The Complexities of Family Involvement in Successor Selection: Insights from South African Family-Owned Small Businesses

Risimati Maurice Khosa[1], Tiyani Pamela Baadjie[2]*, Tatenda Lincoln Chidau[3]

[1]Applied Management, University of South Africa, Pretoria, South Africa,Orcid: 0000-0002-5968-6153

[2]Business Management, University of Johannesburg, South Africa,Orcid: 0000-0003-3282-7697

[3]Applied Management, University of South Africa, Pretoria, South Africa,Orcid: 0000-0003-3836-8874

Keywords

Family businesses

Succession planning

Successor selection

Family enterprises

Abstract

Family businesses play a crucial role in South Africa, holding significant economic and social importance. Many multinational companies in existence today started out as family businesses. Nevertheless, studies often focus on patriarchal succession views, leading to discrimination within family businesses. This study sought to investigate the drawbacks of family involvement in choosing a successor for family-owned businesses.

The study highlights the importance of effective governance practices and long-term planning for suitable succession. It utilises a systems-theory perspective to analyse the interaction between the family and business subsystems. A descriptive quantitative research design was used to conduct this research. The study's 257 participants were recruited using convenience and snowball sampling techniques. A survey was distributed via SurveyMonkey to collect primary data. The study highlights that family businesses often face disagreements and conflicts during succession planning. The preference for bloodline over merit can lead to unsuitable successors being appointed, and the qualifications of family members are sometimes disregarded in the selection process. Gender bias is a notable concern, and family predecessors may choose successors they can control, showing reluctance to give up power. These factors pose significant challenges in effective succession planning within family businesses.

*Corresponding Author

[1] khosarm@unisa.ac.za

[2]*tiyanib@uj.ac.za

[3] tlchidau@live.com

1. Introduction

1.1. Background

Family businesses play an essential function economically and socially in South Africa; many multinational companies in existence today started out as family businesses (Gomba & Kele, 2016; Mahomed & Mtembu, 2021). Moreover, various studies concur that family-owned businesses represent the majority of businesses in developing countries such as South Africa (Phikiso & Tengeh, 2017). Family businesses are renowned for incorporating different sectors and are mainly prominent in farming, mining, transportation, tourism, and construction. Unfortunately, most studies on family business succession are based on the patriarchal views of father-to-son handover (Malebana, 2015). These views provide a glimpse of discrimination in family businesses. Moreover, South Africa's past policies under apartheid discriminated against people on the basis of race and gender, heavily disadvantaging minorities such as Muslim people, who have been living in the country for more than 300 years, and daughters within family businesses (Abduroaf, 2020; Mahomed & Mtembu, 2021). Despite this dismal historical situation, this study will proceed to identify the meaning of family business in a South African context.

The complexities of family structures result in it being impossible to provide a single, standard definition of a family business. Porfírio et al. (2020) and Matias and Franco (2020) concluded that family business definitions differ globally but submitted that at least one family member should be actively involved in running the company. Gomba and Kele (2016) and Visser and Chiloane-Tsoka (2014) note that most family businesses are classified as small and medium-sized enterprises (SMEs). Tien et al. (2019) advocated that a suitable definition to describe family businesses must use multiple conditions. Factors such as the shareholding, business size and the environment in which a venture operates determine the way a family business is seen and defined. That said, this study adopted Mahomed and Mtembu's (2021:73) definition:

> *A family business is considered as a business whose ownership as well as control is within the founder's family members, the family members are directly involved in the business' daily activities and the plan is to transfer the business to subsequent family generations.*

According to Phikiso and Tengeh (2017), in a family business, succession is an ongoing activity that should span a considerable period. However, succession is still one of the most difficult strategic problems in family businesses. Handler (1994) is applauded for her theoretical framework outlining that business succession is the most crucial decision a family business will make. It has been well documented that family businesses globally grapple with sustainability and continuation beyond the second generation; South African businesses are no exception (Gomba & Kele, 2016; Ungerer & Mienie, 2018). Interestingly, the estimated family business life span is 24 years or less, which coincides more or less with the period that the founder will remain in control of a business (Ungerer & Mienie, 2018).

In relation to the above, Cisneros et al. (2018) produced what is considered to be the first comprehensive, exhaustive and multidisciplinary research into family business succession. This bibliometric study examined various studies ranging from 1939 until 2017 to determine distinguishing factors in succession decisions between non-family and family-owned businesses. The study revealed that succession in all types of business is linked to and driven by economic factors (profitability); however, in family businesses, the process also included non-economic factors (Phikiso & Tengeh, 2017). Family businesses are traditionally associated with making decisions based on emotions and family values (Cesaroni et al., 2017; Morris et al., 1996).

It is important to safeguard the socioeconomic wealth of a family-owned business, which involves finding a suitable successor (Phikiso & Tengeh, 2017). This study sought to answer the following research question: What are the perplexities brought about by family involvement in selecting a successor?

1.2. Family businesses in South Africa

In South Africa, family businesses make up about 80% of all enterprises and approximately 60% of the entities listed on the Johannesburg Stock Exchange (JSE), according to Urban and Nonkwelo (2020) and Visser and Chiloane-Tsoka (2014). Despite their high prevalence, these businesses face significant challenges that threaten their long-term success and profitability. These challenges can be attributed to two main factors: limited access to resources in uncertain economic times and decreasing interest from future generations (Pike-Bowles et al., 2022).

Farrington and Jappie (2016) conducted a study employing a bibliometric analysis of scholarly articles authored by South African academics on the subject of family businesses. The study unveiled a notable gap. Despite the pivotal role that family businesses play in bolstering the South African economy, there exists a noticeable gap in research into their dynamics and operations, necessitating further investigation and exploration. This gap calls for a deeper commitment to research in this domain, underscoring the need for an enhanced understanding of the dynamics at play (Farrington & Jappie, 2016).

1.3. Problem statement

Family businesses play a vital role in the economy and society of South Africa. They have been instrumental in establishing numerous multinational companies. However, choosing successors for family businesses remains complicated and challenging. Traditionally, patriarchal views have influenced the succession process, resulting in the unfair treatment of daughters and minority groups. This has led to unequal opportunities in these businesses. Although family involvement has been proven to yield benefits in family-run businesses, it can also present some drawbacks, particularly in selecting a successor. As a result, it is crucial for family businesses to confront the distinct challenges they face when selecting successors so that they may ensure their continued success and sustainability beyond the first generation.

1.4. Research objective

This study sought to determine the drawbacks of family involvement in choosing a successor for family-owned businesses in Gauteng, South Africa.

2. Literature review

2.1. Unique traits of family businesses

Family enterprises differ from non-family enterprises in several ways (Mahadea, 2013; Ramadani & Hoy, 2015). They may vary in governance, competitive strategy, mindset orientation, organisational culture, assets, key objectives, management styles and allocation of profits, among other factors. Mahadea (2013) submits that family business entrepreneurs are unique owing to numerous factors, such as *dual institution*, *family embeddedness*, *altruism* and *unique long-term governance*. These are discussed, in turn, below.

Dual institution: In family enterprises, a dual system operates according to rules (written or unwritten) derived from separate components of the dual system. The owner creates lasting family legacies often extended by marriage or kinship. These businesses also become family institutions, resulting in the family culture becoming the business culture (Mahadea, 2013).

Family embeddedness: Families and businesses are, in most cases, treated as naturally separate institutions. However, Zellweger et al. (2019) note that they are inextricably intertwined. According to Mahadea (2013), in family enterprises, the needs of the family are intertwined with the business; they interconnect and sustain each other. There is a family embeddedness that introduces family–firm identity with an effective commitment that contributes to the success of the business. Family members can pool resources to raise capital or provide collective collateral for sourcing funding during difficult times.

According to Khosa (2014), family members may be willing to put in long working hours for low pay for a business to grow, and it is typically the founding entrepreneur who puts in the firmest start-up work. Longenecker et al. (2000) posited that the highest merit of family involvement comes from the strength of family relationships. Family members possess unique motivation as they believe business success is also family success (Grundling & Steynberg, 2017). Family members are drawn into the enterprise owing to family ties and tend to stick with the business through thick and thin, unlike non-family members (Longenecker et al., 2000).

Altruism: This is normally recognised as behaviour that rewards others at a personal cost to the individual enacting these behaviours (Kerr et al., 2004). Del Giudice (2017) asserts that altruism in family enterprises means that family members prioritise the enterprise's interests over their own; the behaviour of older family members (parents, founders, etc.) is aimed at passing down values such as honesty, loyalty, mutual trust, commitment and respect to their heirs. They furthermore are prepared to be particularly generous towards descendants in the enterprise (Del Giudice, 2017).

Family values such as trust, altruism and paternalism can encourage an atmosphere of love, respect and commitment towards the business, thus keeping organisational costs to a minimum. Parents act selflessly for the present and future welfare of their children. Children and grandchildren, in return, frequently serve selflessly on behalf of the family enterprise. Selfless rationalities prevent family members from taking advantage of one another. The aforementioned familial altruism creates a unique organisational setting with a participative approach to decision-making. Nevertheless, family enterprises also often compete for financial resources, time and energy, either of the individual members or of the family collectively (Mahadea, 2013).

Unique long-term governance: Family enterprises with effective governance practices are more likely to plan strategically and for succession (Neubauer & Lank, 1998). According to Neubauer and Lank (1998), on average, family businesses grow faster and survive for longer than non-family businesses. Mahadea (2013) affirmed this in stating that when successful family enterprises are passed from generation to generation, long-term relationships and strong leadership lead to highly credible family businesses with unique governance scenarios in which ownership, management and elements of succession are intertwined. Family members can own, control and manage the business, or place the management in the hands of non-family members and salaried professional managers, while the family retains control. Family members who do not wish to be part of the family business may opt to bring diversity into the business by selling their shares in the business to non-family members (Mahadea, 2013).

2.2. Merits of family business

According to Venter (2015), every unique attribute of the family enterprise could be a source of both advantage and disadvantage for owners, family members working in the business and non-family employees. Grundling and Steynberg (2017) suggest that family enterprise problems can easily blind people to the merits of participating in the enterprise. The merits of family involvement should be recognised and elaborated upon when recruiting family and non-family members (Grundling & Steynberg, 2017). Longenecker et al. (2000) assert that a downturn in business fortunes might cause non-family staff to seek greener pastures, while a daughter, son or spouse in the same scenario may be reluctant to leave the enterprise if the family welfare, family name and possibly the family fortune are at stake.

The resource-based view (RBV) is the most suitable theory to underpin this discussion. Following this perspective, Poza (2009) states that an enterprise is scrutinised for its unique, specific, complex, dynamic and intangible resources. These resources, usually described as organisational competencies entrenched in internal processes, human resources or other intangible assets, can give an enterprise a competitive edge in certain situations. In the case of family-owned enterprises, one of these resources may be overlapping owner–manager responsibilities, the merits of which include decreased administrative costs and quicker decision-making, which are the result of streamlined and cost-efficient monitoring mechanisms made possible by family trust. Similarly, Eze et al. (2021) state that the concept of *familiness* stems from a perspective that focuses on the resources of a business. It suggests that when a family is involved in a business, they can create resources that are valuable, rare, difficult to imitate and cannot be replaced. These resources can be used by the family to pursue entrepreneurship across generations.

Zhang et al. (2023) state that other resources exclusive to family-owned enterprises could include close relationships with customers, reinforced by an organisational culture committed to high quality and good customer service, and skills and knowledge transmission from generation to generation, which makes it simpler to sustain and consequently improve enterprise performance.

Mahadea (2013) asserts that, because family enterprises are dual entities, the family and the business are blended together, making both elements better than each one operating separately. Referring to the work of Le Breton-Miller and Miller (2006), Mahadea (2013) highlighted that, according to empirical research, family enterprises tend to treat their employees better than other businesses do, and consequently tend to engage in fewer layoffs and enjoy lower staff turnover than non-family enterprises do.

Longenecker et al. (2000) opined that some family enterprises employ the family theme in advertising campaigns to differentiate themselves from their competitors. These campaigns leverage the fact that family-owned enterprises possess solid business commitment, high standards of ethics and a personal obligation to serve their clients and the local community.

2.3. Family involvement

The link between family involvement and business can be explained sufficiently by systems theory, which originates in the work of Miller and Rice (1967). Systems theory describes a set of independent but interacting parts (Rautiainen et al., 2012). Two overlapping subsystems – family and business – interact (a two-circle model). When conflict arises, the source is usually this overlap. According to Barrett (2014), the dual system has been criticised for not taking into consideration other important subsystems. As a result, a revised model was created that included ownership as an additional element (refer to Figure 1).

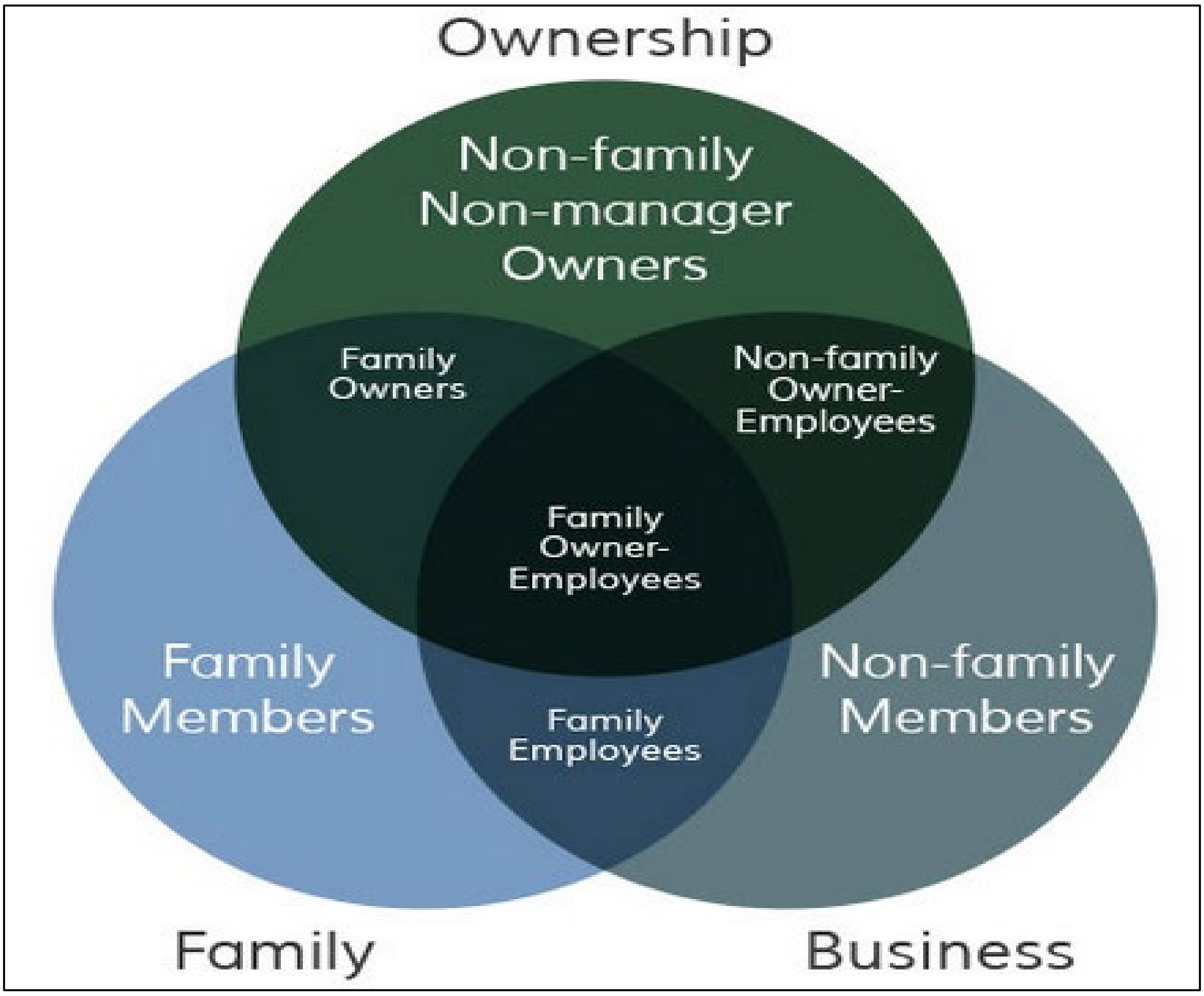

Figure 1: Three-circle model of family business
Source: Tagiuri and Davis (1996)

The systems-theory perspective of the family business demonstrates that a family business is a complex and dynamic social system. In addition, the three-circle model consists of three overlapping, interacting and interdependent subsystems, namely, *family*, *ownership* and *management*. According to Rautiainen et al. (2012), the two- and three-circle models are classified as closed-systems perspectives. The core of the theory entails the interaction of the family with the business and how the family system can positively or negatively affect a business system. The interfaces between these subsystems give rise to special considerations. When a certain subsystem is given precedence, it may result in severe sub-optimisation of the family-ownership-management system, resulting in lower levels of performance than the family business is capable of attaining (Barrett, 2014). Importantly, when the three circles or subsystems overlap, they remain interconnected, which indicates that when something happens in one ring it influences the others (Davis, 2018). Therefore, the long-term success of any family business system is depended on the performance and mutual support of each of these subsystems.

2.4. Drawbacks of successor selection

According to Mahomed and Mtembu (2021), the conventional and traditional beliefs that successors must be only males from the family's bloodline can be both beneficial and detrimental to the success and continuity of a business. Consequently, it has been suggested that successors should be sought on merit. The findings agree with those of Xian et al. (2021), who published that traditionally, male children are treated as heirs, whereas daughters were viewed as temporary additions. This resulted in male family members' benefiting financially and having status in a business. Daughters, however, were relegated to low-status domestic duties (within the business and at home). Despite their qualifications or experience in the business, women and girls are nearly always overlooked, which explains them not wishing to be part of family businesses. The findings concur with those of Tien et al. (2019), who explained that traditional customs and cultural practices are pivotal in the selection of a successor; failure to abide by these will have negative consequences. The presumption in South Africa is that sons are the automatic successors to family businesses, revealing an issue of entitlement in family businesses (Malebana, 2015). In South Africa, the future of Indian family-owned businesses is bleak owing to the absence of a succession plan (Mahomed & Mtembu, 2021). However, according to Chidau et al. (2022), immigrant-owned family businesses in South Africa are proactive in preparing a successor. This is in contrast with the findings of Muhanna (2007), who outlined that locally owned family businesses struggle with continuity after the death of the founder, as they fail to prepare a successor. Western countries are acclaimed for preparing successors from a young age, which is something lacking in South Africa (Ngota et al., 2019). Therefore, it can be concluded that an inherent subliminal cultural practice limits effective succession planning in family businesses in South Africa.

Grundling and Steynberg (2017), Venter (2015), Mahadea (2013) and Maas (2019) have asserted that family enterprises face the crucial challenge of conflict. For this reason, successful conflict management is vital for the success of a family enterprise. According to Burns (2007) and Fathallah et al. (2020), families can display their values and beliefs in various ways. Although these are sometimes positive, for instance, when people have clearly stated values and beliefs plus direction, strong opinions can also be the root of nepotism, a disregard for merit, a lack of professionalism, rigidity and family feuding being brought into the workplace. Maas (2009) and Lank (2000) identify some of the drawbacks of family enterprises as follows:

- a challenge in expanding the enterprise without weakening the family's equity;
- an inability to optimally balance the needs of the family for liquidity and the needs of the business for cash;
- poor planning of the estate and the subsequent generation's being unable to pay inheritance taxes;

- a lack of willingness in the mature generation to let go of management power and ownership at an appropriate time;
- an inability to entice and retain capable and motivated family successors;
- uncontrolled sibling rivalries in reaching agreement about a selected successor;
- an inability to attract and retain competent non-family senior professional managers;
- ungoverned conflict between the cultures of the family, the board and the business; and
- the family enterprise becoming less entrepreneurial in cases in which the family system dominates.

In addition to the above list, Maas (2019) presents the following obstacles typical in South African family enterprises:

- favouritism, which can lead to nepotism, meaning that family members are appointed without real consideration of expertise;
- unclarified expectations between members, for instance, when a parent buys an existing business to transfer it to their children eventually but neglects to consult them on whether they want to be part of the business;
- unaddressed family conflicts before starting the family enterprise, with the hope that the business will resolve them;
- absence of entrepreneurial initiative where there is no stable environment or members are not adequately trained;
- destruction of the family enterprise as a result of divorce or separation; and
- emigration by members of the family enterprise to other countries, thus destroying the dream of the family business.

Other notable drawbacks of running a family business include the risk of unprofessional behaviour among family members and a lack of a clear business strategy or vision (Arcese et al., 2020).

2.4.1. Family conflict

Frequently, conflicts arise in family-owned businesses on account of the interconnectedness of the family, the business, and the ownership systems. This can be a result of tensions caused by overlapping roles and responsibilities, differing opinions on business decisions and emotional attachments to the company. It is important for family members involved in the business to establish clear communication and boundaries to mitigate these potential conflicts (Islas-Moreno et al., 2021). According to Frank et al. (2011), while conflicts in business are not unique to family businesses, they are nonetheless a significant concern. Conflicts intensify considerably more easily as a result of familial relationships (Pieper et al., 2013) and can quickly transfer to a personal level (Frank et al., 2011; Sorenson, 1999). To sustain healthy family ties, it is important for the family members involved in the business to establish clear communication and boundaries to mitigate these potential conflicts (Islas-Moreno et al., 2021). Family-owned businesses that prioritise their family's identity tend to focus on building strong relationships within the company (Combs et al., 2020).

For example, an enterprising family must deal with challenges such as role transfers between family and business, leadership roles, the value of family member voices and their equal treatment, sibling rivalry, struggles as a result of triangulation, succession and nepotism (Pieper et al., 2013; Sorenson, 1999). According to Ramadani and Hoy (2015), conflict sources are distinct. KPMG and Family Business Australia found in their 2015 survey that more than 80% of family businesses polled had experienced conflict/tension among family members in the 12 months before the survey (compared to 60% in the 2013 survey). The five most common sources of conflict were identified as:

- issues surrounding vision, goals and strategies (i.e., future direction);
- striking a balance between business and family needs;
- succession issues;
- financial stress; and
- family communication.

Surprisingly, over three consecutive surveys (2011, 2013, and 2015), vision, goals and strategy consistently retained its position as the top source of conflict in family-owned businesses.

According to KPMG and Family Business Australia (2015), when a family enterprise transitions from the first to the second generation (which may include partnerships of siblings or cousin consortiums), they are more likely to face conflict over the future direction of the business (vision, goals, and strategy) than first-generation enterprises, which are primarily owner/founder led. According to KPMG and Family Business Australia (2015), family communication and succession difficulties were identified as more dominant conflict factors in the family than they had been in the 2013 survey.

2.4.2. Succession, culture and religion

Transitioning to the next generation is a critical phase in the life cycle of a family-owned business. It plays a vital role in ensuring the continued success of the business and strengthening family ties. The prosperity of a family-run enterprise depends on positive relationships among family members, which may become strained during the leadership transfer, leading to potential family conflicts (Urban & Nonkwelo, 2020). Examining the role of culture in family businesses reveals its significant influence on business practices and entrepreneurship. Societal culture, distinct from organisational culture, emerges from social values, while the latter stems from organisational practices. Cultural values such as community, family unity, respect for elders and authority, religion and hospitality have a profound impact on business, particularly succession in family-run enterprises (Buckman et al., 2019). Research on succession typically reveals themes such as leadership transition, power transfer, intergenerational conflicts, communication dynamics and the presence or absence of established plans outlining succession rules (Khosa, 2020; Poza, 2009; Sorenson, 1999).

African societies possess deeply collectivistic cultures in which the family system extends beyond the nuclear family to encompass the broader community, shaping the value system and attitudes towards business ownership. In addition, these collectivist cultures emphasise extended-family ties and community bonds, creating substantial social obligations and hindering business growth owing to resource constraints. The practice of polygamy, which is common in Africa, exacerbates these challenges as a result of succession issues as (many) siblings contend for business control after the family founder's passing, resulting in fewer intergenerational business transfers (Acquaah, 2016).

In many African countries, especially South Africa, traditional and cultural beliefs often hinder the success of daughters in family businesses. This is because extended family customs are highly valued, leading to complex family arrangements with multiple generations all involved in the family enterprise. When the only surviving children of a deceased business owner are female, the extended family often disrupts the business. Male relatives such as uncles, brothers and cousins oppose female succession and cite "African culture" as their justification. In such cases, aunts and grandmothers also support the male position, as it aligns with traditional African cultural norms (Urban & Nonkwelo, 2020).

Cultural-value alignment leads to an improved perception of good governance in Greek family businesses in South Africa, according to a study by Adendorff and Boshoff (2011). This alignment promotes fair procedures and rules, reducing conflicts between family values and business objectives and playing a vital role in effective governance.

Abduroaf (2020) in his study explains and depicts the disqualification of family members on account of their being of different religions or not being recognised because they were conceived out of wedlock. Philosophically, Abduroaf (2020) argued that Islamic law does not discriminate against females, as expressed by some interpretations of the law. However, the scholar agrees that male children benefit more than females in various scenarios. Such cultural views that favour males and exclude females as possible successors in South Africa are responsible for the drawbacks encountered in the selection of a successor (Mahomed & Mtembu, 2021).

Eze et al. (2021) conducted a study in Nigeria and found that family systems have an impact on transgenerational entrepreneurship. Muslim families prioritise profit to sustain their large families, leading to challenges as a result of conflicts among children from multiple wives. Christian families, in contrast, value educated wives, benefit from small family sizes with unified values and a focus on long-term business development. Smaller family sizes reduce risk aversion, promoting entrepreneurship. Primogeniture is typical among Christians, designating the first son as the leader and heir.

All of the aforementioned challenges could create the belief that a family enterprise should be avoided at all costs. This is not the case at all. The drawbacks are listed merely to draw attention to the uniqueness of these enterprises and what one must be aware of before launching a family business (Maas, 2009).

3. Research methodology

A quantitative research approach was used for this descriptive survey study. Quantitative approaches involve objective methods such as statistical, numerical and mathematical analyses resulting from questionnaires, surveys and polls or using computer algorithms on pre-existing data. Quantitative research focuses on gathering numerical data and generalising it across groups of people or explaining a specific occurrence (Labaree, 2009). In order to achieve the study's main goal, it was necessary to examine and quantify family-owned firms' views on family involvement in selecting a successor. Quantitative research was therefore considered the most effective approach, since it can quantify behaviours, opinions, attitudes and other characteristics and generate conclusions for a broader population.

3.1. Population

This study's population comprises family-owned businesses based in Gauteng province, South Africa. The owners/founders and management of these businesses were the units of analysis. According to Zikmund et al. (2010), the unit of analysis for a research project determines the source of data and the level of data aggregation. This study's population was estimated to be 577,278 small businesses. This figure was approximately 65% of the total SME population in Gauteng when data were collected. The decision to use 65% of the total number of small firms was informed by the belief of numerous academics (e.g., Ramadani & Hoy, 2015; Venter, 2015) that between 65% and 90% of business enterprises globally are owned or managed by families. In this study, 384 firms were included in the sample. However, only 257 completed questionnaires were returned (a response rate of 66%).

3.2. Sampling technique and data gathering

The convenience and snowball sampling approaches were used in this investigation. Convenience sampling was used as a starting point for snowball sampling, as well as to swiftly and cost-effectively collect a large number of completed questionnaires. To begin with, a database of small enterprises in Gauteng. Identifying a family business from a non-family enterprise is difficult; therefore, snowball sampling was thought appropriate to reduce this problem. Respondents were asked to tell research assistants of any other family business owners they knew who might be interested in participating in the study. The empirical data were acquired via SurveyMonkey and a drop-off (paper-based) approach.

Khosa (2014) notes that a pilot test is critical for refining survey questions and reducing the possibility that the entire research project will be flawed or fail. The pilot test in this study revealed that some of the questions were irrelevant and some words needed to be clarified for the participants to understand. As a result, the necessary changes were made to the pilot research questionnaire before the final version was distributed.

3.3. Ethics procedure

This study followed the ethical practices outlined by Neuman (2014), Bhattacherjee (2012) and Marvasti (2004), which are widely accepted in the scientific community and are outlined below.

- *Permission to conduct the research (from the authorities):* The City of Tshwane (CoT) Municipality granted permission in writing for the research to be conducted. For participants outside of CoT, an independent research analyst granted permission to use his database.
- *Voluntary participation and harmlessness:* Participants in this study were made aware that their participation was entirely voluntary.
- *Guarantees of primary confidentiality and anonymity:* The participants were assured of their confidentiality. Their identities have not been and will not be revealed to anyone.
- *Disclosure:* Prior to gathering any data, vital information was presented about the study to potential participants to help them decide whether or not they wished to participate.
- *Analysis and reporting:* This study aimed to guarantee that the interpretation of the research findings is consistent with the data.

4. Results and findings

This section outlines results derived from the survey. The results are interpreted and then summarised in table 1 where items referred to in the interpretation are presented. In this study, 66.54% of those surveyed were men, while 33.46% were women. Less than 1% of participants are under the age of 20. Furthermore, 8.17% of the participants are under the age of 31. The remaining participants fell in the age ranges of 31–40 (20.23%), 41–50 (26.46%), 51–60 (28.02%) and over 60 (16.73%). Moreover, 85% of the respondents had post-secondary education, and 91.83% of the respondents had external work experience. This may demonstrate some level of skill by family members who can obtain work outside of the family business and implies that they are able to contribute to the family business by bringing in outside expertise.

Item 1 shows that the majority (45.14%) of the participants agreed that family involvement causes disagreements and conflict in succession planning between family members, while 28.40% were neutral on the matter. A total of 25.07% of the respondents disagreed. The findings from Qiu and Freel's (2020) study confirm that family involvement is a unique characteristic and a significant source of conflict in family businesses. In addition, research by Chang et al. (2021) suggests that family conflicts are more common in family businesses and particularly prevalent in family firms, when compared to non-family businesses. This can be attributed to divergent values, objectives and attitudes (McAdam et al., 2020).

Item 2 shows that over half (57.19%) of the participants believed that the family might select an unsuitable successor owing to preferred bloodline rather than merit, while 25.68% disagreed and 15.56% were neutral. To keep the business within the bloodline, family firm leaders may prioritise selecting a successor from within the family, even if stronger candidates exist externally in the labour market (Ahrens, 2019). Moreover, family CEOs demonstrate a decreased willingness to embrace change. They are more hesitant in identifying new opportunities, primarily because they lean towards a conservative approach and have a lower propensity for taking risks (Cirillo et al., 2022), hindering entrepreneurial efforts (McAdam et al., 2020).

Item 3 illustrates that over half of the participants (54.86%) agreed that the family tends to overlook qualifications when selecting a successor among family members. A combined 23.35% disagreed, while 20.23% were neutral. Khosa (2020) affirms that family business founders may face accusations of favouritism when selecting a successor to take over when they retire. This can lead to overlooking potential successors' qualifications and instead focusing on choosing someone they can easily influence. Gender and family lineage may also be considered instead of merit.

Item 4 shows that 53.31% of the participants believed that the family might select a successor based on favouritism rather than merit, while 28.79% disagreed and 16.34% were neutral. These results confirm Habba et al.'s (2022) statement that parental altruism or social favouritism hinders family business leaders from transitioning to a merit-based system, a decision that could challenge family members' favouritism and diminish their control over the company.

Item 5 shows that 45.13% of the respondents acknowledged that the family might select an unsuitable successor on the basis of a preferred gender category rather than merit, while 32.68% responded in the negative and 20.62% were neutral. This is in line with assertions by McAdam et al. (2020), who put forth that in a family business traditional gender roles and societal expectations are strongly emphasised, with women in family businesses less likely to be groomed for leadership roles, resulting in a scarcity of female successors, except in cases in which there is a crisis or a lack of a male heir (rather than through deliberate pursuit such as in the case of their male counterparts). According to Martin (2001), male children are usually seen as heirs, while daughters are viewed as transient additions. Regardless of their degrees or expertise in the field, females are constantly disregarded, which explains why they are not interested in working in family businesses.

Item 6 shows that 53.70% of the respondents acknowledged that the family predecessor might select a successor they can control, as they did not want to give up power. This confirms Maas's (2019) argument that family predecessors might select successors they can control, thus demonstrating an unwillingness to cede authority.

Table 1: Frequencies and percentages

Item/Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know	Total
1. Family involvement brings disagreements and conflicts in succession planning between family members.	15 (5.84%)	101 (39.3%)	73 (28.4%)	52 (20.23%)	12 (4.67%)	4 (1.56%)	257 (100%)
2. The family may select an unsuitable successor due to preferred bloodline rather than merit	29 (11.28%)	118 (45.91%)	40 (15.56%)	48 (18.68%)	18 (7%)	4 (1.56%)	257 (100%)
3. The family tend to overlook qualifications when selecting a successor among family members	30 (11.67%)	111 (43.09%)	52 (20.23%)	47 (18.29%)	13 (5.06%)	4 (1.56%)	257 (100%)
4. The family may select a successor based on favouritism rather than merit	35 (13.62%)	102 (39.69%)	42 (16.34%)	55 (21.4%)	19 (7.39%)	4 (1.56%)	257 (100%)
5. The family may select an unsuitable successor due to a preferred gender category rather than merit	29 (11.28%)	87 (33.85%)	53 (20.62%)	53 (20.62%)	31 (12.06%)	4 (1.56%)	257 (100%)
6. The family predecessor may select a successor that they can control as they do not want to give up power	34 (13.23%)	104 (40.47%)	48 (18.68%)	49 (19.07%)	19 (7.39%)	3 (1.14%)	257 (100%)
7. The family may select a family member who does not have any interest in the business owing to favouritism	26 (10.12%)	96 (37.35%)	40 (15.56%)	59 (22.96%)	33 (12.84%)	3 (1.17%)	257 (100%)

Item 7 shows that just under half (47.47%) of the participants believed that the family might select a family member who was not interested in the business because of favouritism. A further 35.80% of the respondents responded negatively, and 15.56% were neutral. In contrast, McAdam et al., (2020) posited that the selection of family members for positions within the company may not solely stem from favouritism. Instead, it could be a strategic choice driven by economic factors, as it is of benefit to the business to hire individuals with knowledge of the business and a vested interest in its success.

In response to whether the willingness of the (potential) successor is considered, an overwhelming majority (89.49%) of the participants provided a positive response, thus acknowledging that the family does consider successor's willingness to take over the business before the selection. An even greater majority (94.16%) of the participants agreed when asked whether the successor had a say or the right to refuse taking the top position.

5. Managerial implications

Considering the high number of family businesses that do not have succession plans and the remarkably low number of family businesses that are successful when control is assumed by the second generation, this study contributes to the existing literature by highlighting the challenges of family involvement in successor selection in family businesses. By tackling these issues, practitioners and policymakers can develop effective strategies to help ensure the continuity of family businesses. Also, effective succession strategies can provide family businesses with a competitive advantage over non-family businesses by allowing the continuous use of accumulated unique behaviours of family members. According to Mokhber et al. (2017), an inadequate succession process has major implications not only for family members and partners in the business (enterprise closure and loss of income), but also for a nation's economic progress.

Ultimately, this research enhances our understanding of successor selection dynamics within family businesses and provides practical implications for fostering successful and sustainable leadership transitions.

6. Conclusions, limitations and future research

The study provides valuable insights into the complexities and challenges of succession planning within family businesses in South Africa. It is evident that disagreements and conflicts are common during the process, and family preferences often favour bloodline over merit, potentially leading to the appointment of unsuitable successors. The tendency to overlook the qualifications of family members in favour of family ties poses a significant drawback in succession planning. Gender bias is another important concern, and the reluctance of family predecessors to relinquish power can hinder the selection of suitable successors. In summary, the results underscore the importance of adopting a strategic and unbiased method for succession planning in family-owned enterprises to secure their long-term viability and triumph.

While this study offers valuable insights, it is crucial to recognise its limitations. First, the research was carried out on a specific sample of family businesses in a particular geographic region, which may restrict the relevance of the findings to a broader context. Moreover, the study primarily concentrated on the views of family members as potential successors, leaving out the perspectives of non-family workers and external stakeholders. In addition, the research would have benefited from a more in-depth exploration of the cultural, societal, or legal factors that could influence succession planning in family businesses.

The aforementioned limitations highlight the need for further research. Future researchers should consider various approaches to enhance our understanding of and address the limitations associated with succession planning in family businesses. First, conducting cross-cultural studies that encompass different regions and cultural backgrounds would offer a more comprehensive perspective on the challenges and practices related to succession planning. Furthermore, combining qualitative and quantitative data through a mixed-methods approach would provide a more nuanced understanding of the complexities involved. Also, exploring the viewpoints of non-family employees, customers and other stakeholders would help to illuminate the way in which succession planning affects the broader organisational environment. The investigation of the impact of cultural and legal factors and gender bias on succession decisions would be advantageous. Future research efforts should develop practical guidelines and strategies that family businesses can implement to enhance their succession planning processes and ensure the business's continuity across generations.

References

Abduroaf, M. (2020). Application of the Islamic law of succession in South Africa. *Obiter*, *41*(2), 396–409.

Acquaah, M. (2016). Family business theories and sub-Saharan African family businesses. In M. Acquaah (Ed.), *Family Businesses in Sub-Saharan Africa: Behavioral and Strategic Perspectives* (pp. 9–42). Palgrave Macmillan. https://doi.org/10.1057/978-1-137-36143-1_2

Adendorff, C., & Boshoff, C. (2011). The impact of culture-related factors on good governance in Greek family businesses in South Africa. *South African Journal of Business Management*, 42(2): 1-14.

Ahrens, J.-P. (2019). The succession question and the family firm: a theoretical, conceptual, and historical reflection. In M. M. Pellegrini (Ed.), *European entrepreneurship research and practice* (pp. 109–139). Information Age Publishing.

Arcese, G., Valeri, M., Poponi, S., & Elmo, G. C. (2020). Innovative drivers for family business models in tourism. *Journal of Family Business Management*, *11*, 402–422. https://doi.org/10.1108/JFBM-05-2020-0043

Barrett, M. (2014). Theories to define and understand family firms. In H. Hasan (Ed.), *Being practical with theory: A window into business research* (pp. 168–170). THEORI. http://eurekaconnection.files.wordpress.com/2014/02/p-168-170-theories-to-define-and-understandfamily-firms-theori-ebook_finaljan2014-v3.pdf

Bhattacherjee, A. (2012). *Social science research: Principles, methods, and practices* (USF open access textbooks collection, Book 3). University of South Florida. http://scholarcommons.usf.edu/oa_textbooks/3/m

Buckman, J., Jones, P., & Buame, S. (2019). Passing on the baton: A succession planning framework for family-owned businesses in Ghana. *Journal of Entrepreneurship in Emerging Economies*, *12*, 259–278. https://doi.org/10.1108/JEEE-11-2018-0124

Burns, P. (2007). *Entrepreneurship and small business* (2nd ed). Palgrave.

Cesaroni, F. M., Garcés, A. E., & Sentuti, A. (2017). Succession from mother to children: A female perspective. In *Proceedings of the XXXI RENT Conference "Relevance in Entrepreneurship Research"*.

Chang, A. A., Mubarik, M. S., & Naghavi, N. (2021). Passing on the legacy: exploring the dynamics of succession in family businesses in Pakistan. *Journal of Family Business Management*, *11*(2), 161–184. https://doi.org/10.1108/JFBM-10-2019-0065

Cirillo, A., Maggi, B., Sciascia, S., Lazzarotti, V., & Visconti, F. (2022). Exploring family millennials' involvement in family business internationalisation: Who should be their leader? *Journal of Family Business Strategy*, *13*(3), Article 100455. https://doi.org/10.1016/j.jfbs.2021.100455

Cisneros, L., Ibanescu, M., Keen, C., Lobato-Calleros, O., & Niebla-Zatarain, J. (2018). Bibliometric study of family business succession between 1939 and 2017: Mapping and analyzing authors' networks. *Scientometrics*, *117*, 919–951.

Chidau, T., Khosa, R.M., & Phillips, M. (2022). Effects of successful business practices on business performance: Evidence from immigrant entrepreneurs in Ekurhuleni, South Africa. *Southern African Journal of Entrepreneurship and Small Business Management*, 14(1). https://doi.org/10.4102/sajesbm.v14i1.490

Combs, J. G., Shanine, K. K., Burrows, S., Allen, J. S., & Pounds, T. W. (2020). What do we know about business families? Setting the stage for leveraging family science theories. *Family Business Review*, *33*, 38–63. https://doi.org/10.1177/0894486519863508

Davis, J. (2018). *How three circles changed the way we understand family business*. Cambridge Institute for Family Enterprise.

Del Giudice, M. (2017). *Understanding family-owned business groups: Towards a pluralistic approach*. Palgrave Macmillan.

Eze, N. L., Nordqvist, M., Samara, G., & Parada, M. J. (2021). Different strokes for different folks: The roles of religion and tradition for transgenerational entrepreneurship in family businesses. *Entrepreneurship Theory and Practice*, *45*, 792–837. https://doi.org/10.1177/1042258720964428

Fathallah, R., Sidani, Y., & Khalil, S. (2020). How religion shapes family business ethical behaviors: An institutional logics perspective. *Journal of Business Ethics*, *163*, 647–659. https://doi.org/10.1007/s10551-019-04383-6

Farrington S.M. & Jappie, A. (2016). The field of family business research in South Africa: A preliminary review. In Proceedings of the 28th Annual Conference of the South African Institute of Management Scientists, University of Pretoria, Pretoria 2016 (pp. 348-369).

Frank, H., Kessler, A., Nosé, L., & Suchy, D. (2011). Conflicts in family firms: State of the art and perspectives for future research. *Journal of Family Business Management*, *1*(2), 130–153. https://doi.org/10.1108/20436231111167219

Gabru, N. (2005). The applicability of the Islamic law of succession in South Africa. *Obiter*, 26(2), 340–356.

Gomba, M., & Kele, T. (2016). Succession planning in black-owned family businesses: A South African perspective. *International Journal of Business Administration*, *7*(5), 9–21.

Grundling, J., & Steynberg, L. (2017). The family business. In J. G. Longenecker, J. W. Petty, L. E. Palich, F. Hoy, S. Radipere, & M. Phillips (Eds.), *Small business management: Launching and growing entrepreneurial ventures* (pp. 122–143). Cengage Learning

Habba, B., Allioui, A., & Farhane, F. (2022). Moroccan family businesses professionalisation: Benefits and challenges. *Journal of Family Business Management*. Advance online publication. https://doi.org/10.1108/JFBM-10-2022-0125

Handler, W. C. (1994). Succession in family business: A review of the research. *Family Business Review*, *7*(2), 133–157.

Islas-Moreno, A., Muñoz-Rodríguez, M., Santoyo-Cortés, V. H., Martínez-González, E. G., Aguilar-Gallegos, N., & Morris, W. (2021). The role of conflict in the adoption of governance practices in family businesses. *Journal of Family Business Management*, 12, 959–980. https://doi.org/10.1108/JFBM-03-2021-0019

Kerr, B., Godfrey-Smith, P., & Feldman, M. W. (2004). What is altruism? *Trends in Ecology and Evolution*, *19*(3), 135–140.

Khosa, R. M. (2014). *An analysis of challenges in running micro-enterprises: A case of African foreign entrepreneurs in Cape Town, Western Cape* [Unpublished master's thesis]. Cape Peninsula University of Technology.

Khosa, R. M. (2020). Intra-transfer of ownership factors and external transfer of ownership effects: evidence from the Gauteng enterprising community, South Africa. *Journal of Enterprising Communities: People and Places in the Global Economy*, *14*(5), 765–785. https://doi.org/10.1108/JEC-04-2020-0053

KPMG & Family Business Australia. (2015). *Family businesses: Optimistic, entrepreneurial, open to disruptive technologies. Family Business Survey 2015*.

Labaree, R. V. (2009). *Research guides: Organizing your social sciences research paper: Quantitative methods*. University of Southern California. http://libguides.usc.edu/writingguide/methodology

Lank, A. (2000). Making sure the dynasty does not become a Dallas. In: Birley, S. & Muzyka, D.F. (eds.), *Mastering entrepreneurship: The complete MBA companion in entrepreneurship*. London: Prentice Hall.

Le Breton-Miller, I., & Miller, D. (2006). Why do some family businesses out-compete? Governance, long-term orientation, and sustainable capability. *Entrepreneurship Theory and Practice*, *30*, 731–746.

Longenecker, J. G., Moore, C. W., & Petty, J. W. (2000). *Small business management: An entrepreneurial emphasis* (11th ed.). South-Western College.

Maas, G. (2009). Entering the family business. In G. Nieman & C. Niewenhuizen (Eds.), *Entrepreneurship: A South African perspective* (2nd ed., pp. 217–231). Van Schaik.

Maas, G. (2019). Entering the family business. In G. Nieman & C. Niewenhuizen (Eds.), *Entrepreneurship: A South African perspective* (4th ed., pp. 265–278) Van Schaik.

Mahadea, D. (2013). The family business. In D. Mahadea, J. Youngleson, H. Botha, S. Dhliwayo, M. Fregidou-Malama, S. Musengi-Ajulu, K. Myres, D. Pillay, & J. Reyneke (Eds.), *Entrepreneurship and small business management* (pp. 451–481). Pearson Education South Africa.

Mahomed, Y., & Mtembu, V. (2021). Business succession in Indian family businesses in South Africa. *Journal of Economics and Behavioral Studies*, *13*(3), 73–80.

Malebana, M. J. (2015). Gender differences in entrepreneurial intention in the rural provinces of South Africa. *Journal of Contemporary Management*, *12*(1), 615–637.

Martin, L. (2001). More jobs for the boys? Succession planning in SMEs. *Women in Management Review*, *16*(5), 222–231.

Marvasti, A. B. (2004). *Qualitative research in Sociology: An introduction*. SAGE.

Matias, C., Franco, M. (2020). The role of the family council and protocol in planning the succession process in family firms. *Journal of Family Business Management*, *11*, 440–461. https://doi.org/10.1108/JFBM-01-2020-0004

McAdam, M., Clinton, E., Dibrell, C. (2020). Navigation of the paradoxical landscape of the family business. *International Small Business Journal*, *38*, 139–153. https://doi.org/10.1177/0266242619898610

Miller, E. J., & Rice, A. K. (1967). *Systems of organization: The control of task and sentient boundaries*. Tavistock.

Mokhber, M., Gi, T., Abdul Rasid, S. Z., Vakilbashi, A., Mohd Zamil, N., & Woon Seng, Y. (2017). Succession planning and family business performance in SMEs. *Journal of Management Development*, *36*(3), 330–347.

Morris, M. H., Williams, R. W., & Nel, D. (1996). Factors influencing family business succession. *International Journal of Entrepreneurial Behaviour & Research*, *2*(3), 68–81.

Muhanna, E. (2007). Conceptual analysis of determinants of entrepreneurship: a South African perspective. *Problems and Perspectives in Management*, 5(1):95-102

Neubauer, F., & Lank, A. G. (1998). *The family business: Its governance for sustainability*. MacMillan.

Neuman, W. L. (2014). *Basics of social research: Qualitative and quantitative approaches*. Pearson Education.

Ngota, B.L., Rajkaran, N., & Mang'unyi, E.E. (2019). African immigrant entrepreneurship: A catalyst for skills transfer. *Academy of Entrepreneurship Journal*, 25(2), 1-20.

Phikiso, Z., & Tengeh, R. K. (2017). Challenges to intra-family succession in South African townships. *Academy of Entrepreneurship Journal*, *23*(2), 332–344.

Pieper, T. M., Astrachan, J. H., & Manners, G. E. (2013). Conflict in the family business: Common metaphors and suggestions for intervention. *Family Relations*, *62*(3), 490–500. https://doi.org/10.1111/fare.12011

Pike-Bowles, A. P., Puchert-Townes, J., & Chinyamurindi, W. T. (2022). A bibliometric analysis of South African family business research between 2012 and 2022. In Proceedings of the 28th Annual Conference of the South African Institute of Management Scientists at the 33rd Southern Africa Institute of Management Scientists Conference, Mpekweni Beach Resort, Eastern Cape, 11-13 September 2022. Fort Hare University.

Porfírio, J. A., Felício, J. A., & Carrilho, T. (2020). Family business succession: Analysis of the drivers of success based on entrepreneurship theory. *Journal of Business Research*, *115*, 250–257.

Poza, E. J. (2009). *Family business* (3rd ed.). Thomson South-Western Cengage Learning.

Qiu, H., & Freel, M. (2020). Managing family-related conflicts in family businesses: A review and research agenda. *Family Business Review*, *33*(1), 90–113. https://doi.org/10.1177/0894486519893223

Ramadani, V., & Hoy, F. (2015). Context and uniqueness of family businesses. In L.-P. Dana & V. Ramadani (Eds.), *Family businesses in transition economies: Management, succession and internationalisation* (pp. 9–37). Springer.

Rautiainen, M., Pihkala, T., & Ikävalko, M. (2012). Family business system models–a case study and some implications of open systems perspective. *Journal of Small Business & Entrepreneurship*, *25*(2), 155–168.

Singh, S. K., Gupta, S., Busso, D., & Kamboj, S. (2021). Top management knowledge value, knowledge sharing practices, open innovation and organizational performance. *Journal of Business Research*, *128*, 788–798. https://doi.org/10.1016/j.jbusres.2019.04.040

Sorenson, R. L. (1999). Conflict management strategies used in successful family businesses. *Family Business Review*, *12*(2), 325–339. https://doi.org/10.1111/j.1741-6248.1999.00133.x

Tagiuri, R., & Davis, J. A. (1996). Bivalent attributes of the family firm. *Family Business Review*, *9*(2), 199–208.

Tien, N. H., Minh, H. T. T., Ngoc, N. M., &Nhan, M. K. (2019). Family business in Vietnam and in Poland: Review of characteristics and trends of development. *Journal of Southwest Jiaotong University*, *54*(6).

Ungerer, M., & Mienie, C. (2018). A family business success map to enhance the sustainability of a multi-generational family business. *International Journal of Family Business and Management Studies*, *2*(1), 1–13.

Urban, B., & Nonkwelo, R. P. (2020). Intra-family dynamics and succession planning in family businesses in South Africa: The daughter as a potential successor. *Journal of Family Business Management*, *12*, 266–279. https://doi.org/10.1108/JFBM-08-2020-0084

Venter, E. (2015). Family entrepreneurship. In R. Venter & B. Urban (Eds.), *Entrepreneurship: Theory in practice* (3rd ed., pp. 474–512). Oxford University Press.

Visser, T., & Chiloane-Tsoka, E. (2014). An exploration into family business and SMEs in South Africa. *Problems and Perspectives in Management*, *12*(4), 427–432.

Xian, H., Jiang, N., McAdam, M. (2021). Negotiating the female successor–leader role within family business succession in China. *International Small Business Journal*, *39*, 157–183. https://doi.org/10.1177/0266242620960711

Zellweger, T. M., Chrisman, J. J., Chua, J. H., & Steier, L. P. (2019). Social Structures, Social Relationships, and Family Firms. *Entrepreneurship Theory and Practice*, *43*(2), 207–223. https://doi.org/10.1177/1042258718792290

Zhang, C., Zeng, Q., Chen, C., Sindakis, S., Aggarwal, S., & Dhaulta, N. (2023). The strategic resources and competitive performance of family-owned and non-family-owned firms in the retail business of Los Angeles. *Journal of the Knowledge Economy*, *14*, 327–355. https://doi.org/10.1007/s13132-021-00860-4

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). *Business research methods* (8th ed.). South-Western Cengage.