likely to be highlighted in companies that manage for the long run”. This is especially interesting in light of the findings by Nordqvist *et al.* (2011). On the one hand, they concluded that family firms are most likely merely acting rationally when they transfer ownership of relatively more risky businesses to external owners. On the other hand, their study finds that firms transferred to external owners have higher long-term performance despite the fact that the firms are sold under conditions of greater uncertainty and likely face riskier futures.

In a study conducted by Claver, Rienda and Quer (2009:457) on the risk perception of 92 Spanish family businesses, it was discovered that the respondents risk perception decreases with the presence of the first generation. Research (Gomez-Mejia, Makri & Larraza-Kintana, 2010:224) on 360 United States listed family businesses, it was concluded that family businesses:

- Internationalise less than non-family businesses
- If they internationalise, then they prefer regions that are culturally close, and
- Are more willing to internationalise when business risk increases.

Zahra (2005) argues that risk aversion and an unwillingness to change works as inhibitors of entrepreneurial orientation. Zahra further argues that in view of the agency theory, the alliance of interests between family owners and managers should make family businesses more willing to participate in risk-taking ventures. From an identity view, many of the objectives of the family business are aimed at protecting the family name and legacy of the founders and include an aim to maintain a positive financial well-being and external image (Dyer & Whetten, 2006:792). The concern for retaining financial well-being for future generational and maintaining current external image may also explain the observed lower levels of risk-taking long term entrepreneurial orientations (Nordqvist & Zellweger, 2010:57).

Nine questions were used to measure the level of risk-taking and pro-activeness on family members. These nine questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree)..

- When confronted with uncertain decisions, our family business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.
- In general, our family business has a strong inclination towards high-risk projects.

- Owing to the environment, our family business believes that bold, wide-ranging acts are necessary to achieve the business' objectives.
- Employees are often encouraged to take calculated risks concerning new ideas.
- The term 'risk-taker' is considered a positive attribute for employees (including family members) in our business.
- Our family business is very often the first to introduce new products/services/processes.
- Our family business typically initiates actions that competitors respond to.
- Our family business continuously seeks out new products/processes/ services.
- Our family business continuously monitors market trends and identifies future needs of customers.

#### 2.6.4. Pro-activeness

Pro-activeness refers to an attitude of anticipating of future problems, needs and changes and acting on these upcoming needs, opportunities and requirements in the market, thereby ensuring to be a step ahead of concerning competitors which creates competitive advantage (Madsen, 2007:187). The view is arguably in line with Kropp, Lindsay and Shoham (2008:104), who describe new opportunity identification and assessment, identification and monitoring of market tendencies and new venture realisations as the activities that are accompanying pro-activeness.

According to Sharma and Sharma (2011:309), family business owners own five diverse appearances that strengthen pro-activeness within the business which are:

- a longing to sustain a positive repute for the business and the family,

- solid identification of the family with the business,
- lengthier leadership tenures,
- the family's momentous and long-lasting influence on the leading alliance, and
- the requirement to transfer the business to the new generations.

Sirmon, Hitt and Ireland (2007:273) established a test for the resource composition concept, which proposes that resources must be effectively aligned and arranged to contribute to competitive advantages and greater performance. Thus, a family business can create a competitive advantage by anticipating future demand changes. Pro-activeness includes the tendency to be the first on the market with new products or services.

To be a step ahead of competitors does not necessarily mean, or ensure, any success. The product and services first need to be accepted by the market. According to Dess and Lumpkin (2005:151) a strategy of careful analysis of the environment and extensive feasibility research is required for a proactive strategy to lead acceptance by the market and subsequently to a competitive advantage. This strategy is pro-active and can eventually lead to a first-mover advantage in the marketplace (Lumpkin *et al.*, 2010:255).

For product development and service flows, depending on which innovation style a business take on, different promoting methods are needed for perceived success. The long-term focus and patient capital mainly attributed to family businesses, indicate that opportunities be present for a dynamically continuous product innovation strategy.

Pro-active family businesses are thus business that lead rather than follow, from the time when it has the will and the foresight to take hold of new opportunities, even if it is not always the first to do so (Gürbüz & Aykol, 2009:323).

Nine questions were used to measure the level of risk-taking and pro-activeness on family members. These nine questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree)..

- When confronted with uncertain decisions, our family business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.
- In general, our family business has a strong inclination towards high-risk projects.
- Owing to the environment, our family business believes that bold, wide-ranging acts are necessary to achieve the business's objectives.
- Employees are often encouraged to take calculated risks concerning new ideas.
- The term 'risk-taker' is considered a positive attribute for employees (including family members) in our business.
- Our family business is very often the first to introduce new products/services/processes.
- Our family business typically initiates actions that competitors respond to.
- Our family business continuously seeks out new products/processes/ services.
- Our family business continuously monitors market trends and identifies future needs of customers.

#### 2.6.5. Competitive aggressiveness

Entrepreneurial orientation is a commonly used outline for the studies in the entrepreneurial field, and one of its key dimensions is competitive aggressiveness. This dimension is operationalized in questions that inquire whether family members prefer, a competitive ‘undo-the-competitors’ attitude” or, on the other hand, a ‘live-and-let-live’ attitude concerning their opponents (Poza & Daugherty, 2014:4).

Esterhuize, Van Rooyen and Haese (2008:33) define competitive aggressiveness as the ability:

- to do business at a return,
- to continue with profitmaking over a period of time, and
- to foresee opportunities and act efficiently upon such opportunities.

Competitive aggressiveness can be responsive too. For example, a new product or service entrance that is an imitation of an existing product or service would be considered entrepreneurial if the provider aims to be an aggressive, direct confrontation in the marketplace (Zellweger *et al.*, 2010:42). Family businesses that are competitively aggressive are characterised by responsiveness, which may take the form of direct confrontation, such as where other competitors have identified an opportunity (Lee & Sukoco, 2007:550). Responsiveness may also take the form of a business being reactive, for example, when a business lowers prices in response to a competitive challenge. Furthermore, competitive aggressiveness also reflects a willingness to be unconventional rather than relying on traditional methods of competing.

Nordqvist *et al.* (2011:108) find that in family firms “there are less signs of risk-taking and competitive aggressiveness in comparison to pro-activeness, innovativeness and autonomy” Being competitive is an everyday concern for entrepreneurs and at the core of entrepreneurial experience is competitive attitude.

This includes, among others, adopting unconventional tactics to challenge industry leaders, analysing and targeting a competitor's weakness and focusing on high value-added products (Lumpkin & Dess, 2001:434).

Competitive aggressiveness, as one of the dimensions of entrepreneurial orientation, refers to a business' propensity to directly and intensely challenge its competitors (Lumpkin & Dess, 2001:435) in an attempt to improve its position in the marketplace (Chang, Lin, Chang & Chen, 2007:1000). It is important to note that within the context of entrepreneurial orientation, *Competitive aggressiveness* is a reaction to competitive trends and demands that already exist in the marketplace (Lumpkin & Dess, 2001:434). It therefore translates to a response to threats from competitors.

Although closely related, Lumpkin and Dess (2001:439) feel that there is an important distinction between *Competitive aggressiveness* and *Pro-activeness* that needs to be clarified. *Pro-activeness* refers to how a business relates to market opportunities by seizing initiative and acting opportunistically in order to shape the environment, that is, to influence trends and perhaps even create demand. In contrast, *Competitive aggressiveness* refers to how businesses relate to competitors, that is, how businesses respond to trends and demands that already exist in the marketplace.

The role of the family in forming a new entrepreneurial venture is usually explored by the entrepreneurial rather than the family business (Nordqvist & Melin, 2010:215). However, Zahra (2005:25) found that family ownership and family participation endorse entrepreneurial orientation in family members better than in non-family firms. Zahra (2005:30) also found that culture is a more significant predictor of entrepreneurial orientation for family businesses than for non-family businesses.

Four questions were used to measure the level of competitive aggressiveness on family members. These four questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree).

- In dealing with competitors our family business typically adopts a very competitive "undo-the-competitor" posture.

- Our family business is very aggressive and intensely competitive.
- Our family business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.
- Our family business knows when it is in danger of acting overly aggressive (this could lead to erosion of our business's reputation or to retaliation by our competitors).

Previous research has found that family involvement in the business can positively impact diversification (Gomez-Mejia *et al.*, 2010:224). In the Chirico *et al.* (2011:317) investigation on how entrepreneurial orientation, generational involvement, and participative strategy affect performance, it was found that the source needed to be leveraged was generational involvement. Furthermore, the outcomes in this study indicate that entrepreneurial orientation, when combined with increasing generational participation, negatively affected the business's performance but when the involvement strategy was used to manage generational involvement at the same time that entrepreneurial orientation the business's performance was strong.

## **2.7. JOB SATISFACTION**

To continue to be competitive in the fast growing economy together with the ability to keep up with the speed of technological development requires employees with strong and established knowledge. What is of great significance to businesses and academics use is employee retention (Benko & Weisberg, 2007:30) where satisfied staff is less likely to pursue with a new job. Satisfied staff is more likely to give a positive assessment over their jobs, based on what has been observed and emotionally experienced within the workplace (McShane & Von Glinow, 2010:108). For this reason, examining the job satisfaction element associated with commitment, entrepreneurial orientation and perceived success is practical and valuable to the family business field.

McShane and Von Glinow (2010:108) define job satisfaction as an individual's assessment of his or her job, work circumstance, an appraisal of the perceived job characteristics and emotional experience at work. This is arguably in line with Egan, Yang and Bartlett (2004:284) who define job satisfaction as "an employee's affective reactions to a job based on comparing desired outcomes with actual outcomes".

Informality is a well-known characteristic within family businesses (Melin *et al.*, 2014:125). The bonds of loyalty and affection between family members lessen the need for controls that apply in conditions where trust cannot be guaranteed, but to the aversion of governance mechanisms, family businesses are defenceless from these illogical needs of family members which could affect job satisfaction (Gordon & Nicholson, 2008:133). Numerous family businesses do not pay adequate attention to key strategic areas and is likely to activate an undesirable spiralling effect that worsens or creates problems within both over time (Melin *et al.*, 2014:26).

Demographic characteristics and organisational culture are two overall categories believed to effect job satisfaction (Medina, 2012:4). Demographic characteristics for the purpose of this study consist of age, gender, education, earnings, and occupation. Organisational culture, an important characteristic of organisational behaviour, is valuable in clarifying how businesses function (Silverthorne, 2004:596). The cumulative level of satisfied job prospects is revealed in the level of employee job satisfaction. That is, employees expect their job to provide feelings of purpose at work and compensation, for which each family member has different preferential values (Egan *et al.*, 2004:280).

In a study on 121 Chinese family businesses Medina (2012:11) discovered that the employee turnover rate of non-family members is high and the lack of talent is serious in these family businesses. There are, as a consequence, different perceptions between family members and non-family members regarding their job security and job satisfaction within the same family businesses. Human resources and experience required to grow and maintain competitive advantage, are restricted in these firms. Unhappy or unsecure personnel may have a strong will to changing jobs when the opportunity prevails itself. Research by MacIntosh and Doherty (2010:109), indicated that job satisfaction is strongly correlated with employee's

intent to leave an organisation though Bacon (2011:2) argues that family members revealed greater job satisfaction by the accomplishment they get from their work, the scope they have for using their innovativeness and the amount of influence they have over their jobs. In general, it is acknowledged that job satisfaction and employee turnover intention are contrariwise correlated (Medina, 2012:6). Family businesses place scores of prominence on their existence (Distelberg & Sorenson, 2009:70) and family members are every so often more worried about the continuousness of the family business than non-family members in businesses are (Miller *et al.*, 2008:60; Short *et al.*, 2009:21).

In her study on sibling teams, Farrington (2009:545) concludes that if parents are alive, they can continue to exercise enormous influence on the sibling team. The respondents in Farrington's study (2009) were of the opinion that the more their parents were involved in their lives and in their relationships while they were growing up, the more likely their business is to experience growth performance, and the more likely they are to be satisfied with their current work and family relationships. In her study, she also reported that the less the parents of siblings are involved and/or interfere in the business and in the present-day relationships between the siblings, the more likely the siblings are to experience their work and family relationships as satisfying.

Greater job satisfaction is associated with greater productivity, so more satisfied employees ought to be more productive, relative to lesser-satisfied employees (Silverthorne, 2004:595). For practical and performance reasons, it is essential that organisations identify specific factors associated with employees' job satisfaction, especially in competitive, fast-paced environments (Benko & Weisberg, 2007:33).

Twenty questions were used to measure the level of job satisfaction on family members. These twenty questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree).

- Being able to keep busy all the time.
- The chance to work alone on the job.

- The chance to do different things from time to time.
- The chance to be “somebody” in the community.
- The way my boss (or family members) handles his/her workers.
- The competence of my supervisor (or other family members) in making decisions.
- Being able to do things that don’t go against my conscience.
- The way my job provides for steady employment.
- The chance to do things for other people.
- The chances to tell people what to do.
- The chance to do something that makes use of my abilities.
- The way the family business policies are put into practice.
- My pay and the amount of work I do.
- The chances for advancement on the job.
- The freedom to use my own judgement.
- The chance to try my own methods of doing the job.
- The working conditions.
- The way my co-workers (including family members) get along with each other.

- The praise I get for doing a job.
- The feeling of accomplishment I get from my job.

## 2.8. SATISFACTION WITH LIFE

This section should be read in conjunction with paragraph 2.7. Satisfaction with life is the hypercritical process where individuals evaluate the quality of their lives on the base of their own set of standards which in turn influences self-esteem at an individual level (Giebels & Janssen, 2005:137). Perceived success of the family business is a degree of personal satisfaction that family members develop from their involvement in the family business (Niehm & Miller, 2006:76). According to Nel, Werner, Haasbroek, Poisat, Sono and Schultz (2010:585) there are two main groups which contribute to job satisfaction and satisfaction with life. These are personal factors and organisational factors. Nel *et al.* (2010:585) explain that the personal factors mainly consist of:

- personality,
- status,
- seniority,
- the extent to which job characteristics are corresponding with personal characteristics.

Organisational factors refer to the following:

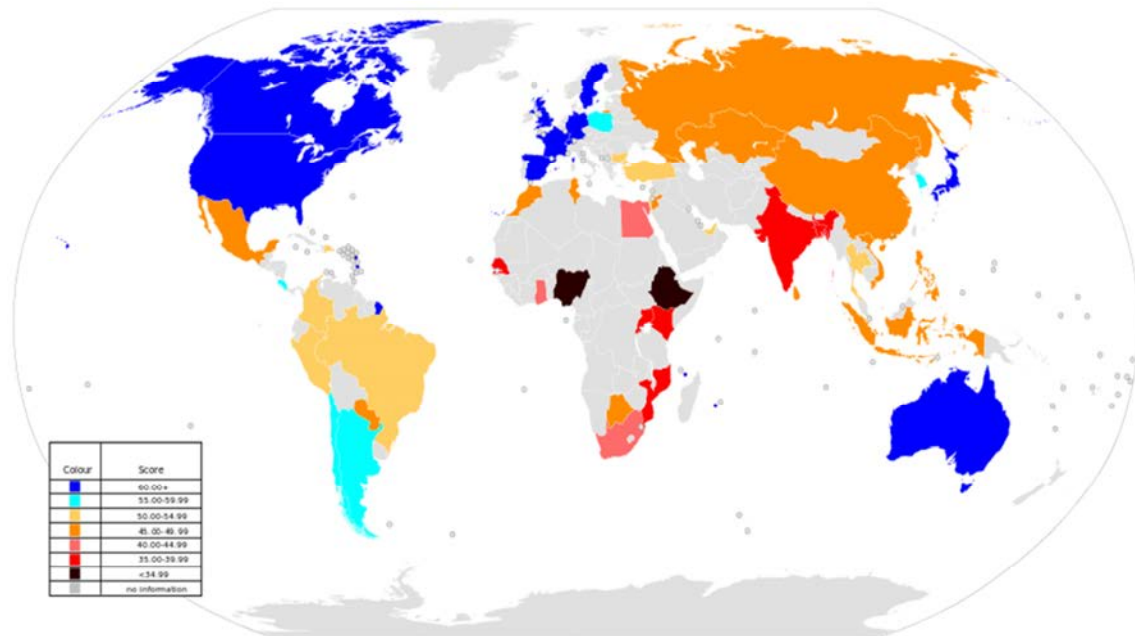
- **Pay and benefits.** In general individuals identify their remuneration as an indication what they are worth to the business.
- **The work itself.** Individuals are particular interested in challenging tasks that provide opportunities for self-actualisation when acknowledgment and respect

is shown. According to Melin *et al.* (2014:215), systematic training, mentoring, clearly stated criteria and defined transitional roles play a big role in satisfaction and subsequently on firm performance and succession.

- **The supervisor.** Satisfaction is influenced by the amount of support received from the superior leaders in the business. Mumford, Friedrich, Caughron and Antes (2009) argue that leadership is not an unbiased occurrence and most family businesses seek to train central aspects of leadership which have implicit and explicit policies in place envisioned to grow satisfaction.
- **Relationship with co-workers.** Family members with strong entrepreneurial orientation may place less emphasis on social relationships. Remuneration, working environment and support from superiors are seen as strong factors contributing to satisfaction whereas the relationship with co-workers is seen as a moderate factor. Krappe *et al.* (2011:40) show that non-family associates value the increased effort of family businesses towards social engagements and argue that family businesses are more concerned about employee satisfaction than non-family businesses.
- **Working conditions.** Factors such as overcrowded, dark, dirty and a noisy environment negatively influence satisfaction. In a study conducted by Krappe *et al.* (2011:41), it was reported that family businesses are respected for their long-term corporate way of life and fair working conditions.

There is proof that satisfaction ever so often forms a factor separate from emotional appearances of well-being (Pavot & Diener, 2009:103). Van Beuningen and Kloosterman (2011:86) argue that it is useful to measure life satisfaction separately from well-being (refer to **Figure 2.8** and **Figure 2.9**) since it is an unconnected characteristic of biased well-being and also because it associates differently to that of happiness.

**Figure 2.8: Social well-being map**



**Source:** Fehder and Stern (2013:40)

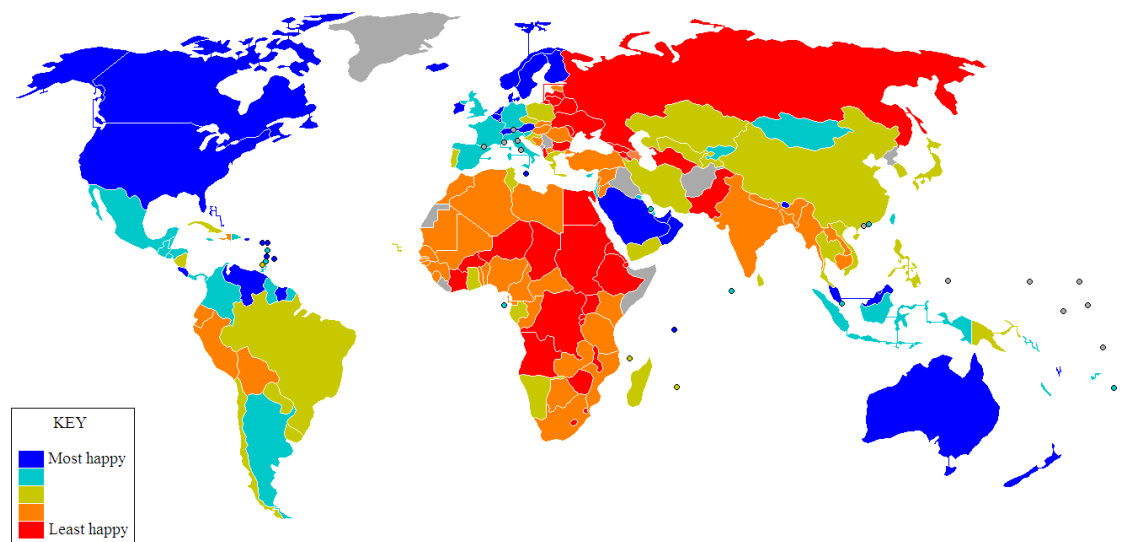
An individual person's conscious evaluation of her or his life circumstances may reflect conscious values and goals. In contrast, affective reactions may reflect unconscious motives and the influences of bodily states to a greater extent than do life satisfaction ratings. Nevertheless, there should be a degree of convergence between life satisfaction and emotional well-being because both depend on evaluative appraisals (Pavot & Diener, 2009:103).

Family members may take no notice of negative emotional reactions while still be aware of the unwanted factors in their lives. Emotional reactions are ever so often reactions to immediate factors and of short periods, whereas life satisfaction ratings can imitate a long-standing viewpoint (Pavot & Diener, 2009:103). A factor that is associated with low family satisfaction is ignoring the source of conflict (Melin *et al.*, 2014:518). Family conflicts could be seen as good and bad and remains a challenge in family businesses (McShane & Von Glinow, 2010:329). It should, however, be noted that numerous studies across the globe found that family businesses do perform better than the nonfamily businesses. According to Visser and Strydom (2010:70), family business members know that the success of the business and connection between family members are at stake when members run into conflict.

According to Molly *et al.* (2010:137), it is from conflict laden family relationships that many family business problems originate. Conflict is unavoidable but could be healthy for family business (Kaye, 2005:106). Serious conflict should, however, be dealt with accordingly and without any delays before it has a negative impact on family harmony and eventually the prolonged existence of the family business. There is adequate evidence that the management and prevention of conflict may possibly lead to a higher level of family harmony, job satisfaction and satisfaction with life in family businesses (Van der Merwe & Ellis, 2007:27). Communication and family rituals play an integral role in conflict management. Bruess (2011:1) describes communication and family rituals to be an invisible aspect, which is part of the daily interaction, of family dynamics which improve satisfaction.

A comparison of different cultures (see **Figure 2.9** and Appendix C) perceive life circumstances with a self-imposed standard or set of standards is presumably made, and to the degree that conditions match these standards, the person reports high life satisfaction. Therefore, life satisfaction is a conscious cognitive judgment of one's life in which the criteria for judgment are up to the person (Pavot & Diener, 2009:102).

**Figure 2.9: Satisfaction with life map**



**Source:** White (2007:17)

Lastly, health is reported to be one of the main predictors of global life satisfaction (Van Beuningen & Kloosterman, 2011:87). Therefore, testing whether health

measures are related to the Satisfaction with life scale provides an indication of nomological validity. Both self-reported and objective measures of health are included. The literature predicts the former will be more strongly related to the Satisfaction with life scale than the latter (Pavot & Diener, 2009:105).

The Satisfaction with life section of the questionnaire was shaped to measure satisfaction with the respondent's life overall and not satisfaction with life areas such as finances or health but permits focuses to assimilate and weight these areas in at all way they decide on. Seven questions were used to measure the level of satisfaction with life on family members. These seven questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree).

- In most ways my life is closely to my ideal.
- The conditions of my life are excellent.
- I am satisfied with my life.
- So far I have gotten the important things I want in life.
- If I could live my life over, I would change almost nothing.
- Life is worth living.
- All in all, I am satisfied with my life these days.

## **2.9. PERCEIVED SUCCESS**

The success of family businesses has in general been regarded as financial and non-financial in nature (Zellweger & Nason, 2009:205). Perceived success of the family business is the degree of personal satisfaction that family members develop from their involvement in the family business (Niehm & Miller, 2006:76). Performance is an outcome measure. A firm's success can be assessed against its anticipated goals

and the factors that lead to the perceived success (Melin *et al.*, 2014:8). Therefore, the goal performance linkage, perceived future continuity, family harmony and success factors will be explored further.

### 2.9.1. The goal performance linkage

Dedicated efforts have been made to compare performance of family to non-family businesses (Poza & Daugherty 2014:2; Carlock, 2010:20; Yu, Lumpkin, Sorenson & Brigham, 2012:33). Zellweger and Nason (2009:205) argue that performance in family business include both financial and non-financial outcomes. Even though most businesses find simultaneous achievement on both the family and business aligned goals to be a thought-provoking task, those who successfully achieve it, do well on both (Basco & Pèrez-Rodriguez, 2009:90).

While several measures have been employed to gauge the financial performance of a firm, efforts are being devoted to develop reliable measures for non-economic performances. Berrone, Cruz and Gomez-Mejia (2012:258) suggested a five-dimensional measure for non-economic goals labelled as FIBER and consist of:

- Family control and Influence
- Identification with the family firm
- Bonding social ties
- Emotional attachment, and
- Renewal of family bonds to the firm through dynastic succession.

This is arguably in line with numerous other academics who argue that non-economic goals take account of goals such as ensure occupation for family members (Cater & Justis, 2009:111; Short *et al.*, 2009:12); safeguarding the well-being of the family (Distelberg & Sorenson, 2009:70); and the need to reserve the business so that it

can be handed over to the next generation of family members (Chrisman *et al.*, 2010:14; Cater & Justis, 2009:120; Short *et al.*, 2009:21). Melin *et al.*, 2014:8; Cater and Justis, 2009:111; Short *et al.* (2009:12), however, recommend that non-economic goals such as perceived future continuity, family harmony and success take preference over goals such as progression and profitability and will be discussed further.

### 2.9.2. Perceived future continuity

Family businesses place scores of prominence on their existence (Distelberg & Sorenson, 2009:70) and family members are every so often more worried about the continuousness of the family business than non-family members in businesses are (Miller *et al.*, 2008; Short *et al.*, 2009:21). By nature, a belief system takes place with every concrete and or objective indicator of success (Farrington *et al.*, 2011:52). Academics suggest that a person's perception of whether an objective is met or not, is influenced by a belief system and thought which includes an assessment if the desired resources are available to achieve that objective (Distelberg & Sorenson, 2009:69). Family members who are devoted at an emotional level to the family business generally continue with the business because the relationship is seen as harmonious, which includes the objectives and moral standards of the organisation.

Commitment, placing this in the context of family businesses, refers to the extent to which family members are dedicated and committed to the future continuousness of the family business, and whether the family members are prepared to put in an further effort and make personal sacrifices to safeguard the success of the family business (Van der Merwe, 2013:6). The demonstration of commitment determines that family entrepreneurs follow their visions in a coherent and harmonised way (Cardon *et al.*, 2009:521), thus allowing the family business successors to identify with these visions and to activate their own efforts to contribute to their accomplishments. Family commitment to the company is thus critical to the future continuity and for the existence of the family business (Ibrahim *et al.*, 2009:9). The level of family member commitment can affect the family business' general performance and continuity considerably (Vallejo, 2008:380). Family commitment is consequently critical for the continuity and survival of the family business and plays a

crucial part in how family members perceive success (Ibrahim *et al.*, 2009:9). Also, if a family owned firm has disharmonious family relationships, the chances are high that family and non-family participants will find their participation in the family firm to be unsatisfying and the devotion to its future continuation will be negatively influenced (Farrington *et al.*, 2011:55).

In examining perceived future continuity and the factors to be considered that plays an integral part of how the perception is developed, the following stood out:

- Castillo and Wakefield (2007:37) presented a model for an effective succession plan for family businesses. The model took the following factors into consideration:
  - be able to manage relationships,
  - form a management team to lead,
  - be on the lookout for leadership, and
  - prepare the successor.
- In a study conducted by Ting (2009) whom had inspected succession in family business, Ting (2009) noted in the study that the role of the family business in the development of initiatives to be a very important factor.
- Lorna and Nicholas (2011:5) noted future continuity in family owned businesses to play a significant role and one which should not be ignored since it is responsible for a large amount of employment in many different countries.
- Several other studies (Letele-Mataboee, 2012; Slaughter, 2008; Van der Merwe & Ellis, 2007:25) note the role of relationships in family owned businesses amid perceived future continuity and family harmony. These factors contribute to the parallel alignment between family harmony and

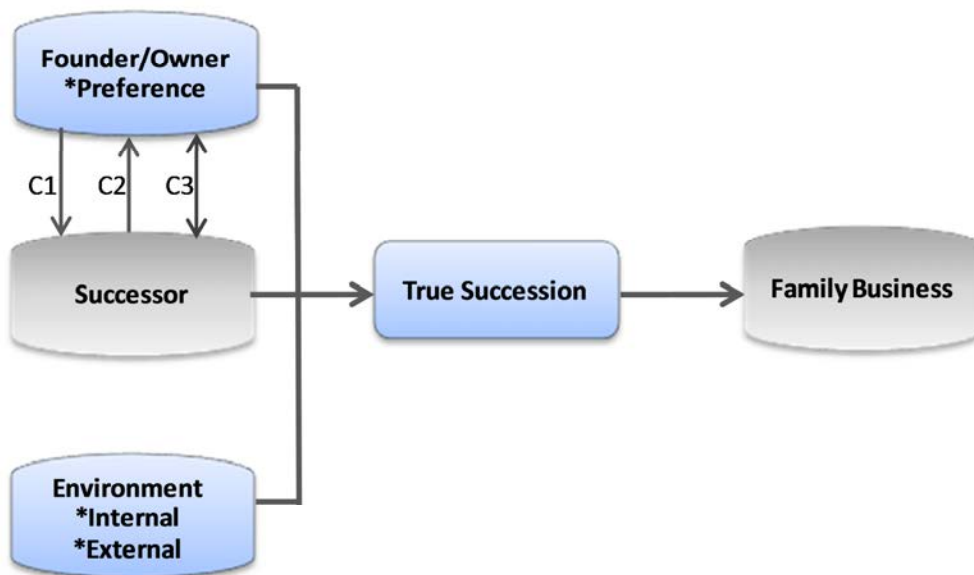
business continuity. Therefore it can be said that high levels of family harmony assist in a higher possibility that business continuity will transpire.

For the purpose of this study the following model is accepted:

Lucky, Minai and Isaiah (2011:110) proposed a conceptual framework in order to understand how perceived future continuity is developed; it is suggested that true succession within family businesses would hold three key variables and will go a long way to guarantee continuity (see **Figure 2.10**) and are as follow:

- founder,
- successor, and
- environment.

**Figure 2.10: The conceptual model**



**Source:** Lucky, Minai and Isaiah (2011:110)

C1 in **Figure 2.10** refers to scenario one where the founder is the major influential person who drives the succession process and adding pressure onto the successor

to succeed him even if the potential successor is not ready. In this scenario the founder forces his power and control onto the successor.

C2 in **Figure 2.10** refers to scenario two where the successor is this major influential person who drives the succession process and adding pressure onto the founder to release his power and control. In this scenario the successor forces his own agenda and influences onto the founder.

C3 in **Figure 2.10** refers to scenario three where there is a mutual agreement and discussion on how the founder will relinquish his power and control to the successor in a harmonious way. The successor supports the development of the shared future vision, share personal dreams and the family business continuity plan. By sharing personal dreams and the family business continuity plan with each other, will afford the family members with a sense that they have control over where they are heading to (Ward, 2004:20).

The founder, successor and the environment play a role in the perception family members develop over time. Equally, the internal and external environments must be examined and taken into consideration. Lucky *et al.* (2011:110) argue that the founder, successor and the environment are of equivalent importance in guaranteeing succession and continuity in family business ever since they mutually affect true succession. It is also essential to note that all the factors influencing family harmony may perhaps affect the continuity of the family business because family harmony effect the relationship between the owner-manager, the family and the successor (Van der Merwe & Ellis, 2007:36).

When family members are involved in the process produce the family vision, it possibly will ensure an aligned family commitment to perceived future continuity. Aligned family commitment typically requires a sequence of get-togethers which includes a comprehensive dialog of critical matters which the family will come across and includes but not limited, core values, family business philosophy and the family vision (Ward, 2004:20). Kenyon-Rouvinez and Ward (2005:47) recommend that family get-togethers have to be held in order to create a family vision.

Harmonious relationships could possibly strengthen the positive meaning of succession planning unconsciously within the owners' mind. The better the family harmony, the higher the probability that business continuity plans will be planned for (Venter, Van der Merwe, & Farrington, 2012:72).

The variable *Perceived future continuity*, will be evaluated by a five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree). The following items will be used:

- I see our family business as continuing into the future.
- I see our family business as a legacy to be handed over to future generations.
- I see our family business as a means to create wealth for future generations.
- I see our family business as a means to sustain harmonious family relationships for future generations.
- Continuing the business into the future will give future generations the opportunity to be involved in the family business.
- Continuing the business into the future will provide employment opportunities for future generations.

### 2.9.3. Family Harmony

There are many explanations for the possible variances between family businesses and non-family businesses. Strategic management and relationships varies from non-family businesses based on their structures of governance and requirements for family harmony (Carney, 2005:250). Family harmony refers to relationships between family members and is characterised by a great level of shared support, trust and carefulness about other family members' well-being and the understanding of others' opinions, and a willingness to recognise their accomplishments (Neubauer & Lank, 1998:142).

One of the major reasons why longevity of family businesses remains a concern is that the presence of family harmony has an impact on the relationship between the owner-manager, the family and the successor (Van der Merwe & Ellis, 2007:28). Goldberg (2006:187), on the other hand, indicates that the main threat to the success and survival of a family business are primarily issues related to family relationships. The foundation for relationships is developed by family harmony and includes factors such as commitment, conflict management, fairness, honesty, integrity, openness, respect, trust among family members (Van der Merwe *et al.*, 2011:71). Empirical proof suggests that harmonious relationships among family members are essential for perceived success within family businesses (Eybers, 2010; Farrington, 2009). Melin *et al.* (2014:210) suggest that there is a difference between relationships, communication, governance and family harmony. Family governance is concerned with the objectives of the family business but needs to be done in a harmonious manner.

In order to work competently and effectively has material significances for the family business and financial setups, which needs to be done in a harmonious way. Van der Merwe *et al.* (2011:75) argue that when the various stakeholders perceive the financial security of the senior generation as being satisfactory, it will lead to increased family harmony and perceived future continuity of the family business. A successful family business is one that does not extinguish or deteriorate these harmonious relationships (Hess, 2006).

In order to be successful and to survive, family members need to cherish their personal relationships with one another (Swart, 2005:38). In profound family relationships, Cabrera-Suarez (2005:71) notes, in father-son succession occur to some point midst other members of a family business too. These intimate long-term bonds help to establish the shared vision (Melin *et al.*, 2014:255). A shared vision of the family business is assembled upon the support of family trust and family harmony which in turn contribute to the perceived success of the business (Sharma *et al.*, 2012:12). Family businesses are ever so often more worried about continuousness of the business than non-family businesses are (Short *et al.*, 2009:21).

In a study conducted by Morris, Williams, Allen and Avila (1997:385) on 209 family businesses, they found and concluded that family harmony within family businesses are more important than the development of the succession strategy. In a different study on family businesses, it was found that family harmony and perceived future continuity has a strong linear relation (Slaughter, 2008:117). Chrisman has done a large survey on Canadian family business in 1998 and have found that the top distinguishing characteristics for a plausible descendant was moral integrity. This moral integrity which Chrisman refers to was a strict adherence to a moral code, transparency and family harmony. Other characterised are support, gratitude, carefulness, emotional affection and mutual aid (Farrington, 2009; Van der Merwe & Ellis, 2007:27). The absence of these appearances within the relationships midst family members in can undesirably affect the long-term sustainability of the family business (Van der Merwe & Ellis, 2007:28; Van der Westhuizen, 2009:26). This suggests that a higher level of family harmony, the bigger the likelihood that business stability and continuity will transpire (Farrington, 2009:271) and therefor, to endure and be successful, it is essential for family members to cherish their personal relationships with one another (Swart, 2005:38).

For the purpose of this study, *Family harmony* will be measured by a five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree). The construct will be measured by the following eight items:

- Our family members prefer to cooperate with each other rather than compete with one another.
- Our family members acknowledge each other's achievements.
- Our family members encourage each other to put in their best efforts.
- Our family members are emotionally attached to one another.
- Our family members support each other.

- Our family members appreciate each other.
- Our family members care about each other's wellbeing.
- Our family members get along well both inside and outside the working environment.

#### 2.9.4. Success

As family businesses are a vital benefactor to economic development and job creation, the overall knowledge and research in this field on the aspects that influence perceived success are limited and is a reason for further investigation. According to Hall and Nordqvist (2008:51), family members in family businesses have a major impact on the business, and they are a major contributor to the success rate for future continuity of such business.

Continuity and success of a family business is determined by the capability to institute and nurture relationships with all its stakeholders. It is as a result of this "caught in die middle" family relationships where numerous family issues originate that can influence success (Mollyet *al.*, 2010:132). According to Visser and Strydom (2010:70), family business members know that the success of the business and connection between family members are at stake when members run into conflict. By ensuring efficient managing of key participants, it plays an important role in attracting, holding and inspiring personnel, thus increasing efficiency which increases success.

Family businesses have not only adapted by the members to their environment in which business is conducted, but also played a noteworthy role in the development of business principles globally. The family business's adaptive ability is the reason for successes or not meeting its financial objectives (Melin *et al.*, 2014:126).

By examining the inside life of family businesses, evolutionary research records the following to determine the outcomes of perceived success:

- Strong and weak kinship bonds endure to a structured circles of social elites (Hrdy, 2009),
- The education of descendants needs the investment of adults,
- Numerous social drives help simplify genetic pool expansion and incest evading.
- Sexual choice leads to competition for competitive advantages through companion choice, between selective women and rival men.

According to Melin *et al.* (2014:127), the following universals that appear from the evolutionary family business specialists and relate to family business functioning which in turn contribute to the success of the business are:

**Kinship bonds** are a significant power that drives the family business. These bonds presence obliges the common interests of connected people.

**Gender differences** in human beings start from their unique strategic part in acquiring the generative capability of the next generation by sexual range and social role separation of work. Women are often essential players in relationships that drive the family business and function informally as chief emotional officer to recompense for their task focused male partners.

**Affinal bonds** are one of the main factors for possible exposure of family businesses by means of a partnership of varied talents. This is however one of the main platforms for potential business success.

**Parent-offspring relations** are the nepotistic nature of parents to love and encourage their children. If children had successfully bonded, they will, experience a reciprocal intimate attachment if they are still dependant (Mercer, 2005).

**Sibling competition** in most of the cases begin with parents who favourite his/her children as the child conform to the parent's wishes. Another is where a parent

invests in his fittest offspring. Parents tend to work with children which more or less have the same qualities. The above usually have a positive consequence that starts competition between siblings.

Zellweger and Nason (2009:203) argue that family business success is measured using two variables which are categorised as economic or non-economic performance. Performance is a measurement on the family firm's outcomes and its perceived success can only be measured alongside its anticipated goals (Melin *et al.*, 2014:8). In family business studies, non-economic goals, such as job satisfaction and satisfaction with life of family members, are generally linked with perceived success (Farrington *et al.*, 2011). In addition to the non-economical and nonfinancial goals that influence the perceived success of family members in family firms, factors like commitment, job satisfaction and entrepreneurial orientation contribute to the essence of the distinctiveness of the family business (Poza & Daugherty, 2014:7). Niehm and Miller (2006:76) consider the degree of personal satisfaction that family members derive from their involvement in the business to be the perceived success of the family business. They suggest that both the perceived success and the financial success should be considered when attempting to determine the success of a family business. Family member commitment has been recognised as one of the most appropriate features in next generation family members to contribute towards safeguarding the sustained success of family businesses (Eddleston *et al.*, 2011:113).

Healthy relationships with stakeholders are unique to family businesses, in so doing, making it challenging for its competitors to replicate and effectively better their performance.

Numerous studies aim to understand the conduits likely to lead to perceived success within changing environments (Au, Craig & Ramachandran; 2011; Nordqvist & Zellweger, 2010; Nordqvist *et al.*, 2011). To be a step ahead of competitors does not necessarily mean, or ensure, any success. The product and services first need to be accepted by the market. According to Dess and Lumpkin (2005:151) a strategy of careful analysis of the environment and extensive feasibility research is required for a proactive strategy to lead acceptance by the market and subsequently to a

competitive advantage. This strategy is pro-active and can eventually lead to a first-mover advantage in the marketplace (Lumpkin *et al.*, 2010:245).

In the family business field, non-economic goals, such as commitment, entrepreneurial orientation, satisfaction with life and job satisfaction of the family members involved in the business are frequently linked with perceived success (Farrington *et al.*, 2011). Melin *et al.*, 2014:8; Cater and Justis, 2009:111; Short *et al.* 2009:12), however, recommend that non-economic goals such as perceived future continuity, family harmony and perceived success take preference over goals such as progression and profitability and will be discussed further. The belief of family business perceived success is positively correlated to the size of the family business (Litz & Rajaguru, 2011).

The problems associated with measuring the perceived success in a small business are primarily caused by a lack of comparable data due to the ambiguity of “success” and by subjective biases (Hienerth & Kessler, 2006:115). Hienerth and Kessler (2006:115) state that ambiguity and lack of comparability give rise to an absence of adequate reference values, which itself favours the emergence of biased perceptions of success on the entrepreneurs’ part and for these reasons, missing, incomparable, or biased information about the performance of small companies creates shortcomings in the ensuing analysis of those companies’ strengths.

The main results and contributions from the study conducted by Danes, Stafford Haynes and Amarpurkar (2009:200) were that in the short term, family, human and financial capital contribute more to success than social capital while in the long term, family social capital, contributes more to success than human and financial capital combined.

The perception of the senior generation family members about the success of the family business is crucial for a successful management transition. Family businesses’ dream of the business is seen to be a lasting resource basis to be used by the family and possibly by numerous other generations (Distelberg & Sorenson, 2009:75).

The family members have to be clear about the positive link between the prolonged existence of the organisation and the well-being of the family (Ibrahim *et al.*, 2009:4). Family businesses should share in an attentive and sensible planned agenda of career development for the younger generation family members in order to increase the chance of the family business success over generations (Schuman, 2004:1).

Six questions were used to measure the success level of family members. These six questions were developed on the five-point Likert type scale varying from 1 (strongly disagree) to 5 (strongly agree).

- Our family business has experienced growth in turnover over the past two years.
- Our family business has experienced growth in employee numbers over the past two years.
- Our family business is profitable.
- Our family business has experienced growth in profits over the past two years.
- I regard our family business as being financially successful.
- The financial wellbeing of our family business is secure.

## **2.10. OVERVIEW**

The purpose of the literature study was to gain insight into family businesses and then to align the selected factors influencing the perceived success of small and medium-sized family business.

Chapter 3 comprises a discussion on the gathering of data followed by the development and construct of the questionnaire. The study population, data collection methodology and statistical analyses of the data will be discussed in detail in order to assure the representativeness and reliability of the results.



## **CHAPTER 3**

### **3. EMPIRICAL RESEARCH AND DISCUSSION OF RESULTS**

#### **3.1. INTRODUCTION**

Descriptive analysis will be given in this chapter of the respondents of the present study, followed by the examination of the individual research question. The outcomes will be presented in suitable table-format, portraying the key conclusions.

The purpose of this section is to present the research and practical strategy that will be executed in the quantitative study. As stated in Chapter 1, it includes the utilisation of the questionnaire, study population and sample, method of data collection and statistical procedures. The researcher directed the survey and administered a questionnaire to family members in family businesses in South Africa and more specifically the Gauteng and North-West province. The questionnaire design sustains findings of the literature study. A convenient sample of family businesses was selected.

The research results will be followed by a discussion on an analysis of the findings. The chapter ends with a conclusion on the key research findings which are in relation to the literature study.

#### **3.2. GATHERING OF DATA**

The development and construction of the questionnaire will be discussed in this section. The design of the questionnaire forms a significant part of the research design.

##### **3.2.1. Development and layout of the questionnaire**

A questionnaire is an examination instrument containing a sequence of questions for the purpose of collecting facts from respondents (Mellenbergh, 2008:211).

The construction of the questionnaire (See Appendix B: Family diagnostic questionnaire) forms an integral part of the research design which needs to be implemented correctly to ensure the objectives of the study are met. In this study, the researcher utilised a questionnaire developed by the NWU Potchefstroom Business School to analyse the selected factors influencing perceived success. The questionnaire was found to be a reliable tool to measure constructs within a family business.

This questionnaire was designed to collect information to measure the position of the underlying variables contributing to perceived success in a family business. It may form the foundation for supporting the family business in the light of its vital role in the economy, to take remedial and practical steps in order to be successful.

For the purpose of this study, three underlying variables were identified to measure the dependent variable, perceived success. These are: commitment, entrepreneurial orientation and job satisfaction. The questionnaire assessed the three underlying variables with 107 statements in total. This was done on the basis of a five-point Likert-type scale ranging from Strongly disagree (1) to Strongly agree (5).

#### 3.2.1.1. Definition of a questionnaire

Mellenbergh (2008:211) defines a questionnaire as a research instrument containing a formalised set of questions for obtaining and gathering of information from respondents. A questionnaire can differ to the level that it is standardised or custom-made to a specific organisation (Cummings & Worley, 2005:117).

In view of Cummings and Worley, a measuring questionnaire was used to evaluate the hypothesis. The selected factors influencing perceived success were assessed on the basis of a five-point Likert type scale ranging from strongly disagree as 1 and strongly agree as 5 and which test the attitude of respondents towards a particular objective (Welman *et al.*, 2011:156).

### 3.2.1.2. The theory of questionnaire design

The primary objective of this study is to examine the influence of selected factors influencing perceived success of small and medium-sized family businesses. The research was conducted utilising a questionnaire survey. Questionnaire surveys allow researchers to rapidly collect information and gain comparison, contrasts, and correlation (Melin *et al.*, 2014:464) which will be useful in the analysis of commitment, entrepreneurial orientation, job satisfaction, satisfaction with life and perceived success.

The Likert scale, introduced by Likert in 1903, is a popular scale and subsequently being used in the questionnaire of this study. Its popularity stems from the fact that it is easier to compile than any of the other attitude scales (Welman *et al.*, 2011:156). The following format was used:

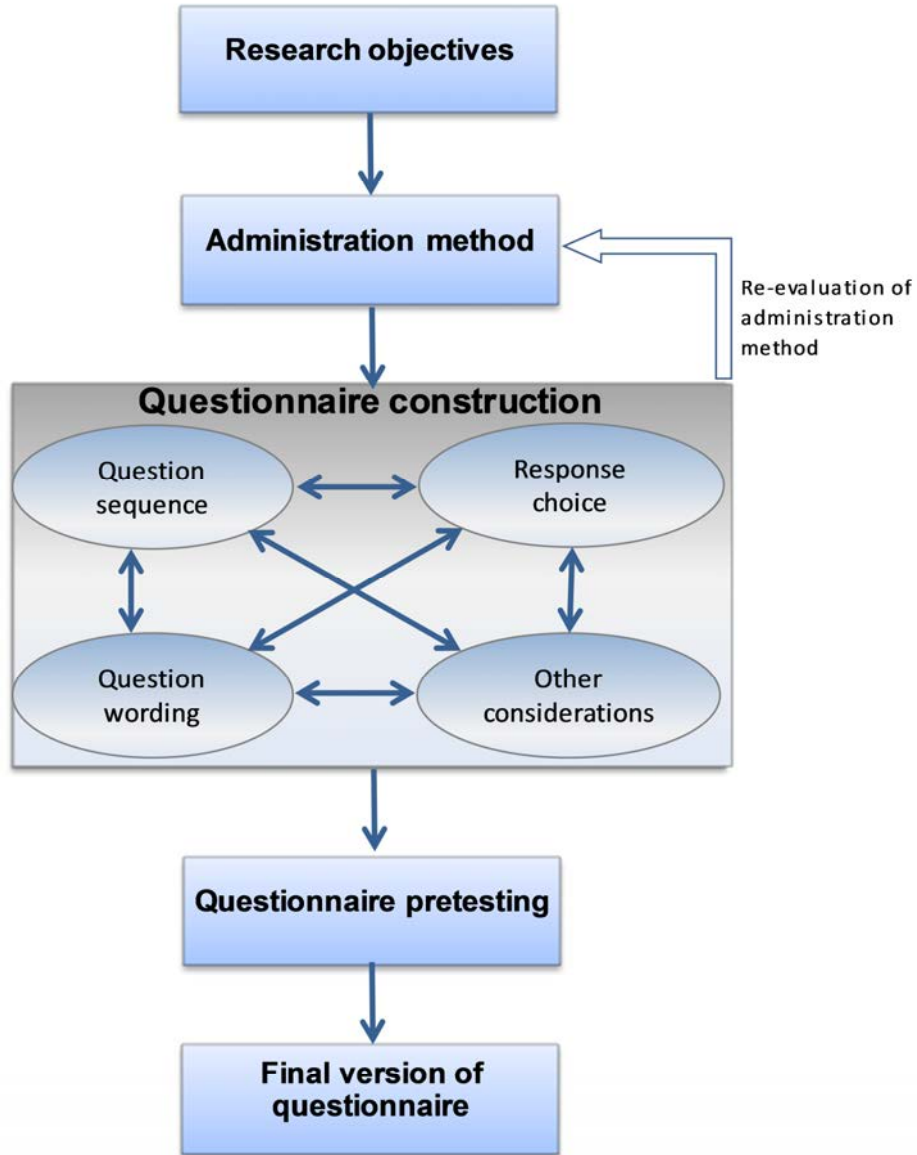
		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
A1	Statement given	1	2	3	X	5
Options given to select						

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

1 = Strongly disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly agree
-----------------------	--------------	-------------	-----------	--------------------

By answering the question, the respondent indicated which best described how he or she experienced the item.

### 3.2.1.3. Questionnaire design process



The questionnaire was constructed with the following sections, each measured according to the Likert scale:

**Section A** was designed to gather data on commitment, that employed family members have towards the family business. This section consists of 24 statements where respondents were asked to rate the degree to which they agree or disagree on the 1 to 5 point scale next to each statement.

**Section B** was designed to gather data on entrepreneurial orientation and consists of 27 statements. Respondents were asked to rate the extent to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

**Section C** was designed to gather data on job satisfaction and consists of 20 statements. Respondents were asked to rate the extent to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

**Section D** was designed to gather data and to assess how family members in family businesses view satisfaction with life and consists of 7 statements. Respondents were asked to rate the extent to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

**Section E** was designed to gather information on the dependent variable which is perceived success. The purpose of this section is to evaluate family member's perception of success in family businesses. This section consists of 20 statements and respondents were asked to rate the degree to which they agree or disagree to the statements given on the 1 to 5 point scale next to each statement.

**Section F** of the questionnaire includes demographic information of age, gender, marital status, inactive or active family business member, academic qualification and work history. This information is needed to assist with statistical analysis of the data for comparison among different interest groups.

**Section G** of the questionnaire was developed to gather specific information from the senior generation executive managers of the family business. The specific information take account of the number of permanent employees, turnover, industry, years of trading, number of generations and the legal status of the family business. The main reason for the 5 point Likert scale is to force the respondents to make a decision indicating it with a cross in the 1 to 5 point scale next to each statement. The following keys: 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 strongly agree were used in the questionnaire.

### 3.2.2. Study population

The target population of this study was intergenerational small and medium-sized family businesses in the Gauteng and North West province of South Africa. Several efforts were made to obtain a database of family businesses in South Africa but without any success. The decision was then made to make use of a convenience sample technique by means of the snowball sampling method which assisted in finding the family businesses that took part in this study.

A list of 42 family businesses consisting of 13 in the North West province and 29 in the Gauteng province based businesses, willing to participate, were compiled as a result of these efforts.

The sampling method is consistent with that of other family business researchers who have been limited by the absence of a national database on family businesses (Eybers, 2010; Farrington, 2009; Van der Merwe & Ellis, 2007:30; Adendorff, 2004; Sonfield & Lussier, 2004:200).

### 3.2.3. Data collection

Data collection is a method of collecting and evaluating data on variables of importance, in a recognized methodical manner that allows one to answer stated research questions, test theories, and assess results. While methods vary by discipline, the emphasis on ensuring accurate and honest collection remains the same. The goal for all data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posed.

Regardless of the field of study or preference for defining data (quantitative, qualitative), accurate data collection is essential to maintaining the integrity of research. Both the selection of appropriate data collection instruments (existing, modified, or newly developed) and clearly delineated instructions for their correct use reduce the likelihood of errors occurring.

A formal data collection process is necessary as it ensures that data gathered are both defined and accurate and that subsequent decisions based on arguments embodied in the findings are valid. The process provides both a baseline from which to measure and in certain cases a target on what to improve.

A total of 57 family businesses were identified and contacted to explain the need for the study and also to determine their willingness to participate in this study. A total of nine were not willing to participate, and a further six did not meet the criteria to participate. Questionnaires were emailed, and hand delivered to the family businesses willing to participate.

Each questionnaire was sent with a cover letter clarifying who may participate as respondents and the researcher undertook to keep all information confidential.

Completed questionnaires were dealt with the utmost care and confidential way possible. Participating respondents were given peace of mind for the confidential handling of all information and were told that no person, not even in the family or the business, will ever see their answers. The respondents were further notified that the value of the diagnosis depends on the honesty and open-heartedness with which the respondents answered the questions. A prepaid envelope was sent with all hand delivered questionnaires for the comfort of the respondents participating in this study. The option was also given to make use of email for means of delivery for completed questionnaires.

A total of 170 questionnaires were handed out, and 143 have been successfully completed.

#### 3.2.4. Statistical analyses of the questionnaire

The completed questionnaires were processed by the Statistical Consultation Services at the Potchefstroom Campus of the North-West University and analysed using STATISTICA (Statsoft, 2010). The completed statements in the questionnaire, were then analysed by means of descriptive statistics. The reliability of the measuring instrument was evaluated by calculating Cronbach alpha coefficients, whereas the

relationship between the independent variables (commitment, entrepreneurial orientation and job satisfaction) and the dependent variable (perceived success) was studied by means of a multiple linear regression analysis.

Statistical descriptive measures used in this study are explained in **Table 3:1**.

**Table 3.1: Statistical descriptive measures**

Independent variable	Key characteristic
<b>Commitment</b>	<b>Affective commitment</b> - the family member commits to the business because he/she wants to.
	<b>Continuance commitment</b> - the family member commits to the business because he/she feels the need to add to the business.
	<b>Normative commitment</b> - The family member commits to the business because he/she feels ought to commit.
<b>Entrepreneurial orientation</b>	<b>Autonomy</b> - support versus control from the family business.
	<b>Innovativeness</b> - the family business participate, experiment and support new concepts.
	<b>Risk-taking</b> - act fast on new opportunities with a sense of what could happen.
	<b>Pro-activeness</b> - act fast on problems, needs and opportunities to be ahead of competition
	<b>Competitive aggressiveness</b> - • to do business at a return, • to continue with profitmaking over a period of time, and • to foresee opportunities and act efficiently upon such opportunities.
<b>Job satisfaction</b>	Individual's assessment of his or her job, work circumstance, an appraisal of the perceived job characteristics and emotional experience at work.
<b>Satisfaction with life</b>	Judgmental process, in which individuals assess the quality of their lives on the basis of their own unique set of criteria.

**Source:** Levine, Stephan, Krehbiel and Berenson (2011)

### 3.3. RESPONSE TO THE SURVEY

The target population of this study was intergenerational small and medium-sized family businesses in the Gauteng and North West province of South Africa. Several efforts were made to obtain a database of family businesses in South Africa but without any success. The decision was then made to make use of a convenience sample technique by means of the snowball sampling method which assisted in finding the family businesses that took part in this study.

### 3.3.1. The representativeness and reliability of results

It is imperative to describe the representativeness of the sample after assessing all the different responses to the statements within the questionnaire. To test the reliability of the results is also important as it will reveal the context in which the results should be understood and the conclusion that naturally follows.

#### 3.3.1.1. Representativeness of the results

The researcher directed the survey and administered a questionnaire to family members in family businesses in South Africa and more specifically the Gauteng and North West province. The questionnaire design sustains findings of the literature study. A convenient sample of family businesses in South Africa was selected. A total of 143 respondents responded in 42 South African family businesses. The family business groups which have responded can therefore be considered to be representative of the South African family businesses definition as described in paragraph 2.2.

#### 3.3.1.2. Reliability of the results

The following procedures, which guarantee reliability, were complied with:

- Clear definitions of the criteria under investigation were communicated to the participants on a covering letterhead included in the questionnaire,
- The questions were designed to investigate the direct criteria under scrutiny which were commitment, entrepreneurial orientation, job satisfaction and perceived success.,
- More than one question was constructed to enquire about a specific variable.

### **3.4. RESULTS OF BIOGRAPHICAL AND DEMOGRAPHIC DATA**

The purpose of section F of the questionnaire (see Appendix B) is to describe the different participants of the sample in order to give a clear interpretation of the

individuals whom had completed the questionnaire. The questions portray the biographic and demographic information of the participants regarding age, gender, marital status, relationship to the owner of the business, highest academic qualification and previous career positions.

### 3.4.1. Location

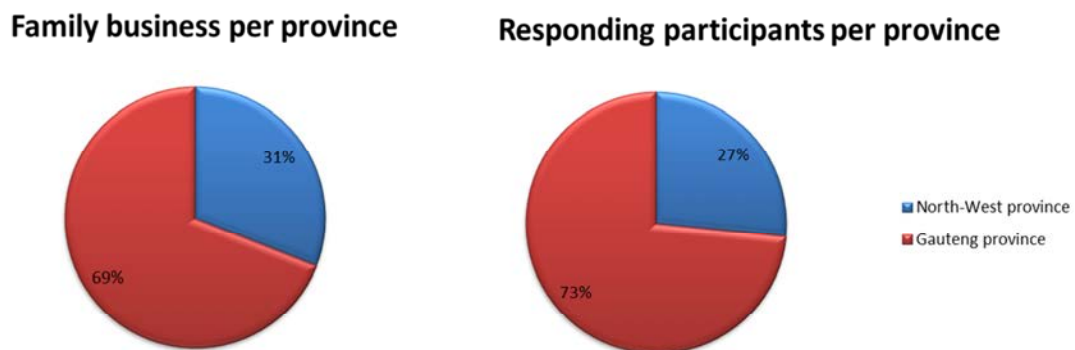
Responses were received from 42 family businesses in the North West province and Gauteng province. A total of 143 individuals responded to the questionnaires within these 42 businesses. More or less 70 % of the businesses studied, had registered offices in the Gauteng province (see **Table 3.2**).

**Table 3.2: Business and respondents distribution per province**

	Total businesses	Percentage	Respondents	Percentage
North West province	13	30.95%	38	26.57%
Gauteng province	29	69.05%	105	73.43%
<b>Total</b>	<b>42</b>	<b>100.00%</b>	<b>143</b>	<b>100.00%</b>

There were 73.43 % participating respondents in the Gauteng province compared to 26.57 % of businesses studied in the North West province, meaning that the Gauteng province based family business were on average slightly larger businesses than those that were North West based province businesses (see **Figure 3.1**).

**Figure 3.1: Business and respondents per province**



### 3.4.2. Age group categories of the respondents

Question F1 relates to the age of the participants.

- **The purpose of the question**

The purpose of question F1 in Section F of the questionnaire handed out was to determine in which age group the various respondents fall. Respondents had a choice to select one of five groups namely:

- ≤ 29
- 30-39
- 40-49
- 50-59
- 60+

- **Results attained**

**Table 3.3** presents the different age group selected between the 143 respondents which were predefined into the five age groups.

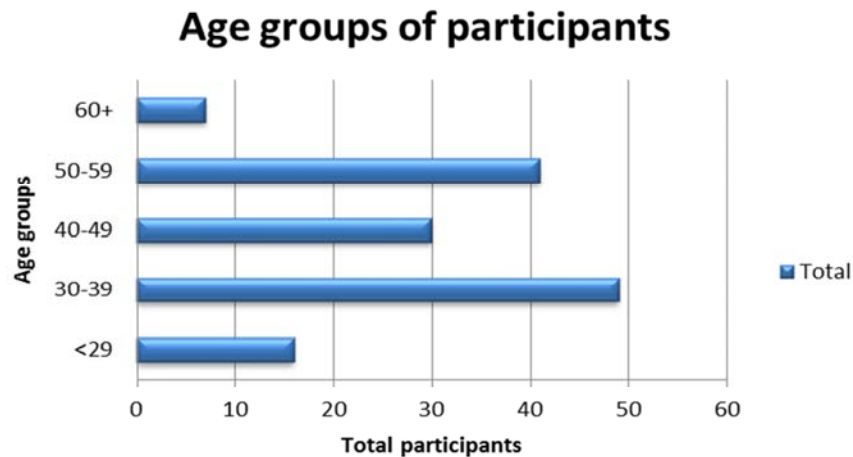
**Table 3.3: Age groups of participating family members**

Age group	Total	Percentage
<29	16	11.19%
30-39	49	34.27%
40-49	30	20.98%
50-59	41	28.67%
60+	7	4.90%
<b>Total</b>	<b>143</b>	<b>100%</b>
Mode	30-39	

- **Exploration of the results**

Sample respondents were most likely to be aged between 30 to 39, with a good representation in the 40 to 49 and 50 to 59 age groups. The age group 60 years and up were least represented being the age group where the senior generation normally exist the family business and hand it over to the next generation. The mode is in the 30 to 39 years of age bracket.

**Figure 3.2: Age groups of participants**



The majority of the 143 participants were over the age of 40 years (54.55%), 20.98% between the ages 40 and 49, 28.67% between the age 50 and 59 and 4.90% in the bracket 60 and above. The 30 to 39 age bracket was the bracket with the most participants (34.27%). The age bracket below 29 years is most probably the next generation bracket family members and the second lowest in this study. The lowest age bracket were the 60 and above bracket. The latter being the group preparing themselves to retire.

#### 3.4.3. Gender of family members

Question F2 relates to the gender of the participants.

- **The purpose of the question**

The purpose of question F2 in Section F of the questionnaire handed out was to determine and to tell apart the number of male and female respondents. Participating respondents had the choice to select between:

- Male, or
- Female

- **Results attained**

The following table (**Table 3.4**) present the participating respondents gender distribution.

**Table 3.4: Gender distribution of the family members**

Gender	Total	Percentage
Male	93	65.03%
Female	50	34.97%
<b>Total</b>	<b>143</b>	<b>100.00%</b>

- **Analysis of the results**

All the participants were family members of the family businesses studied in this paper. The majority (65.03%) of the participating respondents were male (see **Table 3.4**). The gender data was further analysed into the age brackets (see **Table 3.5**).

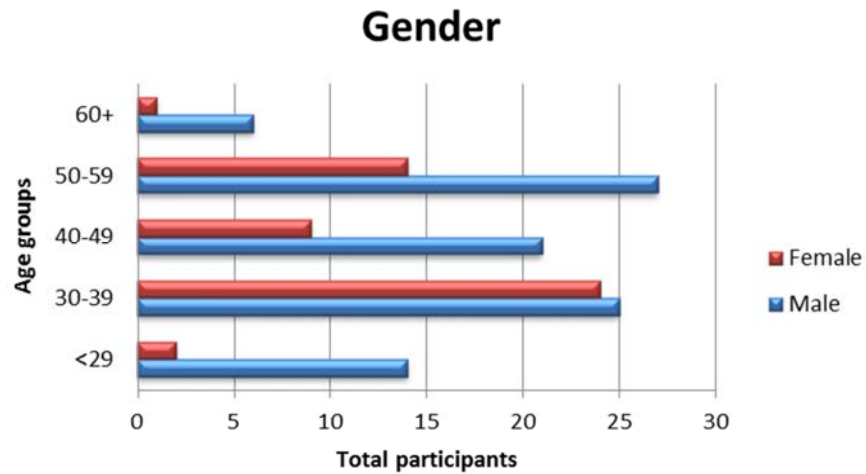
**Table 3.5: Gender to age distribution of the family members**

Age group	Male		Female		Total	Percentage
<29	14	87.50%	2	12.50%	16	11.19%
30-39	25	51.02%	24	48.98%	49	34.27%
40-49	21	70.00%	9	30.00%	30	20.98%
50-59	27	65.85%	14	34.15%	41	28.67%
60+	6	85.71%	1	14.29%	7	4.90%
<b>Total</b>	<b>93</b>	<b>65.03%</b>	<b>50</b>	<b>34.97%</b>	<b>143</b>	<b>100%</b>

Interestingly the next generation group bracket (bracket below 29 years of age) was found to have the majority amount of males (87.50%) between all age groups. The age group where both female and male were relatively even represented were the 30-39 age bracket (male 51.02% and female 48.98%).

Gender distribution can also be graphically represented as seen in **Figure 3.3**.

**Figure 3.3: Distribution of the age brackets of the participants per gender**



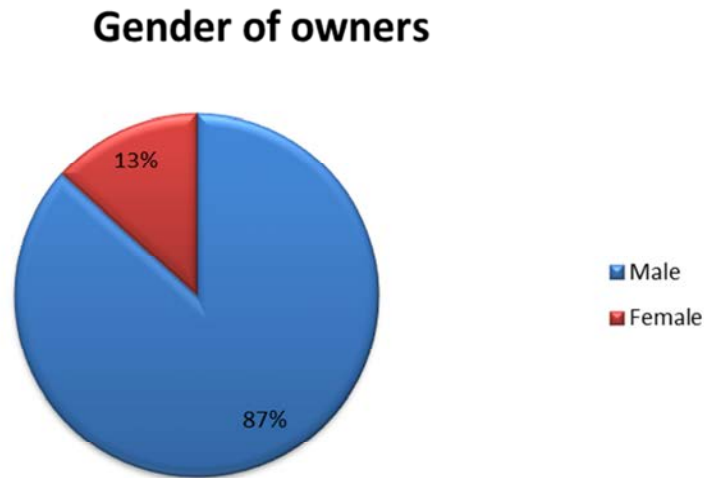
A further analysis was conducted to find the split between male and female family business owners. The vast majority (89.67%) of family business survey respondents were male (See **Table 3.6**).

**Table 3.6: Gender distribution of family business owners**

Gender of Owners	Total	Percentage
Male	39	86.67%
Female	6	13.33%
<b>Total</b>	<b>45</b>	<b>100.00%</b>

Only 13.33% of owner respondents were female. This reflects the historical gender bias inherent in the South African context. While the gender ratios may be changing, the reality is still that the majority (see **Figure 3.4**) of family business owners are male.

**Figure 3.4: Family business owners' gender distribution**



#### 3.4.4. Marital status of family members

- **The purpose of the question**

The purpose of question F3 (See Appendix B) in Section F of the questionnaire handed out was to determine the marital status of the participating respondents. The participating respondents had a choice to choose from:

- Single
- Married
- Divorce
- Widow(er)

- **Results attained**

The marital status of the participating respondents is presented in **Table 3.7**.

**Table 3.7: The marital status of family members**

Marital status of family members	Total	Percentage
Single	13	9.09%
Married	128	89.51%
Widow/er	2	1.40%
<b>Total</b>	<b>143</b>	<b>100.00%</b>

- **Analysis of the results**

From the results in **Table 3.7** it can be seen that the vast majority of family members are married (89.51%). A further 13 respondents were single (9.09%) and two (1.4%) of the participating respondents were a widow/er.

#### 3.4.5. Relationship to the owner

- **The purpose of the question**

The purpose of question F4 in Section F of the questionnaire handed out was to determine

- **Results attained**

**Table 3.8: Family member' relationship to the owner**

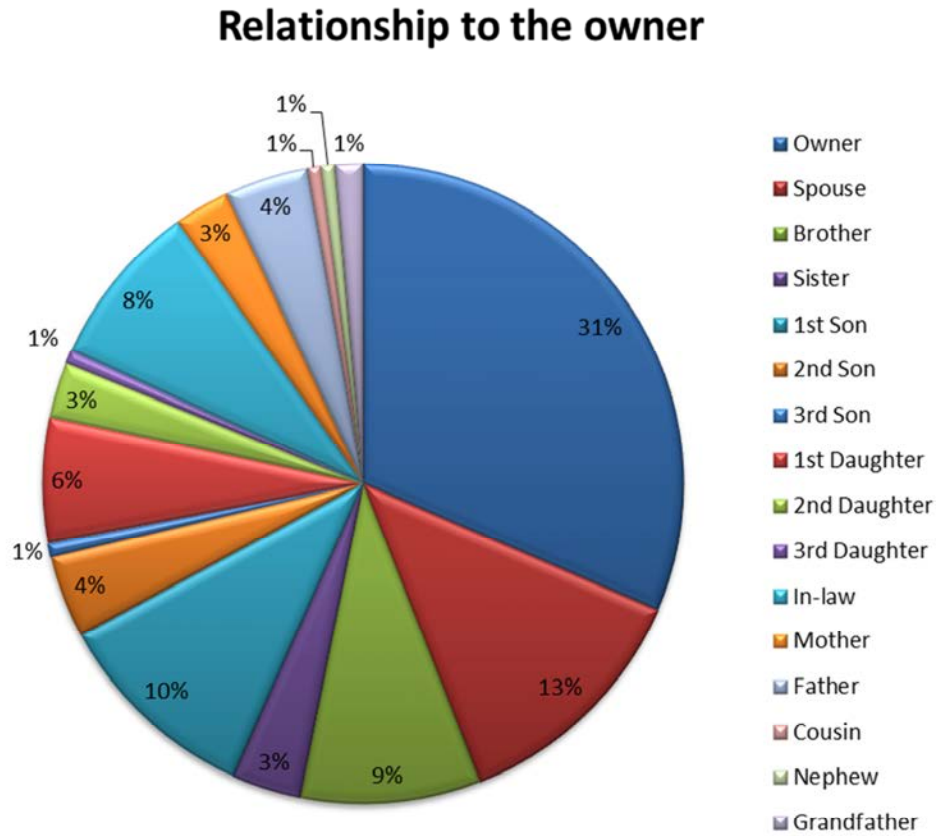
Relationship	One in the business	Two in the Business	Total	Percentage
Owner	42	3	45	31.47%
Spouse	18		18	12.59%
Brother	13		13	9.09%
Sister	5		5	3.50%
1st Son	14	1	15	10.49%
2nd Son	6		6	4.20%
3rd Son	1		1	0.70%
1 <sup>st</sup> Daughter	9		9	6.29%
2 <sup>nd</sup> Daughter	4		4	2.80%
3 <sup>rd</sup> Daughter	1		1	0.70%
In-law	12		12	8.39%
Mother	4		4	2.80%
Father	6		6	4.20%
Cousin	1		1	0.70%
Nephew	1		1	0.70%
Grandfather	2		2	1.40%
<b>Total</b>	<b>139</b>	<b>4</b>	<b>143</b>	<b>100.00%</b>

- **Analysis of the results**

The majority of the participating respondent's relationship was reported to be the Owner (31.47%). To a large extent Spouses represented 12.59% of the study and play an integral part in family businesses. A total of 10.49% of the respondents indicated to be in the first son relationship to the owner whereas the first daughters

represented 6.29% of this study. In-laws represented 8.39% of this study (see **Figure 3.5**).

**Figure 3.5: Relationship to the owner**



#### 3.4.6. Highest academic qualification

- **The purpose of the question**

The purpose of question F5 (see Appendix B) in Section F of the questionnaire handed out was to determine educational level of each participant. Participants had the choice to select their highest academic qualification being:

- Lower than matric
- Matric

- Certificate
- Diploma
- University degree
- Post graduate degree

Van Vuuren and Groenewald (2007:273) argue that educational factors usually prevent healthy entrepreneurship.

- **Results attained**

The educational level of participating respondents was examined and reported in **Table 3.9**:

**Table 3.9: Highest academic qualification**

Highest academic qualification	Total	Percentage
Lower than matric	8	5.59%
Matric	35	24.48%
Certificate	15	10.49%
Diploma	28	19.58%
Degree	39	27.27%
Post graduate degree	18	12.59%
<b>Total</b>	<b>143</b>	<b>100.00%</b>

- **Analysis of the results**

The results in **Table 3.9** show that 8 respondents have not finished their secondary education. A further 35 of the participating respondents completed matric. The remaining respondents obtained tertiary education where respondents indicated 15 (10.49%) certificates, 28 (19.58%) diplomas, 39 (27.27%) degrees and 18 (12.59%) post graduate degrees.

### 3.5. RESULTS OF STRUCTURAL INFORMATION OF FAMILY BUSINESSES

#### 3.5.1. Number of permanent employees

- **The purpose of the question**

The purpose of question G1 in Section G of the questionnaire handed out was to determine how many permanent employees are employed by the family business.

- **Results attained**

The number of employees working in the family business studied is described in **Table 3.10** and **Figure 3.6**.

**Table 3.10: Permanent employees employed by the family businesses**

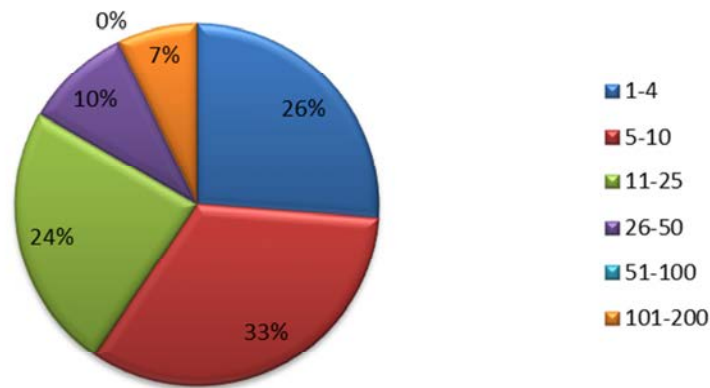
Total employees	Total	Percentage
1-4	11	26.19%
5-10	14	33.33%
11-25	10	23.81%
26-50	4	9.52%
51-100	0	0.00%
101-200	3	7.14%
<b>Total</b>	<b>42</b>	<b>100.00%</b>

- **Analysis of the results**
- 

The mode bracket for the amount of individuals employed by the family businesses is in the 5 to10 employee bracket and is an indication that this is the bracket which dominated the study followed by the 1 to 4 permanent employee bracket as can be seen in **Figure 3.6**. The 1 to 4 and 5 to10 brackets accounted for 59% of this section.

**Figure 3.6: Permanent employees**

### Total permanent employees employed



#### 3.5.2. Annual family business financial turnover

- **The purpose of the question**

The purpose of question G2 in Section G of the questionnaire handed out was to determine in which turnover per financial year the family business fall.

- **Results attained**

The turnover brackets per financial year on the family business studied is described in **Table 3.11** and **Figure 3.7**.

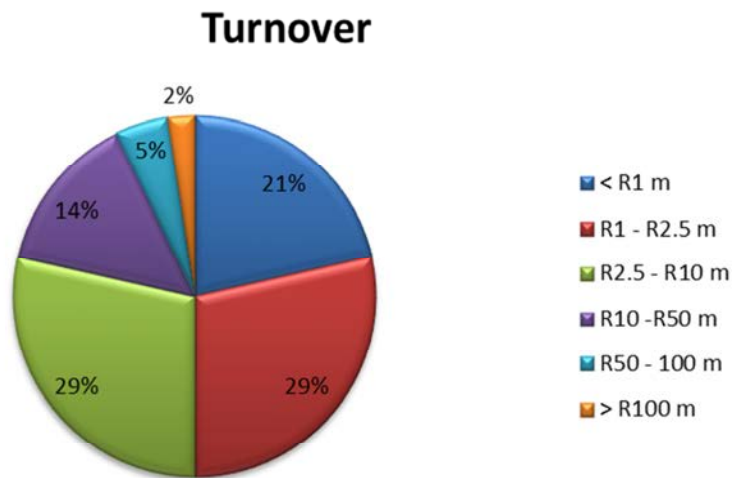
**Table 3.11: Turnover bracket of the family businesses**

Turnover	Total	Percentage
< R1 m	9	21.43%
R1 - R2.5 m	12	28.57%
R2.5 - R10 m	12	28.57%
R10 -R50 m	6	14.29%
R50 - 100 m	2	4.76%
> R100 m	1	2.38%
<b>Total</b>	<b>42</b>	<b>100.00%</b>

- **Analysis of the results**

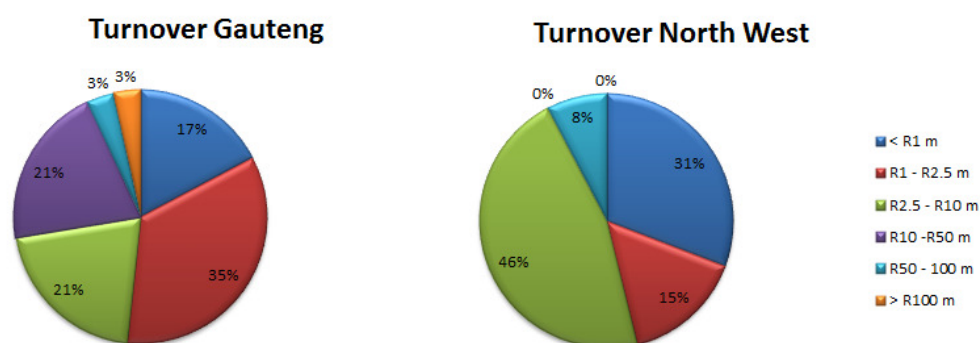
78.57% of family businesses examined were between the brackets R1 million turnover or less and R10 million. 21.43% of family businesses studied had turnovers less than R1 million a year. The R1 million to 2.5 million turnover bracket and the R2.5 million to R10 million turnover brackets each were found to be 28.57% of the study. There were two companies (one from Gauteng and one from the North-West) which had a turnover of between R50 to R100 million. One company from Gauteng surpassed the R100 million turnover bracket.

**Figure 3.7: Turnover brackets of all family businesses examined**



The Gauteng province was dominated by the R1 - R2.5 million turnover bracket (35% of the businesses examined) whereas the North West province was dominated by the R2.5 – R10 million turnover bracket 46% of the businesses examined (see **Figure 3.8**).

**Figure 3.8: Turnover per province**



### 3.5.3. Age of family businesses

- **The purpose of the question**

The purpose of question F1 in Section F of the questionnaire handed out was to determine the age distribution of the family business that had taken part of this study. It is important to know the age and number of generations of these family businesses as it could be an indication whether the business will endure to the next generation.

- **Results attained**

The results obtained from the study are presented in **Table 3.12**.

**Table 3.12: Age distribution of the participating family businesses**

Age of the family businesses	Total	Percentage
0-5 years	8	18.60%
6-10 years	6	13.95%
11-15 years	12	27.91%
16-20 years	7	16.28%
21-25 years	2	4.65%
26-30 years	2	4.65%
31-35 years	2	4.65%
36-45 years	2	4.65%
73 years	1	2.33%
271 years	1	2.33%
<b>Total</b>	<b>43</b>	<b>100.00%</b>

- **Analysis of the results**

The results in **Table 3.12** shows that 14 businesses were in the 0-10 year brackets, 19 businesses in the 11-20 year brackets, 4 business in the 21-30 year brackets, 4 in the 31-45 year brackets. There were one business that were in existence for 73 years and another business that were in their 10<sup>th</sup> generation and been in existence for 271 years.

#### 3.5.4. Number of generations that has managed and owned the family businesses

- **The purpose of the question**

The purpose of question G5 in section G of the questionnaire is to obtain information on the current generation operating the business and the existence in generations the business has survived.

- **Results attained**

The results obtained from the study regarding the number of generations are set out in **Table 3.13**.

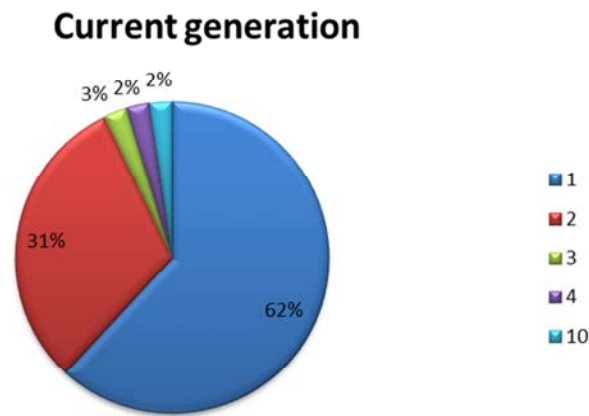
**Table 3.13: Number of generations that has managed and owned the business**

Generations	Total	Percentage
1 <sup>st</sup> Generation	26	61.90%
2 <sup>nd</sup> Generation	13	30.95%
3 <sup>rd</sup> Generation	1	2.38%
4 <sup>th</sup> Generation	1	2.38%
10 <sup>th</sup> Generation	1	2.38%
<b>Total</b>	<b>42</b>	<b>100.00%</b>

- **Analysis of the results**

The majority of the family businesses (61.90%) were in its first generation. A further 30.95% (13) of the business were management and owed by the second generation (see **Figure 3.9**).

**Figure 3.9: Number of generations that has managed and owned the business**



Only one business has reached the third, fourth and tenth generation respectively.

### 3.5.5. Legal status of the family business

- **The purpose of the question**

The purpose of question G6 in Section G of the questionnaire handed out was to determine what the legal status of the businesses studied, were. Lambrecht and Lievens (2008) see the legal status structure of the business as a strategic way to introduce outsiders in a safe mode into the business, but still remain the controlling variable.

- **Results attained**

The legal statuses of the family businesses studied are described in **Table 3.14** and **Figure 3.10**.

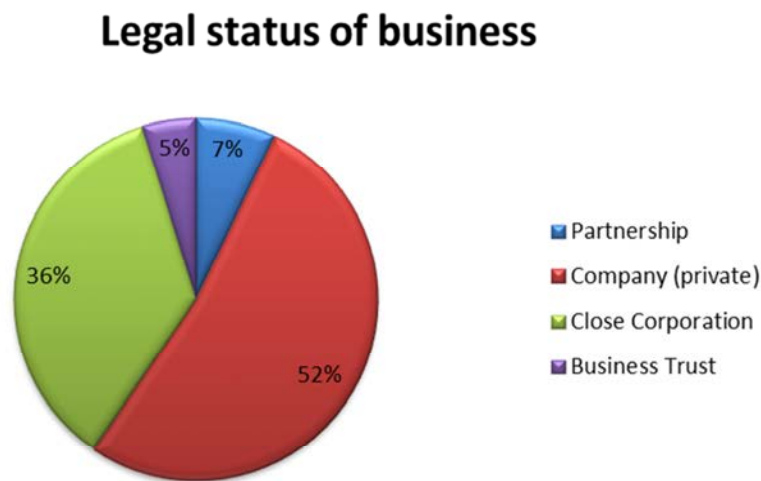
**Table 3.14: Legal statuses of the family businesses**

Legal status of business	Total	Percentage
Partnership	3	7.14%
Company (private)	22	52.38%
Close Corporation	15	35.71%
Business Trust	2	4.76%
<b>Total</b>	<b>42</b>	<b>100.00%</b>

- **Analysis of the results**

Only 7.14% of the family business analysed were partnerships. The businesses which have dominated this section were private companies registered within South Africa. Close Corporations made up 35.71% (15 businesses) of the companies which took part in the study. There were two business Trusts which made up 4.76% of the businesses and were both operating within the Gauteng province' borders (see **Graph 3.10**).

**Figure 3.10: Legal statuses of the family businesses**



### 3.5.6. Number of family members involved in the family-business group

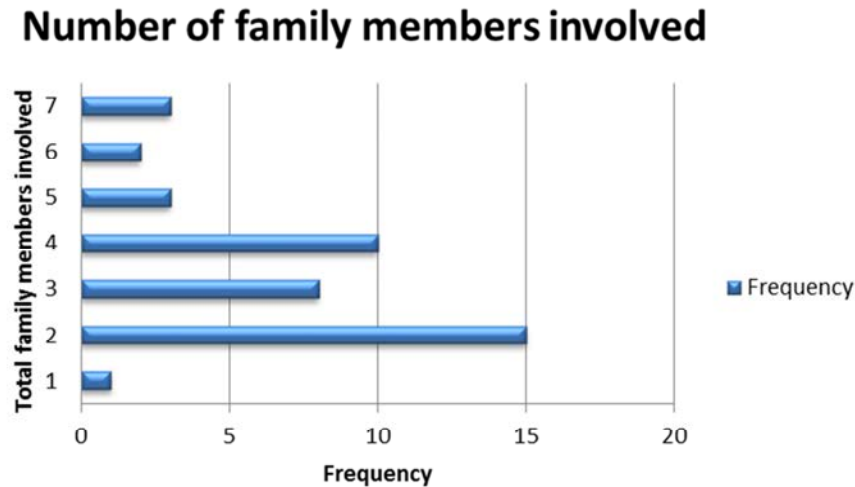
The number of active participating family members is described in **Table 3.15** and **Figure 3.11**.

**Table 3.15: Number of family members involved**

Number of family members	Frequency	Percent	Cumulative frequency	Cumulative percent
1	1	2.38%	1	2.38%
2	15	35.71%	16	38.10%
3	8	19.05%	24	57.14%
4	10	23.81%	34	80.95%
5	3	7.14%	37	88.10%
6	2	4.76%	39	92.86%
7	3	7.14%	42	100.00%
<b>Total</b>	<b>42</b>	<b>100%</b>	<b>42</b>	<b>100%</b>
Average			3.40	
Minimum			1.00	
Maximum			7.00	
Mode			2.00	
Median			3.00	
Standard deviation			1.56	

The active participating family businesses had a minimum of one family members and a maximum of 7 family members. The participating businesses had on average 3.4 active family members per business. The standard deviation of 1.56 is an indication that the participating family members are not extensively spread from the average of 3.4 family members. The median is 3 and the mode is 2 (see **Figure 3.11**).

**Figure 3.11: Number of family members involved**



### 3.6. ANALYSING FAMILY MEMBER COMMITMENT

Section A of the questionnaire (refer to Appendix B) gathered data from the participating businesses which measured the participants commitment towards the family business. The participating businesses have different perspectives on the importance of the various dimensions of commitment as they are from different industries and circumstances in which they operate. Each question of the various dimensions of commitment was measured on the following Likert-type scale:

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree

Where the participating respondent agrees or strongly agrees to a statement, it is suggested that the statement is perceived to be true within his own business setting. The various dimensions of commitment together with the arithmetic mean commitment levels measured are reported in **Table 3.16**. The arithmetic mean (hereafter referred to as the mean) is the most common measure of central tendency. The standard deviation is a further indication of how the recorded data is spread around an expected value. It indicates the average scatter around the mean in order to get hold of an accurate view without being hesitant about the effect of outliers.

**Table 3.16: The dimensions of commitment**

Commitment dimension	n	Mean	Standard deviation
Affective commitment	142	4.03	0.50
Continuance commitment	142	3.70	0.48
Normative commitment	143	3.70	0.53
<b>Average commitment levels</b>		<b>3.80</b>	<b>0.35</b>

The overall mean of the commitment level, which includes all dimension into considering, the mean values of all the dimensions is  $\bar{x} = 3.80$ , representing that most of the family members are to some degree committed to the business. The results in **Table 3.16** indicate that the construct **Affective commitment** generated the highest mean value ( $\bar{x} = 4.03$ ) and means that family members rated this construct as most positive compared to **Continuance commitment** and **Normative commitment**. **Continuance commitment** and **Normative commitment** were rated equally positive ( $\bar{x} = 3.70$ ) by family members.

### 3.6.1. Affective commitment

In section A of the questionnaire the questions a1 to a8 was used to measure the levels of **Affective commitment** in the businesses. **Table 3.17** reports the **Affective commitment** of family members and tests for positive feelings of identification with the family business.

**Table 3.17: Affective commitment levels in the participating businesses**

Question	n	Mean	Std. deviation
A1	141	4.03	0.84
A2	142	3.36	1.16
A3	141	3.87	0.87
A4	142	3.97	0.81
A5	142	4.21	0.76
A6	142	4.15	0.77
A7	142	4.27	0.65
A8	140	4.36	0.68
<b>Average</b>		<b>4.03</b>	<b>0.50</b>

Statement a1, suggested that employees are happy to spend the rest of their career within the family business. Statement a1 obtained a mean value of 4 ( $\bar{x} = 4.03$ ,  $s = 0.50$ ). Statement a2 suggested that family members to some extent do enjoy discussing the family business with people outside but obtained the lowest mean value ( $\bar{x} = 3.36$ ,  $s = 1.16$ ) in the **Affective commitment** dimension. Statement a3, to a large extent ( $\bar{x} = 3.87$ ,  $s = 0.87$ ), were positively answered where family members felt that the business problems are their own too. Statement a8 obtained the highest mean ( $\bar{x} = 4.36$ ,  $s = 0.68$ ), and indicate that all participating family members felt a strong sense of belonging to the business. The standard deviation of 0.68 indicates that the answers of the participating respondents were not widely dispersed and almost all of them felt the same.

Family members rated this construct as most positive compared to **Continuance commitment** and **Normative commitment**. From the results, with an average commitment mean of 4.03 ( $\bar{x} = 4.03$ ) it can be said that family members in SMME's maintain high sense of belonging in the family business.

### 3.6.2. Continuance commitment

In section A of the questionnaire the questions a9 to a16 was used to measure the levels of **Continuance commitment** in the businesses. **Table 3.18** reports the **Continuance commitment** levels of family members and tests for feelings which reveal apparent sacrifices or personal feelings around the costs associated when leaving the firm.

**Table 3.18: Continuance commitment levels in the participating businesses**

Question	n	Mean	Std. deviation
A9	141	4.09	0.91
A10	142	3.80	0.98
A11	142	3.94	1.01
A12	141	3.67	0.98
A13	142	3.82	0.82
A14	142	3.26	0.91
A15	142	3.30	1.08
A16	142	3.70	1.02
<b>Average</b>		<b>3.70</b>	<b>0.48</b>

The results show fairly high levels of **Continuance commitment** in the businesses ( $\bar{x} = 3.70$ ), with a standard deviation of 0.48 ( $s = 0.48$ ). This indicates that all of the participating respondents feel more or less the same on this dimension of commitment. Statement a12 ( $\bar{x} = 3.67$ ,  $s = 0.98$ ) obtained a below average mean which makes it clear that family members feel that there will not be high costs involved to leave the family business. Statement a14 has the lowest mean ( $\bar{x} = 3.26$ ,  $s = 0.91$ ) and indicates that there is a feeling that opportunities, other than to work for the family business, are available. In contrast, statement a9 indicates that family members do feel attached to the business and will find it difficult to leave the family business. There is a sense of being locked into the family business although the family member may not perceive this negatively. The family member assents to the impelling force and is keen to create or to look after sustaining relationships.

### 3.6.3. Normative commitment

In section A of the questionnaire the questions a17 to a24 was used to measure the levels of **Normative commitment** in the businesses. **Table 3.19** reports the **Normative commitment** results of the participating family members and tests for positive feelings of identification with the family business.

**Table 3.19: Normative commitment levels in the participating businesses**

Question	n	Mean	Std. deviation
A17	142	3.62	0.94
A18	142	4.04	0.96
A19	142	3.61	1.05
A20	142	3.98	0.79
A21	142	3.61	0.84
A22	143	3.70	0.86
A23	143	3.31	0.94
A24	143	3.72	0.83
<b>Average</b>		<b>3.70</b>	<b>0.53</b>

The average mean of 3.70 ( $\bar{x} = 3.70$ ) indicates that this dimension of commitment was positively answered which is seen as the commitment family members think about ethically regarding their right to remain with the family business. Statement a18 received the highest mean ( $\bar{x} = 3.70$ ) and indicate the status of development or feeling of accomplishment in the family business provides to the family members.

As with affective commitment, the principal behaviour revealed in the case of normative commitment, it is a decision to follow a career in the business. This is confirmed by statement a23 with a mean of 3.31 ( $\bar{x} = 3.31$ ) which is a decision to stay with a firm. However, unlike affective commitment, the push factor is a proficient responsibility to do so rather than an inherent longing to participate in the actions.

### 3.7. ANALYSING FAMILY MEMBER ENTREPRENEURIAL ORIENTATION

Section B of the questionnaire (refer to Annexure B) gathered data from the participating businesses which measured the participants **entrepreneurial orientation**. The participating businesses have different perspectives on the importance of the various dimensions of **entrepreneurial orientation** as they are from different industries and circumstances in which they operate. Each question of the various dimensions of **entrepreneurial orientation** was measured on the following Likert-type scale:

1	2	3	4	5
<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>

Where the participating respondent agrees or strongly agrees to a statement, it is suggested that the statement is perceived to be true within his or her own business setting.

It is prominent that some dimensions were regarded as important for some family members, such as Autonomy, while other dimensions, for some family businesses are less important, such as Risk-taking.

Where the participating respondent agrees or strongly agrees to a statement, it is suggested that the statement is perceived to be true within the participants' own business setting.

Appendix B contains the questionnaire employed for this study.  
Appendix E explains the measured constructs.

The various dimensions of entrepreneurial orientation together with the arithmetic mean levels measured are reported in **Table 3.20**. The arithmetic mean (hereafter referred to as the mean) is the most common measure of central tendency.

The standard deviation is a further indication of how the recorded data is spread around an expected value. It indicates the average scatter around the mean in order to get hold of an accurate view without being hesitant about the effect of outliers.

**Table 3.20: The dimensions of entrepreneurial orientation**

Entrepreneurial orientation	n	Mean	Standard deviation
Autonomy	143	3.79	0.57
Innovativeness	143	3.83	0.51
Risk-taking	142	3.33	0.58
Pro-activeness	142	3.67	0.58
Competitive aggressiveness	142	3.53	0.61
<b>Average Entrepreneurial orientation level</b>		<b>3.63</b>	<b>0.43</b>

The average level of all the entrepreneurial orientation dimensions is 3.63 ( $\bar{x} = 3.63$ ), with a standard deviation of 0.43 ( $s = 0.43$ ) showing that most of the family members are to some degree admitting and applying several of the dimensions of entrepreneurial orientation. The five dimensions of entrepreneurial orientation obtained the following means **Autonomy** ( $\bar{x} = 3.79$ ), **Innovativeness** ( $\bar{x} = 3.83$ ), **Risk-taking** ( $\bar{x} = 3.33$ ), **Pro-activeness** ( $\bar{x} = 3.67$ ) and **Competitive aggressiveness** ( $\bar{x} = 3.53$ ).

### 3.7.1. Autonomy

In section B of the questionnaire the questions b1 to b5 was used to measure the levels of **Autonomy** in the businesses. **Table 3.21** reports the **Autonomy** results of the participating family members and tests if family members are inspired towards innovation, endorses the initiation of new undertakings which increases the competitiveness of organisations. In autonomous family businesses, family members make their own choices rather than be dependent on detailed instructions from superior's positive feelings of identification with the family business.

**Table 3.21: Autonomy levels in the participating businesses**

Question	n	Mean	Std. deviation
B1	143	4.17	0.66
B2	143	4.01	0.81
B3	143	3.48	0.96
B4	143	3.92	0.79
B5	143	3.34	0.94
<b>Average</b>		<b>3.79</b>	<b>0.57</b>

Statement b1 accounts for a mean value of 4.17 and suggested that employees have enough autonomy within the business environment to execute tasks without continual supervision. Statement b2 had the second highest mean of 4.01 ( $\bar{x} = 4.01$ ), described that family members are allowed by the family business to be creative and to try different methods while completing tasks. Statement b5 were scored the lowest in the autonomy section with a mean of 3.34 ( $\bar{x} = 3.34$ ) and can be said that family members felt neutral about doing major tasks using the same methods. Question b3

stated that family members in the family business are allowed to make decisions without structured procedures but the results shows that family members are not encouraging these type of conducts ( $\bar{x} = 3.48$ ).

With a mean autonomy level of 3.79 ( $\bar{x} = 3.79$ ) it can be said that family members in small and medium-sized family businesses sustain high levels of autonomy but prefer managers and owners to be involved in the decision-making process.

### 3.7.2. Innovativeness

In section B of the questionnaire the questions b6 to b14 was used to measure the levels of **innovation** in the small and medium-sized family businesses. **Table 3.22** reports the **innovation** results of the participating family members.

**Table 3.22: Innovativeness in the participating businesses**

Question	n	Mean	Std. deviation
B6	143	3.79	0.87
B7	143	3.78	0.88
B8	138	3.86	0.82
B9	143	3.97	0.80
B10	143	3.44	0.93
B11	142	3.56	0.73
B12	142	3.90	0.70
B13	142	4.11	0.60
B14	141	4.05	0.59
<b>Average</b>		<b>3.83</b>	<b>0.51</b>

The results show strong levels of innovation within the participating family businesses ( $\bar{x} = 3.83$ ;  $s = 0.51$ ). All of the statements results indicate it to be very reliable. Question B13 obtained a mean of 4.11 ( $\bar{x} = 4.11$ ) which make it clear that businesses place a very strong emphasis on innovation as a necessity for the family business' future existence. Question b10 obtained the lowest mean in the innovation section of 3.44 ( $\bar{x} = 3.44$ ) and indicates that most family businesses have not undertaken much change recently. The reason for not much change could be described to the economic and political conditions within the South African environment. Statement

b14 high rate of  $\bar{x} = 4.05$  was not a surprising result compared to the overall strong level of innovation in this study. Any innovative business leader and entrepreneur pursue to maximise value from opportunities.

### 3.7.3. Risk-taking

In section B of the questionnaire the questions b15 to b19 was used to measure the levels of **innovation** in the small and medium-sized family businesses. **Table 3.23** reports the **risk-taking** results of the participating family members.

**Table 3.23: Levels of risk-taking in the participating businesses**

Question	n	Mean	Std. deviation
B15	142	3.67	0.72
B16	142	3.13	0.96
B17	142	3.42	0.89
B18	142	3.13	0.97
B19	142	3.32	0.92
<b>Average</b>		<b>3.33</b>	<b>0.58</b>

From question a15 it can be seen that the participating family businesses adopts a bold posture when confronted with uncertain decisions and are very keen to exploit opportunities ( $\bar{x} = 3.67$ ). Employees, in contrast, are not encouraged (see statement b18,  $\bar{x} = 3.13$ ) to take calculated risks for new ideas and products.

### 3.7.4. Pro-activeness

In section B of the questionnaire the questions b20 to b23 was used to measure the levels of **pro-activeness** in the small and medium-sized family businesses. **Table 3.24** reports the **pro-activeness** results of the participating family members. It is important for businesses to be aware of the conditions and activities of other businesses surrounding them in order to prepare themselves for what the future may bring.

**Table 3.24: Pro-activeness in the participating businesses**

Question	n	Mean	Std. deviation
B20	140	3.33	0.90
B21	142	3.58	0.86
B22	142	3.80	0.84
B23	142	3.97	0.74
<b>Average</b>		<b>3.67</b>	<b>0.58</b>

To an extent, there is a strong level of pro-activeness (average mean,  $\bar{x} = 3.67$ ) within the participating family members. The family members felt neutral about statement b20 ( $\bar{x} = 3.33$ ) where their firms would take a first approach in introducing new products and services although they continue (statement b23  $\bar{x} = 3.97$  to monitor market trends in order to identify consumers' future needs.

### 3.7.5. Competitive aggressiveness

In section B of the questionnaire the questions b24 to b27 was used to measure the levels of **Competitive aggressiveness** in the small and medium-sized family businesses. **Table 3.25** reports the **Competitive aggressiveness** results of the participating family members.

**Table 3.25: Competitive aggressiveness of the participating businesses**

Question	n	Mean	Std. deviation
B24	142	3.44	0.78
B25	142	3.50	0.89
B26	142	3.45	0.92
B27	140	3.72	0.83
<b>Average</b>		<b>3.53</b>	<b>0.61</b>

The results show an average mean for competitive aggressiveness ( $\bar{x} = 3.53$ ) within in the participating family businesses. Statement a24 stated that the family business do not really adopts a competitive 'undo-the-competitor posture (mean value of 3.45). The family business however knows when they are in danger of acting overly aggressive as it could lead to retaliation by competitors (mean value of 3.72). The participating family members in this study did not shown to be very competitive.

### 3.8. ANALYSING FAMILY MEMBER JOB SATISFACTION

Section C of the questionnaire (refer to Appendix B) gathered data from the participating businesses which measured the participants **job satisfaction** towards the family business. The participating businesses have different perspectives on the importance of job satisfaction as they are from different industries and circumstances in which they operate. Each question of the various dimensions of job satisfaction was measured on the following Likert-type scale:

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>

Where the participating respondent agrees or strongly agrees to a statement, it is suggested that the statement is perceived to be true within his own business setting.

The standard deviation is a further indication of how the recorded data is spread around an expected value. It indicates the average scatter around the mean in order to get hold of an accurate view without being hesitant about the effect of outliers.

#### 3.8.1. Job satisfaction

In section C of the questionnaire the questions c1 to c20 was used to measure the levels of **job satisfaction** in the small and medium-sized family businesses. **Table 3.26** reports the **job satisfaction** results of the participating family members.

**Table 3.26: Job satisfaction of the participating businesses**

Question	n	Mean	Std. deviation
C1	142	4.16	0.75
C2	143	4.01	0.81
C3	142	4.01	0.85
C4	142	3.93	0.77
C5	142	3.93	0.84
C6	143	4.03	0.81
C7	139	3.76	1.02
C8	143	4.03	0.74
C9	142	3.94	0.88
C10	143	3.52	0.94
C11	142	4.04	0.77
C12	143	3.79	0.79
C13	143	3.81	0.83
C14	143	3.83	0.82
C15	143	4.02	0.75
C16	143	3.98	0.84
C17	141	4.22	0.75
C18	139	4.11	0.80
C19	143	3.62	1.03
C20	143	4.28	0.70
<b>Average</b>		<b>3.95</b>	<b>0.53</b>

The average mean of 3.95 ( $\bar{x} = 3.95$ ) is an indication that the participating family members are really satisfied in their jobs within the various family businesses studied. The decision was then made to study this result further and will be discussed in paragraph 3.13 of this chapter.

The family members were extremely happy about the working conditions (see statement c17 with a mean value of 4.22 and a low standard deviation of 0.75 ( $\bar{x} = 4.22$ ,  $s = 0.75$ )). There is a strong agreement to statement c20 ( $\bar{x} = 4.28$ ) where participating family members have a sentiment of achievement which they obtain from their jobs and surely why they are able to keep busy all the time within this setting (see statement c1,  $\bar{x} = 4.16$ ). The participating family members also felt confident that their supervisors or other family members had the competence to make adequate decisions (see statement c6,  $\bar{x} = 4.03$ ,  $s = 0.81$ ).

Statement C10 were answered more towards neutral ( $\bar{x} = 3.52$ ,  $s = 0.94$ ) and referred to the chances the participating family members had to tell others what to do. This average mean of 3.52 might drop more if the family business owners' statements are removed.

### 3.9. ANALYSING FAMILY MEMBER SATISFACTION WITH LIFE

Section D of the questionnaire (refer to Appendix B) gathered data from the participating businesses which measured the participants' **satisfaction with life**. The participating businesses have different perspectives on the importance within the term **satisfaction-with-life** as they are from different industries and circumstances in which they operate. South Africa is a nation that is not that satisfied with their life (see Appendix D). The average of life satisfaction in economically developed nations is that the majority of people are generally satisfied, but have some areas where they very much would like some improvement. Some individuals score in this range because they are mostly satisfied with most areas of their lives but see the need for some improvement in each area. Each question of the various dimensions of satisfaction with life was measured on the following Likert-type scale:

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>

Where the participating respondent agrees or strongly agrees to a statement, it is suggested that the statement is perceived to be true within his own business setting.

The standard deviation is a further indication of how the recorded data is spread around an expected value. It indicates the average scatter around the mean in order to get hold of an accurate view without being hesitant about the effect of outliers.

### 3.9.1. Satisfaction with life

**Table 3.27: Satisfaction with life of the participating businesses**

Question	n	Mean	Std. deviation
D1	143	3.86	0.69
D2	143	3.90	0.82
D3	139	4.05	0.80
D4	143	3.91	0.80
D5	143	3.73	0.97
D6	142	4.44	0.69
D7	143	4.22	0.67
<b>Average</b>		<b>4.01</b>	<b>0.56</b>

**Table 3.27** presents an average mean of 4.01 ( $\bar{x} = 4.01$ ) and is an indication that the participating family members are satisfied with their life and not a surprising result considering the level and result obtained from **autonomy** and **job satisfaction**. Participating respondents enjoy their lives (statement d1,  $\bar{x} = 3.86$ ), feel that it is going very well and life is worth living for (see statement d6,  $\bar{x} = 4.44$ ). Furthermore, just because the person is satisfied does not mean he or she is complacent. In fact, growth and challenge might be part of the reason the respondent is satisfied. For most people in this high-scoring range, life is enjoyable, and the major domains of life are going well which includes areas of work, school, family, friends, leisure, and personal development (Pavot & Diener, 2009:103). The participating family members may draw motivation from the areas of autonomy and job satisfaction as well.

### 3.10. ANALYSING FAMILY MEMBER PERCEIVED SUCCESS

Section E of the questionnaire (refer to Appendix B) gathered data from the participating businesses which measured the participants perceived success within the family business environment. The participating businesses have different perspectives on the importance of the various dimensions of perceived success as they are from different industries and circumstances in which they operate. Each question of the various dimensions of perceived success was measured on the following Likert-type scale:

1	2	3	4	5
<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>

Where the participating respondent agrees or strongly agrees to a statement, it is suggested that the statement is perceived to be true within his own business setting.

The various dimensions of perceived success together with the arithmetic mean perceived success levels measured are reported in **Table 3.28**. The arithmetic mean (hereafter referred to as the mean) is the most common measure of central tendency. The standard deviation is a further indication of how the recorded data is spread around an expected value. It indicates the average scatter around the mean in order to get hold of an accurate view without being hesitant about the effect of outliers.

**Table 3.28: The dimensions of perceived success**

Perceived success dimension	n	Mean	Standard deviation
Future continuity	143	4.06	0.66
Harmony	143	4.13	0.58
Success	143	3.84	0.67
<b>Average Entrepreneurial orientation level</b>		<b>4.01</b>	<b>0.55</b>

The overall mean of the perceived success level, which takes all dimensions into consideration, the mean values of all the dimensions is  $\bar{x} = 4.01$ , representing that the family members are seeing their business's setting as being successful. The results in **Table 3.28** indicate that the construct **family harmony** generated the highest mean value ( $\bar{x} = 4.13$ ) and means that family members rated this construct as most positive compared to **future continuity** and **success**. The construct, **success**, were rated the lowest mean at 3.84 which is still high compared to the overall mean of 4.01

### 3.10.1. Future continuity

Perceived success dimension	n	Mean	Standard deviation
Future continuity	143	4.06	0.66
Family harmony	143	4.13	0.58
Success	143	3.84	0.67
<b>Average Entrepreneurial orientation level</b>		<b>4.01</b>	<b>0.55</b>

In section E of the questionnaire the questions e1 to e6 were used to measure the levels of **future continuity** in the businesses. **Table 3.29** reports the **future continuity** levels of family members and tests for positive feelings of identification with the family business.

**Table 3.29: Future continuity in the participating businesses**

Question	n	Mean	Std. deviation
E1	143	4.13	0.76
E2	143	4.08	0.83
E3	143	4.07	0.82
E4	143	3.92	0.86
E5	143	4.10	0.82
E6	143	4.06	0.87
<b>Average</b>		<b>4.06</b>	<b>0.66</b>

The overall sense for future continuity is very strong within the participating family businesses with an average mean of 4.06 ( $\bar{x} = 4.13$ ). There is a strong feeling that the family business under investigation will continue into the near future with its operations. This is confirmed in statement e1 with a high mean of 4.13 ( $\bar{x} = 4.13$ ). The family members felt strong towards future existence which will make opportunities for involvement available for future generations (statement e5 with a mean of 4.10) and provide employment opportunities (statement e6 with a mean of 4.06).

### 3.10.2. Harmony

In section E of the questionnaire the questions e7 to e14 were used to measure the levels of **family harmony** in the businesses. **Table 3.30** reports the **family harmony** levels of family members and tests for positive feelings of identification with the family business.

**Table 3.30: Family harmony in the participating businesses**

Question	n	Mean	Std. deviation
E7	143	4.04	0.78
E8	143	4.10	0.84
E9	143	4.15	0.73
E10	143	4.05	0.71
E11	143	4.13	0.80
E12	143	4.19	0.78
E13	142	4.22	0.73
E14	140	4.14	0.79
<b>Average</b>		<b>4.13</b>	<b>0.58</b>

The construct family harmony received the highest results of all dependant and independent variables examined in this study ( $\bar{x} = 4.13$ ). The family members agreed to the statement e13 ( $\bar{x} = 4.22$ ) to a strong sense where family members care about each other' wellbeing. The participating family members also indicated a strong level of appreciation towards each other (see statement e12,  $\bar{x} = 4.19$ ) and encourage each other to put in their best efforts (see statement e9,  $\bar{x} = 4.15$ ). A strong emphases was also placed on supporting each other (see statement e11,  $\bar{x} = 4.13$ ). It is clear from these results that the family businesses place a very strong emphasis on family harmony.

### 3.10.3. Success

In section E of the questionnaire the questions e15 to e20 were used to measure the levels of **success** in the businesses. **Table 3.31** reports the **success** levels of family members and tests for positive feelings of identification with the family business.

**Table 3.31: Success in the participating businesses**

Question	n	Mean	Std. deviation
E15	143	3.80	1.00
E16	143	3.68	0.97
E17	143	3.99	0.78
E18	140	3.79	0.94
E19	143	3.95	0.73
E20	143	3.81	0.77
<b>Average</b>		<b>3.84</b>	<b>0.67</b>

Success, although still very high with a mean of 3.83, were rated the lowest in the dimension of perceived success. The participating family members indicated that their family business were still profitable in this tough economic conditions (statement e17,  $\bar{x} = 3.99$ ). The family members had positive feelings and regarded the family business as being financially successful (statement e19,  $\bar{x} = 3.95$ ). Although still very positive, statement e16 were rated the lowest where family members has experienced growth in employee numbers over the past two years.

### 3.11. SUMMARY OF THE MEASURED CONSTRUCTS

The following table present the summary of the measured constructs of commitment, entrepreneurial orientation, Job satisfaction, Satisfaction with life and Perceived success. By observing **Table 3.32** one can easily make a comparison between the summarised constructs of this study.

**Table 3.32: Summary of the measured constructs**

Variable	n	Mean	Standard deviation
<b>Commitment</b>			
Affective commitment	142	4.03	0.50
Continuance commitment	142	3.70	0.48
Normative commitment	143	3.70	0.53
Average commitment level		3.80	0.35
<b>Entrepreneurial orientation</b>			
Autonomy	143	3.79	0.57
Innovativeness	143	3.83	0.51
Risk-taking	142	3.33	0.58
Pro-activeness	142	3.67	0.58
Competitive aggressiveness	142	3.53	0.61
Average Entrepreneurial orientation level		3.63	0.43
<b>Job satisfaction</b>			
Average job satisfaction level	143	3.95	0.53
<b>Satisfaction with life</b>			
Average satisfaction with life level	143	4.01	0.56
<b>Perceived success dimension</b>			
Future continuity	143	4.06	0.66
Family harmony	143	4.13	0.58
Success	143	3.84	0.67
Average Entrepreneurial orientation level		4.01	0.55

**Table 3.32** all show mean values over 3 ( $\bar{x} > 3$ ) with acceptable standard deviations ( $s < 0.8$ ) for all the variables and are therefore considered as acceptable for this study.

### 3.12. THE RELIABILITY OF THE MEASURING INSTRUMENT

The Cronbach Alfa coefficients were calculated in order to assess the internal consistency and the reliability between the statements in the research instrument. The Cronbach Alfa coefficient is an index that indicates the degree to which all the items as measured and tested, measures the same attribute (Struwig & Stead, 2004:132). The coefficient is based on the correlation of variables. A greater value for the coefficient indicates a higher consistency and improved reliability.

The value for Alpha varies from zero to one since it is the ratio of two variances. A value of 0.7 is the internationally acceptable standard, but when dealing with human behaviour and psychological constructs, values below 0.7 can very well be expected because of the diversity of the constructs (Field, 2009:675). A value of 0.6 can be considered acceptable for the purposes of this study. If the statements are not formulated properly and do not correlate strongly, or if the respondents in the sample do not understand the statements correctly, the Alpha coefficient may very well be close to zero to indicate poor reliability.

**Table 3.33** indicates the Cronbach Alfa coefficients obtained in this study for commitment, entrepreneurial orientation, job satisfaction, satisfaction with life and perceived success.

**Table 3.33: The Cronbach Alpha coefficients of the questionnaire**

Variable	Cronbach Alpha
Affective commitment	0.75
Continuance commitment	0.57
Normative commitment	0.71
Autonomy	0.72
Innovativeness	0.84
Risk-taking	0.65
Pro-activeness	0.64
Competitive aggressiveness	0.68
Job satisfaction	0.92
Satisfaction with life	0.84
Future continuity	0.89
Harmony	0.90
Success	0.87

From the results above it can be said that the instrument used in this study, obtained and acceptable reliability level with only one variable that obtained a level below the accepted norm of 0.6. The measurement, continuance commitment, obtained an unacceptable reliability of 0.57. The reason for the below norm reliability level could be ascribed to one of the following:

- The possibility exists that the participating family members did not understand the statements in the questionnaire.
- The participating family members may have interpreted the statements differently.
- The statements measuring continuance commitment may be irrelevant to the small and medium-sized family businesses in South Africa in which the research was conducted.

### **3.13. THE INFLUENCE OF THE SELECTED FACTORS ON PERCEIVED SUCCESS**

The primary objective of this study is to determine the influence of the selected factors influencing perceived success of small and medium-sized family businesses. From the results obtained above, one can make the statement now that there is in fact a strong relationship between these dimensions and the perceived success of the family businesses. The percentage of the total number of businesses that applies the selected factors correlates well with the percentages of the total number of businesses with good success rates.

Multiple regression analysis was used to determine the detailed relationships between the variables of entrepreneurial orientation and the variables of perceived business success.

#### **3.13.1. The influence of commitment on perceived success**

The dimensions of commitment were examined to understand what their influence was on the dependant variable's dimensions, namely, perceived success. **Table 3.34, 3.35 and 3.36** represent the multiple regression analyses.

3.13.1.1. The dimensions of commitment on perceived future continuity

**Table 3.34** represents the multiple regression analyses of the dimension of commitment on one of the dimension of perceived success which is perceived future continuity.

**Table 3.34: Multiple regression results: Impact of the dimensions of commitment on perceived future continuity**

Model	Non-standardised Coefficients		Standardized Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	0.683	0.541		1.263	0.209
Affective Commitment	0.535	0.101	0.407	5.285	0.000*
Continuance Commitment	0.125	0.104	0.091	1.204	0.230
Normative Commitment	0.205	0.098	0.163	2.097	0.038*

R<sup>2</sup> = 0.428 (\*p<0.05)

The dimension of the independent variable, commitment, examined in this study explains 42.8% of the variance in *Perceived future continuity*. As reported in **Table 3.34**, significant positive relationships are evident between the commitment dimension, *Affective commitment*, (5.285; p<0.001), and the dependent variable *Perceived future continuity*. No relationships were reported between *Continuance commitment* and *Normative commitment* and *Perceived future continuity*, respectively.

3.13.1.2. The dimensions of commitment on family harmony

**Table 3.35** represents the multiple regression analyses of the dimension of commitment on one of the dimension of perceived success which is family harmony.

**Table 3.35: Multiple regression results: Impact of the dimensions of commitment on family harmony**

Model	Non-standardised Coefficients		Standardized Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	0.768	0.442		1.737	0.085
Affective Commitment	0.570	0.083	0.497	6.881	0.000*
Continuance Commitment	0.120	0.085	0.100	1.412	0.160
Normative Commitment	0.169	0.080	0.154	2.108	0.037*

$R^2 = 0.346$  (\* $p < 0.05$ )

The dimension of the independent variable, commitment, examined in this study explains 34.6% of the variance in *family harmony*. As reported in **Table 3.35**, significant positive relationships are evident between the commitment dimension, *Affective commitment* (6.881;  $p < 0.001$ ), and the dependent variable *Family harmony*. There is a relationship between *Normative commitment* and *Family harmony* (2.108;  $P < 0.10$ ). No relationships were reported between *Continuance commitment* and *Family harmony*.

### 3.13.1.3. The dimensions of commitment on perceived success

**Table 3.36** represents the multiple regression analyses of the dimension of commitment on one of the dimension of perceived success which is family harmony.

**Table 3.36: Multiple regression results: Impact of the dimensions of commitment on success**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	1.529	0.583		2.624	0.010
Affective Commitment	0.442	0.109	0.335	4.048	0.000*
Continuance Commitment	0.035	0.112	0.025	0.313	0.755
Normative Commitment	0.110	0.106	0.087	1.038	0.301

$R^2 = 0.141$  (\* $p < 0.05$ )

The dimension of the independent variable, commitment, examined in this study explains 14.1% of the variance in *family harmony*. As reported in **Table 3.36**,

significant positive relationships are evident between the commitment dimension, *Affective commitment* (4.048;  $p < 0.000$ ), and the dependent variable *Success*. No relationships were reported between *Continuance commitment* and *Normative commitment* and *Success*, respectively.

### 3.13.2. The influence of entrepreneurial orientation on job satisfaction

**Table 3.37** represents the multiple regression analyses of the dimension of entrepreneurial orientation on job satisfaction.

**Table 3.37: Multiple regression results: Impact of the entrepreneurial orientation on job satisfaction**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	1.412	0.339		4.168	0.000
Autonomy	0.369	0.075	0.397	4.903	0.000*
Innovativeness	0.161	0.106	0.156	1.515	0.132
Risk-taking	0.069	0.086	0.074	0.797	0.427
Pro-activeness	0.070	0.089	0.076	0.793	0.429
Competitive aggressiveness	0.012	0.079	0.013	0.148	0.882

$R^2 = 0.318$  ( $*p < 0.05$ )

The dimension of the independent variable, entrepreneurial orientation, examined in this study explains 31.8% of the variance in *Job satisfaction*. As reported in **Table 3.37**, significant positive relationships are evident between the entrepreneurial orientation dimension, *Autonomy* (4.903;  $p < 0.001$ ), and the dependent variable *Job satisfaction*. No relationships were reported between *Innovativeness*, *Risk-taking*, *Pro-activeness* and *Competitive aggressiveness* and *Job satisfaction*, respectively.

### 3.13.3. The influence of entrepreneurial orientation on satisfaction with life

**Table 3.38** represents the multiple regression analyses of the dimension of entrepreneurial orientation on job satisfaction.

**Table 3.38: Multiple regression results: Impact of the entrepreneurial orientation on satisfaction with life**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	2.337	0.392		5.963	0.000
Autonomy	0.231	0.087	0.238	2.653	0.009*
Innovativeness	0.142	0.123	0.132	1.156	0.250
Risk-taking	0.174	0.100	0.181	1.749	0.083
Pro-activeness	-0.100	0.103	-0.104	-0.974	0.332
Competitive aggressiveness	0.011	0.091	0.012	0.124	0.901

R<sup>2</sup> = 0.162 (\*p<0.05)

The dimension of the independent variable, entrepreneurial orientation, examined in this study explains 16.2% of the variance in *Satisfaction with life*. As reported in **Table 3.38**, significant positive relationships are evident between the entrepreneurial orientation dimension, *Autonomy* (2.653; p<0.05), and the variable *Satisfaction with life*. There is a positive relationship reported between the entrepreneurial orientation dimension, *Risk-taking* (1.749; p<0.10), and the variable *Satisfaction with life*. No relationships were reported between *Innovativeness*, *Pro-activeness* and *Competitive aggressiveness* and *Job satisfaction*, respectively.

#### 3.13.4. The influence of entrepreneurial orientation on satisfaction with life

The dimensions of entrepreneurial orientation were examined to understand what their influence was on the dependant variable's dimensions, namely, perceived success. **Table 3.39**, **Table 3.40** and **Table 3.41** represent the multiple regression analyses.

##### 3.13.4.1. The dimensions of entrepreneurial orientation on perceived future continuity

**Table 3.39** represents the multiple regression analyses of the dimension of entrepreneurial orientation on one of the dimension of perceived success which is perceived future continuity.

**Table 3.39: Multiple regression results: Impact of the dimensions of entrepreneurial orientation on perceived future continuity**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	1.967	0.463		4.252	0.000
Autonomy	0.282	0.103	0.245	2.749	0.007*
Innovativeness	0.287	0.145	0.223	1.973	0.050*
Risk-taking	-0.008	0.118	-0.007	-0.069	0.945
Pro-activeness	-0.137	0.121	-0.119	-1.129	0.261
Competitive aggressiveness	0.130	0.107	0.119	1.206	0.230

R<sup>2</sup> = 0.172 (\*p<0.05)

The dimension of the independent variable, entrepreneurial orientation, examined in this study explains 17.2% of the variance in *Perceived future continuity*. As reported in **Table 3.39**, significant positive relationships are evident between the entrepreneurial orientation dimension, *Autonomy*; (2.749; p<0.05) and *Innovativeness* (1.973; p<0.05) and the dependent variable *Perceived future continuity*. The variable *Innovativeness* exerts the greatest influence on the *Perceived future continuity* of the family business. No relationships were reported between *Risk –taking*, *Pro-activeness* and *Competitive aggressiveness* and *Perceived future continuity*, respectively.

#### 3.13.4.2. The dimensions of entrepreneurial orientation on family harmony

**Table 3.40** represents the multiple regression analyses of the dimension of entrepreneurial orientation on one of the dimension of perceived success which is family harmony.

**Table 3.40: Multiple regression results: Impact of the dimensions of entrepreneurial orientation on family harmony**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	1.752	0.388		4.514	0.000
Autonomy	0.333	0.086	0.329	3.862	0.000*
Innovativeness	0.238	0.122	0.211	1.954	0.053
Risk-taking	0.025	0.099	0.025	0.250	0.803
Pro-activeness	0.015	0.102	0.015	0.144	0.886
Competitive aggressiveness	0.019	0.090	0.020	0.211	0.833

R<sup>2</sup> = 0.242 (\*p<0.05)

The dimension of the independent variable, entrepreneurial orientation, examined in this study explains 24.2% of the variance in *Family harmony*. As reported in **Table 3.40**, significant positive relationships are evident between the entrepreneurial orientation dimension, *Autonomy*; (3.862; p<0.001) and *Innovativeness* (1.954; p<0.05) and the dependent variable *Family harmony*. The variable *Autonomy* exerts the greatest influence on the *Perceived future continuity* of the family business. No relationships were reported between *Risk-taking*, *Pro-activeness* and *Competitive aggressiveness* and *Family harmony*, respectively.

#### 3.13.4.3. The dimensions of entrepreneurial orientation on success

**Table 3.41** represents the multiple regression analyses of the dimension of entrepreneurial orientation on one of the dimension of perceived success which is success.

**Table 3.41: Multiple regression results: Impact of the dimensions of entrepreneurial orientation on success**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	1.713	0.458		3.737	0.000
Autonomy	0.209	0.102	0.180	2.058	0.042*
Innovativeness	0.367	0.144	0.282	2.545	0.012*
Risk-taking	0.033	0.117	0.028	0.282	0.778
Pro-activeness	-0.264	0.120	-0.228	-2.200	0.029*
Competitive aggressiveness	0.223	0.106	0.202	2.095	0.038*

R<sup>2</sup> = 0.205 (\*p<0.05)

The dimension of the independent variable, entrepreneurial orientation, examined in this study explains 24.2% of the variance in *Success*. As reported in **Table 3.41**, significant positive relationships are evident with all entrepreneurial orientation dimensions and the dependent variable *Success* except for risk taking: Autonomy (2.058; p<0.10), Innovativeness (2.545; p<0.10), Pro-activeness (-2.200; p<0.10), Competitive aggressiveness (2.095; p<0.10). The variable *Innovativeness* followed by *Pro-activeness* exerts the greatest influence on the *Success* of the family business.

### 3.13.5. The influence of commitment on job satisfaction

The dimensions of commitment were examined to understand what their influence was on job satisfaction. **Table 3.42** represents the multiple regression analyses of the dimensions of commitment on job satisfaction.

**Table 3.42: Multiple regression results: Impact of commitment on job satisfaction**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	2.288	0.447		5.114	0.000*
Affective Commitment	0.482	0.084	0.454	5.743	0.000*
Continuance Commitment	-0.123	0.086	-0.110	-1.427	0.156
Normative Commitment	0.048	0.081	0.047	0.595	0.553

R<sup>2</sup> = 0.216 (\*p<0.05)

The dimension of the independent variable, commitment, examined in this study explains 21.6% of the variance in *job satisfaction*. As reported in **Table 3.42**, significant positive relationships are evident between the commitment dimension, *Affective commitment*, (5.743;  $p < 0.001$ ), and the dependent variable *Job satisfaction*. No relationships were reported between *Continuance commitment* and *Normative commitment* and Job satisfaction, respectively.

### 3.13.6. The influence of commitment on satisfaction with life

The dimensions of commitment were examined to understand what their influence was on satisfaction with life. **Table 3.43** represent the multiple regression analyses of the dimensions of commitment on satisfaction with life.

**Table 3.43: Multiple regression results: Impact of commitment on satisfaction with life**

Model	Non-standardised Coefficients		Standardised Coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	1.852	0.456		4.064	0.000
Affective Commitment	0.546	0.085	0.493	6.399	0.000*
Continuance Commitment	-0.069	0.088	-0.059	-0.789	0.432
Normative Commitment	0.059	0.083	0.055	0.712	0.478

$R^2 = 0.256$  (\* $p < 0.05$ )

The dimension of the independent variable, commitment, examined in this study explains 25.6% of the variance in *satisfaction with life*. As reported in **Table 3.43**, significant positive relationships are evident between the commitment dimension, *Affective commitment*, (6.399;  $p < 0.001$ ), and the dependent variable *Satisfaction with life*. No relationships were reported between *Continuance commitment* and *Normative commitment* and *satisfaction with life*, respectively.

### 3.14. RELATIONSHIP BETWEEN SELECTED DEMOGRAPHIC VARIABLES, DEPENDENT AND INDEPENDENT VARIABLES

When taking section 3.4.3. (Gender of family members) into consideration, it was decided to conduct an independent *t*-test on the variance in the means of variables.

The *t*-test tests for statistical significance and which is indicated as “*p*-values” and effect size which is indicated as “*d*-values”. The statistical significance concludes between the expressed opinions of the particular demographic variables and the different construct variables assessing the dependent and independent variables. The simple conservative approach was used for the purpose of this study where the *t*-test does not assume equal variances (Elliott & Woodward, 2007:59).

Ellis and Steyn (2003:51) stated that statistical significance tests show the trend to yield small *p*-values (indication of significance) as the proportions of the data set increases, while the effect size is independent of sample size and measures practical significance. Therefore a small *p*-value, for example smaller than 0.05, will be accepted to indicate statistical significance. Cohen's guidelines will be utilised to interpret effect sizes (*d*), as follows: small effect (*d* = 0.2), medium effect (*d* = 0.5) and large effect (*d* = 0.8). Since the effect size is the result of a difference having a large effect the results with medium effects can be regarded as visible effects and results where *d* > 0.8 as practically significant (Field, 2009:32).

The relationship between genders, the five independent variables of entrepreneurial orientation and the two dependent variables of perceived business success will be measured in this study.

### **3.15. Relationship between variables and the gender of respondents.**

As mentioned in section 3.4.3., a total of 93 male and 50 female respondents partook in this study. **Table 3.44** specifies the relationship between the various independent variables of commitment, entrepreneurial orientation, job satisfaction and satisfaction with life combined with the collective dependent variables of perceived business success and the demographic variable of gender. To indicate any difference in opinion between male and female respondents, the amount of participants (*n*), mean values ( $\bar{x}$ ) and standard deviation (*s*) of the various variables were calculated separately. The *t*-test tests for statistical significance are indicated as “*p*-values” and effect size which is indicated as “*d*-values”.

**Table 3.44: Relationship between the independent and dependent variables with the demographic variable of gender.**

Variable	Male			Female			Comparison	
	n	Mean	s	n	Mean	s	p	d
Affective Commitment	92	4.057	0.487	50	3.973	0.536	0.359	0.156
Continuance Commitment	92	3.680	0.486	50	3.725	0.474	0.590	0.093
Normative Commitment	93	3.608	0.506	50	3.860	0.527	0.007	0.479
Autonomy	93	3.783	0.596	50	3.792	0.538	0.922	0.016
Innovativeness	93	3.801	0.488	50	3.874	0.560	0.438	0.130
Risk-taking	93	3.270	0.568	49	3.452	0.588	0.077	0.310
Pro-activeness	93	3.612	0.541	49	3.780	0.634	0.117	0.264
Competitive aggressiveness	93	3.491	0.570	49	3.597	0.675	0.349	0.157
Job Satisfaction	93	3.956	0.539	50	3.944	0.528	0.898	0.022
Satisfaction with life	93	3.998	0.552	50	4.039	0.571	0.674	0.073
Perceived future continuity	93	4.076	0.682	50	4.033	0.627	0.702	0.064
Family harmony	93	4.117	0.597	50	4.140	0.553	0.817	0.038
Success	93	3.823	0.679	50	3.863	0.654	0.731	0.059

Comparing the  $p$ -values of the demographical variable of gender yielded  $p$ -values, only *Normative commitment* had a value smaller than 0.05. Therefore depending on the  $p$ -value there is statistical significance in the opinions related to the gender of the participants on *Normative commitment*.

Effect size  $d$ -values reveal a medium effect between measurements of gender with regards to the variables normative commitment ( $d = 0.48$ ), risk-taking ( $d = 0.31$ ) and pro-activeness ( $d = 0.26$ ) with the  $d$ -value  $< 0.5$ . The other variables measure small effect. Females consistently expressed higher mean values for all the variables for entrepreneurial orientation and the perceived success of the business.

By evaluating the results indicated in **Table 3.44**, it is clear that a medium level of statistical significance is present for the gender variable. With regards to the effect size, the results reveal a medium to small effect between the opinions of males as opposed to females in this specific study.

### 3.16. SUMMARY

This chapter provided a discussion and interpretation on the personal information, structures of the businesses and the selected variables of perceived success. The

main outcomes of the questionnaires were expansively studied and consequently assessed in relation to the research questions as set out in Chapter 1. The findings were then compared with the literature study compiled in Chapter 2.

The empirical study was conducted by means of a field study using a structured questionnaire. The purpose of the literature study was to gain insight into family businesses and then to align the selected factors influencing the success of small and medium-sized family business. Chapter 3 comprised a discussion on the gathering of data followed by the development and construction of the questionnaire. The study population, data collection methodology and statistical analyses of the data were discussed in detail in order to assure the representativeness and reliability of the results. The results were obtained from participating respondents whom had completed the questionnaire which had the follow sections:

- Section A – commitment
  
- Section B – entrepreneurial orientation
  
- Section C – job satisfaction
  
- Section D – satisfaction with life
  
- Section E – perceived success
  
- Section F – personal information of participating respondents
  
- Section G – structure of the business completed by the senior generation executive managers of the business.

Detailed statistical methods were used in the assessment of section A to G to come to a reckoning mean of the participating respondents. The statistical results were tabularised and synopses of section F and G were displayed using tables and figures to get an overview from both a numerical and graphical view.

Chapter 4 will report on the conclusion and recommendations designed from the main findings in Chapter 3 and concerning the selected factors influencing the success of small and medium-sized family business. The contribution of this study, the limitations, recommendations and possible future studies will be discussed.

# **CHAPTER 4**

## **4. SUMMARY, CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS**

### **4.1. INTRODUCTION**

Chapter 3 was a discussion on the research results obtained from the family business study. Chapter 4 is a discussion on the outcomes of the investigation of the selected factors influencing the perceived success of small and medium-sized family businesses. Conclusions will be drawn by combining the problem statement, the literature study and the empirical study.

The conclusions will be trailed by the following:

- A discussion on how this study contributes to the family businesses research field.
- Implications in a South African context.
- Limitations of this study.
- Recommendations for future research.

Recommendations will be proposed on the comprehended and unique challenges facing family business within South Africa. Subsequently, based on the above, conclusions will be drawn from this study on the outcomes of the selected factors influencing the perceived success of small and medium-sized family business. Finally, a critical evaluation of the study will be conducted to determine if the primary and secondary objectives, as set out in Chapter 1, were accomplished.

### **4.2. THE OUTCOMES OF THE INVESTIGATION INTO THE SELECTED FACTORS OF PERCEIVED SUCCESS**

The main objective of the study was to investigate the selected factors influencing the perceived success of small and medium-sized family business. The selected factors tested for perceived success were:

**Table 4.1: Summary of independent variables**

Independent variable	Key characteristic
<b>Commitment</b>	<b>Affective commitment</b> - the family member commits to the business because he/she wants to.
	<b>Continuance commitment</b> - the family member commits to the business because he/she feels the need to add to the business.
	<b>Normative commitment</b> - The family member commits to the business because he/she feels ought to commit.
<b>Entrepreneurial orientation</b>	<b>Autonomy</b> - support versus control from the family business.
	<b>Innovativeness</b> - the family business participate, experiment and support new concepts.
	<b>Risk-taking</b> - act fast on new opportunities with a sense of what could happen.
	<b>Pro-activeness</b> - act fast on problems, needs and opportunities to be ahead of competition
	<b>competitive aggressiveness</b> - • to do business at a return, • to continue with profitmaking over a period of time, and • to foresee opportunities and act efficiently upon such opportunities.
<b>Job satisfaction</b>	Individual's assessment of his or her job, work circumstance, an appraisal of the perceived job characteristics and emotional experience at work.
<b>Satisfaction with life</b>	Judgmental process, in which individuals assess the quality of their lives on the basis of their own unique set of criteria.

**Table 4.1** is an illustration of how all four independent variables play a significant role on how family members encounter perceived success. The grouping of the selected factors influencing perceived success seems to be characterised by certain noteworthy factors that each play a significant role in contributing to the success of these businesses studied.

It seems that the commitment each family member has to the business and family can be summarised as the development of a sense of close homogeneousness within these family businesses. This close link appears to be transmitted from family members onto the business's personnel, clientele and the public, leading to a sense

of being in the right place. It is this close link that assist as an imperceptible but vital factor that motivates family members and staff to embrace all views of perceived success within the family businesses studied.

This closeness link unsurprisingly leads to greater performance of family businesses compared to that of non-family businesses and as confirmed by numerous academics (Poza & Daugherty, 2014:4; Melin *et al.*, 2014:8; Carlock, 2010:20).

### **4.3. CONCLUSIONS ON THE EMPIRICAL STUDY**

An empirical study was conducted using 42 family businesses in South Africa. Of this 42 participating family businesses, 29 conducted business from the Gauteng province and 13 conducted business from the North West province. Based on the literature study presented in Chapter 2 and the results obtained in Chapter 3, it is now possible to draw conclusions and recommendations on the selected factors influencing the perceived success of small and medium-sized family business.

#### 4.3.1. Conclusions of the biographical data

In total, 143 active family members from 42 family businesses participated in the research study. The researcher focused on the North West and Gauteng provinces in South Africa to obtain the necessary information to conduct the study. Family members employed by the business were asked to complete section F of the questionnaire. The biographical data analysed included information about the respondents:

- Age groups.
- Gender.
- Marital status.
- Relationship to the family members where the owner/senior generation executive were used as the basis.

- Highest academic qualification.

From the above, the following conclusions were arrived at:

- More or less 70% of the businesses studied, had registered offices in the Gauteng province. There were 73.43% participating respondents in the Gauteng province compared to 69.05% of businesses studied in this province, meaning that the Gauteng province based family businesses were on average slightly larger businesses than those that were North West based province businesses.
- Only 11.19% of all participating family members are younger than 29 years of age. This could mean that younger generation family members are still in school or busy carrying out their secondary education. Less than 35% of the participant respondents are between 30 to 39 years old. The majority of the 143 participants were over the age of 40 years (54.55%), 20.98% between the ages 40 and 49, 28.67% between the age 50 and 59 and 4.90% in the bracket 60 and above. The 30 to 39 age bracket was the bracket with the most participants (34.27%). The age bracket, ≤29 years is the next generation bracket family members and the second lowest in this study. The lowest age bracket were the 60 and above 60 bracket. The latter being the group preparing themselves to retire.
- The majority (65.03%) of the participating respondents were male. The gender data was further analysed into the age brackets. Interestingly the next generation group bracket (bracket with <29 age) was found to have the majority amount of males (87.50%) between all age groups. The age group where both female and male were relatively even represented were the 30-39 age bracket (male 51.02% and female 48.98%). A further analysis was conducted to find the split between male and female family business owners. The vast majority (89.67%) of family business owner survey respondents were male. Only 13.33% of owner respondents were female. This reflects the historical gender bias inherent in the South African context. While the gender

ratios may be changing, the reality is still that the majority of family business owners are male. Women are often essential players in relationships that drive the family business and function informally as chief emotional officer to recompense for their task focused male partners (Melin *et al.*, 2014:127).

- When analysing the businesses, it is important to know whether active family members are married or not. Marriage can influence the decision-making and managing process of family businesses (Astrachan & Stider, 2005:32). This variable of marriage is one which differentiates between different cultures where, especially women, are seen and respected differently (Melin *et al.*, 2014:69)
- The vast majority of family members are married (89.51%). A further 13 respondents were single (9.09%) and two (1.4%) of the participating respondents were a widow/er.
- The level of formal qualifications can have an impact on how resources are managed within the family business. Nicholson, however (2008:81),. argues that, for family members, who know that they are employed as a result of their birth and not merit, are more likely to be unafraid to:
  - Have an accurate assessment of where they lack skills, and
  - Appoint, as co-leaders individuals with the essential expertise and experience, which is absent with them.

On the other side, Melin *et al.* (2014:39) confirm in a case analysis that Chief Operating Officers who do not retain cultural compassion are likely to be unsuccessful in their role despite holding remarkable recognised qualifications.

- In total 35 of the participating respondents have completed matric. The remaining respondents obtained tertiary education where respondents indicated 15 (10.49%) certificates, 28 (19.58%) diplomas, 39 (27.27%)

degrees and 18 (12.59%) post graduate degrees. Eight of the respondents have no qualifications at all.

#### 4.3.2. Conclusion of the structural information of family businesses

The 42 participating family business are situated within the South African borders. Of this, 29 family businesses operate from the Gauteng province and 13 family businesses from the North West province. Section G of the questionnaire was completed by the senior generation executive managers or owners. The following conclusions are being made after analysing the completed questionnaires:

- The active participating family businesses had a minimum of one family member and a maximum of 7 family members. The participating businesses had on average 3.4 active family members per business. The standard deviation of 1.56 is an indication that the participating family members are not extensively spread from the average of 3.4 family members. The median is 3 and the mode is 2 which meet the objective of small and medium-sized family businesses.
- The mode bracket for the amount of individuals employed by the family businesses is in the 5 to 10 employee bracket and is an indication that this is the bracket which dominated the study followed by the 1 to 4 permanent employee bracket.
- 78.57% of family businesses examined were between the brackets <R1 million to R10 million. 21.43% of family businesses studied had turnovers less than R1 million a year. The R1 – 2.5m bracket and the R2.5 – R10m brackets each were found to be 28.57% of the study. There were two companies (one from Gauteng and one from the North West) which had a turnover of between R50 – R100 million). One company from Gauteng surpassed the R100 million brackets. The Gauteng province was dominated by the R1 - R2.5 million turnover bracket (35% of the businesses examined) whereas the North West province was dominated by the R2.5 – R10 million turnover bracket (46% of the businesses examined).

- From the study it was discovered that 14 businesses were in the 0-10 year brackets, 19 businesses in the 11-20 year brackets, 4 businesses in the 21-30 year brackets, 4 in the 31-45 year brackets. There were one business that were in existence for 73 years and another business that were in their 10<sup>th</sup> generation and been in existence for 271 years.
- The majority of the family businesses (61.90%) were in its first generation. A further 30.95% (13) of the business were management and owned by the second generation. Only one business has reached the third, fourth and tenth generation respectively.
- Only 7.14% of the family business analysed were partnerships. The businesses which have dominated this section were private companies registered within South Africa. Close Corporations made up 35.71% (15 businesses) of the companies which took part in the study. There were two business Trusts which made up 4.76% of the businesses and were both operating within the Gauteng province' borders.

#### 4.3.3. Conclusion of the selected factors influencing the perceived success of small and medium-sized family businesses

Insight on the selected factors which influence the perceived success of small and medium-sized family businesses was gained with the comprehensive literature study conducted in Chapter 2. The statements measuring the selected factors influencing perceived success together with the dimensions of perceived success were compiled in Section A to E of the questionnaire (refer to Appendix B). The results were reported and discussed in Chapter 3. Conclusions of the results will now be made by taking the literature study into consideration.

#### 4.3.4. Conclusion of the family member commitment

Family member commitment has been recognised as one of the most appropriate features in next generation family members to contribute towards safeguarding the sustained success of family businesses (Eddleston *et al.*, 2011:113). Total commitment is needed in nearly all entrepreneurial ventures. Most of the family members agree with the statements and are committed to the business. **Affective commitment** generated the highest mean value which means that family members rated this construct as most positive compared to **Continuance commitment** and **Normative commitment**. **Continuance commitment** and **Normative commitment** were rated equally positive by family members.

Organisational-based emotional ownership is concerned with the family member's feelings of possession and emotional connection to the organisation as a whole, including business culture, viewpoints of senior management, business goals and vision, repute of the business, and company policies and procedures (Mayhew *et al.*, 2007:479). Family members are devoted at an emotional level to the family business and will generally continue with the business because the relationship is seen as harmonious, which includes the objectives and moral standards of the organisation. Through affective commitment, the family members acknowledge the organisation and internalisation of organisational objectives and moral standards.

Continuance commitment is based on a family member's awareness of the costs component when leaving the family business which is based on the 'cost-avoidance' frame of mind (Sharma & Irving, 2005:20). Participating family members made it clear that there will not be high costs involved to leave the family business and indicated that there is a feeling that opportunities, other than to work for the family business, are available. The respondents do however feel attached to the business and will find it difficult to leave the family business.

The normative component is seen as the commitment family members think about ethically regarding their right to remain with the family business, in spite of how much status development or accomplishment the family business provides to the family member (Ferreira *et al.*, 2010:6). The respondents indicated a positive feeling of accomplishment in the family business and agreed it is a decision to follow a career in the business.

#### 4.3.5. Conclusion of the family member entrepreneurial orientation

Entrepreneurship is aligned with entrepreneurial activities such as the process by which the family members in the family businesses discover and drive new business opportunities which exist within a marketplace, revive the existing family business, or bring together new products or processes (Irava, 2010:228). Respondents showed that most of the family members are to a degree admitting and applying several of the dimensions of entrepreneurial orientation.

Family businesses with high levels of autonomy provide self-determination, individuality, and freedom of choice in scheduling the work and determining the measures to be used to complete the work. The respondents stated that they sustain high levels of autonomy but prefer managers and owners to be involved in the decision-making process.

Innovativeness reflects a family business's trend to participate, experiment and support new concepts. It also reflects originality, research and creative processes that may cause existing and new products to start, services or technological processes to start (McFadzean *et al.*, 2005:353). Respondents showed strong levels of innovation within the participating family businesses. Emphasis was placed on innovation as a necessity for the family business's future existence. Any innovative business leader and entrepreneur pursue to maximise value from opportunities.

Entrepreneurial behaviour in the risk-taking context within family business implicates investing a significant amount of resources into a potential opportunity where there is a likelihood of failure. The study revealed that participating respondents indicated that the participating family businesses adopts a bold posture when confronted with uncertain decisions and are very keen to exploit opportunities. Employees, in contrast, are not encouraged to take calculated risks for new ideas and products.

Kropp *et al.* (2008:104), whom describe new opportunity identification and assessment, identification and monitoring of market tendencies and new venture realisations as the activities that are accompanying pro-activeness. To an extent, there is a strong level of pro-activeness in the participating family business. The

family members felt neutral that their firms would take a first approach in introducing new products and services although they will continue to monitor market trends in order to identify consumers' future needs.

Competitive aggressiveness was defined in Chapter 2 as the ability to do business at a return, to continue with profitmaking over a period of time, and to foresee opportunities and act efficiently upon such opportunities. The results in Chapter 3 show an average mean for competitive aggressiveness within in the participating family businesses. The participating respondents stated that the family business do not really adopts a competitive 'undo-the-competitor' posture but knows when they are in danger of acting overly aggressive as it could lead to retaliation by competitors. The participating family members in this study did not shown to act very efficiently on new opportunities.

#### 4.3.6. Conclusion of the family member job satisfaction

Job satisfaction was defined as an individual's assessment of his or her job, work circumstance, an appraisal of the perceived job characteristics and emotional experience at work. This is arguably in line with Eganet *al.*, (2004:284) who define job satisfaction as "an employee's affective reactions to a job based on comparing desired outcomes with actual outcomes". The study revealed that the participating family members were extremely happy about the working conditions and a strong sentiment was shown where participating family members have obtained an achievement and are able to keep busy all the time within this setting.

#### 4.3.7. Conclusions of satisfaction with life

Satisfaction with life is the hypercritical process where individuals evaluate the quality of their lives on the base of their own set of standards which in turn influences self-esteem at an individual level (Giebels & Janssen, 2005:137). Perceived success of the family business is a degree of personal satisfaction that family members develop from their involvement in the family business (Niehm & Miller, 2006:76). There are two main groups which contribute to job satisfaction and satisfaction with life. These are personal factors and organisational factors. The respondents indicated that the

participating family members are satisfied with their life and not a surprising result considering the level and result obtained from **autonomy** and **job satisfaction**. Participating respondents enjoy their lives feel that it is going very well and life is worth living for. The participating family members draw motivation from the areas of autonomy and job satisfaction as well.

#### 4.3.8. Conclusions of perceived success

Family businesses place scores of prominence on their existence (Distelberg & Sorenson, 2009:70) and family members are ever so often more worried about the continuousness of the family business than non-family members in businesses are (Miller *et al.*, 2008:75; Short *et al.*, 2009:21). The respondents' overall sense for future continuity is very strong within the participating family businesses and indicated a strong feeling that the family business will continue into the near future with its operations. The family members felt strong towards future existence for involvement available with future generations.

One of the major reasons why longevity of family businesses remains a concern is that the presence of family harmony has an impact on the relationship between the owner-manager, the family and the successor (Van der Merwe & Ellis, 2007:26). The construct family harmony received the highest results of all dependent and independent variables examined and described in Chapter 3. The analyses on family harmony revealed that family members care about each other's wellbeing and indicated a strong level of appreciation towards each other. To a high level, the respondents agreed that they encourage each other to put in their best efforts and emphases were also placed on supporting each other. It is clear from these results that the family businesses place a very strong emphasis on family harmony.

According to Hall and Nordqvist (2008:51), family members in family businesses have a major impact on the business, and they are a major contributor to the success rate for future continuity of such business. The empirical study in Chapter 3 revealed that success, although still rated fairly high, were rated the lowest in the dimension of perceived success. The participating family members indicated that their family business were still profitable in this difficult economic conditions. The family members

had positive feelings and regarded the family business as being financially successful.

#### 4.3.9. Conclusion on the regression analysis

The primary objective of this study is to determine the influence of the selected aspects on the perceived success of small and medium-sized family businesses. The percentage of the total number of businesses that applies the selected factors correlates well with the percentages of the total number of businesses with good success rates. Commitment, examined in this study explained 42.8% of the variance in *Perceived future continuity*. Commitment, explained a further 34.6% of the variance in *family harmony*. Significant positive relationships were evident between the *Affective commitment* and *Family harmony*, *Success*, *Job satisfaction* and *Satisfaction with life*. Satisfied staff is more likely to give a positive assessment over their jobs, based on what has been observed and emotionally experienced within the workplace (McShane & Von Glinow, 2010:108). For this reason, examining the job satisfaction element associated with commitment, entrepreneurial orientation and perceived success is practical and valuable to the family business field.

Furthermore, significant positive relationships were evident between the entrepreneurial orientation dimension, *Autonomy* and *Job satisfaction* and between Innovativeness and *Family harmony*. Autonomy creates the foundation for innovative and entrepreneurial conduct (Casillas & Morena, 2010:270). Rauch *et al.* (2009:779) support this view that autonomy inspires innovation, endorses the initiation of new undertakings and increases the competitiveness of organisations.

#### **4.4. CONTRIBUTIONS OF THIS STUDY**

Referring to the above mentioned results, family members have a desire to see the family business continuing into the future and as a legacy to be handed over to future generations. It is clear that a link exists between family business wellness and family harmony, where the former often forms the underlying causes for a lack of the latter, the perceived success of a family business by the involved family members gives a good indication as to the degree of wellness that exists within the family business under scrutiny.

#### **4.5. PRACTICAL RECOMMENDATIONS**

The primary objective of this study was firstly, to examine the influence of selected factors on the perceived success of small and medium-sized family businesses, and secondly to provide recommendations to ensure the continuity of the business.

##### **4.5.1. Recommendations on the selected determinants of family business perceived success**

The recommendations are based on the literature study in Chapter 2, the empirical study in Chapter 3 and the conclusions that were drawn. The recommendations for this study are as follow:

##### **Commitment**

Total commitment is needed in nearly all entrepreneurial ventures. Commitment in this study specifically referred to family members, having pride in the family business, emotional attachment and a sense of belonging to the family business, and a willingness to put in a great deal of efforts to ensure its success. In addition, family members who are committed to the business may probably be more willing to take part in extra-role activities, such as being creative or innovative, which often guarantees an organisation's competitiveness in the marketplace.

Family members need to be absorbed into the family business from a young age which raises their level of commitment and afford them with the essential tools to run their family business. This will ensure a connection with the entire organisation and not to a job or work group. It embraces an employee's belief in the organisation's goals and values, an aspiration to remain a member of the family business, and faithful to the family business.

Family members need to accept the business's norms. This is something that binds family business members to behaviours associated with the intervention and which embraces initial commitment to the business, as well as recommitment over time.

Family members need to build and maintain social relationships and connections and demonstrate their commitment towards the firm. The demonstration of commitment determines that family entrepreneurs follow their visions in a coherent and harmonised way, thus allowing the family business successors to identify with these visions and to activate their own efforts to contribute to their accomplishments. Family commitment to the company is thus critical to the continuousness and for the existence of the family business (Ibrahim *et al.*, 2009:9).

It is therefore recommended that family members start by a belief in and acceptance of the organisation's objectives and moral standards. Family members must furthermore focus on their willingness and efforts in assisting the organisation achieve its objectives and to create a desire to conserve organisational affiliation.

### **Entrepreneurial orientation**

Entrepreneurship is aligned with entrepreneurial activities such as the process by which the family members in the family businesses discover and drive new business opportunities which exist within a marketplace, revive the existing family business, or bring together new products or processes (Irava, 2010:228).

Family members need to be aware and focussed on external surroundings and use their abilities to react to opportunities.

The question put forward here is whether a long-term entrepreneurial orientation aid or obstructs the performance of family business. Lumpkin *et al.*, (2010:255) concluded that innovativeness, pro-activeness, and autonomy are more probable to flourish in an environment where long-term principles are preferential. Emphasis is thus needed on the long-term principles of the family business and it needs to be communicated from top to bottom.

### **Job satisfaction and satisfaction with life**

To continue to be competitive in the fast growing economy together with the ability to keep up with the speed of technological development requires employees with strong and established knowledge. What is of great significance to businesses and academics use is employee retention (Benko & Weisberg, 2007:30) where satisfied staff is less likely to pursue with a new job. Satisfied staff is more likely to give a positive assessment over their jobs, based on what has been observed and emotionally experienced within the workplace (McShane & Von Glinow, 2010:108).

The bonds of loyalty and affection between family members lessen the need for controls that apply in conditions where trust cannot be guaranteed, but to the aversion of governance mechanisms, family businesses are defenceless from these illogical needs of family members which could affect job satisfaction. Numerous family businesses do not pay adequate attention to key strategic areas and is likely to activate an undesirable spiralling effect that worsens or creates problems within both over time.

Demographic characteristics and organisational culture are two overall categories believed to effect job satisfaction (Medina, 2012:4). Demographic characteristics for the purpose of this study consist of age, gender, education, earnings, and occupation. Organisational culture, an important characteristic of organisational behaviour, is valuable in clarifying how businesses function. The cumulative level of satisfied job prospects is revealed in the level of employee job satisfaction. That is, employees expect their job to provide feelings of purpose at work and compensation, for which each family member has different preferential values (Egan *et al.*, 2004:300).

In general, it is acknowledged that job satisfaction and employee turnover intention are contrariwise correlated. Family businesses must thus investigate if employee turnovers are evident.

Parents should be actively involved in their siblings' lives and in their relationships while they grow up as it will result that the more likely their business is to experience growth performance, and the more likely they are to be satisfied with their current work and family relationships.

Parents in family businesses should however minimise the interference with siblings' day-to-day tasks as siblings are more likely to experience their work and family relationships as satisfying.

It is essential that organisations identify specific factors associated with employees' job satisfaction, especially in competitive, fast-paced environments.

### **Perceived success**

The success of family businesses has in general been regarded as financial and non-financial in nature. Perceived success of the family business is the degree of personal satisfaction that family members develop from their involvement in the family business. Performance is an outcome measure. A firm's success can be assessed against its anticipated goals and the factors that lead to the perceived success

While several measures have been employed to gauge the financial performance of a firm, efforts are being devoted to develop reliable measures for non-economic performances. Berrone *et al.* (2012:270) suggested a five-dimensional measure for non-economic goal:

- Family control and Influence,
- Identification with the family firm,

- Bonding social ties,
- Emotional attachment, and
- Renewal of family bonds to the firm through dynastic succession.

This is arguably in line with numerous other academics who argue that non-economic goals take account of goals such as to ensure occupation for family members, safeguarding the well-being of the family and the need to reserve the business so *that it can be handed over to the next generation of family members.*

#### 4.5.2. Implications for family business in a South African context

In all empirical studies, their limitations must be identified and considered when making recommendations and conclusions. Although family businesses from only two of the nine provinces in South Africa participated in this study, due to the use of a snowball convenience sample. The sample can therefore not be considered to be representative of all small and medium-sized family businesses in South Africa. As such, the findings reported cannot be generalised to the general family business population.

Other limitations of this study are that the study focused exclusively on selected factors influencing the perceived success of small and medium-sized family business. Future studies could investigate various other factors and incorporate them into a more comprehensive model that describes the factors influencing family business success. Despite the limitations identified, this study has added to the empirical body of family business research.

#### **4.6. PRIMARY OBJECTIVES RE-VISITED**

The primary objective of this study was firstly, to examine the influence of selected factors on the perceived success of small and medium-sized family businesses, and

secondly to provide recommendations to ensure the continuity of the business. The secondary objectives were formulated in order to address the primary objective.

#### **4.7. SECONDARY OBJECTIVES RE-VISITED**

##### 4.7.1. Secondary objectives

In order to address the primary objective, the following secondary objectives were formulated:

- To obtain insight into the defining characteristics and unique dynamics of family businesses by means of a literature study on family businesses, but more specifically on commitment, entrepreneurial orientation, job satisfaction and perceived success.
- To determine the reliability of the questionnaire (see Appendix B) used in the study.
- To examine the relationship between the independent variables and the dependent variable by means of multiple linear regression analysis.
- To examine the influence, arising from the primary objectives, of commitment on success, entrepreneurial orientation on perceived success and job satisfaction on perceived success.
- To evaluate the selected factors influencing perceived success within the small and medium-size family businesses.
- To add to the empirical body of family business research.
- To suggest recommendations on the perceived success of family businesses.

The first secondary objective namely, **to obtain insight into the defining characteristics and unique dynamics of family businesses** by means of a

literature study was performed in Chapter 2 on family businesses, but more specifically on commitment, entrepreneurial orientation, job satisfaction and perceived success.

The second objective namely, **to determine the reliability of the questionnaire** (see Appendix B), was performed in Chapter 3 and were tested to be reliable. Procedures were also put in place (See section 3.3.1.2.) to increase the chances in reliability.

The third secondary objective, **to examine the relationship between the independent variables and the dependent variable by means of multiple linear regression analysis** was achieved by in Chapter 3 and concluded in Chapter 4.

The fourth secondary objective, to examine the influence, arising from the primary objectives, of commitment on perceived success, entrepreneurial orientation on perceived success and job satisfaction on perceived success, was achieved by both the literature study in Chapter 2 as well as the detailed empirical research discussed in Chapter 3 and concluded in Chapter 4.

The fifth secondary objective, **to evaluate the selected factors influencing success within the small and medium-size family businesses**, was achieved by both the literature study in Chapter 2 as well as the detailed empirical research discussed in Chapter 3 and concluded in Chapter 4.

The last objective, to add to the empirical body of family business research, was achieved through the results attained during the empirical research, discussed in Chapter 3 and concluded in chapter 4. The results of this investigation led to the expansion of practical recommendations as offered in Chapter 4.

Through the achieving of all secondary objectives it can therefore be concluded that the primary objective namely, to examine the influence of selected factors on the perceived success of small and medium-sized family businesses, and secondly to provide recommendations to ensure the continuity of the business, was achieved.

#### **4.8. SUGGESTION FOR FURTHER RESEARCH**

For future research, when it comes to understanding family business success and performance, three topics seem to be promising:

To view, goals, performance and perceived success as multi-dimensional constructs and employ measures that capture these dimensions related to the family and the family business system:

- To compare measures of goals, performance and success over cultures to better understand the family businesses success, and,
- To engage in research projects and approaches that capture development of objectives and thus performance over a period of time.

Future research should include family business studies over time and over several generations with an emphasis on the importance of each generational phase. The fact that there were some differences between the outcomes found in Chapter 3 and the research in Chapter 2 provided in the literature study serves as sufficient spur that more research on family businesses is needed.

#### **4.9. SUMMARY**

Conclusions and recommendations were drawn based on the selected factors influencing the success of small and medium-sized family businesses in this chapter. The construct were identified in the problem statement and studied through a literature study in Chapter 2 and examined through an empirical study in Chapter 3. The empirical study was conducted by means of a field study using a structured questionnaire. The purpose of the literature study was to gain insight into family businesses and then to align the selected factors influencing the success of small and medium-sized family business.

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# APPENDIX A

## Family Business: The Statistical Story

Family businesses constitute	80-98%	of all businesses in the world's free economies.
Family businesses generate	49%	of the gross domestic product (GDP) in the United States.
Family businesses generate	70-75%	of the GDP in most other countries, 82% in Indonesia.
Family businesses employ	80%	of the U.S. workforce.
Family businesses employ	50-75%	of the working population around the world.
Family businesses created	86%	of all new jobs in the United States (1999-2009).
A total of	37%	of Fortune 500 companies are family-controlled.
A total of	60%	of all publicly held U.S. companies are family-controlled.
Number of family-owned business in the United States:	17 million	
Number of U.S family owned business with annual revenues greater than \$25 million:	35 000	
Family business outperformance of nonfamily business in the United States:	6.65% annually in return on assets (ROA)	
Family business outperformance of nonfamily business in Europe:	8-16% annually in return on equity (ROE), depending on the study	
Family business outperformance of nonfamily business in Latin America (Chile):	8% annually in ROA, ROE and Tobin's Q value	
Family business outperformance of nonfamily business in the information technology, consumer staples, consumer discretionary, and industrial sectors worldwide:	2.5% greater compounded annual growth rate of total return to shareholders over a 10-year period versus the MSCI World Index (1997-2009)	

**Source:** Poza and Daugherty (2014:4)

# APPENDIX B

Code number:

## FAMILY BUSINESS DIAGNOSTIC QUESTIONNAIRE

### Compiled by:

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# FAMILY BUSINESS DIAGNOSTIC QUESTIONNAIRE

Family businesses are unique in the sense that family interests have to be brought into balance with the business interests of the family business. Should the interaction between the interests of the family and the business 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 business.

The target population of this study is small and medium-sized family businesses (businesses that employ less than 200 permanent employees). For the purpose of this study, a **family business is defined** as a business where at least 51 percent of the business is owned by a single family; at least two family members are involved in the management or operational activities in the business; and the transfer of leadership to next generation family members (succession) is anticipated.

**All family members employed by the family business (active members) should complete the questionnaire – including members of the senior and next (younger) generation family. Inactive members (not employed by the business) do not have to complete the questionnaire.**

This questionnaire is designed to collect information to measure the position of various aspects in a family business. It may form the basis for assisting the family business in the light of their very important role in the economy, to take corrective and pro-active steps in order to be successful.

Your answers will be dealt with in the utmost confidence. No person, not even in the family or the business, will ever see your answers. 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 and return them to the researcher.

Thank you in anticipation 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 = Neutral; 4 = Agree; 5 = 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:

"I feel emotionally attached to the family business."

and you feel that you agree, you will mark the number 4 (**4 = Agree**) as in the example:

		Strongly disagree	..... Neutral		Strongly agree
<b>A6</b>	I feel emotionally attached to the family business.	1	2	3	<del>4</del>
					5

It is essential that in every instance you indicate your choice clearly with a **pen**.

Please complete the sections of the questionnaire as follows:

- **Family members employed by the business (active family members)** should complete Sections A, B, C, D, E and F (personal information).
- The **senior generation executive manager** should complete all the sections (including Section G)

**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.**

## SECTION A: COMMITMENT

The following statements concern your attitude towards your commitment to the family business.

Please rate the extent to which you agree or disagree with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

**Please take note that 1 = Strongly disagree and 5 = Strongly agree.**

	1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>					
	<b>STATEMENT</b>					<b>SCALE</b>				
A1	I would be happy to spend the rest of my career with the family business.					1	2	3	4	5
A2	I enjoy discussing the family business with people outside it.					1	2	3	4	5
A3	I feel as if the family business' problems are my own.					1	2	3	4	5
A4	I do not think I could become as attached to another organization as I am to the family business.					1	2	3	4	5
A5	I feel like "part of the family" at the family business.					1	2	3	4	5
A6	I feel emotionally attached to the family business.					1	2	3	4	5
A7	The family business has personal meaning for me.					1	2	3	4	5
A8	I feel a strong sense of belonging to the family business.					1	2	3	4	5
A9	It would be hard for me to leave the family business right now even if I wanted to.					1	2	3	4	5
A10	My life would be disrupted if I decided I wanted to leave the family business now.					1	2	3	4	5
A11	I am afraid of what might happen if I quit my job without having another one lined up.					1	2	3	4	5
A12	It would be costly for me to leave the family business now.					1	2	3	4	5
A13	Right now, staying with the family business is a matter of necessity as much as desire.					1	2	3	4	5
A14	I feel that I have few options to consider leaving the family business.					1	2	3	4	5
A15	One of the serious consequences of leaving the family business would be scarcity of available alternatives.					1	2	3	4	5
A16	One of the major reasons I continue to work with the family business is that leaving would require personal sacrifice – another organization may not match the overall benefits I have.					1	2	3	4	5
A17	I think that people these days move from organization to organization too often.					1	2	3	4	5
A18	I believe that a person must always be loyal to his/her organization.					1	2	3	4	5
A19	Jumping from organization to organization seems unethical to me.					1	2	3	4	5
A20	I believe that loyalty is important and therefore I feel a strong sense of moral obligation to remain.					1	2	3	4	5

		1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
A21	If I get another offer for a better job elsewhere I would not feel it was right to leave the family business.	1	2	3	4	5
A22	I was taught to believe in the value of remaining loyal to one organization.	1	2	3	4	5
A23	Things were better in the days when people stayed with one organization for most of their careers.	1	2	3	4	5
A24	I think that wanting to be “a company man” or “company women” is sensible.	1	2	3	4	5

## SECTION B: ENTREPRENEURIAL ORIENTATION

The following statements concern your attitude towards the entrepreneurial orientation of the family business.

Please rate the extent to which you agree or disagree with the following statements by making an “X” over the appropriate number on the 1 to 5 point scale next to the statement.

**Please take note that 1 = Strongly disagree and 5 = Strongly agree.**

		1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
	<b>STATEMENT</b>	<b>SCALE</b>				
B1	I have enough autonomy in my job without continual supervision to do my work.	1	2	3	4	5
B2	Our family business allows me to be creative and try different methods to do my job.	1	2	3	4	5
B3	Employees (including family members) in our family business are allowed to make decisions without going through elaborate justification and approval procedures.	1	2	3	4	5
B4	Employees (including family members) in our family business are encouraged to manage their own work and have flexibility to resolve problems.	1	2	3	4	5
B5	I seldom have to follow the same work methods or steps while performing my major tasks from day to day.	1	2	3	4	5
B6	Our family business regularly introduces new services/products/processes.	1	2	3	4	5
B7	Our family business places a strong emphasis on new and innovative products/ services/processes.	1	2	3	4	5
B8	Our family business has increased the number of services/products offered during the past two years.	1	2	3	4	5
B9	Our family business is continually pursuing new opportunities.	1	2	3	4	5
B10	Over the past few years, changes in our processes, services and product lines have been quite dramatic.	1	2	3	4	5

1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
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B11	In our family business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.	1	2	3	4	5
B12	Our family business places a strong emphasis on continuous improvement in products/service delivery/processes.	1	2	3	4	5
B13	Our family business has a widely held belief that innovation is an absolute necessity for the business' future.	1	2	3	4	5
B14	Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.	1	2	3	4	5
B15	When confronted with uncertain decisions, our family business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.	1	2	3	4	5
B16	In general, our family business has a strong inclination towards high-risk projects.	1	2	3	4	5
B17	Owing to the environment, our family business believes that bold, wide-ranging acts are necessary to achieve the business' objectives.	1	2	3	4	5
B18	Employees are often encouraged to take calculated risks concerning new ideas.	1	2	3	4	5
B19	The term 'risk-taker' is considered a positive attribute for employees (including family members) in our business.	1	2	3	4	5
B20	Our family business is very often the first to introduce new products/services/ processes.	1	2	3	4	5
B21	Our family business typically initiates actions that competitors respond to.	1	2	3	4	5
B22	Our family business continuously seeks out new products/processes/ services.	1	2	3	4	5
B23	Our family business continuously monitors market trends and identifies future needs of customers.	1	2	3	4	5
B24	In dealing with competitors our family business typically adopts a very competitive undo-the-competitor "posture.	1	2	3	4	5
B25	Our family business is very aggressive and intensely competitive.	1	2	3	4	5
B26	Our family business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.	1	2	3	4	5
B27	Our family business knows when it is in danger of acting overly aggressive (this could lead to erosion of our business's reputation or to retaliation by our competitors).	1	2	3	4	5

## SECTION C: JOB SATISFACTION

The following statements concern your attitude towards your job satisfaction in the family business.

Please rate the extent to which you feel (dis)satisfied with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

**Please take note that 1 = Strongly disagree and 5 = Strongly agree.**

1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
---------------------------------	------------------------	-----------------------	---------------------	------------------------------

	STATEMENT	SCALE				
		1	2	3	4	5
C1	Being able to keep busy all the time.					
C2	The chance to work alone on the job.					
C3	The chance to do different things from time to time.					
C4	The chance to be "somebody" in the community.					
C5	The way my boss (or family members) handles his/her workers.					
C6	The competence of my supervisor (or other family members) in making decisions.					
C7	Being able to do things that don't go against my conscience.					
C8	The way my job provides for steady employment.					
C9	The chance to do things for other people.					
C10	The chances to tell people what to do.					
C11	The chance to do something that makes use of my abilities.					
C12	The way the family business policies are put into practice.					
C13	My pay and the amount of work I do.					
C14	The chances for advancement on the job.					
C15	The freedom to use my own judgement.					
C16	The chance to try my own methods of doing the job.					
C17	The working conditions.					
C18	The way my co-workers (including family members) get along with each other.					
C19	The praise I get for doing a job.					
C20	The feeling of accomplishment I get from my job.					

## SECTION D: SATISFACTION WITH LIFE

The purpose of this section is to assess how you view your satisfaction with life. The following are statements of life satisfaction that you may agree or disagree with.

Please rate the extent to which you disagree or agree with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

**Please take note that 1 = Strongly disagree and 5 = Strongly agree.**

1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
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	STATEMENT	SCALE				
D1	In most ways my life is closely to my ideal.	1	2	3	4	5
D2	The conditions of my life are excellent.	1	2	3	4	5
D3	I am satisfied with my life.	1	2	3	4	5
D4	So far I have gotten the important things I want in life.	1	2	3	4	5
D5	If I could live my life over, I would change almost nothing.	1	2	3	4	5
D6	Life is worth living.	1	2	3	4	5
D7	All in all, I am satisfied with my life these days.	1	2	3	4	5

## SECTION E: PERCEIVED SUCCESS

The following statements concern your perception of the success of the family business.

Please rate the extent to which you agree or disagree with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

<i>1 = Strongly disagree</i>	<i>2 = Disagree</i>	<i>3 = Neutral</i>	<i>4 = Agree</i>	<i>5 = Strongly agree</i>
----------------------------------	-------------------------	------------------------	----------------------	-------------------------------

	STATEMENT	SCALE				
		1	2	3	4	5
E1	I see our family business as continuing into the future.	1	2	3	4	5
E2	I see our family business as a legacy to be handed over to future generations.	1	2	3	4	5
E3	I see our family business as a means to create wealth for future generations.	1	2	3	4	5
E4	I see our family business as a means to sustain harmonious family relationships for future generations.	1	2	3	4	5
E5	Continuing the business into the future will give future generations the opportunity to be involved in the family business.	1	2	3	4	5
E6	Continuing the business into the future will provide employment opportunities for future generations.	1	2	3	4	5
E7	Our family members prefer to cooperate with each other rather than compete with one another.	1	2	3	4	5
E8	Our family members acknowledge each other's achievements.	1	2	3	4	5
E9	Our family members encourage each other to put in their best efforts.	1	2	3	4	5
E10	Our family members are emotionally attached to one another.	1	2	3	4	5
E11	Our family members support each other.	1	2	3	4	5
E12	Our family members appreciate each other.	1	2	3	4	5
E13	Our family members care about each other's wellbeing.	1	2	3	4	5
E14	Our family members get along well both inside and outside the working environment.	1	2	3	4	5
E15	Our family business has experienced growth in turnover over the past two years.	1	2	3	4	5
E16	Our family business has experienced growth in employee numbers over the past two years.	1	2	3	4	5
E17	Our family business is profitable.	1	2	3	4	5
E18	Our family business has experienced growth in profits over the past two years.	1	2	3	4	5
E19	I regard our family business as being financially successful.	1	2	3	4	5
E20	The financial wellbeing of our family business is secure.	1	2	3	4	5

## SECTION F: PERSONAL INFORMATION

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

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

F1	In which age group do you fall?	≤ 29	30 - 39	40 - 49	50 - 59	60+
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F2	What is your gender?	Male	Female
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F3	What is your marital status?	Single	Married	Divorce	Widow(er)
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F4	What is your relationship to the family? (Owner/senior generation executive as the basis)						
	Owner	Spouse	Brother	Sister	1 <sup>st</sup> son	2 <sup>nd</sup> son	3 <sup>rd</sup> son
	1 <sup>st</sup> daughter	2 <sup>nd</sup> daughter	3 <sup>rd</sup> daughter	In-law	Other: Specify:		

F5	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	

F6	State other jobs/careers before you entered the family business (if applicable)
	Specify

## SECTION G: STRUCTURE OF THE BUSINESS

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

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

<b>G1</b>	<b>How many permanent employees are employed by the family business?</b>							
	1-4	5-10	11-25	26-50	51-100	101-200	201-500	500+

<b>G2</b>	<b>What is the turnover of the family business per year?</b>					
	< R1 m	R1 – R2.5 m	R2.5 – R10 m	R10 – R50 m	R50 – R100 m	> R100 m

<b>G3</b>	<b>In which industry does the business operates?</b>				
	Automotive	Agriculture	Farming	Construction	Food
	Real estate	Retail	Wholesale	Manufacturing	Services
	Other: (Specify):				

<b>G4</b>	<b>What is the age of the business (years)?</b>
	Specify:

<b>G5</b>	<b>How many generations of the family managed and owned the family business over the years (number)?</b>
	Specify:

<b>G6</b>	<b>What is the legal status of the business?</b>			
	Proprietorship	Partnership	Company (private)	Company (public)
	Close Corporation	Co-operative	Business Trust	Franchise
	Other or combination (specify):			

**THANK YOU FOR YOUR TIME.**

# APPENDIX C









































































## Social Well-being progress Index 2013















































































RANK	COUNTRY NAME	BASIC HUMAN NEEDS	FOUNDATIONS OF WELLBEING	OPPORTUNITY	SOCIAL PROGRESS INDEX	PPP GDP PEI CAPITA (2011)
1	Sweden	63.61	61.73	69.09	64.81	41,467.00
2	United Kingdom	62.76	62.57	64.91	63.41	35,657.00
3	Switzerland	63.83	62.58	63.43	63.28	44,452.00
4	Canada	63.85	55.74	68.30	62.63	40,370.00
5	Germany	64.76	61.42	61.24	62.47	39,491.00
6	United States	62.26	52.49	69.92	61.56	48,112.00
7	Australia	60.67	54.44	68.67	61.26	42,400.00
8	Japan	66.04	59.51	57.49	61.01	34,748.00
9	France	61.04	59.97	61.08	60.70	35,246.00
10	Spain	58.98	57.97	64.34	60.43	30,400.00
11	Korea, Rep.	62.16	58.84	58.57	59.86	31,220.00
12	Costa Rica	54.75	54.90	62.43	57.36	12,600.00
13	Poland	56.58	56.55	57.63	56.92	21,000.00
14	Chile	56.61	54.89	58.31	56.60	17,310.00
15	Argentina	51.84	55.70	61.41	56.32	17,660.00
16	Israel	54.19	59.16	51.03	54.79	27,825.00
17	Bulgaria	58.40	51.93	51.90	54.08	14,825.00
18	Brazil	48.24	51.60	56.95	52.27	12,000.00
19	United Arab Emirates	60.12	45.38	47.16	50.89	47,893.00
20	Turkey	57.80	51.54	42.75	50.69	15,000.00
21	Colombia	45.43	50.51	55.63	50.52	10,247.00
22	Dominican Republic	48.20	49.80	53.55	50.52	9,600.00
23	Thailand	54.99	46.92	48.93	50.28	9,398.00
24	Peru	46.59	51.89	51.53	50.00	10,062.00
25	Mexico	49.33	50.79	49.08	49.73	14,653.00
26	Philippines	45.75	50.76	51.72	49.41	4,080.00
27	Paraguay	46.97	47.49	53.25	49.24	5,501.00
28	Tunisia	50.09	50.81	44.91	48.61	9,351.00
29	Georgia	53.00	52.09	40.58	48.56	5,465.00
30	Vietnam	55.16	48.31	40.50	47.99	3,412.00
31	Jordan	52.12	50.76	41.04	47.97	5,907.00
32	China	52.95	48.21	42.59	47.92	8,400.00
33	Russian Federation	46.12	46.61	47.94	46.89	17,700.00
34	Kazakhstan	50.76	42.55	47.23	46.85	13,099.00
35	Botswana	44.14	44.93	47.76	45.61	16,800.00
36	Sri Lanka	46.31	50.65	39.46	45.47	6,100.00
37	Morocco	49.96	45.58	40.27	45.27	5,080.00
38	Indonesia	45.52	49.30	40.89	45.24	4,636.00
39	South Africa	40.02	43.86	50.12	44.67	10,970.00
40	Egypt, Arab Rep.	49.88	46.86	35.09	43.94	6,600.00
41	Ghana	40.83	43.88	43.36	42.69	1,871.00
42	Bangladesh	39.60	43.32	35.84	39.59	2,000.00
43	India	40.24	41.60	36.67	39.51	3,627.00
44	Senegal	39.15	39.04	39.72	39.30	1,967.00
45	Kenya	32.91	45.32	38.72	38.98	1,710.00
46	Rwanda	29.76	41.30	37.82	36.29	1,282.00
47	Mozambique	30.46	35.52	42.62	36.20	1,090.00
48	Uganda	30.63	40.72	36.38	35.91	1,345.00
49	Nigeria	27.96	37.04	35.19	33.39	2,700.00
50	Ethiopia	26.69	34.66	35.04	32.13	1,100.00

Source: Fehder and Stern (2013)

## APPENDIX D

### International satisfaction with life rankings

Rank	Country	SWL	Rank	Country	SWL
1	 <u>Denmark</u>	273.33	90	 <u>Japan</u>	206.67
2	 <u>Switzerland</u>	273.33	91	 <u>Yemen</u>	206.67
3	 <u>Austria</u>	260	92	 <u>Portugal</u>	203.33
4	 <u>Iceland</u>	260	93	 <u>Sri Lanka</u>	203.33
5	 <u>The Bahamas</u>	256.67	94	 <u>Tajikistan</u>	203.33
6	 <u>Finland</u>	256.67	95	 <u>Vietnam</u>	203.33
7	 <u>Sweden</u>	256.67	96	 <u>Iran</u>	200
8	 <u>Bhutan</u>	253.33	97	 <u>Comoros</u>	196.67
9	 <u>Brunei</u>	253.33	98	 <u>Croatia</u>	196.67
10	 <u>Canada</u>	253.33	99	 <u>Poland</u>	196.67
11	 <u>Ireland</u>	253.33	100	 <u>Cape Verde</u>	193.33
12	 <u>Luxembourg</u>	253.33	101	 <u>Kazakhstan</u>	193.33
13	 <u>Costa Rica</u>	250	102	 <u>South Korea</u>	193.33
14	 <u>Malta</u>	250	103	 <u>Madagascar</u>	193.33
15	 <u>Netherlands</u>	250	104	 <u>Bangladesh</u>	190
16	 <u>Antigua and Barbuda</u>	246.67	105	 <u>Republic of the Congo</u>	190
17	 <u>Malaysia</u>	246.67	106	 <u>The Gambia</u>	190
18	 <u>New Zealand</u>	246.67	107	 <u>Hungary</u>	190
19	 <u>Norway</u>	246.67	108	 <u>Libya</u>	190
20	 <u>Seychelles</u>	246.67	109	 <u>South Africa</u>	190
21	 <u>Saint Kitts and Nevis</u>	246.67	110	 <u>Cambodia</u>	186.67
22	 <u>United Arab Emirates</u>	246.67	111	 <u>Ecuador</u>	186.67
23	 <u>United States</u>	246.67	112	 <u>Kenya</u>	186.67
24	 <u>Vanuatu</u>	246.67	113	 <u>Lebanon</u>	186.67
25	 <u>Venezuela</u>	246.67	114	 <u>Morocco</u>	186.67
26	 <u>Australia</u>	243.33	115	 <u>Peru</u>	186.67
27	 <u>Barbados</u>	243.33	116	 <u>Senegal</u>	186.67
28	 <u>Belgium</u>	243.33	117	 <u>Bolivia</u>	183.33
29	 <u>Dominica</u>	243.33	118	 <u>Haiti</u>	183.33
30	 <u>Oman</u>	243.33	119	 <u>Nepal</u>	183.33
31	 <u>Saudi Arabia</u>	243.33	120	 <u>Nigeria</u>	183.33
32	 <u>Suriname</u>	243.33	121	 <u>Tanzania</u>	183.33
33	 <u>Bahrain</u>	240	122	 <u>Benin</u>	180
34	 <u>Colombia</u>	240	123	 <u>Botswana</u>	180
35	 <u>Germany</u>	240	124	 <u>Guinea-Bissau</u>	180
36	 <u>Guyana</u>	240	125	 <u>India</u>	180

37	 <u>Honduras</u>	240	126	 <u>Laos</u>	180
38	 <u>Kuwait</u>	240	127	 <u>Mozambique</u>	180
39	 <u>Panama</u>	240	128	 <u>Palestinian Authority</u>	180
40	 <u>Saint Vincent and the Grenadines</u>	240	129	 <u>Slovakia</u>	180
41	 <u>United Kingdom</u>	236.67	130	 <u>Myanmar</u>	176.67
42	 <u>Dominican Republic</u>	233.33	131	 <u>Mali</u>	176.67
43	 <u>Guatemala</u>	233.33	132	 <u>Mauritania</u>	176.67
44	 <u>Jamaica</u>	233.33	133	 <u>Turkey</u>	176.67
45	 <u>Qatar</u>	233.33	134	 <u>Algeria</u>	173.33
46	 <u>Spain</u>	233.33	135	 <u>Equatorial Guinea</u>	173.33
47	 <u>Saint Lucia</u>	233.33	136	 <u>Romania</u>	173.33
48	 <u>Belize</u>	230	137	 <u>Bosnia and Herzegovina</u>	170
49	 <u>Cyprus</u>	230	138	 <u>Cameroon</u>	170
50	 <u>Italy</u>	230	139	 <u>Estonia</u>	170
51	 <u>Mexico</u>	230	140	 <u>Guinea</u>	170
52	 <u>Samoa</u>	230	141	 <u>Jordan</u>	170
53	 <u>Singapore</u>	230	142	 <u>Syria</u>	170
54	 <u>Solomon Islands</u>	230	143	 <u>Sierra Leone</u>	166.67
55	 <u>Trinidad and Tobago</u>	230	144	 <u>Azerbaijan</u>	163.33
56	 <u>Argentina</u>	226.67	145	 <u>Central African Republic</u>	163.33
57	 <u>Fiji</u>	223.33	146	 <u>Republic of Macedonia</u>	163.33
58	 <u>Israel</u>	223.33	147	 <u>Togo</u>	163.33
59	 <u>Mongolia</u>	223.33	148	 <u>Zambia</u>	163.33
60	 <u>São Tomé and Príncipe</u>	223.33	149	 <u>Angola</u>	160
61	 <u>El Salvador</u>	220	150	 <u>Djibouti</u>	160
62	 <u>France</u>	220	151	 <u>Egypt</u>	160
63	 <u>Hong Kong</u>	220	152	 <u>Burkina Faso</u>	156.67
64	 <u>Indonesia</u>	220	153	 <u>Ethiopia</u>	156.67
65	 <u>Kyrgyzstan</u>	220	154	 <u>Latvia</u>	156.67
66	 <u>Maldives</u>	220	155	 <u>Lithuania</u>	156.67
67	 <u>Slovenia</u>	220	156	 <u>Uganda</u>	156.67
68	 <u>Taiwan</u>	220	157	 <u>Albania</u>	153.33
69	 <u>East Timor</u>	220	158	 <u>Malawi</u>	153.33
70	 <u>Tonga</u>	220	159	 <u>Chad</u>	150
71	 <u>Chile</u>	216.67	160	 <u>Côte d'Ivoire</u>	150
72	 <u>Grenada</u>	216.67	161	 <u>Niger</u>	150
73	 <u>Mauritius</u>	216.67	162	 <u>Eritrea</u>	146.67
74	 <u>Namibia</u>	216.67	163	 <u>Rwanda</u>	146.67
75	 <u>Paraguay</u>	216.67	164	 <u>Bulgaria</u>	143.33

76	 <u>Thailand</u>	216.67	165	 <u>Lesotho</u>	143.33
77	 <u>Czech Republic</u>	213.33	166	 <u>Pakistan</u>	143.33
78	 <u>Philippines</u>	213.33	167	 <u>Russia</u>	143.33
79	 <u>Tunisia</u>	213.33	168	 <u>Swaziland</u>	140
80	 <u>Uzbekistan</u>	213.33	169	 <u>Georgia</u>	136.67
81	 <u>Brazil</u>	210	170	 <u>Belarus</u>	133.33
82	 <u>China</u>	210	171	 <u>Turkmenistan</u>	133.33
83	 <u>Cuba</u>	210	172	 <u>Armenia</u>	123.33
84	 <u>Greece</u>	210	173	 <u>Sudan</u>	120
85	 <u>Nicaragua</u>	210	174	 <u>Ukraine</u>	120
86	 <u>Papua New Guinea</u>	210	175	 <u>Moldova</u>	116.67
87	 <u>Uruguay</u>	210	176	 <u>Democratic Republic of the Congo</u>	110
88	 <u>Gabon</u>	206.67	177	 <u>Zimbabwe</u>	110
89	 <u>Ghana</u>	206.67	178	 <u>Burundi</u>	100

**Source:** White (2006)

# APPENDIX E

Letter from language editor

November 30, 2014



TO WHOM IT MAY CONCERN

## Re: Letter of confirmation of language editing

The dissertation **An investigation of selected factors influencing the success of small and medium-sized family businesses** by F.D. van Breda (12332887) was language, technically and typographically edited. The sources and referencing technique applied was checked to comply with the specific Harvard technique as per North-West University prescriptions. Final corrections as suggested remain the responsibility of the student.

A handwritten signature in black ink, appearing to read 'Antoinette Bisschoff'.

**Antoinette Bisschoff**

Officially approved language editor of the NWU since 1998  
Member of SA Translators Institute (no. 100181)