

**EFFECTS OF GOVERNANCE ON THE SUSTAINABILITY AND**

**CONTINUITY OF FAMILY**

**BUSINESSES IN BOTSWANA**

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## **DECLARATION**

I declare that the thesis **Effects of governance on the sustainability and continuity of family businesses in Botswana** is my own work and that all sources that I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that I have not previously submitted this work or part of it, for examination at UNISA for another qualification or at any other higher education institution.



20/04/2018

Ruramayi Tadu

Date

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TO GOD BE THE GLORY AND WHOSE GRACE CONTINUES TO SHINE ON MY  
HEART

## **ABSTRACT**

Family businesses have become a topic of growing interest among scholars and policy makers at both international and local levels, particularly given the sector's contribution to the world economies. The increasingly volatile employment climate that prevails in many African settings today has increased the focus on small and medium enterprises as engines of economic growth and employment creation, and Botswana is no exception. The majority of family businesses are small to medium enterprises.

The main objective of this study was to investigate the effects of governance structures and systems on the sustainability and continuity of family-owned and controlled businesses in Botswana. A study of this nature was important in view that some key sectors of the Botswana economy are dominated by small and medium family businesses. Of concern is the lack of continuity from one generation to the other among family businesses. Therefore, an understanding of the family dynamics and family business governance systems is important for managing the success and survival of the family business. Studies on small and medium enterprises have been carried out in Botswana mostly focusing on their problems, but not on their governance and sustainability. This was done using a cross-sectional research survey design. The target population for the study comprised small and medium family-owned businesses drawn from the manufacturing and professional services sectors and registered with the Business Botswana and Local Enterprises Authority in 2017. A sample of 144 family-owned businesses based in Gaborone and Francistown was polled.

Quantitative data for the research was collected using a questionnaire. The quantitative research methodology adopted applied correlation and regression analysis, utilised Pearson correlation tests and Levene's independent sample tests were performed to measure the relationships between five independent variables and the sustainability and continuity of family businesses in Botswana. This research empirically tested five hypotheses relating to governance factors that affect the sustainability and continuity of family businesses in Botswana. The research findings support the notion that the presence of governance structures, effective communication, decision-making, succession planning, and a vision, mission and strategy have a positive effect on the sustainability and continuity of family businesses. This research also established that small and medium family businesses face the same challenges as

any other formation by ownership of non-family small and medium enterprises. Evidence is also provided that the challenges faced by family businesses in Botswana do not differ significantly with challenges faced by small and medium family businesses, with most respondents citing a lack of funding as the major challenge. For small and medium enterprises to continue playing their critical role in the economic development of Botswana, they need to formalise and adopt systematic approaches to strategy formulation and implementation, succession planning, governance structures and compliance. It is recommended that future studies focus on developing systematic generic models and assist small and medium family-owned businesses to implement and improve on their sustainability and continuity of businesses in Botswana.

**KEY TERMS**

Governance, Small and medium family businesses, Sustainability, Continuity, Succession Planning, Botswana, Decision-making, Challenges, Communication, Intergeneration, Transition

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## **ABBREVIATIONS**

APGAR	-	Adaptation, partnership, growth, affection and resolve
BA ISAGO	-	BA ISAGO University
BB	-	Business Botswana
BIDPA	-	Botswana Institute for Development Policy Analysis
BWP	-	Botswana Pula
CAP 4.2.05	-	Business Act Chapter 4.2.05
CAP 42.04	-	Cooperative Society Act 42.04
CAP 42.05	-	Companies Act Chapter 42.05
CCF	-	Citizen Contractors Fund
CEDA	-	Citizen Entrepreneurship Development Agency
CEO	-	Chief Executive Officer
CTBP	-	Central Tender Board Preferences
EDD	-	Economic Diversification Drive
EISAM	-	European Institute for Advanced Studies in Management
EO	-	Entrepreneurial orientation
EU	-	European Union
FAP	-	Financial Assistance Policy
FCs	-	Family Councils
FCBs	-	Family controlled businesses
FGPs	-	Family governance practices
FIRO	-	Fundamental Interpersonal Relations Orientation
F-PEC	-	Family People, Experience and Culture
FOB	-	Family-owned business
GDP	-	Gross domestic product
GoB	-	Government of Botswana
ICSA	-	Institute of Chartered Secretaries and Administration
IDP?	-	Industrial Development Policy
IFC	-	International Finance Corporation
IFERA	-	International Family Enterprise Research Academy
ILO	-	International Labour Organisation

IOD	-	Institute of Directors
ISCA	-	Institute of Chartered Secretaries and Administrators
LEA	-	Local Enterprise Authority
NDP	-	National Development Plan
OECD	-	Organisation for Economic Cooperation and Development
P	-	Pula
PwC	-	Price Waterhouse Coopers
REIT	-	Real Estate Investment Trust
SAS	-	South African Standards
SEDCO	-	Small Enterprise Development Cooperation
SFBT	-	Sustainable Family Business Theory
SMEs	-	Small and medium enterprises
SMMEs	-	Small medium and micro enterprises
SPSS	-	Statistical Package for the Social Sciences
TQM	-	Total Quality Management
UK	-	United Kingdom
US	-	United States
USA	-	United States of America
USD	-	United States Dollar
UNISA	-	University of South Africa
ZIMRA	-	Zimbabwe Revenue Authority

## **CHAPTER 1**

### **INTRODUCTION AND BACKGROUND TO THE STUDY**

#### **1.1. INTRODUCTION**

The importance of small and medium enterprises (SMEs) throughout the world is well documented. These forms of businesses are the mainstay of many economies around the world. They are engines of economic growth, employment creation and wealth creation (Republic of Botswana, 2014:9). The public and the private sector have committed huge amounts of money and other non-financial resources to SMEs; however, the survival rates of these forms of businesses are dismally low. In addition, despite the recognition of the contribution by SMEs, very little has been done in terms of a regulatory framework targeted at this sector that addresses the governance, sustainability and continuity of SMEs.

The objective of this study was to investigate the effects of governance structures and systems on the sustainability and continuity of family-owned and controlled businesses in Botswana. It was felt that a study of this nature was important in view of the fact that a number of key sectors of the Botswana economy are dominated by family-owned and controlled businesses. Particularly, the lack of sustainability and continuity by family businesses is a major concern of this study.

This chapter provides the background to the study with an emphasis on the government of Botswana's role in the development of the small and medium businesses' policy formulation and support. It also outlines the problem statement, objectives, hypotheses and significance of this study. In addition, the chapter articulates the research methodology. It concludes with a discussion of the ethical considerations and the layout of the thesis.

## 1.2 BACKGROUND TO THE STUDY

The role of the government in creating an enabling environment and policy framework to nurture and facilitate entrepreneurship and business formation is discussed in this section. The definition of SMEs by the Ministry of Trade and Industry in Botswana is provided. A comparative analysis of the categorisation of SMEs is done with selected regional and international benchmarks.

Statistics Botswana (2012) Report and projected to be 2 266 857 by the end of 2017. It was also estimated that 56.4% of the population were between the ages of 15 and 64.

The International Labour Organisation (ILO) (2017) estimates the unemployment rate of Botswana to be 19.6% and youth unemployment (15-35 years) continues to be high at 25.2% (Statistics Botswana, 2017:2). Botswana envisages being a high-income export-led country, diversified with sustainable growth driven by high levels of productivity (Botswana Vision, 2036). To prepare Botswana for “life after diamonds”, the government developed a growth paradigm in its “Vision 2016” and “Vision 2036” strategy document, which suggests that the development of “new economy” skills will play an extremely important role in the country’s future. Botswana is aiming to develop new engines of growth, supplementing the diamond industry with manufacturing, financial, and transport services, and transforming the country’s entrepreneurship sector into a buoyant, productive, and innovative private sector led by entrepreneurs with cutting-edge skills.

Entrepreneurship through SMEs has been identified by the government as a key strategy to deal with youth unemployment. The private sector was by far the largest employer with 44.6% of all employed persons (Statistics Botswana, 2017:2). The government of Botswana (GoB) has formulated its own policy on SMEs in the country and has expanded the definition of the term “SME” to include firms that may be classified as micro, small and medium enterprises. The Policy on Small, Medium and Micro Enterprises (SMMEs) in Botswana, Government Paper No. 1 of 1999, highlights several characteristics that the government uses to distinguish SMMEs from large firms (Botswana Institute for Development Policy Analysis [BIDPA], 1999). These characteristics are in alignment with the findings of the numerous

studies which have been carried out across the world and include turnover as an important element used in classifying SMMEs. The Republic of Botswana (2013), through the Ministry of Trade and Industry, provides guidelines for the registration of micro and small businesses. For example, micro enterprises are those entities with less than 6 workers, including the owner, and an annual turnover of less than P100 000 (P = Pula) (R120 000). A considerably large percentage of these (70%) are involved in trading, 25% in manufacturing and 5% in other sectors (Business Botswana, 2016). Small enterprises, on the other hand, have between 7 and 25 employees, including the owner, and an annual turnover ranging from P100 001 (R120 001) to P1 500 000 (R1 800 000) (Republic of Botswana, 2013). The largest proportion of these enterprises (40%) is involved in the service industry (tourism as the major sector), 20% in manufacturing, 16% in retail and the remainder in transport, construction and agriculture. The third type is the medium enterprise group, which is characterised by more than 25 but less than 100 employees per firm and an annual turnover above P1 500 000 (R1 800 000). Most entities in this category are to be found in the manufacturing sector (BIDPA, 1999; Republic of Botswana, 2013). The general observation may be made that these turnover figures have not been revised in line with international trends and inflation. It is also important to note that the use of the two determinants result in a consistent categorisation. Most businesses which would be classified under “micro”, based on the number of employees, have their annual turnover well over the maximum threshold for micro; and would be qualified under small businesses. Such overlaps are also common between small and medium businesses.

The Guidelines for the Registration of Micro and Small Businesses published by the Ministry of Trade and Industry in 2011 and updated in 2013, indicated that there are various laws which govern business registration in Botswana. These include the Business Names Act (CAP 4.2:05); Companies Act (CAP 42:05); and the Co-operative Society Act (CAP 42:04) Act No. 19 of 1972 (Republic of Botswana, 2013:4). The guidelines highlight that there is a legal framework in Botswana that specifically addresses the registration of micro and small enterprises in the country with these forms of businesses being registered as sole proprietorships, societies, co-operative societies, joint ventures and limited companies.

Limited companies are the dominant form of business formation in (Republic of Botswana, 2013:4).

The annual turnover figures for categorising SMEs in Botswana were published in 1999 and amended in 2014. However, it is important to note that these measures are still significantly below both regional and international benchmarks. In Botswana, businesses are registered under a range from sole proprietor, and partnership to limited company.

Closer to Botswana, in South Africa, the definition of SMEs has been further classified into specific industrial categories. The small and micro businesses' classification is similar between Botswana and South Africa regarding the number of employees; however, South Africa's criterion for sales and asset turnover are far greater than in Botswana.

In the European context, SMEs equally form the backbone of the (EU) economies. In 2015, just fewer than 23 million SMEs generated 3.9 trillion in value added, and employed 90 million people (Muller, Devnani, Julius, Gagliardi & Marzocchi, 2016:1). On the international scene, the EU has a classification which include the asset limit shown by balance sheet value of the enterprises.

### **1.2.2 Policy development of SMEs in Botswana**

Botswana has developed successive National Development Plans (NDPs) since its independence in 1966 to guide its social and economic transformation agenda. The country has enjoyed one of the fastest growth rates in per capita income in the world since its independence in 1966, although this has slowed considerably as a result of the global economic downturn. The economic growth rate averaged 9% per year from 1967 to 2006, before slowing down in 2007 and 2008 to 3%, and to -3.7% in 2009 (Bank of Botswana, 2012; Republic of Botswana, 2014). Economic diversification is a major policy objective of the government of Botswana and has been a key determinant of both the macro and micro-economic policies of the country. The National Development Plan 9, covering the period April

2003 to March 2009, adopted the theme “internationally competitive sustainable economic diversification”. The NDP 10 commenced in April 2009 and was supposed to run until 2016. However, it was extended to 2017 to allow the government to craft a long-term vision. The NDP 11 will cover the period 2017 to 2023. The role of SMEs in Botswana’s economic diversification drive is seen as a major component in achieving Botswana’s economic diversification and reduction of dependence on diamonds and meat exports.

The GoB has, over the years, developed policies and set up institutions aimed at developing the SME sector. According to Sentsho, Maiketso, Sengwaketse, Nzinge-Andersson and Kayawe (2007:234), as early as 1982, the GoB decided to pursue economic diversification. Successive NDPs have highlighted the importance of SMEs as an engine for the diversification of the economy away from minerals and beef, due to their machinery/capital and land-intensive demands respectively. The minerals and beef industries were failing both to create the much-needed jobs, and to create the social justice to which the then government aspired. SMEs were seen as a solution to these problems.

From the perspective of economic development, small businesses create almost half of new jobs in the economy, and it is assumed that they are good jobs (Edmiston, 2007). Estimates from the BIDPA (2015) place SMEs’ contribution to employment creation in Botswana at 32%; the majority (14%) of which is in the micro sector. This figure compares very well with 32% for large firms, and 36% for the government contribution to new job creation (Bank of Botswana, 2016:73). There is therefore a profound incentive to encourage the continuity and sustainability of SMEs.

The contraction in the mining output was due mainly to the declining diamond output and to producers scaling down. The Bank of Botswana (2016) Annual Report indicated that the rough diamond output of Debswana, the largest diamond production company, had declined by 8.6% in 2016, while copper-nickel’s output had declined by 26.9% in the same year. Nevertheless, despite this decline, domestically, government revenues continue to be heavily reliant on minerals, as well as customs and excise receipts which are subject to exchange rates

and international market fluctuations. This has compelled the GoB to seek alternative methods of diversifying the economy. The development of SMEs is therefore a key strategic focus for turning around the economy of Botswana.

### **1.2.3 Importance of SME family businesses**

Recent years have seen increasing awareness and recognition of the role played by small businesses and their contribution to the economy (Republic of Botswana, 2013:3). The GoB recognises small businesses, their potential for innovation, flexibility, low start-up costs, rapid development, and the distribution of risk, as major advantages of SMEs. According to Alderson (2015:140), most family firms are SMEs, which are privately held. There is a natural tendency to assume that they face similar challenges as compared to non-family businesses of a like size. Valenti, Mayfield and Luce (2010:66) note that SMEs are generally owned and managed by small, closely-knit groups of individuals who are often family members. Within the SME sector, family businesses are the dominant form of business organisations, as well as the key drivers of economies around the world (Tagiuri & Davis, 1996; Bertrand & Schoar, 2006; Memili, Singal & Barrédy, 2016). A family business is one that is owned by members of the same family who shape and/or pursue the formal or implicit vision of the business, which includes the intention of family members to hand the business over to the next generation; or else, the business has already been handed over to a family member to manage and/or control (Venter, 2003:17). Studies by Kapteyn and Wah (2016) and Kasseeah (2016:442) found that the majority of the private sector is still in its developmental stage. In addition, Kapteyn and Wah (2016) indicate that 83% of all private enterprises are to be found in the informal sector and that the majority of these are family-owned.

One major observation which emerged from the literature review was the paucity of official data on SMEs and, more specifically, on family businesses. Kapteyn and Wah (2016) maintain that, if the data do exist, it is either extremely difficult to verify or it is not suitable to use to conduct appropriate, in-depth statistical analyses. Self-reporting of business environments has been used extensively in the study of SMEs and family owned or run businesses in cross-country empirical studies, as well as in generating country reports. It is anticipated that this research would have

the potential to influence both policy formulation as well as the implementation of existing policies, while meeting the need to augment existing literature with validated and reliable data.

SMEs contribute immensely to the growth of many national economies with two notable contributions, being in the areas of job creation and GDP. Karjalainen and Kemppainen (2008:231) report that some of the major benefits of SMEs include innovativeness, entrepreneurship, job creation, economic development of a nation, and local economic growth. Similarly, the BIDPA (1999), briefing the Ministry of Industry and Trade, also reported that SMEs are, potentially, important sources of employment generation in Botswana, as well as across the globe. BIDPA (1999) observes that the development of the SME sector involves the economic empowerment of citizens as these enterprises are owned primarily by the citizens of Botswana. BIDPA (1999) further reports that 15% to 20% of Botswana's GDP is generated by the SME sector. However, it would appear that literature on SMEs remain scanty on to provide a clear picture on their successes. Research and documentation largely focus on larger firms which continue to occupy and enjoy top positions in terms of the supply, manufacturing and winning of lucrative tenders from the GoB.

Family businesses are ubiquitous. They play a significant role in most economies across the globe. Their contribution ranges from employment creation, wealth creation, production of goods and services and contributing to the national GDP. While there is documentation on SMEs in Botswana and typical of a sub-Saharan country, there is no research done on the contribution of family businesses, despite being a major form of enterprise over a long period of time. In South Africa, family owned businesses constitute 84% of all formal businesses and account for almost 1.2 million businesses, the majority of which are sole proprietorships (Balshaw 2003:5; Mboniyane & Ladzani, 2011:550). Studies on the governance of family businesses have been conducted primarily in the developed countries.

Research on SMEs in Botswana has focused on the role of SMEs and their access to finance, succession planning and contribution to the national economy (Nkwe, 2012:29). It would thus appear that there is a knowledge gap in the understanding of SME governance in the Botswana context. The dominance of family businesses in many economies all over the world is well

documented. A survey by the European Union Commission (2008) showed the following proportions of family businesses as a percentage of all businesses in some European countries, such as: Austria 80%, Belgium 83%, Croatia 77%, Czech Republic 85%, Denmark 95%, Estonia 90%, Finland 90%, France 83%, Germany 79%, Hungary 70%, Italy 73%, Poland 61%, Slovakia 95% and United Kingdom (UK) 65%. This study also showed that family firms account for more than 40% of employment in European countries (European Union Commission, 2008). Previous studies showed that the survival of small family businesses is important not only to the businesses themselves, but also to society (Glover & Reay, 2015:163), as they are a vital source of employment. A strong argument was posited by Poutziouris, Steier and Smyrnios (2004:8), that irrespective of scale of operation, legal form, industrial activity, social-political state and market development, family businesses provide critical infrastructure for economic activity and wealth creation.

#### **1.2.4 Governance and survival of small family businesses**

Good corporate governance creates a more sustainable organisation by delineating methods appropriate for generational transitions (Abouzaid, 2008:127). Sound corporate governance helps to address the challenges involved in managing growth, succession planning, preserving family harmony, recruitment and ensuring fairness. Corporate governance is a blend of both the internal and the external governance mechanisms. Yasser (2011:73) argues that good corporate governance strengthens and elucidates the activities of the family-controlled firm, while improving its competitiveness.

According to Angus (2005:8), several studies have revealed that family businesses are unique and, therefore, no single system applies to all families. However, observations of successful family businesses reveal that it is essential that there is an agreed upon set of practices and day-to-day practices that are followed by those family members who choose to be part of such businesses. Best practices may be learnt from successful family businesses and then universally applied to all family businesses.

This study analysed family business governance factors that ensure the long-term sustainability and continuity of family businesses in Botswana. According to Van der Merwe

(2012:79), if the relationship between the business and the family is not managed efficiently, a serious conflict of interest may arise and jeopardise the sustainability of the family business. A study by Lansberg (1998:1) revealed that the lack of longevity of family businesses is a major concern as only 30% of family businesses are successfully transferred to the next generation, and 13% to the third generation (Poza and Daugherty, 2016). Similar studies by Davis and Harveston (1998) and Poza (2010) confirmed these findings. In Botswana where there is a deliberate and conscious motive by the government to generate employment by empowering citizens, it is a major concern as most businesses are owned or managed by families.

The effect of family business discontinuation has dangerous social and economic implications as it leads to a loss of jobs and family assets; and often damages family relationships (Lam, 2006:27). It is important to note that a family business governance structure tends to vary, depending on the size of the organisation and the size of the family. Thus, there is no one-size-fits-all system of governance. For example, a small business may have a small advisory board instead of a board of directors, while a large family corporation may have a family council as well as a family assembly that bring together all the family members at least once a year.

In their study, Gulzar and Wang (2010:24) acknowledged that good governance is vital for the continuity and sustainability of family businesses. Family businesses face many challenges in relation to their sustainability and profitability. Sound corporate governance may provide solutions to the problems of family ownership and is also indispensable both to the long-term success of the family business and to peace in the controlling family. While corporate governance in listed companies is anchored on the issues of agency theory and ownership structures, its key purpose is to promote accountability, transparency, fairness, disclosure and responsibility (Institute of Directors in Southern Africa, 2016:20). These principles of good corporate governance are as useful in non-listed companies as in listed companies (Gulzar & Wang, 2010:25).

It is vital to note that both the relevant literature and the standards on corporate governance focus on listed companies. However, attention has been paid to the need for good governance

standards for family businesses despite their unique characteristics. Botswana is not different to the rest of the world. The Companies Act No. 71 of 2008, which forms the basis of corporate governance in the country, does not differentiate between listed companies and SMEs. Chiner (2011:103) argues that over and beyond a correct system of governance for the business, it is vital that the proprietary family puts in place a sound system of family governance. There should be structures in place which facilitate and enable the flow of information from the owning family to the business.

### **1.3 PROBLEM STATEMENT**

The problem which this research seeks to consider is the effect of governance factors on the sustainability and continuity of family businesses. The survival record of SMEs in Botswana indicates that approximately 80% cease trading within five years (BIDPA, 2015), while the SME failure rate in Zimbabwe is also in line with international reports (Small Enterprise Development Cooperation, [SEDCO], 2004). SEDCO (2004) reported that approximately 85% of SMEs fail within three years, while 15% only are likely to survive beyond that period. South African survival rates are not different. The low survival rates in Botswana are despite the several policies and financial assistance packages put in place by the government.

A lack of continuity in family businesses is a major concern in this study in view of the role that family businesses play in the world economy. In their research, Van der Merwe (2009:33) and Hyder and Lussier (2015:82) state that the average life expectancy for a first-generation business is 24 years and thus it is essential to obtain a better understanding of the reasons why family businesses fail. According to Glover and Reay (2015:164), the sustainability of family businesses is an important topic, not only to individual family firms but also to society more broadly. The lack of longevity of these businesses is the main focus of this study. Both the public and the private sector commit huge amounts of money and other non-financial resources to such businesses, while their survival rates are dismally low.

Understanding family dynamics and family business governance systems is important for the success and survival of the family business. The complicated dynamics between family members not only influence the performance of their family business, but also its growth, change and transitioning over time (Venter, Van der Merwe & Farrington, 2012:32). The sustainability and continuity of the family business are measured by the ability of the family business to transit beyond generations and to remain financially and systematically viable. In a study of the transition challenge faced by family businesses in Iran, Manoj (2017:1) and Arasti, Zandi and Talebi (2012:9) found that family is about relationships, while business is based on economics. However, in the context of the family business, these two are inseparable. Thus, the dilemma is to retain the balance between family and business as the family business grows and the family expands. The survival of family businesses has a direct impact on the growth of family wealth, creation of jobs and improvement in the national income.

It is against this background that it was envisaged that a better existence of governance structures and systems in family businesses in Botswana may help to reduce failure rates of these businesses. Therefore, the research problem for the study is expressed as follows:

Despite the importance of small family businesses in Botswana in terms of economic development, employment creation, contribution to innovation and new products and wealth creation, their survival and sustainability rates are very low in Botswana.

The following section provides the primary and secondary objectives of the study.

#### **1.4 RESEARCH OBJECTIVES**

Based on the problem statement discussed above, the primary and secondary objectives of the study were as follows:

### **1.4.1 Primary objective**

To investigate the effects of governance structures and systems on the sustainability and continuity of family businesses in Botswana.

### **1.4.2 Secondary objectives**

To address the primary objective, the following secondary objectives were formulated:

1. To identify the existence of family governance structures promoting the sustainability of family businesses in Botswana.
2. To identify governance challenges faced by family businesses in Botswana.
3. To determine the relationship that exists between management succession planning and the sustainability of family businesses in Botswana.
4. To determine factors that hinder the adoption of good governance practices in family businesses in Botswana.
5. To investigate the relationship between a shared vision, mission and strategic plan and the sustainability and continuity of family businesses in Botswana.
6. To assess the decision-making approaches in family businesses which promote the sustainability and continuity of family businesses in Botswana.
7. To investigate the relationship between communication approaches and the sustainability of family businesses in Botswana.

## 1.5 RESEARCH HYPOTHESES

This research used directional hypothesis on the basis of a reasonable assumption that there is a relationship between each of the independent variables and family business sustainability and continuity. According to Bryman (2016:545), a hypothesis is an informed speculation, which is set up to be tested about the possible relationship between two or more variables. The null hypotheses state that there is no relationship between the variables (Welman, Kruger & Mitchell, 2012:27). The main hypothesis of the study was that there is a positive relationship between family business governance and the sustainability and continuity of family businesses in Botswana. The existence of and balance between family and business governance were paramount in this hypothesis. The challenges facing many family businesses regarding the sustainability and continuity beyond the first generation may be resolved by adopting sound family and business governance systems. The study discussed three main subsystems of the family owned business, namely, the business, ownership and the family. Davis and Harveston (1998:318) argue that family business governance is more complicated than that of non-family owned businesses because of the central role played by the family. The family and corporate governance variables identified in the study were supported by the theory in the existing family business literature. However, while this study aimed to be as exhaustive as possible, it did not claim to have investigated every possible family and corporate governance factor relationship that influences continuity.

To address the research objectives, the following research hypotheses were empirically tested. The null hypothesis was not tested. A statistician was consulted and confirmed the hypothesis. A discussion on the statistical procedures adopted was also held with the statistician.

**H<sub>10</sub>:** There is no significant relationship between the existence of family business governance structures and the sustainability of the family business.

**H2<sub>0</sub>:** There are no significant differences between the challenges faced by small and medium scale family businesses in Botswana.

**H3<sub>0</sub>:** The relationship between management succession planning and the sustainability of family businesses in Botswana is not significant.

**H4<sub>0</sub>:** There are no significant factors that hinder the adoption of good governance practices by family businesses in Botswana.

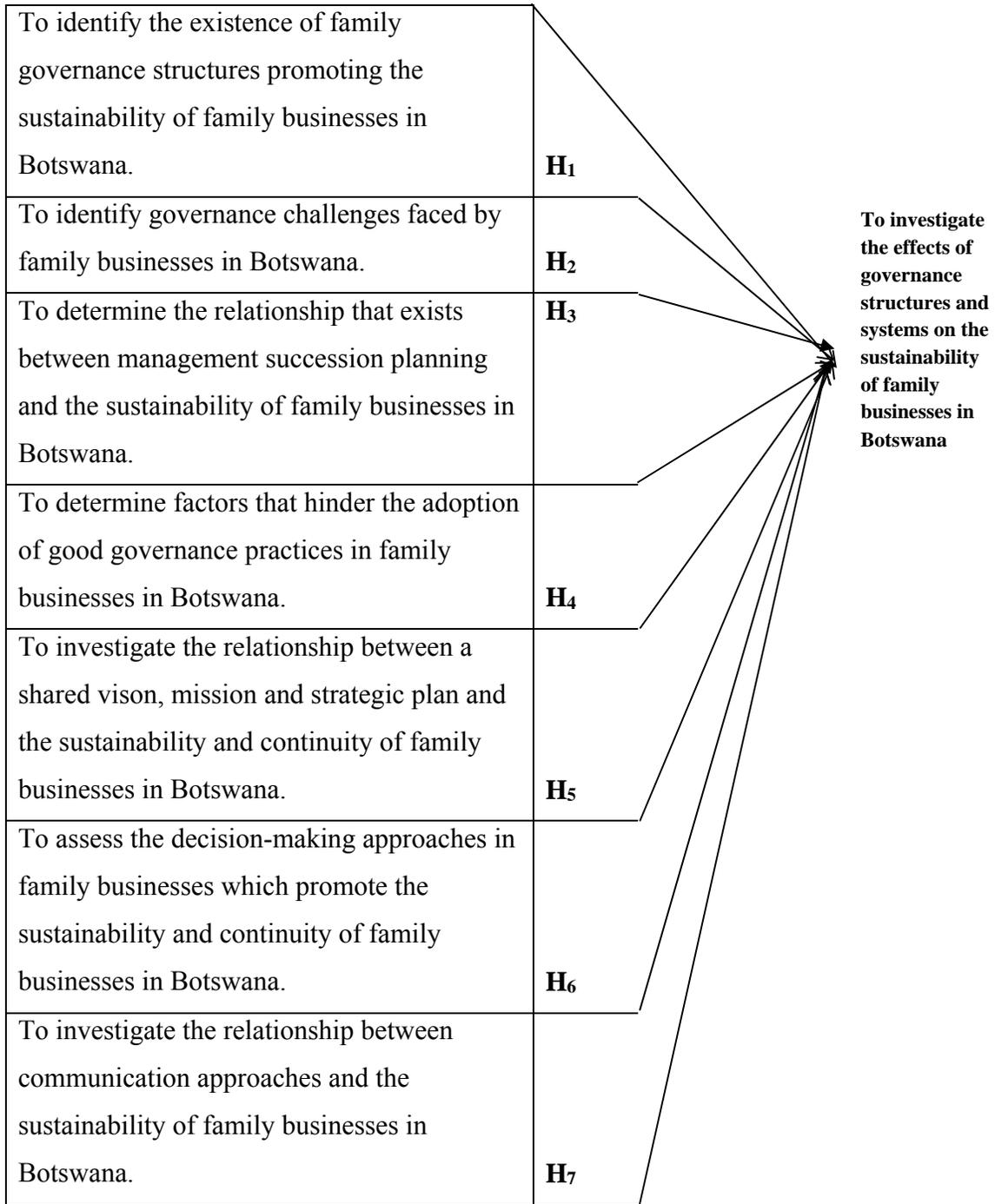
**H5<sub>0</sub>:** There is no significant relationship between a shared vision, mission and the strategic plan and the sustainability and continuity of family businesses.

**H6<sub>0</sub>:** The decision-making approach of family businesses in Botswana that promotes sustainability is not significant.

**H7<sub>0</sub>:** The communication approach of family businesses in Botswana that promotes sustainability is not significant.

Figure 1.1 shows the objectives and the corresponding hypotheses that tested it.

**Objectives**



**Figure 1.1: Objectives and corresponding hypothesis**

## 1.6 JUSTIFICATION FOR THE STUDY

A wide range of studies in family businesses focus on defining the concept of family business, examining their governance mechanisms, sources of competitive advantages and the sustainability of family businesses. The focus by governments throughout the world on encouraging SMEs as the engines of growth and employment creation has not escaped Botswana. Botswana emerged from being rated as one of the poorest countries in 1966 at independence to being rated a middle-income nation in the early 1980s. Botswana's economic development was based primarily on diamonds and beef exports. However, the government realises that these industries were capital and land intensive and would not benefit the majority of the population through employment creation and economic diversification. One of the ways identified with the potential for economic diversification was the development of manufacturing SMEs. This motivation was based on the fact that it has now been established globally that SMEs are a major source of entrepreneurial development, industrial development as well as economic growth and, hence, employment creation and poverty reduction. However, despite the recognition of the contribution of SMEs, very little has been done in terms of a regulatory framework targeting this sector and dealing with the governance, sustainability and continuity of SMEs.

The work by the King III Committee in South Africa (Institute of Directors [IOD] of South Africa, 2002), which culminated in the King Report III, the Cadbury Report (1992)<sup>1</sup> and other subsequent reports in the UK have popularised corporate governance and made it an important research area. The Reports listed above provided corporate governance frameworks mainly for public limited companies and with very strong views on transparency, accountability, risk management and the protection of minority shareholders. However, these reports do not focus on SMEs and, in particular, family businesses. This was, perhaps, understandable as there are

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<sup>1</sup> The main impetus of the better practices in corporate governance began in the UK in the late 1980s and early 1990s (Coyle, 2004:6). The Report on the Financial Aspects of Corporate Governance (the Cadbury Report) was published in 1992 and was later described as a landmark in thinking on corporate governance.

limited agency problems and very few controversies about ownership and control in respect of SMEs.

A study of this nature was deemed to be important in Botswana considering that some key sectors of the economy such as the private education sector at primary, secondary and tertiary levels and the long distance public transport sector are dominated by family business players. This trend is growing as more entrepreneurs are emerging. In addition, there has been no empirical study conducted in Botswana to investigate this phenomenon. This nature was deemed to be even more significant in view of the importance the GoB has placed on emerging local small-scale businesses by establishing financial institutions such as the Local Enterprise Authority, the National Development Bank of Botswana, and various schemes targeting the youth and the unemployed.

This section has dealt with the background of this study and the role that SMEs play in Botswana. It also provided the objectives, hypothesis and justification of the study.

## **1.7 SIGNIFICANCE OF THE STUDY**

This section presents the theoretical and policy contribution of the study. In addition, it also outlines the perceived benefits that should arise from this study.

### **1.7.1 Theoretical contribution**

This study made the following contributions:

1. The study should contribute to the growing body of literature on the optimal and governance principles for family businesses, which are vital in dealing with their growth, sustainability and continuity.

2. The research should contribute to the existing body of knowledge on the importance of good governance for family-owned businesses (FOBs) in Botswana. This sector receives considerable financial support directly from the government and also through various other quasi government agencies.
3. The study made recommendations to policy makers on the corporate and family business governance gaps identified.
4. The study also made recommendations relating to good governance practices and its impact on the sustainability and continuity of family businesses.
5. The study provided information on the best practices adopted by family businesses internationally and which are important for Botswana's growing economy.
6. The study recommended legislative guidelines for SMEs in the Companies Act No. 3 of 2011. This Act is generic and does not provide a framework for the governance of family businesses in Botswana. In addition, Botswana does not have a specific code equivalent of the King Report of South Africa (2002) (IOD of South Africa, 2002), King Report on Corporate Governance for South Africa (2002), King IV Report on corporate governance for Sothern Africa (2016), and the Cadbury Report (1992) of the United Kingdom.
7. The study provided a body of literature specific to Botswana's family businesses which should be useful in formulating governance guidelines for family businesses in Botswana.
8. The Botswana Confederation of Commerce and Industry should benefit from the findings of this study as it made available more specific information about family businesses.

This section dealt with a brief literature review to bring the study into context.

## **1.8 LITERATURE REVIEW**

One of the challenges of studying family businesses is the lack of a consensus on the definition of the term family businesses (Neubauer & Lank, 1998). The study adopted the definition proposed by Ibrahim and Ellis (2004). They define a family business as a business where at least 51% of the business is owned by a single family; at least two-family members are involved in the management or operational activities of the business; and transfer of leadership to the next generation family members is anticipated. Abouzaid (2008) suggests a comparative definition which incorporates an important element of control. Abouzaid (2008:24) defines a family-owned business as a company where the voting majority is in the hands of the controlling family. Poza and Daugherty (2016:7) provide a definition with a minimum of 15% shareholding by the family and that at least two members of the family being employed in the business. Chua, Chrisma and Sharma (2001:22) argue that it is essential that the definition of a family business identifies the uniqueness of this form of business. Family businesses are, in fact, unique because of a number of factors such as ownership, governance, management and succession participation through the involvement of the family.

A clear understanding of the term governance was extremely important for the purpose of this research. Brown (2009) defines governance as a system of guidelines and protocols that manage the often competitive and interrelated interests of various constituent groups. The effective governance of family businesses requires forums for the examination of the complicated and often emotional family, and business and ownership issues that confront family firms (Davis & Harveston, 1998:223).

The problems and factors which impact on the long-term survival of a family-owned business is a research area which is of interest to many businesses. This area has been widely studied to understand why between 5% and 13% of such firms only survive to the third generation

(Poza & Daugherty, 2016). The concept of continuity was important to this study. A study by Carlo, Francesco and Pramodita (2010:322) analysed the term “continuity” and they sought to ascertain whether the term refers to the family name, the industry within which the business competes, the products it manufactures, the services it provides, or their markets. While elements such as products and technology evolve over time, family ownership and control should survive the test of time.

According to Neubauer and Lank (1998), for the family business, good corporate governance is vitally important. Lansberg (1999:280–281) argues that very few family businesses avail themselves of the benefits of effective governance, while Aronoff and Ward (1995:123) indicate that the history of family businesses is testament to the dangers of such businesses collapsing due to a lack of corporate governance. In the small business environment, in general, and in the family business environment, particularly, the link between longevity and good governance is complicated by additional factors such as family relations, family harmony and family influence. In other words, it is only through effective corporate governance that family businesses can survive and prosper and contribute effectively to a country’s economy.

The uniqueness of the family business results from factors such as unique ethics, values, histories, unwritten rules and communication methods. Family businesses are characterised by unique attributes that serve to strengthen the love, care, unconditional acceptance, generational hierarchy, emotion, informality, closeness, loyalty, commitment, stability, relationship, growth and development, safety, support and tradition found in such businesses. On the other hand, family businesses may also exhibit some negative traits such as anger, tension, confusion and strangled communication. Abouzaid (2008) argues that good corporate governance mechanisms may alleviate some of the problems that arise when family characteristics threaten a family business. The uniqueness of each family business automatically means that there is no single or uniform governance structure that fits all family businesses. Studies have revealed that families are unique and, therefore, no single system applies to all families (Angus, 2005:8). Nonetheless, observations of successful family

businesses reveal that it is imperative that there is an agreed upon set of practices and day to day practices that are followed by the family members who choose to be part of the business. Best practices may also be learnt from successful family businesses which can be universally applied to family businesses.

The definition of a family business by Poza and Daugherty (2016:7) highlights that the potential or intention to pass on the business to the next generation should be clear. By highlighting cross-generational sustainability, the definition incorporates controlling ownership as the predominant way in which to maintain or continually shape the vision of the business (Chua *et al.*, 2001). Succession planning in family-owned businesses has been well researched. A governance structure that promotes succession planning and the continuity of family member participation is important. Cohn (1992:60) maintains that the development and implementation of a continuity plan requires commitment from every member of the family and management.

For the purposes of this study, a family business was defined as a business where 20% of the equity was held by a family, and the same family has control of either the board or management. The study also took cognisance of the variety of family business formations such as sole proprietorship, partnerships, limited liability, holding companies and even publicly traded companies. Poza (2010) argues that while the Sarbanes-Oxley (2002)<sup>2</sup>

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<sup>2</sup> The Sarbanes–Oxley Act No. of 2002 (Pub. L. 107–204, 116 Stat. 745, enacted July 30, 2002), also known as the "Public Company Accounting Reform and Investor Protection Act" (in the Senate) and "Corporate and Auditing Accountability, Responsibility, and Transparency Act" (in the House), and more commonly called Sarbanes–Oxley in the United States.

Does not directly apply to family owned and privately held companies, the assumption has been that it is of no consequence to such companies or their boards. However, key stakeholders such as banks, suppliers and private equity investors require more information on disclosures and transparency.

Angus (2005:10) proposes what is referred to as a new family governance model. The model is based on sets of principles, policies and practices which are arranged in a hierarchy with practices at the bottom and principles at the top. In terms of the practices, the firm must deal with family meetings, family office, family elections, and family wealth management. Examples of the policies provided include family constitutions, rules for communication and rules for business and family participation, while the principle category deals with family vision, mission and values.

## **1.9 RESEARCH METHODOLOGY**

The research methodology used in the study is discussed in this section.

### **1.9.1 Research design**

The focus of this study was on small and medium-sized family businesses. Family SMEs were selected by drawing a sample from a population included in the Business Botswana list of companies (A directory of private businesses in Botswana) and the Local Enterprise Authority list of SMEs. The directory lists the companies by region and sector in alphabetic order. Business Botswana charges a fee for access to its database. This study was cross sectional in design and relied on trained field workers to collect the requisite data. Factor analysis was used to identify relevant family and family business governance factors which influence family business sustainability and continuity. It was also established in this study that Botswana like most other countries does not have a register for family businesses.

### **1.9.2 Secondary Sources**

There is limited research available on the governance and sustainability of family businesses in Botswana. To identify as many of the factors as possible that affect the governance of family businesses in Botswana, a comprehensive literature search was conducted in the disciplines of Business Management, Entrepreneurship, Corporate Finance, Family Business Management, Law and Organisational Behaviour. The literature review provided insights into the research and helped to clarify the concepts relevant to the family and corporate governance factors which influence the continuity and sustainability of family businesses. Sources such as the University of Botswana library, University of South Africa (UNISA) library databases, Google Scholar and academic books of different authors, as well as company reports, were used for this study.

### **1.9.3 Questionnaire Design**

This was a quantitative study which made use of the survey method to collect the required data. A structured questionnaire was developed and used as the main data collection instrument. The procedure which was adopted in the design of the questionnaire was in line with the suggestions of Huysamen (1976) who advocated that, for a research hypothesis to be investigated empirically, it is essential that the relevant variables are defined operationally. The questions in the questionnaire specifically addressed the variables identified in the literature review, including family business corporate structures, family business vision, strategic plan, decision-making procedures, communication policies on the employment of family members, succession planning, strategic planning and family councils or assemblies.

In line with similar studies of this nature, biographical data on the individuals representing SME family businesses and data on the SMEs themselves were collected (Bjornberg & Nicholson, 2007:32). This included data on business size, business age, type of business, age of respondent, level of education, gender and number of employees. The survey was designed in two stages: the pilot survey was aimed at testing the validity and reliability of the research instrument. According to Bryman (2016:38), reliability is concerned with the question of

whether the results of a study are repeatable. Reliability concerns itself with the generalisability of the results of the study. The second stage was the administration of 243 questionnaires. A reliability analysis was conducted to test the internal consistency of the research instrument using the Cronbach's alpha. A Cronbach's alpha of more than 0.7 is deemed to be very reliable. A further and most important quality criterion is validity (Bezzina & Saunders, 2013:34; Bryman, 2016:39). A validity analysis ensures that the instrument measures exactly what it is intended to measure. The best measure of validity is content validity. The questionnaire was benchmarked using instruments utilised in similar studies such as those of Adendorff (2004), Van der Merwe (2009), and Berent-Braun and Uhlaner (2012). The level of measurement used in the survey questionnaire was a five-point Likert scale with 1 denoting strongly disagree, and 5 strongly agree. The drop-off and pick-up method was used for the administration of the questionnaire.

#### **1.9.4 Sampling Technique**

The guiding principle in choosing the sample size is that a relatively bigger sample size as compared to the size of population reduces sampling errors. This study used a non-random sampling technique. The total number of businesses in these two sectors registered by Businesses Botswana and the Local Enterprise Authority in 2017 was 669 businesses. This list comprised of both family and non-family businesses. Since this study concerned itself with family businesses only, a screening exercise was done. The membership directories provided information about the businesses such as locations, addresses, contact numbers, contact persons' email addresses of the key person. The researcher made telephone calls to all 669 companies to establish whether the business was a family business or non-family business. For the purposes of this study, a family was defined as one where the family controls at least 20% of the shareholding and the business was under the management or control of the family management. A total of 365 businesses confirmed that either their ownership or management structure met the requirements of the study. Out of the 365 identified family businesses, 243 expressed interest to participate in the research.

The survey respondents were family members in executive and managerial positions, founding family members still active in the business, and other key informants identified by senior management. Due to the fact that the Botswana Business Directory does not distinguish between family and non-family SMEs, a pre-screening exercise was undertaken before questionnaires were sent out. At the time of the study the Directory comprised registered members in the 28 sectors identified by Business Botswana. This study used formally registered SMEs only. Such SMEs that operated from industrial/commercial workshops or any other building permitted for such operations are registered in accordance with the Industrial Development Act No. 3 of 2006, its Regulations of 2008, as well as with the Trade Act No. 6 of 2003. Such businesses are then supported by being permitted to tender for the procurement of the processes of government, local authorities and parastatal institutions.

#### **1.9.5 The Unit of Analysis**

The unit of analysis was the family member in a managerial position in the family enterprise. The actual number of respondents in a specific business depended on the family members in management of the businesses. In deciding on the sample size, factors such as costs, time required carrying out the study, and the representativeness of the study were considered.

#### **1.9.6 Data Collection Method**

Data for this study was collected by means of a questionnaire distributed to managers and shareholders of family-owned businesses in the manufacturing and professional services' sectors. Each family business identified a person at management, board or shareholder level that would complete the questionnaire. Questionnaires were either emailed or hand delivered by the researcher or by the fieldworkers. The same method was used for the collection of the completed questionnaires. A letter explaining the aim of the survey as well as the terms used in the questionnaire, such as the definition of a family business and family member, accompanied each questionnaire (see Appendix B). The terms family business was defined to the respondents in the interest of clarity. To ensure a good response rate, the researcher and the

fieldworkers made follow up telephone calls to offer any assistance required in completing the questionnaires. Most businesses had email addresses and telephone numbers which made establishing contact easy.

### **1.9.7 Geographical and Demographical Demarcation of the Study**

This study concentrated on family businesses in the manufacturing and services sector in Gaborone and Francistown in Botswana.

**Gaborone:** The overgrowing city of Gaborone was chosen as the nation's capital in 1966 at Independence because of its strategic importance in the south-east Botswana. Over the past 50 years, the city has been transformed into Botswana's economic and administrative hub. Gaborone is the commercial, financial and administrative heart of one of the most successful economies in Africa (Botswana Review, 2017:12). **Francistown:** Francistown is one of Botswana's oldest towns as well as being its second-largest. Francistown is an important centre for industry and commerce. The town serves as the capital of the North-Western region of Botswana.

This narrow focus enabled a more in-depth focus on the governance factors influencing the sustainability and profitability of family businesses in Botswana than may otherwise have been the case.

This study involved a firm level analysis of governance factors in SME family businesses. Regarding the geographical demarcation of the study, the areas covered included Gaborone and its environment, and Francistown. According to the list as provided by the Business Botswana Directory (2017), a total of 75% of Botswana's economic activities are concentrated in these two large cities, while the same percentage of businesses is located in these two cities.

### **1.9.8 Data Analysis**

Once the data had been collected, it was analysed by using both descriptive and inferential statistics. Descriptive statistics were used to describe the relationship between the variables that were identified and hypothesised. The study employed regression analysis using the Statistical Package for Social Sciences (SPSS) and other statistical tests such as a t-test and Pearson's Correlation tests. For the purposes of testing hypotheses **H1<sub>0</sub>**, **H3<sub>0</sub>**, **H6<sub>0</sub>** and **H7<sub>0</sub>** a statistical analysis using the correlation coefficient (r) was conducted to determine the relationship. The value of (r) determined the magnitude of the relationship and if there was a significant relationship using the Pearson correlation coefficient. For hypotheses **H2<sub>0</sub>**, **H4<sub>0</sub>** and **H5<sub>0</sub>**, the statistical analysis comparing between the two independent variables for significance, was conducted. The statistical analysis which tested for significant differences was the independent t-test at alpha level .05 or population t-test.

Further analysis was conducted to address the objectives of the study. The researcher decided to augment the data analysis techniques with other complementary approaches. A qualitative component was also envisaged with recordings being made and commentary provided.

### **1.9.9 Ethical and confidentiality issues**

This research received ethical clearance from the Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics at UNISA (see Appendix A). Approval was sought from the Ministry of Industry and Trade (see Appendix H), Business Botswana (BB) (see Appendix I) and Local Enterprise Authority (LEA) (see Appendix J) . There are certain ethical concerns in a research study which involve extracting information from individuals and private businesses, with the respondents often voicing concerns about the issues of privacy and confidentiality. Accordingly, the researcher assured respondents of their rights to confidentiality and privacy. In addition, respondents were well informed about the nature of the study and that participation in the study was on a voluntary basis. The researcher did not anticipate respondents being exposed to any risks. The researcher also ensured the anonymity

of the respondents during the data analysis, and data were stored safely. The researcher did not anticipate any foreseeable harm or discomfort to the respondents during the study.

Respondents were not required to identify themselves or to record either their names or the families and businesses, they represented. All respondents participated in the research on a voluntary basis. A commitment was also made in writing to all the respondents that, upon the successful completion of the research, feedback would be provided to them through BB should they wish to see the results of the research. BB hosts annual events and fairs, and the researcher intends to request that the study results be made available through a summary presentation, while interested respondents would also be given a compact disk copy.

## **1.10 CHAPTER LAYOUT**

The thesis is organised in seven chapters. This section provides the outline of the chapters in the thesis.

### **Chapter One: Introduction**

This chapter presented the introduction and background of the study, as well as an overview of the Botswana economy. The Chapter also discussed the problem statement, research objectives, research hypotheses, significance of the study, as well as the research methodology adopted in the study.

### **Chapter Two: Literature Review – Family business models and governance**

This chapter explored relevant literature on the family business concepts and investigated the economic importance of the family business in an international context. The chapter discussed the concept of family business and its governance. The chapter also analysed models used in the understanding of the family business phenomena. In essence, the chapter reviewed

literature from secondary sources and identified the governance variables relevant to the study. The review of literature in this chapter assisted in identifying constructs on governance which were tested in this research.

### **Chapter Three: Family business survival and sustainability factors**

This chapter presented the literature review on the link between identified factors and family business survival and sustainability. It explored the effects and importance of a vision, mission and strategy, succession planning, decision-making, and communication and trust on the sustainability and continuity of the family business. The challenges faced by small and medium family businesses were also discussed in this chapter.

### **Chapter Four: Methodology**

Chapter four focused on the research design and methodology used in the study. The chapter contains a justification for the choice of research approach and provides details on the development of the data collection instrument and its administration, as well as the validity and reliability of the research instrument.

### **Chapter Five: Research results and findings**

This chapter is divided into two sections – firstly, the presentation of the data, and secondly, the interpretation. In the data presentation, statistics relating to the demographic profiles of the respondents are displayed, as well as the reliability tests, validity tests, relationship tests, and the results were explained and interpreted.

## **Chapter Six: Discussion of research findings**

This chapter entailed the summary of the study, and the discussion of the findings. The chapter provided an analysis of the extent to which the objectives set out for the study, were fulfilled. A discussion of the results and findings constitute a major section of this chapter. Major empirical conclusions are also stated in this chapter.

## **Chapter Seven: Conclusion and recommendations**

This chapter focused on the conclusion and recommendations of the study. It indicated limitations of the study and potential areas for further research. This chapter makes recommendations to inform policies and decisions that could affect the survival of family-owned businesses in Botswana. This chapter also presents the limitations of the study.

### **1.11 CONCLUSION**

This chapter presented the introduction and set the context of this study. This chapter provided the background to the study and the researcher's justification for embarking on a study of this nature. The Botswana policies on SMEs' development were analysed and the contributions of family-owned businesses to national economies were tabulated. This was followed by the problem statement and objectives of the study. A brief methodology was provided, outlining the research design. The contributions of this study were discussed with regards to academia and policy implications for the national benefit. In the next chapter, a detailed literature review on the theoretical models on governance of family-owned businesses is presented.

## **CHAPTER 2**

### **THEORETICAL MODELS**

#### **2.1 INTRODUCTION**

The objective of the study was to determine family business governance and factors which influence the continuity and sustainability of family businesses in Botswana. This chapter explores the effects of governance factors on the longevity of family owned businesses. The theories and models that help to unravel the phenomenon of family businesses are also discussed. Accordingly, the concepts of family business and family business governance, as well as their reciprocal relationship, form a great part of this chapter.

#### **2.2 THE BUSINESS AND FAMILY SYSTEMS**

The family and the business are key systems which require critical attention in terms of their interaction and coexistence. Hershman (2008:34) argues that, although professionalising a business may mean different things, two critical focus areas are: the existence of effective corporate governance practices and the management of family systems and structures; and, having a plan for succession in place. Focusing on these areas should help to transform a business from a founder hands-on, entrepreneurial organisation to a thriving family business. Existing research into family businesses offers a wide range of suggestions on ways in which to increase the probability of the long-term survival of small and medium family businesses. Steinberg and Blumenthal (2011:46) identify the following challenges faced by family businesses:

- i. Assure continuity for succeeding generations.
- ii. Increase dimension.
- iii. Professionalise management.
- iv. Improve the technological and industrial system of innovation.
- v. Internationalise the business.

The results of a study on the long-term sustainability of family farms in South Africa (Van der Merwe, 2007) revealed that in order to ensure the continuation of the farm as a family farm, the following factors are essential: corporate governance; performance measurement and compensation of family members; ownership succession; harmony between all family members; and, management succession planning. This study focused on some of these challenges which must be met in order both to ensure the continuity and successful transfer of family businesses to the next generations, and to professionalise their management. The ability of family businesses to address both business and family problems will, to a large extent, depend on the governance structures, organisational cultures and values that enable family members to establish systems for discussing matters, solving conflict, and creating consensus. All these structures and processes have an impact on the family and business longevity. Rivers (2012) maintains that 47.7% of all family businesses fail as a result of the death of the founder; thus, highlighting the need for succession planning in the interests of the family business continuing to exist.

The field of family business research as a scholarly discipline is relatively young in comparison with established fields such as strategic management, economics or finance. There is a dearth of empirical literature on the factors that influence longevity of firms in developing countries (Williams & Jones, 2010:37; Densil & Oniel, 2010:38), and particularly in Botswana. Even in the event of such empirical literature, it is still very much confined to certain restricted domains and geographical poles. In addition, access to the requisite information often depends on the relationship and trust between the researchers and family members concerned (Rodrigues & Marques, 2013:48). The achievement of continuity across generations is a strategic governance challenge that involves a balance between the legacy and the renewal of a family's culture, values and business practices (Moore & Juenemann, 2008:64). Moore and Juenemann (2008) state that dual governance structures for both the family business board of directors and the family council may help to foster the right balance for both the family and business growth. In order to highlight this relationship, Moore and Juenemann (2008:66) used the confluences and key issues of governance relating to both the family and the business subsystems of decision-making.

Although various studies have provided evidence that both family and family business governance structures appear to be available, their role in sustaining family business continuity has not been studied in the context of emerging economies. This study in Botswana should contribute to the existing body of knowledge on the topic. There are various reasons for the failure of family businesses, and these include business maturity, markets, the technological changes that change the market structures, changes in supplier and customer trends, competition, and failure to plan strategically (Ward, 1987).

### **2.3 FAMILY BUSINESS DEFINED**

The definition of a family business is a subject of on-going discussion. Throughout history and across countries, families and business have always existed and, to a large extent, in conjunction with each other. There is no consensus in the literature on a definition of what constitute a family business although there are a number of key terms that seem to be relevant in such a definition. Miller and Le Breton-Miller (2005a:518) define a family business as a business, whether public or private, in which a family controls the largest block of shares or votes and has one or more of its members in key management positions. In analysing the definition of a family business, key words emerge which provide a definition of what constitutes a family business. The definition has evolved with time from a simple one in terms of whether a family business is a business owned by a family and run by the family, or else owned by a family but run by non-family managers. The emphasis on generational turnover as a key component in defining a family business has added a new dimension to the concept (Churchill & Hatten, 1987). According to Churchill and Hatten (1987), a family business or a founder is an operated business where there is anticipation that the business will be passed to the next generation. On the other hand, Rodrigues and Marques (2013:54) maintain that a family business is identifiable by ownership control, governance and participation by one or more families.

Research by Cristiano (2014:239) proposes a more comprehensive and all-encompassing definition of a family business by defining a family business as a business where one family or a few families, linked by close family ties or affinities, own a risk capital share which is

sufficient to guarantee the control of the business, where at least two members of the family work, and where there is the intention to retain the ownership and the management of the business in the hands of the family through some process of generational turnover. Ibrahim and Ellis (2004:5) define a family business as a business where 51% of the business is owned by a single family; at least two-family members are involved in the management or operational activities of the business; and, the transfer of leadership to the next generation of family members is anticipated. "Family" refers to relationships which are created biologically, legally or spiritually. A family defines people according to relationship – who they are related in the bloodline, and how they feel about the people around them (Amundson, 1997:18).

It is clear from the above definitions that family businesses are managed in such a way that the focus is on maintaining family legacies and tradition as well as retaining family ownership and control. The key element that defines a family business is the role of the family in relation to the ownership, management and generational turnover of the business (Chrisman, Chua & Sharma, 2005).

The definitions cited above all include ownership and family involvement as key components of what defines a family business. Thus, family businesses are owned by members of the same family, typically with the family owning a controlling stake and managed by members of the same family, even if the family is not the majority owner with, and the ownership and/or management of the business being passed from one generation to the next. Due to the fact that most family businesses are SMEs, it is a natural tendency to assume that family businesses face the same challenges as non-family businesses of a similar size (Dobson & Swift, 2007:1). According to Dobson and Swift (2007:1), while these assumptions are generally true, there are additional considerations emanating from the relationship between a family and its business. This applies exclusively to family businesses and present unique opportunities and challenges. Astrachan, Klein and Smyrnios (2002:46) summarise their view of the definition of a family business and state that such a definition should be clear regarding the dimensions to which it refers. Astrachan *et al.*, (2002) focus on the extent to which a family is involved in the business and its influence on the business. This involvement approach highlights that the

family involvement in any form – ownership, management, governance, or succession – must exist if the business is to qualify as a family business.

## **2.4 THEORIES AND MODELS FOR CONCEPTUALISING FAMILY BUSINESSES**

To provide a clear basis for arguing the relevance of governance and the role of families in family businesses, this section discusses various theoretical models. This study drew upon different theoretical perspectives which have been instrumental in the study of family businesses and in understanding their idiosyncratic nature. In the family business field, useful and important models have been developed to structure and explain the complex intersection of the family and the family business. The models addressed in this section were selected to help in the conceptualisation of the family business, the business family governance structures, and the theoretical underpinnings of the structure of the study. These models were chosen based on their ability to help to explain the relationship between the aspects of a family business and their interaction with the family system. In addition, the models also help in the understanding of the unique characteristics of family businesses and in assessing the dynamics between the family business subsystems, especially those aspects relating to governance. These theories provide grounding in the study of the family business. The next sections explain the following theories and models: sustainable family business theory (SFBT), the power experience culture (F-PEC) scale, the Bulleye model of an open system approach, resource-based perspective, the theory altruism and the agency theory. The relevance of these theories and models in understanding family businesses, is explained.

### **2.4.1 The sustainable family business theory (SFBT)**

The SFBT model is based on the general theory of social systems and places equal emphasis on the family and on the business. The theory emphasises the sustainability of the family firm system rather than firm revenue and posits that family sustainability is a function of both business success and family functionality (Stafford, Duncan, Dones & Winter, 1999). The family is the most important source of the human capital, social capital, financial capital and physical capital in a family business (Danes, Lee, Stafford & Heck, 2008; Zachary, 2011). The

family business brings together key resources and conditions from which entrepreneurial behaviour emerges and is sustained over a long period of time.

In the context of the family business, social capital refers to the relationships and trust attributes which are not common in non-family businesses. Danes *et al.*, (2008) provide a summary of the contract tenets of the SFBT model to include (a) family as a rational social system, (b) family business sustainability as a function of both business success and family functionality with the resources and interpersonal processes that differ during times of stability and change, and (c) the family and business interaction by exchanging resources across boundaries. A family or business may be destroyed if the boundaries were to diffuse. It also highlights that a positive symbiosis between the family, business and the community is productive for both the firm and the community. The SFBT model stands as a flexible and inclusive theory that allows the researcher, teachers and/or practitioners to understand and examine the unique dimensions of the ethical family business and its associated family. In addition, it also helps to bring out the need for balance in the relationship between family and business; thus, indicating that a governance structure that promotes the sustainability of both the family and the business is paramount for family business continuity.

#### **2.4.2 The family influence, family, power experience culture (F-PEC) scale**

The definitions of a family business have evolved over time. The initial focus was on ownership (Lansberg, Perrow & Rogolsky, 1988) and then on the ownership of and involvement of the family in the family business (Barnes & Hershon, 1976), and generational transfer (Ward, 1987). The connection between the family and the family business is important in promoting an understanding of the family business study. According to Zainol, Daud and Muhammad (2012:146), the F-PEC proposes that there are discrete and particular qualities or characteristics of family businesses, and measures these on a continuous scale. This scale makes it possible to understand the family involvement in the family business. The F-PEC model allows researchers to measure and understand the extent to which the family influence the business (Klein, Astrachan & Smyrnios, 2005:323).

Central to the study of family businesses is the reciprocal impact of the family and the business (Astrachan, 2004:568). The ownership and/or management subsystems connect the family and the business subsystems of the family business system (Klein *et al.*, 2005:324). Three dimensions of family influence, namely, power, experience and culture (F-PEC) constitute the model. These dimensions (or subscales) comprise the index of family influence, referred to as the F-PEC scale (Klein *et al.*, 2005:326). A family may influence the business operations through ownership, management and governance. The F-PEC power subscale takes into account the percentage of family members at board level, as well as the percentage of members who are named by family members to take up positions at the management and governance level. The experience scale measures the level and type of involvement of various family members in a business, the extent to which various family members are involved in a business, and also the extent to which the involvement in the business has been sustained over different generations. Thus, the three dimensions are entirely appropriate families in family businesses. In analysing the role of families, and willingness to influence the direction of a business, it is apparent that the family has a great influence on business; especially, the extent to which the family influence affect business decision-making (Chrisman, Chua & Sharma, 2005:567). Habbershon and Pistrui (2002) argue that family control of a business is the foundation of family entrepreneurship and trans-generational development. The following sections explain the power, experience and culture sub-scales of the model.

#### **a. Power**

Power refers to the dominance exercised through financing the business and through leading and/or controlling the business by means of management and/or governance participation. A family who is involved in a business through the ownership, management and participation of members of different generations of the family in the business should have the ability to influence the adoption of goals that meet purely family needs (Chrisman, Chua, Pearson & Barnett, 2012:71). The power subscale of the F-PEC model assesses the degree of the overall influence or power which is either in the hands of family members, or in a named family member. Family influence through governance and management may be measured as the

proportion of the family representation on the governance and management boards (Astrachan *et al.*, 2002:48). The power which the family wields in influencing both the governance and management of family businesses has a significant impact on decisions regarding the governance structures and systems adopted by the family business. When the family manifests a strong intention to control either the firm itself or succession to the next generation, family owners tend to make more decisions based on the long-term benefits.

### **b. Experience**

Experience refers to the sum of the experience that the family brings to the business and which is operationalised by the various generations participating in the firm's management and ownership (Zainol, *et al.*, 2012:145). In this context, experience relates to the number of family members who contribute to the business with greater emphasis being placed on the number of generations in the business. Astrachan (2008:49) opines that each succession adds considerable valuable business experience to the family and the business. The first generations acquire and transfer more influence than do the subsequent generations. Influence not only comes from those directly involved in the management and/or governance of the business, but also from family members associated with the business. According to Poza and Messer (2001), even the spouses of Chief Executive Officers (CEOs) play a key role, even if it is often invisible.

The experience subscale focuses on the generation of ownership, generation of active management, generation of being active on the governance board, and the number of contributing family members. The concentration of shares in the hands of the family managing the business leads to a strong sense of mission, well defined long-term goals, a capacity for self-analysis, and the ability to adapt to major changes without losing momentum.

### **c. Culture**

This subscale focuses on the role of family values and assumptions in the family business. Klein (1991) uncovers the core values of individuals who have led organisations for more than ten years and who form part of the culture of their organisations. The F-PEC scale assesses the extent to which the family and business values overlap, as well as the family's commitment to the business (Astrachan, 2008). According to Carlock and Ward (2001), the family's commitment to its vision is shaped by what the family deems to be important. Carlock and Ward (2001) further state that core family values constitute the basis for developing commitment to the business.

The F-PEC scale makes it possible to differentiate the levels of actual and potential family involvement and provide a model that integrates both theoretical and methodological approaches to the study of the family business (Klein *et al.*, 2005). According to Klein *et al.*, (2005), the more generations involved in the business, the more opportunities there are for the family business to develop. However, as more generations become involved, so do more potential areas of conflict develop; and thus, the more a structured governance system is required to deal with complexities that arise from the growth of the family and the business.

#### **2.4.3 The Bulleye model of an open-system approach**

The SFBT and the F-PEC were criticised for being closed theories. The systems did not interact with external factors which affect the family and the business. In developing the Bulleye model, Pieper and Klein (2007:301) proposed a holistic model to illustrate that the interrelations between the family business components at the various levels of analysis, is lacking. The family business field had advanced sufficiently to require a more complex model of the family business than was previously the case. Such a model would incorporate all the subsystems which influence family business behaviour. Accordingly, the Bulleye model informs family business leaders about the relevant subsystems that comprise a family business, how these subsystems interact, and why changes in one subsystem affect both the other subsystems, and individuals (Pieper & Klein, 2007:305).

This system differentiates itself from earlier models which concentrate on the relationship between the family business and the family, and on producing guidelines to managing the two systems (Davis, 1983; Lansberg, 1983; Beckhard & Dyer; 1983a). The model addresses the dynamics of the processes in the family business system, such as succession planning (Lansberg, 1998), and corporate governance (Neubauer & Lank, 1998). Pieper and Klein (2007) argue that the main weaknesses of the model in the developmental stage are the one-way causality and the lack of integration between the environmental and mainstream theories. The model includes external environmental elements, which help to explain the dynamics in the subsystems of family businesses. Pieper and Klein (2007) developed specific models and identified two streams of research which, in turn, gave rise to the third developmental stage, namely, (1) the family influence models such as the F-PEC, and (2) the sustainable family business models discussed above (SFBT model).

The key components that an advanced model of the family business should include comprise the environmental family business system; family ownership management; a business subsystem(s); and, the individual (Pieper & Klein, 2007:305). The addition of the environmental component means that the model makes international comparisons possible, taking cultural differences into account. The external environment has a direct impact on the performance of the business. This model considers the external environment such as the political, economic, social and technological aspects, while the regulatory environment also plays a significant role in influencing business performance.

#### **2.4.4 Resource-based perspective**

A founding family plays a significant role in providing the family business with an entrepreneurial vision, while the family grouping also provides social capital. The presence of a family in the family business brings with it a bundle of intangible and other unique resources, which are referred to as the familiness or uniqueness resulting from family participation. The qualities of familiness include a strategic focus, customer orientation, family relationship, and operational efficiency which translate into competitive advantages for family businesses (Tokarczyk, Hansen, Green & Down, 2007:17). In addition, familiness

creates a competitive advantage for family firms and acts as the foundation for a unified systems' perspective of the family firm's performance.

Thus, familiness is a key resource that family businesses may leverage to create a competitive advantage. Habbershon and Williams (1999) argue that family firms are often rich in intangible resources. The resource-based view of competitive advantage provides a theoretical model from the field of strategic management and may be used for assessing the competitive advantage of family firms. Family influence is unique to a family business and may, in fact, be regarded as a business resource. This family influence as a resource is referred to as familiness. Familiness is the unique bundle of resources at the disposal of a family firm; as a result, of the interactions within the firm, and between individual family members. The question often arises whether the business provides "glue" to keep the family together or if it is more likely to constitute a "threat" to family cohesion. Therefore, an understanding of the role of governance in family businesses to keep the family and the business in harmony, is important (Habbershon & Williams, 1999:1; Kidwell, Kellermanns & Eddleston, 2012:509).

Habbershon and Williams (1999:1) isolate idiosyncratic resources that are complex, intangible and dynamic within a specific firm. This bundle of resources, which is unique due to the involvement of the business, is referred to as "familiness" of the firm (Habbershon & Williams, 1999). Family firms also have unique advantages over non-family firms such as a unique working environment that fosters a family-oriented workplace (Ward, 1988), more flexible work practices for the employees (Goffee & Scase, 1985), and lower employment and human resources costs. In respect of communication and family harmony and relationships, Tagiuri and Davis (1996) point out that family relationships tend to generate remarkable motivation, cement loyalty, and increase trust. Even at the management/ownership level, family firms are known to incur lower agency costs, resulting from the overlapping owner/principal and manager/agent relationships. Aronoff and Ward (1995) and Moscatello (1990) argue that the concentration of shares in the hands of the family management leads to a strong sense of mission, well defined long-term goals, a capacity for self-analysis, and the ability to adapt to major changes without losing momentum.

According to Aronoff and Ward (1994), the family objectives and business strategies in a family business are inseparable; thus, creating a more unified long-term strategy and a commitment to implement this strategy effectively.

In family businesses, the emphasis is on a long-term investment. According to the resource-based perspective, family businesses are heterogeneous and it is the idiosyncratic, immobile, and inimitable, and intangible bundle of family resources that provide the firm with both a competitive advantage and an opportunity for superior performance. The resource-based model strives to better understand the role of the resources of these idiosyncratic, immobile firms in creating sustained, competitive advantages. More specifically, the family is a unique bundle of resources at the disposal of a specific family firm because of the system interaction between the family, its individual members, and the family business (Habbershon, Williams & Daniels, 1998; DeNoble, Ehrlich & Singh, 2007).

The following sections provide explanations of the theories of altruism and agency. The regard for self, and regard for others, have important social and economic considerations for family businesses.

#### **2.4.5 The Theory of Altruism**

Altruism is defined as a moral value that motivates individuals to undertake actions that benefit others without any expectation of external reward (Schulze, Lubatkin & Dino, 2002:247). Altruism is motivated by both “others-regarding” (altruistic), and “self-regarding” (egoistic) preferences. These assumptions have resulted in the separate treatment of agency and stewardship theories. This resulted in different governance and monitoring mechanisms for the paradigms. According to Madison, Holt, Kellermans and Ranft (2016:66), the agency and stewardship theory have primarily been invoked separately rather than jointly within the extant research. However, it has been proven that, in a family business, agency costs also exist. Accordingly, the theory of altruism does not entirely hold in the family business context, resulting in the need for regulatory systems to protect both the family and the business

(Schulze, *et al.*, 2002:247). In a more recent study, James, Jennings and Jennings (2017:280) provide a much-needed insight in the study of family businesses on whether non-family and family managers tend to be governed asymmetrically. The study brings to light the most appropriate approach, would best suit the management of family and non-family managers.

Literature on corporate governance concentrates on diverging interests between shareholders and management. Schulze, *et al.*, (2002:247) agree that agency costs are minimal when the principal and agent relationship is merged in owner-managed firms. This viewpoint is based on the foundation laid by Jensen and Meckling (1976) that the modern agency theory which focuses on the agency costs emanate from a lack of separation of ownership from controlling shareholders delegating managerial responsibility to agents. This delegation exposes agents to risks for which they are not compensated and this uncompensated risk, in turn, gives rise to opportunistic behaviour on the part of managers.

Where management and ownership attitudes are aligned, agency costs are minimised. Schulze *et al.*, (2002:248) propose a model which suggests that owner management in general, and family ownership management, particularly, is not without governance challenges. Agency problems are prevalent even in family businesses. In their study on altruism and agency in the family firm, Neri, Paul and Nelson (2006:861) found that altruism reduces agency costs in the early stages of the business, but that agency problems increase as the venture became larger and more established. If the business is owned by the nuclear family, parents exhibit altruistic behaviour; but, as the business grows bigger and more non-family managers are hired, agency problems also increase.

#### **2.4.6 Agency theory**

Agency theory studies have a significant impact on the study of governance in family businesses. The separation of ownership and management may result in potential agency costs. This phenomenon is viewed differently in family businesses, mainly as a result of the family relationships which align the objectives of the family members; while reducing

information asymmetry (Jensen & Meckling, 1976; Fama & Jensen, 1983a). This traditional agency theory has claimed that the natural alignment of owners and managers (the agents) in a family business decreases the need for agent costs (Poza & Daugherty, 2016:13). The alignment of family and business goals explains the success and high performance of family businesses versus their non-family counterparts. Jensen and Meckling (1976) describe settings in which one party (the principal) delegates actions to another party (the agent). In such relationships, due to asymmetric information, agency costs arise as the principal would tend to monitor and control the behaviour of the agents. Duller (2013:346) and Poza and Daugherty (2016:13) state that all corporate governance instruments serve to decrease agency costs by reducing symmetrical information, or by harmonising the interests of the principal and agent through an appropriate incentive structure.

According to Jensen and Meckling (1976), Bartholomeusz and Tanewski (2006) and Le Breton-Miller and Miller (2011:1167), due to the overlap of ownership and management in family businesses, it is assumed that agency costs are lower. Therefore, there is little need to adopt internal governance mechanisms in these firms which are owner-managed. The Jensen-Meckling (1976) agency theory explains the motives of self-serving management where the chief motive is personal utility. However, this theory falls short of explaining the managerial behaviour of those managers who are motivated by altruism and those whose behaviour is aligned to the objectives of their principals. Blanco-Mazagatos, De Quevedo-Puente and Delgado-Garcia (2016:167) employ the agency theory to argue that both the ownership concentration by active family owners and governance mechanisms should improve the family's firm performance. This effect then intensifies in later generation firms.

The agency theory fails to explain the relationship between principals and agents in the context of the family business where most managers are family members. However, Schulze *et al.*, (2002:248) challenge this claim, stating that owner-management is an efficient substitute for the costly control mechanisms used by non-owner managed firms. Research by James, *et al.*, (2017:260) challenged the common assumption regarding behaviour exhibited by non-family versus family managers and the mechanism by which it is governed. The non-

existence of agency problems in family firms was long challenged in the literature. According to Schulze, Lubatkin, Dino and Buchholtz (2001:108), agency problems may be more pronounced in family-managed firms due to self-control and other agency threats engendered in altruism. These conclusions show that there is a need for governance structures and systems to deal with agency costs in family businesses.

## **2.5 FAMILY BUSINESS GOVERNANCE STRUCTURES**

In terms of family governance of a family business, the definition of family is necessarily broader than a group of persons related solely by blood and/or marriage (Angus, 2005:7). Within a family governance system, family may also include close friends or professional advisors who have developed an intimate relationship with individual family members.

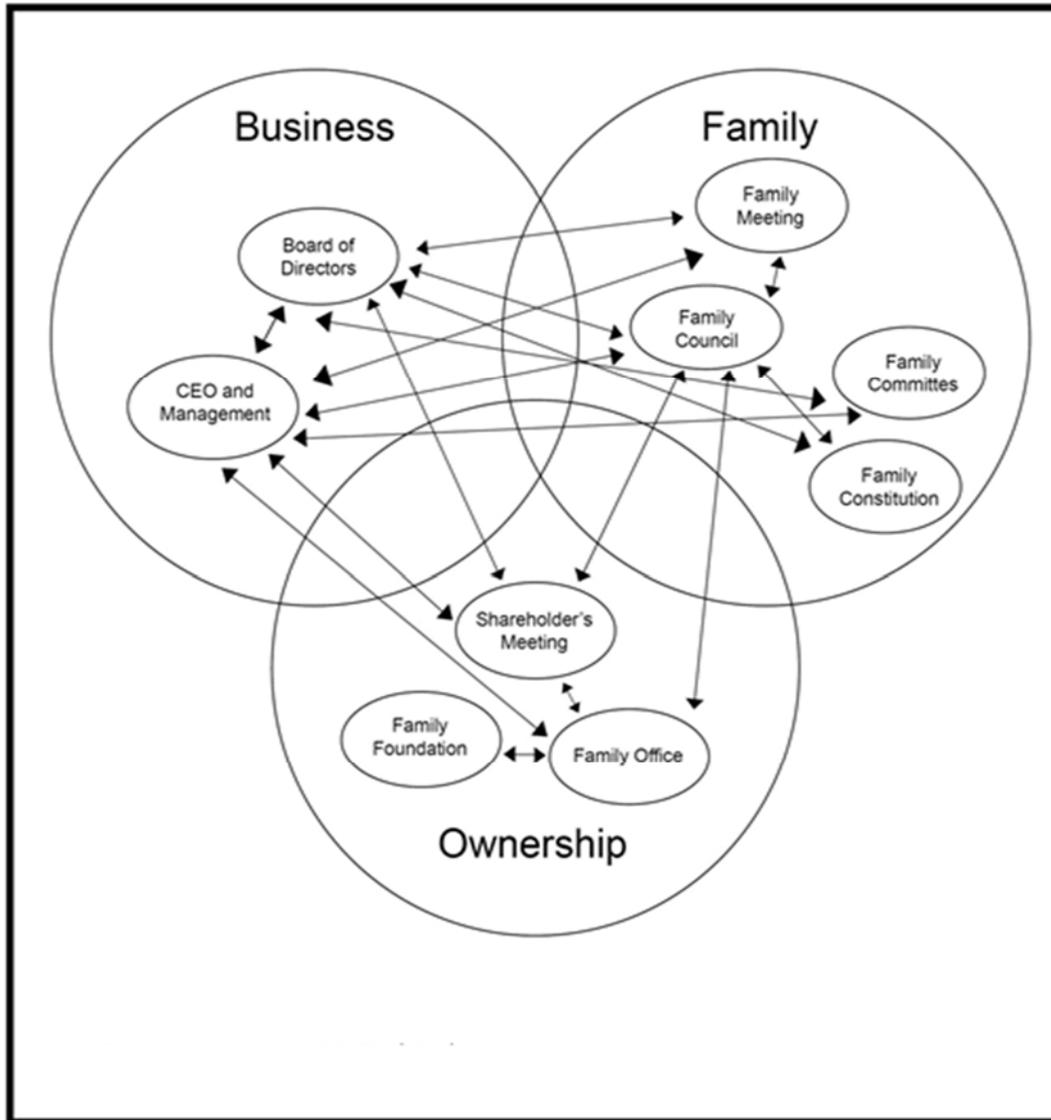
For the purposes of this study, governance is defined as a system of guidelines and protocols that manage the often competing and interrelated interests of various constituent groups. Family governance also provides a set of processes that enable families to determine a sense of direction, make decisions, and communicate the mission, vision and shared values to the various stakeholders. From a family perspective, such governance provides the family with a tool that helps them not only to recognise their own particular family dynamics, but also to manage them.

Despite the increase in the literature devoted to family business governance over the last few years, there is nevertheless neither an overview nor consensus in relation to the way in which family governance may improve both the functioning of the family and the long-term success of the business (Suess, 2014:138). The governance systems in the family business provide a mechanism in terms of which the business; the business family; and the management, are harmonised. The fundamental purpose of family governance is to make the existing and anticipated rewards and demands clear, to make participation in the business clear, to communicate opportunities for family involvement in the business, and to ease the flow of information (Suess, 2014:139). Family governance has been defined as consisting of voluntary

mechanisms established by the business in respect of both governing and strengthening relations between the family and the business, as well as the relationships between the members of the family business itself.

In view of the fact that it is voluntary, family governance is not legally obligatory; and therefore, there is no one particular standard rule, or rule which prescribes how family business affairs must be governed. Figure 2.1 depicts the classification of the interrelations between the various systems and subsystems connecting the family, the business and ownership of the business.

The three-circle model is the most traditional theoretical conceptual model for family businesses available. The model views the family business as comprising three main overlapping subsystems, namely, ownership, business and family (Gersick, Lansberg, Desjardins & Dunn, 1999). The growth and movement in each of the subsystems affect the governance issues in family businesses. In their article, Gersick *et al.*, (1999:289) argue that if families learn to manage periods of transition effectively, this, in turn, should dramatically increase the possibility of family business continuity. The model also highlights the need for the coexistence of multiple stakeholders in a family business environment. Figure 2.1 illustrates the connection within each subsystem and the various interactions across the three systems. In describing the relationship between a family business and a business family, Lambrecht (2005:267) concludes that a business family may develop into a family dynasty only if it embraces sound governance as a fundamental principle; that is, the individual family members belong to the family which belongs to the businesses.



**Figure 2.1: Classification of governance mechanisms by system**

**Source: Adapted from Gersick, Davis, McCollom & Lansberg, (1997)**

In attempting to reply to the question as to what constitutes effective family governance, Angus (2005:268) recognises that, as every family is unique, there is no single system that applies to all families. The three systems overlap and are intertwined, thereby generating the potential for conflict and creating a tense environment for planning and decision, especially if there is no goal and/or strategy congruence. Family business governance may be informal and undocumented, particularly when the business is still small, and the family involved, is mainly

the nucleus family. However, as the family business expands to include cousins, and some members cease to be actively involved in the business, transparency and accountability become more important to assure non-active family members and shareholders that their interests are protected. It is essential that a set of policies is put in place and an appropriate governance environment is created that supports the governance system.

The key to understanding the behaviour of family businesses lies in the understanding of both the family and the business. Ownership lies with the family, and management lies with family and management both, especially where non-family managers are employed. It is also necessary to understand how the ownership and management systems influence the behaviour of those who are members of the family business. According to Suárez and Santana-Martin (2004:142), additional governance mechanisms in the family system should be put in place in anticipation of familial problems that may permeate and adversely affect the business. Such governance structures would help to cushion the business against negative input from the family and also provide an avenue for the family to influence positive decisions and provide support to the business. This, in turn, should ensure that family-specific issues are not included on the agenda of management.

Ramachandran (2015:27) argues that the first major organisational challenges which family businesses encounter when they grow require them to possess additional expertise beyond the family domain. During this transition the family managers and owners often find it difficult to delegate decision-making powers to non-family members. In addition, when organisations grow into medium and large-sized businesses, they often tap outside capital (Ramachandran, 2015:24). The demands that such growth make on the ownership capital requirements, management expertise, and family expansion, often give rise to innumerable possibilities for conflict. The differences between ownership and management become more complex when the business undergoes growth, as well as generational transformation of both the business and the family. Shukla (2014) states that an understanding of the basic dynamics of family businesses through the three-cycle model allows a clearer understanding of the expectations of

the various stakeholders linked to the family businesses than may otherwise have been the case.

Angus (2005:265) proposes a governance model comprising of principles, policies and practices, while Rodrigues and Marques (2013:56) and Lungeanu and Ward (2012:42) extend this governance model to include the governing bodies of family businesses, family meetings, family assemblies, family councils, sub-committees of councils, family agreements and the family office<sup>3</sup>. It is imperative that the long-term interests of the family business shareholders are protected through the effective design of the governance structure in a family business so that the growth and continuity of the business may be ensured, and the family harmony and welfare preserved. If proper structures are in place, the probability of the actual implementation of good governance is enhanced (Adendorff, Boshoff, Court & Radloff, 2005:34). Adendorff *et al.*, (2005:34) further state that the recognition of the role of family in entrepreneurship led family economists and family study researchers to attempt a simultaneous and comprehensive study of both the family and the family business.

Family business governance should define the relevant issues, provide focus and cohesion, and make it easier for managers and owners to interact. A definition of perceived good governance in family businesses should include the following two components, namely, the good governance of the business, and good governance within the family (Neubauer & Lank, 1998:85). Blanco-Mazagatos *et al.*, (2016:167) conclude that ownership concentration by active family owners and governance mechanisms via direct control on the part of passive family owners, the existence of a board of directors, and family governance mechanisms tend to improve the firm's performance in the second and later generations. Existing literature indicates that, during the first-generation efforts, the owner is usually more concerned with

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<sup>3</sup> Family office is a dedicated place and system where matters relating to family members are dealt with. The family office is usually very common within large and wealthy family businesses (Abouzaid, 2008:32).

growing the business, while the nuclear family does not often create family governance challenges. Suárez and Santana-Martin (2004:163) conclude that, in Spain, family firms are characterised by an extremely degree of family business governance systems.

Governance mechanisms such as succession plans, family protocols, and family councils help to regulate the economic and family relationships between active and passive family owners. Governance mechanisms improve transparency and also regulate the relationship between active and passive owners (Corbetta & Salvato, 2004:132). However, to date, there appears to be very little research into the empirical role of the effects of governance mechanisms on the survival and continuity of family businesses.

The interaction between the family and business systems may lead to role conflict and confusion, thus resulting in tensions in relationships and effective communication being hampered. It is vital that the business of the family and the family of the business have in place clear structures, agreements, policies and activities (Poza, 2010:247). Adendorff *et al.*, (2005:35) provide an extremely comprehensive description of good governance and identified various issues such as entrepreneurial leadership and ownership, cultivating and honouring the human needs of family members, reviewing the family governance model, establishing frameworks, values, the execution of a good governance model, and enforcing the stability and growth of the family business.

Governance is a complicated issue in the context of family businesses because of the sometimes competing agendas of the family, ownership, and business management. Thus, there need to be a core structure that governs the family as well as the business entity. Governance enables the family to use understandable and transparent decision-making to handle both opportunities and the challenges of wealth (Goldhart & Di-Furia, 2010:8). Goldhart and Di-Furia (2010:8) suggest a plethora of processes, including setting strategic goals, the maintenance of key relationships, safeguarding the health of the family, maintaining accountability, and recognising performance. A family governance structure creates the frameworks, policies and traditions that determine the parameters that govern how a family

business is run. According to Berent-Braun and Uhlaner (2012:104), family governance practices (FGPs) are a means to enhance the entrepreneurship of the business-owning family. Family business governance practices are team building tools that not only enhance the effectiveness of the business-owning family, but also of the business it owns.

The literature ascribes great importance to the relationship between governance and the stage of the family business cycle. As the business grows and the family business evolves into the cousin phase, governance becomes critical to maintain the balance of the relationships. Lansberg (1999) argues that equal consideration and effort should be devoted to family business governance. The significance of family business governance is a function of both the size of the family, and the stage of business ownership.

According to Brown (2009:46), family governance answers the question as to the way in which a family organises itself within a family business to balance the tensions and complexities of being emotionally and economically connected to one another. In other words, how does the family manage the “business of being together as a family in an economic way”. Governance is a way in which structures and processes may be provided to enable the family to address such concerns.

As the family business grows, the complexities arising from family and business imperatives become more complicated and conflict increases due to differences in goals and strategy (Alderson, 2015:140). As family businesses expand from their entrepreneurial beginnings, they face unique performance and governance challenges (Casper, Dias & Elstrodt, 2010:1). Governance of both the family and business systems and processes are key determinants of a successful transition from the first generation to the next generation. Governance in the family business begins with a family’s vision and mission. This sense of purpose, in turn, provides a roadmap – a set of structure and processes that permit the family to make decisions over time as needed to ensure its survival as an economic unit (Brown, 2009:45).

Table 2.1 shows the stage, status and size of the family business and the corresponding governance structure. Literature shows that there is a relationship between the governance complexity of governance structures and the life cycle of the family business. The structures and modes of governance evolve with the families and businesses.

**Table 2.1: Correspondence governance structures and stage and size of businesses**

	<b>Family Meeting</b>	<b>Family Assembly</b>	<b>Family Council</b>
Stage	Founders	Sibling Partnership/Cousin Confederation	Sibling Partnership/Cousin Confederation
Status	Usually informal	Formal	Formal
Membership	Usually open to all family membership. Criteria might be set by founders.	Usually open to all members. Additional membership criteria might be set by family.	Family members elected by the family assembly. Selection criteria defined by family.
Size	Small size since family at founder(s) stage. Usually 6-12 family members.	Depends on the size of the family and membership criteria.	Depends on criteria set up for the membership, ideally 5-9 members.
Number of meetings	Depends on the stage of the business development. When the business is growing fast, it can be as	1-2 times a year.	2-6 times a year.

	frequent as once a week.		
Main activities	Communication of family values and vision. Discussion and generation of new business ideas. Preparation of the next business leaders.	Discussion and communication of ideas, disagreements, and vision.  Approval of major family related policies and procedures. Education of family members on family business issues. Election of family council and other committee members.	<ul style="list-style-type: none"> <li>✓ Conflict resolution</li> <li>✓ Development of major family related policies and procedures</li> <li>✓ Planning</li> <li>✓ Education</li> <li>✓ Coordination of the work with management and the board, and balancing the business and the family</li> </ul>

**Source: Abouzaid (2008)**

Table 2.1 illustrates the relationship between the size of the business and the governance structure suitable for the complexity of the issues requiring attention. To be successful when the business and the family grow, a family must meet two intertwined challenges: achieving strong performance, and keeping the family committed to and capable of carrying on as shareholders (Casper *et al.*, 2010:2). As the business grows and the family grows to cousin generations, governance mechanisms also increase in complexity. Poza and Daugherty (2016:110) state that most of the essential communication and sharing of financial and strategic information are done at family meetings.

Governance provides the family with a tool that helps them not only to recognise their own specific family dynamics, but also to manage (Venter & Kruger, 2004:17). Van der Merwe (2009) comments that without the commitment of the family to business continuity, there will be no parallel planning process. Harvey (2009) argues that a failure to separate family issues from business issues may result in conflict which, in turn, threatens both the family harmony as well as the ability of the business to plan for change and future success.

The family governance subsystem is defined as securing and organising the cohesion within both the family and the business. The overlapping between the family and business systems signifies the interaction and reciprocal influence between them and is in contrast with public companies in which both systems are decoupled. The internal governance in family firms demands that both systems be treated on an equal basis. At the firm level, the OECD (2004:3) describes governance as “a set of relationships between a firm’s management, its board, its shareholders and other stakeholders that provide the structure through which the objectives of the firm are set, and the means of attaining those objectives, while monitoring performance is determined”.

## **2.6 FAMILY CONSTITUTION**

One of the most important tools of governance to aid in prevention and resolution of conflict is the availability of a corporate constitution. A family constitution in the context of the family business is regarded as an instrument of governance. It establishes both a framework and a forum for a group of equals to deliberate issues, devise policies and procedures, clearly define the rights and obligations of the respondents, and make decisions about the important issues they have in common (Berent-Braun & Uhlaner, 2012:107; Alderson, 2015:150). Berent-Braun and Uhlaner (2012:107) state that the formulation of both a family constitution and a code of conduct usually involve input from a wide group of family members, while such a family constitution and code of conduct help to communicate and strengthen a shared commitment to the same norms and values. This, in turn, may enhance the cohesiveness of the business-owning family by clarifying expectations in advance, thus helping to reduce the possibility of conflict between family owners. Stafford, *et al.*, (1999), as cited in Suess (2014),

argue that the sustainability of a family business not only depends on the success of the business, but also on the functionality of the family in question. The family needs to be governed, and structured mechanisms should be put in place to manage the business so that it may fulfil its obligations to the company. Lansberg (1999) argues that equal consideration and effort should be devoted to the family business governance. The significance of the family business governance system is a function of both the size of the family and the stage of generation in terms of ownership. The aim of family governance is to ensure the right relationships between the family and the business (Pieper & Astrachan, 2008). Family governance also plays a significant role in coordinating and sustaining the family as a social entity.

## **2.7 FAMILY COUNCIL**

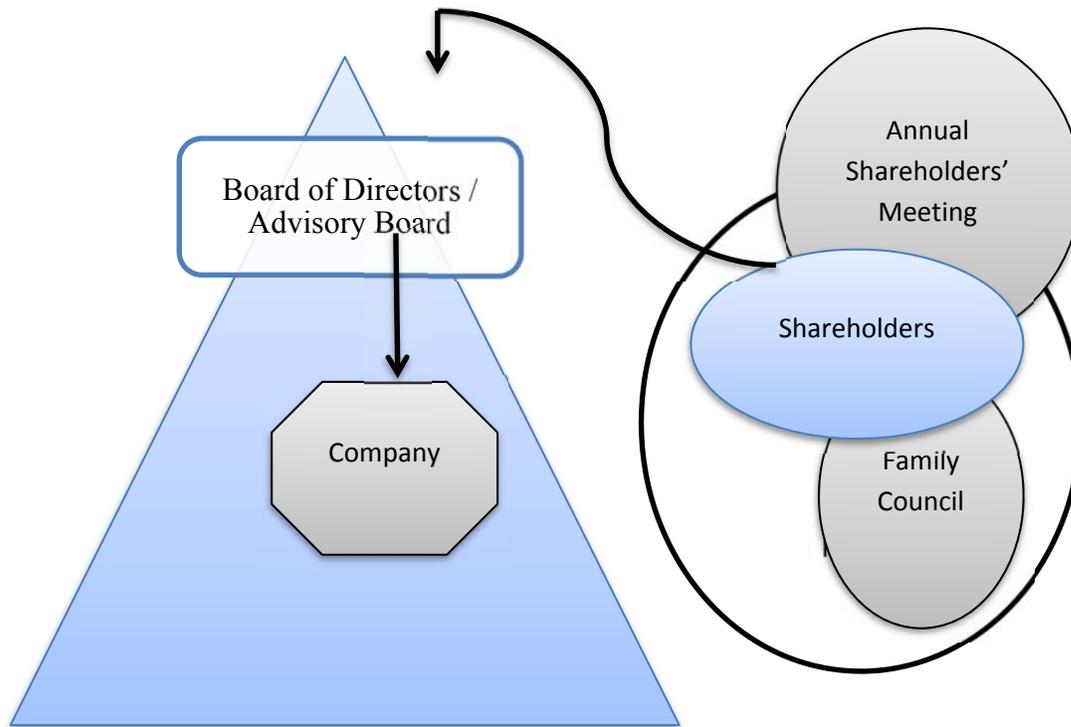
A family council is defined as a group of members that serve as an executive team or representative body of a broader, enterprising family (Eckrich & McClure, 2013:21). Thus, family councils (FCs) or other family assemblies refer to formal bodies that meet on a regular basis and represent different branches and or generations of the family (Berent-Braun & Uhlener, 2012:107). The FC addresses significant issues involving the overlap between the business and the family and communicates to the board the broadly stated wishes of the family. It also serves as a legitimate forum for family dialogue on the interests of the family within the family business, particularly in respect of dealing with the interface between family and business and provides a vehicle for the planning for the future of the family business and its assets. In addition, it offers family owners an opportunity to discuss business and family issues on a regular basis (Eckrich & McClure, 2013:21).

One of the most important responsibilities of a family council is to achieve family consensus and to serve as the channel for family communication to the board. Family members who serve on the board of directors are decided on by the family council. The family council is also the mechanism by which the family exercises its ownership responsibilities. Family councils are effective when they have real responsibility for real issues (Eckrich & McClure, 2013:20). The discussions allow for the exchange of thoughts and opinions and may prevent

or help to resolve various family-related conflicts. This, in turn, becomes more important when businesses grow beyond the first and second generations and, also in instances where the greater proportion of the family members is not employees of the business.

Council members are elected to represent the interests of their family branches, while the council's responsibilities and operating practices are codified in writing. Eckrich and McClure (2013:21) opine that an effective family guiding document should be in existence and should provide clarity around the decision-making at the family council level. Family councils, like board of directors, also have sub-committees to deal with issues such as the family employment policy, ownership, share transfers, and shareholder education and development. The family council provides mechanisms for effective communication between the family and the board of directors. The family council should aim both to achieve family consensus and to serve as a channel of communication. An effective family council enables the family to identify and maintain values, the family's human capital, and ensures that financial investments and philanthropy are managed. Poza and Daugherty (2016) argue that keeping the overlap between ownership and management healthy, reduces agency costs. This is one of the advantages of the family business over their non-family counterparts.

Figure 2.2 shows the linkages among the family business subsystems of ownership, management and governance.



**Figure 2.2: Boards and family councils: how they work together**

**Source: Poza and Daugherty (2016:286)**

In describing the relationship between the family business and the business family, Lambrecht (2005:267) concludes that a family business can develop into a family dynasty only when it embraces sound governance as a fundamental principle; that is, the individual family member belongs to the family, which belongs to the business. As the business grows, families in business should be guided by the principles of sound governance to be related among themselves and with management. Ramachandran (2015:xxvii) argues that the organisational challenges which family businesses when they grow transcend to an orbit, requires them to have additional expertise beyond the family domain. During this transition, family managers and owners find it difficult to delegate decision-making powers to non-family members. When organisations grow into medium and large sizes, the family may resort to tap outside capital and employ non-family members where required expertise will be available among

willing family members (Ramachandran, 2015:xxix). The expansion in ownership, capital requirements, management expertise and family expansion to include cousins' results into innumerable possibilities of conflicts. Such conflicts are best resolved through a proper system of governance that provides guidance to all stakeholders (Ramachandran, 2015:xxix).

Existing literature points out that family councils exist when the family assembly reaches a certain size, and the divergence of vision and strategic options for the business widens between family members (Suárez & Santana-Martin, 2004:146; Alderson 2015:150). The main function of the family council is to act as a buffer between the family board and management, to manage family protocol and to deal with family matters. Councils discuss items such as hiring and termination of family employees, fair family compensation policies, reporting procedures and share exchange policies. They also focus on the family needs of the business and recommends policies and procedures to the board of directors.

According to Carlock and Ward (2005:6), developing a family enterprise continuity plan ensures that the family's interests are considered along with those of the business. They identified the following benefits:

1. It encourages the next generation and in-laws to learn about the family's history and values.
2. It reinforces a sound family communication process.
3. It supports the development of family agreements on issues such as employment or ownership before a specific decision must be made.
4. It provides a fair process for the family's planning and decision-making.
5. It clarifies expectations around inherently difficult issues, such as money, careers and control.

## **2.8 FAMILY BUSINESS BOARD OF DIRECTORS**

Scholars have explored family businesses, family business governance and business boards to varying degrees. Research is also available on the role of the board in business growth and success. However, there appears to have been little research conducted on the role of boards in

the sustainability and continuity of family businesses. This, in turn, represents a significant gap in the understanding of the way in which family businesses may be grown and sustained across generations. Irrespective of the size of the business, directors add value by providing advice, legitimacy, access to information, and resources (Bendickson, Davis, Cowden & Liguori, 2015:43). Blumentritt (2006:66) maintains that the increase interest in governance is due to the well-publicised incidences of boards' failing to uphold corporate governance principles.

The role of the board is to provide the family business with leadership, resources and governance with the governance role centred on corporate oversight. The oversight role of the board of directors in a family business is downplayed as a result of agency theory. The role of advisory boards emerges as an explanation and justification by family businesses' inability to constitute formal boards of directors. However, in view of the fact that many family businesses are small and still developing, many do not have formal boards, and instead, they resort to the use of advisory boards (Bendickson, *et al.*, 2015:42). Tillman (1988) points out that such advisory boards do not have legal standing and are used primarily to provide advice to the firms' top managers. By virtue of their composition, advisory boards are a source of resources. However, unlike a board of directors, by their nature, advisory boards do not have any legal standing although their impact on the governance of a business may be significant.

Family boards, on the other hand, are a key governance structure in a family business in respect of addressing key issues of governance and compliance with both regulatory and internal regulations. Teksten, Moser and Elbert (2005:50) argue that the stage of the business in its life cycle is significant to the importance of the board in respect of the family business, as well as the value it adds. This study posited that the life cycle of the business and the challenges encountered during each stage explain the need for, and the formation of the board of directors of a family business. According to Astrachan and Kolenko (1994:259), a positive correlation exists between governance structures and organisational survival across family generations.

Neville (2011:527) views the role of the board of directors in SMEs with a different lens. The role of the board as a resource is more than to control. The board's role should not be considered from the governance's point of view only, but also from expertise which board members contribute. Therefore, the agency theory alone may be too limited to explain the role of boards in SMEs. Therefore, the family business can take advantage of the benefit of external board members who can provide expertise in functional areas in more than the control and oversight role.

It is therefore hypothesised that:

**Null Hypothesis:**

**H1<sub>0</sub>:** There is no significant relationship between the existence of family governance structures and the sustainability of the family business.

This section explored theories of the family business and how they relate and link the family business, family ownership and family business governance structures.

## **2.9 CONCLUSION**

This chapter provided an insight into the contribution of family businesses to the economy of both emerging and developed countries. There is clearly an agreement on the statistics relating to, and the causes of the failure of SMEs, the majority of which are family businesses. The theoretical models which help to understand and explain the concept of the family business and three sub-systems, were explored. This chapter also provided an insight into the importance of governance issues which the owners and managers of family businesses must address in the interests of the survival of such businesses.

The next chapter explores factors which affect the longevity of the family business. The chapter also defines and put into context the selected independent variables which are related to family business sustainability.

## **CHAPTER 3**

### **FAMILY BUSINESS SURVIVAL**

#### **3.1 INTRODUCTION**

This chapter presents the literature review on the link between identified factors and family business survival and sustainability. It explores the effects and importance of the vision, mission and strategy, succession planning, decision-making, communication and trust on the sustainability and continuity of family businesses. The challenges faced by family businesses are also discussed.

#### **3.2 FAMILY BUSINESS SURVIVAL**

Studies on family businesses revealed that 30% of family businesses only survive to the second generation and that, with each subsequent generation, the number of business survivals decreases (Handler, 1994:134; Venter *et al.*, 2012). Therefore, the continuity of family businesses is low in the sense that most family businesses do not last more than three generations. They either collapse and are liquidated or sold by the founding generation family. According to Venter *et al.*, (2012), in South Africa, only one in four family businesses survive into the second generation, and only one in ten survive the third generation. It is essential that this trend is reversed in view of the contribution made by family-owned businesses to economic growth, job creation and wealth creation in the world economies and, particularly in the developing countries.

A business's longevity refers to the age of a business, regardless of its ownership structure and, hence, is defined as the length of organisational survival within one family. With regards to family businesses, longevity refers to the period a business is controlled by the same family or remains a family business from one generation to the next. Survival in this context refers to

the age of the organisation in general (Štangej & Škudienė, 2013:7). Štangej and Škudienė (2013:7) state that family firm survival is deemed to be the most significant indicator of success and refers to the on-going control of the business by the same family over time. The link between this performance measure and succession is evident of the trans-generational continuity of the business that illustrates the long-lasting control exercised by the same family. Sustainability is also a key word used in this study, and it refers to a company's capability to continue the process of growth and expansion under on-going family control, and the ability of the company to create value for both the society and the economy.

If family businesses survive into the long term, they have to avoid bankruptcy, sale by family members and the disappearance of the family as an entity (Rau, 2013:426). To reverse the trend in respect of family businesses not surviving and sustaining this form of business over generations, there is a need to understand the factors associated with the longevity of small and medium family-owned businesses. The option to sell the business may help it to survive, but not as a family business. Even in cases in which the sale involves another family, the original family ceases to influence the longevity required to be assessed (Štangej & Škudienė, 2013:7).

Family businesses face problems similar to those faced by publicly traded companies, as well as the family related problems which may arise (Colin & Colin, 2008). Handler and Kram (1998) identify demographic, organisational and social factors that influence the planning for continuity of the family business. Various theoretical arguments are proposed to explain the longevity of family businesses. In terms of family businesses, such arguments are grouped under internal (the strategy of the firm, its capital structure, education and age of the founders, structure of the firm and ethnicity), and external factors (the level of economic and political stability, social and technological developments). Miller and Le Breton-Miller (2005b) identify four practices which enhance the continuity of family businesses, namely, embracing a meaningful mission, building core capabilities, careful stewardship, and fostering executive apprenticeships.

### 3.3 FAMILY BUSINESS GOVERNANCE AND BUSINESS SURVIVAL

The following question guided this study, namely: What business and family governance factors influence the continuity of small and medium family-owned businesses in Botswana? This topic has been under-researched in Botswana and the existing literature on family businesses in Botswana is limited. It would appear, that studies in Botswana have tended to focus primarily on the challenges facing SMEs (Temtime & Pansiri, 2006; Temtime, 2008; Nkwe, 2012, Mutoko, 2014). Studies conducted in other emerging and transitioning economies which have focused on the challenges facing SMEs, included Malaysia (Claessens, Djankov & Lang, 2000; Rogoff, Lee & Suh, 2004). Adendorff *et al.*, (2005) and Tushabomwe-Kazooba (2006) studied the causes of small business failure in Uganda; and Okpara and Wynn (2007) studied the determinants of small business growth in Nigeria. Adendorff, Venter and Boshoff (2008) and Van der Merwe (2009) studied small and medium-sized family businesses in South Africa; Mudavanhu, Bindu, Chigusiwa and Muchabaiwa (2011) the main determinants of SME failure in Zimbabwe; and (Rogoff *et al.*, 2004) and Hyder and Lussier (2015) the reasons why small businesses either succeed or fail in Pakistan.

In addition, Pagliarussi and Rapozo (2011) focused on family businesses in Brazil; Gill and Biger (2012) the barriers to the small-scale growth of family businesses in Canada; and Štangej and Škudienė (2013) in Lithuania; Buang, Ganefri and Sidek *et al.*, (2013:81) and Chaimahawong and Sakulsriprasert (2013) family businesses in Thailand; Song, Liang and Li (2015) the long-term orientation of family firms in China; and Samel and Feyzbakhsh (2016) the effect of monitoring the successor nurturing in family businesses in Iran. In addition, the way agency conflict between family managers and family owners affects the performance of firms in Spain (Blanco-Mazagatos *et al.*, 2016); while Kapteyn and Wah (2016) studied the challenges facing small and medium-size businesses in Myanmar.

### **3.4 FACTORS ON SUSTAINABILITY**

Sustainability practices are those practices that work towards the long-term benefit of all stakeholders of an organisation, as well as the broader community (Dyck & Nuebert, 2009:54). The failure rate of the family-owned business to pass successfully from one generation to the next is approximately 70% (John, 2011). The survival of the family firm is the most significant indicator of success and refers to the on-going control of the business by the same family over time. Zellweger, Nason and Nordqvist (2012:136) investigate sustainability of family businesses by focusing on how families sustain entrepreneurial approaches over multiple generations. This study found transgenerational sustainability intentions of the family as a key factor for survival. A similar study by Nadim and Lussier (2010) focused on competitive strategies which small and medium businesses could adopt for survival.

The link between the family business performance measure and succession is evident as the transgenerational continuity of the business determines the long-lasting control of the business by the same family. Some factors that affect the longevity of all businesses are internal to the business (organisational strategy, capital structure, age and experience of proprietors, family structure), while others are also found in the external environment (the level of political stability in the country, the macro-economic stability, social technology and infrastructural environment, (Zellweger, Nason & Nordqvist, 2012:136).

Three weaknesses of family businesses that impact on their sustainability in the long term include (Abouzaid, 2008:13):

#### **3.4.1 Complexity**

Family businesses are usually more complex in terms of governance than their non-family owned counterparts due to the addition of a new variable, namely, the family. This family aspect is what differentiates a family business from non-family businesses. Non-family

businesses focus on the issues of ownership and management, while family members and their emotions also play a role in the life of the family business.

### **3.4.2 Informality**

This is a characteristic of the first generation and initial stages of the family businesses as, at this stage, there is often little interest in and incentive for setting clearly articulated business practices and procedures. However, as the business transits into the second generation and the management and ownership become more diverse, this informality may lead to inefficiencies and internal conflicts that may, in turn, threaten the continuity of the business.

### **3.4.3 Lack of discipline**

It refers to a failure on the part of many family businesses to pay attention to key strategic areas such as succession planning, family member employment in the family business and attracting and retaining non-family business managers.

These characteristics, peculiar to family businesses, require family businesses to establish a clear family governance structure to ensure harmony within the family, and the continuity of the business (Abouzaid, 2008:13). Such a family governance structure assists with communicating business challenges, rules, challenges, dividends, family vision and values, and allow the family to make joint decisions. Research regarding the sustainability of family businesses has been concentrated on large successful family businesses (Glover & Reay, 2015:165), while there has been little attention paid to small and medium family businesses which seldom survive the first generation. It is therefore the gap identified in the literature regarding governance factors of small and medium family businesses which require an investigation.

### **3.5 CONTINUITY OF FAMILY BUSINESSES**

The sustainability of a family business is closely linked to its continuity. The term continuity regarding family businesses is viewed from various angles. Salvato, Chirico and Sharma (2010:321) posit a number of questions regarding the meaning of continuity: Does it refer to the family business itself as in its name, the industry in which it competes, the product/s it manufactures or services provided, or the markets that are served? For this study, continuity refers to the existence of the business and the owning family across generations. Of course, the products and technology offered by the business will continue to change with market demands.

### **3.6 FAMILY VALUES, VISION AND BUSINESS STRATEGY**

Berent-Braun and Uhlaner (2012) claim that the most important function of family governance is to enhance the unified vision of the entrepreneurial family. John (2011) argues that “in all family businesses, an overall vision for the family and the business profoundly shape strategic thinking”. John (2011:26) argues that the essence of family business strategy is matching the owning family’s values with the market opportunities in the family business, an overall vision for the family, while the business profoundly shapes the strategic thinking. Aronoff and Ward (1998) maintain that successful family businesses share explicit understandings of important, mutual goals. The business is, therefore, anchored in the broader family vision and is used to achieve the family goals. Rivers (2012) attributes business failure to a lack of a clear vision on the part of the owners or operators. As a family business transits from the first generation to the next, the main role of the board, even if it is only advisory, is to provide advice to the owners on the importance of formulating a vision and business strategy.

Family businesses also provide a sound platform from which to inculcate values to the next generations. A business philosophy which encompasses the values, vision and business strategy of the business is key to the survival of the family business. Businesses which survive

are those who have a strategy and a vision which are both long-term and result-oriented. Perry (2001) argues that there is a positive correlation between planning and the survival of small firms. Small businesses tend not to involve themselves in much planning. As the vision emanates from the entrepreneur, it is implemented through the structures and proper governance of both the family and the business (Perry, 2001). According to Adendorff (2013:323), in a family business, a shared vision involves family members' collective ideas about the future of the business, including desired business domains and financial performance.

It is hypothesised that:

**Null Hypothesis:**

H<sub>0</sub>: There is no significant relationship between a shared vision, mission and the strategic plan and the continuity of family businesses.

The next section discusses succession planning as the process of intergenerational turnover. Succession in family businesses is broader and more complicated than in ordinary forms of businesses. It goes beyond management succession to involve shareholder and estate succession (Chang & Noguera, 2016). The young generation have to take over the management, governance and equity and reciprocally, the older outgoing generation should be willing to allow the succession process to take place.

### **3.7 FAMILY BUSINESS SUCCESSION PLANNING**

Succession and, specifically, the transfer of ownership and management are crucial problems to which family businesses are exposed to (Shepherd & Zacharakis, 2000; Sharma, Chrisman & Chua, 2003; Miller, Steier & Le Breton-Miller, 2003). Successful succession is defined as the post-succession, positive performance of a business, its viability, and the satisfaction of the stakeholders (Cabrera-Suarez, De Saa-Perez & Garcia Almeida, 2001; Sharma, Chrisman, Pablo & Chua, 2001). While the literature on family businesses covers the topics of succession and transgenerational continuity in detail, it is not possible to specify a general

succession theory for the family business (Sharma *et al.*, 2003:3). Thus, the issue of succession is central to the continuity of a family business within the same family. One of the components of the success of the family business is generational turnover. Poor succession is one of the issues most responsible for the low statistics of generational turnover in family businesses (Miller *et al.*, 2003). Ward (1987) defines a family business in terms of the potential for succession. Štangej and Škudienė (2013:9) define succession as a process of management, ownership and leadership transition from incumbent(s) to successor(s) and include all respective events, developments and actions over the lifespan of the business. The ability to pass on the leadership and ownership of a firm from one generation to the next is at the heart of family businesses (Blumentritt, 2006:66). It is therefore important to characterise family businesses as businesses that provide evidence of both systems, and a willingness on the part of the senior generation to bequeath both ownership and leadership to the next generation (Blumentritt, 2006:67).

Despite the importance of succession planning and how widely it has been researched, it often does not happen in family-owned businesses (Handler 1994:133; Ward 1987; Lansberg, 1988) with only 30% of family firms surviving the transition to the second generation and 10% to the third generation (Beckhard & Dyer, 1983a; Beckhard & Dyer, 1983b; Poza, 2010; Venter *et al.*, 2012). In view of the low survival rates of family businesses' transitioning from the founder to the second generation, it is important that a conscious succession plan is put in place. Succession planning is a problematic issue (Handler, 1994:134) and Shafieyoun, Haery and Mansouri (2014:328) point out that one of the challenges facing the continuity of family businesses is that of succession. Sharma *et al.*, (2003:2) maintain that a failure both to choose a successor and prepare him/her to take over the business and to develop strategies in the succession process, leads to family business failure. Buang *et al.*, (2013:80) posit that the development of the succession process is an important factor in determining the success of family business sustainability. Carlock and Ward (2005:6) opine that an effective succession process allows families and the family business to continue and to prosper. According to Longenecker, Moore and Petty (2005), family business sustainability depends on the availability of capable successors.

Generational turnover is a process through which a new generation takes the place of a previous generation in the running of the business (Cristiano, 2014:238). Family business succession is defined as the passing of the leadership baton from the founder-owner to a successor who may be either a family member or a non-family member (Bechhard & Dyer, 1983b:3). A generation is defined as a group of people with values, needs, experience, culture, and behaviour patterns which are relatively homogenous inside such groups but that are significantly different as compared to those of other similar groups. The role of the next generation is critical in ensuring the longevity of family firms (Poza, 2010:86). Handler (1992) argues that, without interested and able next-generation family members in owner-manager or responsible shareholder roles, such firms will not survive as family businesses beyond the first generation. The succession and passing of the baton should be analysed in terms of both leadership and management.

According to Poza (2010:86), it cannot be assumed that the interests, strengths and abilities of the next generation are identical to those of the current generation of leaders, or that the attributes required to launch a business are the same as those required to grow and manage it. In addition, a change of guard is a complex and stressful event for any business, and in the case of family businesses, it becomes even more complicated (Yasser, 2011:75). Yasser (2011:75) maintains that complications arise from factors such as competence of the heir, sibling rivalry, and the willingness of the founder to let go of the reins of leadership. It is thus vital that succession is at the heart of the family governance system.

There is a need to clearly analyse and to strike a balance on the following factors: (a) how the task of the next generation is fundamentally different from that of the founders and the reward system to be implemented, (b) the fit between the needs of the business and the attributes and interests of the next generation family members, (c) strategies that may be used to prepare the next generation leaders to take over at the helm of a family business successfully, and (d) the trust that founders have in the next generation (Yasser 2011:76). Chrisman, Chua and Sharma (1998) identify integrity and commitment to the business as two important attributes which the senior generation deem important when choosing successors. No matter how qualified junior

family members are, if they cannot be trusted to make decisions that are in the best interests of the business and the family, they are not ready to lead family firms (Poza, 2010:93). However, it is important to note that the literature has some dissenting voices on the direct relationship between succession planning and the longevity of family businesses. Research by Astrachan and Kolenko (1994:125) and Santiago (2000:15) suggest that the importance of management succession planning to business continuity is not correlated. Failure to have succession planning results in the failure of family businesses. The literature is awash with conclusions and recommendations that family businesses need to identify succession practices that foster continuity and sustainability.

It is therefore hypothesised that:

**Null Hypothesis:**

**H<sub>30</sub>:** The relationship between management succession planning and the sustainability of family businesses in Botswana is not significant.

### **3.8 THE SUCCESSION PROCESSES OF FAMILY BUSINESSES**

Business succession is a well-structured process which aims at guaranteeing the continuity of the business, allows for the delegation of the responsibility for the business, as well as for the delegation of the responsibility of the entrepreneurial role. This, in turn, requires a process of generational succession which take into account the possible heirs' vocations and guarantees both the family equilibration, as well as the continuity of the business. Handler (1994:135) points out that succession is not an event but, instead, it is a long-term process that takes place over time. Succession frameworks were developed by Churchill and Hatten (1987), and further by Longenecker and Schoen (1996). These frameworks broke down the specific tasks which the founder should undertake to ensure a smooth and effective transition. In addition, through these multiple stage processes, the predecessor should deliberately lessen his/her direct involvement in the business. According to Venter, Boshoff and Maas (2005), factors

that influence the success of the succession process include successor satisfaction with the experience he/she went through, and firm performance after the succession.

Good preparation is important to the successful transfer of managerial power from the incumbent to the successor (Chaimahawong & Sakulsriprasert, 2013:20). There is also a positive relationship between the preparation level of the potential successor and the effectiveness of the succession process. In addition, the potential successor should feel welcome. A critical aspect to the latter is the quality of the relationship between the potential successors and other family members (Chaimahawong & Sakulsriprasert, 2013:20).

Several factors are important in ensuring generational turnover. However, there is no model which is universally accepted, and which addresses the issue of family succession effectively. It is vital that succession is viewed as the process which may create, through the replacement of top management, an opportunity for the business to develop and expand, innovate and revitalise (Cristiano, 2014:244). According to Moore and Juenemann (2008:63) and Wilson, Wright and Scholes (2013:1374, while the board manages risk and ensures that the business moves in the right strategic direction, it is the ultimate responsibility of the family council to achieve continuity of family ownership through the generations.

Succession often faces resistance from the older generation who are unwilling to relinquish control, while the next generation may be unprepared to assume the leadership responsibilities. In deciding on the role of the future generations in the business, Poza (2010:95) highlights the need for a good fit between the abilities and interests of family members and the needs of the business at its stage of development. There are likely to be divergences in the interests of current and future generations, while the issue of sibling expectations and rivalry should also be addressed. Chua (1991:91) points out that either primogeniture (where the eldest is expected to take over the business) or coparcenary (equal division of the CEO's job among siblings) may prevail. Such norms, in turn, impose limitations on the participation of family members in the business. Malone and Jenster (1992) state that, even if the next generation family members are capable and interested in pursuing

careers in the family firm, norms such as these may set incapable and uninterested juniors on the road to a long, unsatisfactory path.

When succession is understood as a continuous process of knowledge creation, not only at the individual level but also at the organisational level through the interactions of the successor with other organisational members, the new knowledge created enables a family business to successfully address rapid changes in the external environment (Duh, 2015:16). A study on family businesses in China conducted by Song *et al.*, (2015:1) concluded that only in those family firms with succession intention and clear family control intentions could family ownership significantly promote more long-term oriented investments than may otherwise have been the case. According to Zuniga and Sacristan (2009:76), the succession process is one of the main challenges for the family business to remain and become more competitive.

This section has discussed succession as a key component of sustainability and longevity of family businesses. The following section discusses corporate governance and how the concept relates to family business longevity.

### **3.9 CORPORATE GOVERNANCE**

The aim of corporate governance in listed corporations is to promote accountability, transparency, fairness, disclosure and responsibility. Corporate governance in Botswana tend to focus on publicly traded firms, parastatals and not-for-profit organisations, mainly in the field of social development. Thus, little or an inadequate effort is directed towards corporate governance in SMEs. Core values are developed primarily with a view to addressing agency problems and are applicable to both family and non-family businesses. Agency problems in family firms are characterised by certain distinct features as altruism among family members changes the nature of the contracts between principals and agents (Schulze *et al.*, 2001:100; Schulze *et al.*, 2002). Crucial aspects of family business governance include the relationship between the family and the business, and the existence of governance structures in place. The firm's longevity is directly related to its corporate governance (Spanos, 2008; Duller, 2013).

The aim of corporate governance is to limit the possibility of opportunistic behaviour in business relations. Family controlled firms may improve their probability of survival by establishing good governance structures and by initiating processes and procedures in preparing generations to take over the management and ownership of the business (Yasser, 2011:74). Following Jensen and Meckling's (1976) seminal paper on the agency theory, debates arise on the relevance of corporate governance in family-owned firms. Memili, Misra and Chrisman (2012) argue that the interests of controlling family owners and managers in family controlled corporations may probably not be identical to those of non-controlling shareholders. Corporate governance practices are equally, if not even more important, for family firms. Good governance helps family firms to deal with family harmony, ensure business prosperity, and strengthen firm competitiveness (Memili *et al.*, 2012).

The application of corporate governance principles to family businesses has long been the subject of debate. This debate stemmed from the agency problem and the fact that owner-managed businesses do not incur agency costs. According to Gibson, Voskins and Weaver (2013:88), it is necessary to consider the uniqueness of family businesses when considering the application of corporate governance principles in the family business. As Abor and Biekepe (2007:288) suggest, compared to non-family controlled businesses, there is less need for formal corporate governance structures and processes in a family business as there is less chance of agency problems. This is mainly due to the lack of separation between ownership and management. The most cited researchers on the subject of agency theory are Jensen and Meckling (1976). Their main proposition is that privately held family firms do not incur significant agency costs because of the natural alignment between the interests of the owners and management. Formal governance mechanisms in family firms are not necessary and their expense may even be detracted from firm performance. Accordingly, Jensen and Meckling (1976) conclude that the cost of reducing information asymmetries and the accompanying moral hazard are low when owners participate directly in the management of the firm. The Jensen and Meckling (1976) model assumes that the separation of ownership from control is a principal source of agency costs in firms. Thus, these costs are eliminated when the firm is managed by a single owner. On the other hand, Fama and Jensen (1983a; Fama and Jensen

1983b) propose that owner-managed firms are an efficient substitute for the costly control mechanisms that public firms use to militate against agency problems. This argument may be true for first generation firms due to altruism which may distort the perceptions of the firm's head about employed children. Altruism is expected to provide both parents and children with the incentives required to combat any actions that may threaten the welfare of the family and the firm alike (Schulze *et al.*, 2002:474).

The low survival rates of family firms from second to third generations are often primarily the result of the grounding of the subsequent generators to handle the demands of a growing business and a significantly larger family than was previously the case. Family controlled firms may improve the probability of their survival by establishing good governance structures and by starting the edifying process of the subsequent generations in an era. In a study of the agency relationships in a Brazilian multi-family firm, Pagliarussi and Rapozo (2011) concluded that as the business grows, it becomes necessary to accommodate conflicting interests in the structure of the business, while efficiency of the family governance often declines.

Le Breton-Miller and Miller (2013:1392) sought to answer the question whether, considering the low agency costs due to the overlapping of management and ownership in a family business, if corporate governance is necessary in such a business. This question is more relevant to first generation firms where the founder is the owner and the members of the nucleus family form part of the labour force. However, as both the firm and the family grow, this thinking is challenged and may fail to provide a framework that is able to accommodate the diversity of shareholders and family expectations.

With the transfer of ownership to the second and third generations, the number of non-active family members' increases, and they need to safeguard their interests against the active, managing members. Family ties weaken and this, in turn, may lead to a low attachment to the firm (Le Breton-Miller & Miller, 2013:1395). It then results in a search for talent outside of the family.

As family generations multiply and various branches of cousins enter the business, the governance of the firm becomes increasingly complicated (Le Breton-Miller & Miller, 2013:1395). The involvement of too many family members with disparate agendas may derail a business from its commercial purpose with a lack of consensus in respect of strategic decisions, thus jeopardising the firm's survival (Le Breton-Miller, Miller & Lester, 2011:6). The potential for conflict increases and the governance systems are challenged to maintain the harmony between the family branches.

As family firms grow and markets evolve, finding family managers with sufficient managerial talent and experience within the family becomes increasingly difficult. This, in turn, often prompts firms to hire non-family managers who would need monitoring; and thus, the adoption of corporate governance principles becomes imperative. The corporate governance approach adopted is closely linked to the influence of the owner and the balance between the family and business values. Sicoli (2013:8) opines that the family is primarily concerned with the sustenance and wellbeing of its members. Therefore, family values and the vision would be driven by the desire to keep family unity, tradition and harmony. A good corporate framework allows family firms to deal with the problems related to generational turnover. In addition, good governance frameworks enable family firms to attract capital and to be competitive. Aronoff and Ward (1996:3) maintain that the history of family businesses is full of negative examples of what may happen in the absence of effective corporate governance.

### **3.10 THE ROLE OF FAMILY BUSINESS HARMONY IN SUSTAINABILITY**

The interaction between family members, both those involved and those not directly involved in the family business, merits attention. The effective performance in the family firm requires sound management of the relationships between those family members who are actively involved in the business, as well as with those who are not directly involved. In this sense, family harmony refers to the way in which family members interact with each other in the business context. It is therefore suggested that there is a positive correlation between family harmony and family business sustainability and continuity. The more harmony and trust there

is within the family, the more likely it is that members will be committed to each other and to the business (Adendorff, *et al.*, 2008:28). The link between harmony, good governance and business survival, growth and long-term prosperity was identified by Neubauer and Lank (1998). However, Adendorff *et al.*, (2008:28) point out that earlier research into family businesses had not identified family harmony as an important variable in good governance in family businesses. The absence of harmony in any business can only be detrimental to its own governance, survival, growth and long-term prosperity (Neubauer & Lank, 1998:86). Family trust and harmony are among the variables which this research investigates to identify its effects on the sustainability and continuity of family-owned businesses.

### **3.11 FAMILY BUSINESS COMMUNICATION**

Communication between family business members is important as it helps to maintain a balance in the relationships between family members. According to Martin (2001:92), a culture of open communication reinforced by structured processes, is an integral precondition to create a successful family governance process. Key areas of family life must also have an open communication culture. According to Alderson (2015:146), effective and open communication from all family members in each of the various generations is crucial for the survival and performance of the family business. It is therefore important that the ability to communicate within the family and business is a core competence for a family business.

The size of the family determines the nature and manner of communication among family members (Alderson, 2015:146). In the first and second-generation families, this communication can be achieved through family meetings. Family meetings are the first tool in family corporate governance. However, as the family grows into dynasty or the multigenerational stage, formal structures such as family councils, boards and general assemblies would be appropriate to handle the diversity of the vision and ideas. Family harmony refers to relationships between family members that are characterised by support, appreciation, care, emotional attachment and cooperation (Venter *et al.*, 2012:70). Astrachan and Macmillan (2003) and Adendorff *et al.*, (2008:29) agree that conflict and poor

communication are among the factors that result in the collapse of family businesses. It is, thus, essential that proper channels of communication are put in place to enable family members both inside and outside of the business, to share information and air their opinions and feelings about the business. Adendorff *et al.*, (2008:30) highlight the importance of a proper system of communication between the business and the family, and between family members themselves, whether active or inactive, in enhancing family business governance structures and processes.

The growth, survival and success of a family business are often influenced by issues relating to family relationships and family harmony (Venter *et al.*, 2012; Ramachandran, 2015:xxix). Lansberg and Astrachan (1994) maintain that cohesive families are usually committed both to the continuation of the business and to succession planning. Venter (2003) and Venter *et al.*, (2012) conclude that the higher the level of family harmony, the greater the possibility of business continuity. Karakoulaki (2002) highlights the relationships, networks, alliances, partnerships and other non-economic factors within the family that affect its entrepreneurial activities as family capital. Thus, a disharmonious relationship within the family diminishes the family capital, which is one of the main contributions of a family to the family business. According to Adendorff *et al.*, (2008:31), communication is seen to be an effective way of understanding and perhaps even agreeing, on matters that are sensitive.

Karakoulaki (2002) enumerates some key characteristics on the way family members communicate. Family members communicate with respect, love, forgiveness and understanding, while others communicate with arguments, distrust, accusations, resentment and jealousy.

Successful family businesses institute communication platforms such as meetings, forums and structures which facilitate and assure continuous sharing of information (Ward, 2004:115). Such platforms provide avenues for family members to voice their concerns and vent their anger regarding business matters. Handler (1994:137) stresses the significance of communication in succession planning, and uses communication as a major construct in

determining the success of a business. Lansberg (1994) states that conventional business communication offers little to assist to unravel communication related to family members in the family business set-up. This is understandably so because family communication processes place relationships at the centre of all discussions. Family business communication is continuous, oral, emotionally loaded and relatively unplanned compared to non-family organisations. Generally, in a family business set-up, a common trait is that family members communicate both as business colleagues and as family members. However, misunderstanding and miscommunication among family members are potentially dysfunctional to the people and to the firm (Astrachan & Macmillan, 2003). Effective communication provides the basis for sound family relationships in the family, as well as conflict resolution (Van der Merwe & Ellis, 2007). Research has also not been conclusive on whether effective communication keeps family businesses going (Astrachan & Macmillan, 2003:54). Effective communication therefore helps to maintain family relationships and provides a basis for conflict resolution. For the purposes of this study, effective communication was taken as an independent variable that influences the flow of information within family businesses. It creates an environment where family members can trust each other and share the vision of their business. In Martin's (2001:93) view, what is really at the heart of this entire communication process, is the creation of trust among family members' openness and inclusion that create family cohesion and harmony. Such trust could be build and facilitated through forums such as family gatherings, family assemblies, retreats and meetings. These forums provide an environment where sensitive matters such as succession could be openly discussed by all family members.

It is therefore hypothesised that:

**Null Hypothesis:**

**H7<sub>0</sub>:** The communication approach of family businesses in Botswana that promotes sustainability is not significant.

This section has discussed the relevance of effective communication as an essential tool to maintain family relations and trust amicable. The following section focuses on decision-making in family businesses.

### **3.12 DECISION-MAKING**

The unique nature of family businesses and its differences from non-family businesses transcends to decision-making as well. According to Gomez-Mejia, Cruz, Berrone and DeCastro (2011:653), family firm decision-making differs from that of non-family firms to their prioritising of socioemotional (non-economic) goals over financial economic goals. The commitment of family members to the family business is closely related to the manner and extent of their involvement in decision-making. Kellermanns and Eddleston (2004) argue that the involvement of family members in decision-making is positively related to the performance of the firm and increases family members' commitment to improve the decision-making quality of family businesses. Cognitive conflicts which arise during collective decision-making improve the range of options available to decision-makers. Similarly, a participative decision-making process should reduce relationship conflict in firms as members feel involved and having complete buy in (Whiteside, Aronoff & Ward, 1993; Kellermanns & Eddleston, 2004).

On the other hand, if members are not involved, they feel unwanted and underappreciated in the family business (Ibrahim, Soufani & Lam, 2001). Family business survival is associated with the passing of the businesses from one generation to the other. During this process, communication and involvement of younger generations in decision-making are important (Beckhard & Dyer 1983b; Ward, 1987). Research has shown that first generation managers and owners are reluctant to share and communicate, or to adopt participative decision-making due to an obsession with control (Tagiuri & Davis 1996; Gersick *et al.* 1997). Such dominance by founders and their reluctance to allow the new generation to participate in decision-making partly explain low transition rates from first to second generations. When later generations are included in the decision-making process, the family firm can revive its strategies and increase

its innovativeness (Gersick *et al.*, 1997; Salvato, 2004). This would ultimately enhance competitiveness and longevity of the family firm. Eddleston, Otondo and Kellermans (2008:460) conclude that family firms should actively engage family members in the decision-making process to reap the benefits of such processes. Such participation will result in quality decisions and facilitate the implementation of plans that lead to cross-generational sustainability.

It is therefore hypothesised that:

**Null Hypothesis:**

**H<sub>0</sub>:** The decision-making approach of family businesses in Botswana that promotes sustainability is not significant.

### **3.13 EFFECTS OF FAMILY BUSINESS RELATIONSHIPS AND CONFLICTS ON BUSINESS SUSTAINABILITY**

As discussed above, communication and the involvement of family members are major causes of conflict and disharmony in the family business, which threaten the longevity and sustainability of the business. Harvey and Evans (1994:345) argue that family businesses are fertile environments for conflict. Conflicts result from founder generation setting rules and regulations that have a lot of power, but lack formalised structures to deal with conflicts. Much of the research on conflict and the breakdown of trust among family businesses focus on family participation; for example, the interference of the founding generation on later-generation family firms (Eddleston, *et al.*, 2008:457).

Astrachan and Macmillan (2003:52) posit that a reason why family members are in business together is that they want to work together as a family, and to enjoy the fruits of their labour as a family. However, in the course of working together and doing business, there is a need to maintain both family and business relationships. Conflicts are bound to happen and require a management approach that ensures that family relations are not compromised by professional

relationships. Research has also shown that family disputes overshadow work and business (Carlock & Ward, 2001). Family conflict can potentially be dysfunctional and is a major cause of family business failure (Ward 1997; Van der Merwe & Ellis, 2007). The sources of conflicts in family firms arise from various factors and developments within the family business. This study investigated issues associated with conflicts and trust as some of the governance factors having an effect on the survival and continuity of family businesses in Botswana.

### **3.14 CHALLENGES FACED BY SMALL FAMILY BUSINESSES**

Family businesses constitute an important group of enterprises within the small and medium-sized sector and several studies have confirmed the contributions of these forms of businesses to national economies (Astrachan & Shanker 2003; International Family Enterprise Research Academy (IFERA), 2003; Mandl, 2008; Rao, 2014; Rattern, 2014). According to Venter and Farrington (2009:135), the majority of SMEs are family businesses across the globe and the same trend is evident in South Africa as well. Despite the contribution by SMEs and their high mortality rates, the assessment of the factors that lead to either their failure or success is still an ongoing and unfilled effort that researchers continue to pursue (Rogoff, *et al* 2004:83). Research have identified causes of small and medium businesses' failure. These causes are categorised into those associated with start-up hurdles, and those associated with growth and long-term survival. A study conducted by Tushabomwe-Kazooba (2006:30) identified the causes of small business failure in Uganda. Among the internal factors, the study singled out wrong pricing, negative cash flows, poor record-keeping, a lack of planning, weak financial skills, domestic and family situations, management problems, and faulty product concepts as the main causes of business failure. The external induced causes include taxation, load shedding, a lack of capital, poor markets, high rent charges and registration delays. There is, however, no universal consensus (Rogoff *et al.*, 2004:81) on the causes of small business failure, and no universally accepted definitions of business failure and success. However, success is associated with longevity, profitability and liquidity. In the family business domain, success would mean passing the business to the next generation. On the other hand, failure is

associated with business closure, insolvency and/or termination. However, Rogoff *et al.*, (2004) are of the opinion that these causes are crude, and it is essential that an analysis is conducted of the benefit of the success or the loss of the failure for shareholders.

In South Africa, one of the reasons for SMME failure is a lack of managerial skills on the part of the entrepreneur. Technical and industry specific competencies are often ignored in the setting up of SMMEs, despite their importance (Urban & Naidoo, 2012:146). Low levels of education and training, as well as poor business skills, have been cited as contributing factors to the lack of capacity and poor business efficiency of SMMEs (Yanta, 2001).

This study focused on business sustainability and continuity. Family business problems during the start-up period are similar to those faced by other SMEs. The literature has documented these problems, such as a lack of funding, a lack of management skills, market challenges, regulatory issues, and the infrastructure of a country (Mambula 2002; Okpara & Wynn 2007; Gill & Biger, 2012). Other authors have also concurred that these factors impact negatively on the growth of SMEs. There have also been interesting explanations of the existence of regional differences playing a role in the way in which factors impact on small businesses; for example, Yang and Xu (2006) in China; Okpara and Wynn (2007) in Nigeria; and Orser, Hogarth-Scott and Riding (2000) in Zambia. Compared to businesses elsewhere, businesses in Africa experience more internal challenges, mainly in respect of skills and financial management, while businesses on other continents often experience access to finance as their major challenge.

The literature has shown that a lack of financing and management skills, market challenges, environmental factors and government regulations, have been proved to impact negatively on small businesses. It is therefore hypothesised that:

### **Null Hypothesis**

**H<sub>20</sub>**: There are no significant differences between the challenges faced by small and medium scale family businesses in Botswana.

### **3.15 CONCLUSION**

The previous section has explored the factors which hinder the successful generational transfer of family businesses. Several writers have demonstrated the need to manage both the family and business institutions to balance their competing requirements. It also emerged from the literature that the creation of both family business governance structures and processes affect the sustainability and longevity of family businesses. In addition, the literature reviewed in this chapter demonstrated that governance is not only a necessity but must be practised to promote the accountability and sustainability of the family business.

Good governance is paramount for the family business, particularly in view of the overlap of family life and corporate practices. The literature review highlighted the need for good governance to deal effectively with specific threats which may arise in family businesses due to issues of growth, continuity, conflict and succession. Businesses that ensure effective communication through various structures such as family councils, family constitutions and assemblies, have a higher chance of success than those without these structures.

The literature also provided proof that succession should be at the heart of family business sustainability, as the absence of succession often accounts for the high rate of family business failure. In addition, governance structures should ensure that there is harmony in the business and this, in turn, ensures both growth and continuity. The relative link between the identified constructs and their corresponding hypotheses was provided.

The next chapter sets out the methodology. The methodological and research design approaches applied to answer the research questions, and to test the hypotheses, are explored in chapter 4.

## CHAPTER 4

### METHODOLOGY

#### 4.1 INTRODUCTION

This chapter discusses the research methodology which was used to investigate the governance factors that affect the sustainability and continuity of family businesses in Botswana. This study was exploratory, quantitative and descriptive in nature. It addressed the relationship between the governance factors identified, and the sustainability and continuity of family businesses in Botswana. This chapter also justifies the approach and the research instrument used to collect the required data. This chapter discusses the research paradigms, the reasons why this study adopted the quantitative approach and the research design, specifically the sampling frame, data collection approach and instrument design. In addition, the chapter discusses the research methods employed in the study, the research strategy, the data collection techniques and the techniques used by the researcher to analyse the data collected. This chapter concludes with a discussion on the ethical issues related to the study.

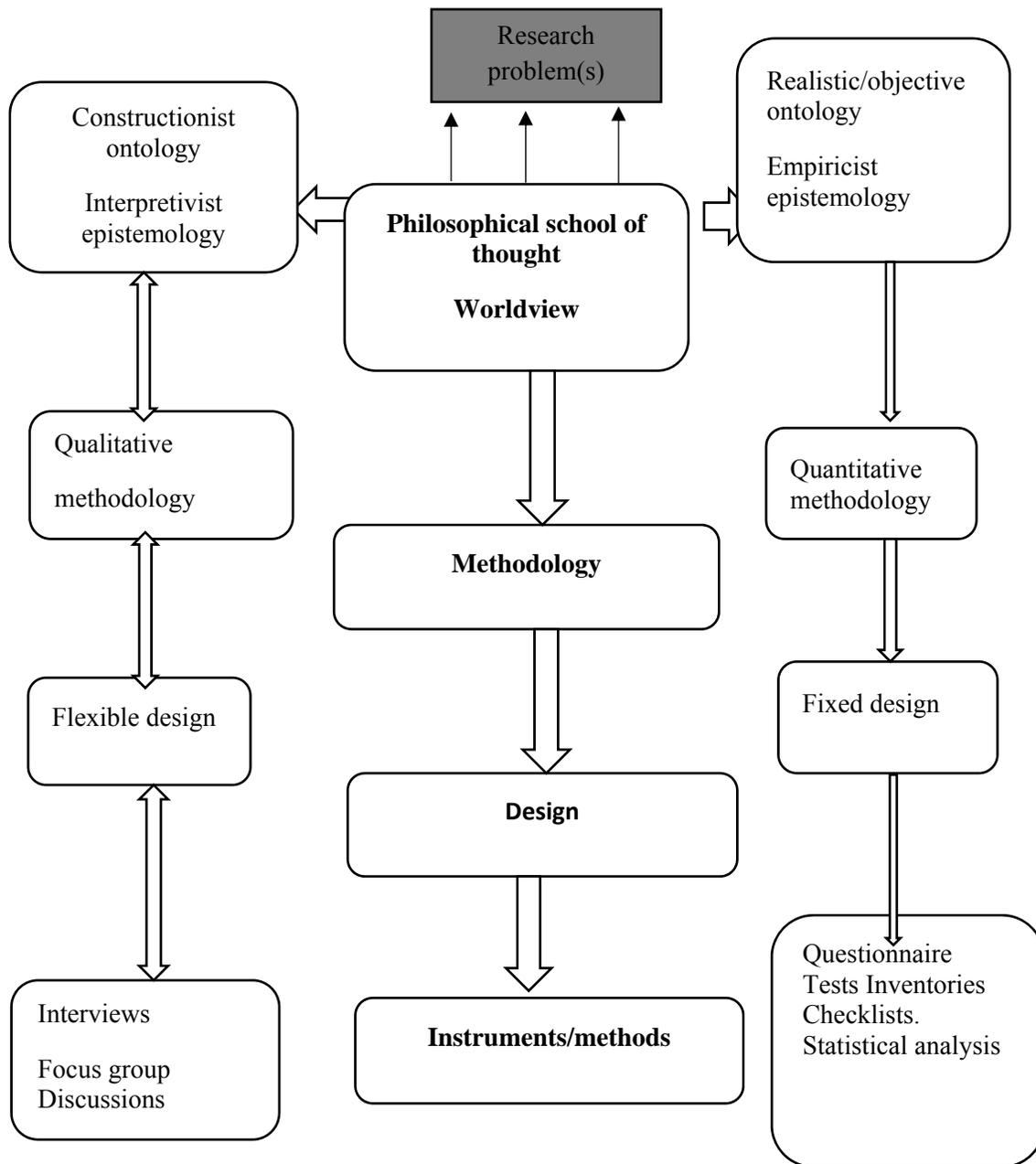
Several researchers indicate that the research design adopted for a research project is a function of various factors such as the research topic, audience, time, resources, access to information and the trends that have emerged from empirical reviews (Hofstee, 2011). Crotty (1989), Guba and Lincoln (1994), Hussey and Hussey (1997) and Hofstee (2011) indicate that the research methodology addresses the following elements of a research study:

1. What information will be collected?
2. Why a research initiative collects certain information?
3. Where the information will be collected?
4. How the information will be collected?
5. How the information will be analysed?

According to Crotty (1989:3), the research methodology is the strategy or plan of action which underlies the choice and use of specific methods. There are three main research methods which may be used, namely, the quantitative, qualitative and mixed methods. Crotty (1989:3) and Bryman and Bell (2011) maintain that quantitative and qualitative methods form two distinctive clusters of research strategies, which are well established in the social and behavioural sciences.

The mixed methods approach is a new phenomenon which is growing in prominence (Migiro & Magangi, 2011:3759). The choice of a method depends on the researcher's philosophical orientation and the strategies to be used to obtain the requisite knowledge (Migiro & Magangi, 2011:3759). Creswell (2012:535) suggests the use of mixed methods by alluding to the use of both qualitative and quantitative methods in a single study or a series of studies to understand research phenomena. Thus, the nature of the data to be collected directly affects the method adopted. Baran (2010:20) states that doctoral students are encouraged to use appropriate methods from both paradigms to answer their research questions.

The appropriate methodology is the method that fully addresses the research questions and research hypothesis. The foundations of research, as depicted in Figure 4.1 illustrate how the philosophical framework influences practice. The Figure 4.1 summarises the relationships between different philosophical schools of thought, and methodological traditions with the focus on constructivism and interpretivist.



**Figure 4.1: Foundations of research**

**Source: Tuli (2010:104)**

## 4.2 RESEARCH PARADIGM

According to Tuli (2010:99) and Schulze (2003), each research methodology has its own relative weaknesses and strengths. The selection of a research methodology depends on the paradigm guiding the research activity and, more specifically, the beliefs about the nature of reality and humanity (ontology); the theory of knowledge that forms the research (epistemology); and how that knowledge may be acquired. Patton (2002) states that the objective knowledge (positivist stance) and the subjective knowledge (constructivist stance) are positioned at the opposing end of the epistemological continuum, while post-positivism and critical theories are found in the middle of the continuum. Burns and Grove (1987) and Fekede (2010:99) provide a simplistic but precise summary of the differences between the qualitative and quantitative approaches to research. Table 4.1 depicts the differences between the two approaches, namely the quantitative and qualitative research (Corner, 1991:720).

**Table 4.1: Qualitative versus quantitative research**

<b>Qualitative</b>	<b>Quantitative</b>
Soft science	Hard science
Focus complex and broad	Focus concise and narrow
Holistic	Reductionistic
Subjective	Objective
Reasoning dialectic inductive	Reasoning logistic deductive
Basis of knowing meaning discovery	Basis of knowing cause and effect
Develops theory	Tests theory
Shared interpretation	Control
Communication and observation	Instruments
Basic elements of analysis words	Basic elements of analysis numbers
Individual interpretation	Statistical analysis
Uniqueness	Generalisation

**Source: Corner (1991:720)**

### **4.3 RESEARCH APPROACH**

A research strategy is a plan of the way in which the research questions set will be answered or how the research objectives will be met. The strategy includes clear objectives developed from the research questions, specifies the sources of data, and considers the constraints which may be encountered. It is important that the research strategy adopted for a particular study be appropriate for the particular research questions and objectives (Saunders, Lewis & Thornhill, 2009:141).

According to Creswell (2012:12) and Baran (2010:20), quantitative methods are used primarily to test or verify theories, and explanations identify variables to study, relate variables in the research questions and/or research hypotheses, establish statistical standards of validity and reliability, and employ statistical procedures for the purposes of analysis. The quantitative paradigm allows flexibility in the treatment of the data in terms of comparative analysis, statistical analysis, and the reliability of the data collection to verify the reliability of the data collected. However, it fails to provide any explanation or analysis beyond the descriptive level. Similar views are shared by Bryman and Bell (2011) and Robson (2011). Regarding the main weakness of this paradigm, Miles and Huberman (1994:40) indicate that, while quantitative data is more efficient and able to test hypotheses as compared to qualitative data, it may miss contextual detail. According to Greenbaum (1988:6), most quantitative research is conducted to provide the user of the data with information developed from a relatively small group that is representative of a larger universe. The data analysis involves both descriptive and inferential statistics. Inferential statistics allow sample results to be generalised to larger populations (Scotland, 2012:10). The major attraction in adopting this approach for the study, was the generalisability of the results obtained from a small representative sample of family businesses in Botswana.

On the other hand, qualitative research allows researchers to gain rich detailed data about the units of analysis (Baran, 2010:21). It provides a deep, rather than broad, set of knowledge about a specific phenomenon as seen through the eyes of the researcher (Miles & Huberman,

1994:40). Strauss and Corbin (1990) define qualitative research as any type of research that produces findings that has not been arrived at, by means of statistical procedures.

Although a distinction is commonly drawn between the quantitative and qualitative aspects of scientific investigations, it is argued that the two go hand in hand (Baran, 2010:21). This view is supported by Ulmer and Wilson (2003), who state that these methods complement each other. The choice of a quantitative paradigm for this study was influenced by the nature of the study and the limits of analysis. Bryman (2016:51) maintains that despite the alleged differences between the two methods, there is more value to be realised in combining the two methods.

The main strength of the quantitative paradigm as compared to those of the other methods is that it produces quantifiable and reliable data that are generalisable to a larger population. It made the quantitative approach suitable for this study as it enabled the use of a sample of family-owned business in Gaborone and Francistown whose characteristics were the same as those of other family businesses in the rest of Botswana. However, the researcher also observed the weaknesses of the quantitative approach. Among the greatest weaknesses is its disassociation from human behaviour.

#### **4.4 RESEARCH DESIGN**

The research design is the plan and structure of the investigation which is conceived to enable the researcher to obtain answers to the research question(s). The plan is the overall scheme or programme of the research. It includes an outline of all the investigator will do from formulating the research hypothesis and their operational implications, to the final analysis of the data (Cooper & Schindler, 2001:134). The research design helps the researcher to decide how to deal with limited resources, how and where to obtain the requisite data, and ascertain the relationships between the variables. The methodology used in this study was based on a cross-sectional survey. Fraenkel and Wallen (2007:2) define research as involving the collection of data to determine the degree to which relationships exist between two or more variables.

This study was based on a sample of family businesses in the manufacturing and professional sectors in Botswana. The respondents were required to complete a questionnaire based on their experience and opinions of family business operations in Botswana. The quantitative paradigm allows for flexibility in the treatment of data in terms of comparative analysis, statistical analysis and the reliability of the data collected. However, this paradigm fails to provide any explanation or analysis beyond the descriptive level. Similar views are shared by Bryman and Bell (2011) and Robson (2011) on the main weaknesses of this paradigm. Miles and Huberman (1994:40) argue that, while quantitative data is efficient and enables the testing of hypotheses, contextual detail may be missed.

According to Greenbaum (1988:6), quantitative research is conducted to provide the user of the data with information obtained from a relatively small group that is representative of a larger universe. The data analysis involves both descriptive and inferential statistics with the inferential statistics allowing the sample results to be generalised to larger populations (Scotland, 2012:10). The major advantage of adopting this approach for this study was the generalisability of the results obtained from a small representative sample of family businesses in Botswana. The researcher is of the opinion, that knowledge may be regarded as a product of the times. It is never absolute or perfect because it is inevitably a product of the historical era and the cultural context within which it is produced. Pragmatic research offers a myriad of advantages but, above all, it enables researchers to be flexible in their investigative techniques as they attempt to address the range of research questions that arise.

The research design used in this study was an ex post facto design, as the researcher did not have any control of the variables in the sense of being able to manipulate them. The success and sustainability of family businesses were measured by various variables operationalised into four sub-groups. The study sought to explain the relationships between the variables such as how good governance structures are associated with the sustainability of family businesses, succession planning and sustainability of family businesses, decision-making and the sustainability of family businesses, and family trust and sustainability of family businesses.

While a longitudinal study of the growth and sustainability of family businesses in Botswana may have been both ideal and important, the constraints of budget and time imposed the need for a cross-sectional analysis.

#### **4.5 POPULATION AND SAMPLING**

The population elements in this study comprised family-owned businesses registered with BB and the LEA on their lists of SME registers for 2017. It was reasonably assumed that since members of BB renew their membership and update their information annually, details in the directory were complete and up to date. The researcher selected businesses from the manufacturing and professional services sectors. The basic principle of sampling is that, by selecting some of the homogenous units of analysis from a population, the researcher draws conclusions about the entire population (Salganik & Heckathorn, 2004:225; Saunders, Lewis & Thornhill, 2016.:274; Bryman, 2016:149). The ultimate test of a sample design is how well it represents the characteristics of the population it purports to represent. In measurement terms the sample must be valid. Validity is measured by accuracy that is free from bias and precision that is free from sampling errors. The population parameters set for this study were derived from the definition of a family business and the fact that the businesses selected had to be registered with BB and with the LEA as either manufacturing or professional services' businesses. The directories provided the sampling frame.

The size of the sample is a function of both the variation of the population parameters under study and the estimation precision of the model used. In the main, the principles for determining an appropriate sample include the size of the variance within the group, the desired precision of the estimate, the confidence level in the estimate and the number of subgroups of interest within the sample. Babbie (2005) distinguishes between four different units of analysis that are common in the social sciences, namely, individuals, groups, organisations and social artefacts. Effective sampling ensures that the elements selected for a sample accurately resemble the parameters of the population from which they were selected (Blanche, Durrheim & Painter, 2010:49). Population validity refers to the degree to which the findings obtained for a sample may be generalised to the total population to which the

research hypothesis applies (Portney & Watkins, 1993; Onwuegbuzie & Leech, 2007; Welman *et al.*, 2012).

The target population for this study were small and medium family businesses in Botswana in the manufacturing and professional services sectors listed with BB and the LEA. One of the guiding principles in choosing the sample size is that a relatively bigger sample size in relation to the population reduces sampling errors (Blanche, *et al.*, 2010:136).

A non-probability or non-random sampling technique was used for this study in selecting the units of analysis. A non-probability or non-random sampling technique is one in which the selection of the sample elements is not based on mathematical chance. Three common methods under this category are judgmental, quota and convenience. This approach is consistent with studies by Yammeseri and Lodh (2004); Thesmar and Sraer (2006) and Salaheldin (2009:222). The selected population for the study was family businesses in the manufacturing and professional services sectors listed in the BB and the LEA. The manufacturing sector is one of the largest sectors in the country and traverses many disciplines such as bakeries, millers, textiles, furniture, dairies, cereal producers, and brick and tile manufacturers. The sector grew by 12.6% in 2011, driven by an excellent performance in textiles and garments, as well as machinery and electrical (Statistics Botswana, 2017). Thus, manufacturing remains pivotal for economic diversification. The professional services sector provides great opportunities for small-scale business opportunities and employment creation. Businesses under this sector include maintenance, business consultants, security services, architects, accounting services, legal firms and training and technology consultancy.

The total number of businesses in these two sectors registered by the two organisations in 2017 was 669 businesses. This list comprised of both family and non-family businesses. Since this study concerned itself with family businesses only, a screening exercise was done. The membership directories provided information about the businesses such as location, addresses, contact numbers and contact person's email addresses. The researcher made telephone calls to all 669 companies to establish whether the business was a family business or non-family

business. For the purposes of this study, a family business was defined as one where the family controls at least 20% of the shareholding and the business was under the management or control of the family. A total of 365 businesses confirmed either their ownership or management structure met the requirements of the study.

Out of the 365 family businesses, 243 expressed their interest to participate in the research. Each firm identified a person at management, board or shareholder level that would complete the questionnaire. Questionnaires were either emailed or hand delivered by the researcher or by the fieldworkers. The same method was used for the collection of the completed questionnaires.

The researcher sent the Research Instrument Cover Letter (Appendix C), the Questionnaire (Appendix B), the Research Respondent Information Sheet (Appendix D) and Consent to Participate in the Study by Respondent (Appendix E) to respondents. Follow-ups were made by telephone calls and visits by fieldworkers who were properly trained by the researcher.

#### **4.6 DATA COLLECTION**

There are various methods which may be used to collect data for research purposes. The type of data a researcher collects depends on the research aims and objectives, while the data collection techniques and their use depend on the research problem. Each data collecting method has its own advantages and weaknesses. Some of the most common data collection techniques include observation, interviews, focus groups and questionnaires. Questionnaires are appropriate in the survey research strategy (Greener, 2008:73). According to Creswell (2003:23), it is useful to consider the full range of possibilities for data collection methods before selecting the most appropriate one for the study. Data was collected using a structured questionnaire.

The study classified family businesses according to the following criteria.

#### **4.6.1 Inclusion criteria for respondents**

To qualify for inclusion in this study a business had to meet the following criteria.

1. Family members must control at least 20% of the equity in the business.
2. The business should be located either in Gaborone or Francistown.
3. The respondent should hold either a managerial position or a position on the Board of Directors of the business.
4. The respondent should be above 18 and below 65 years of age.

#### **4.6.2 Exclusion criteria for respondents**

1. Family members who control less than 20% of the equity in the business.
2. Family businesses located outside of the Gaborone or Francistown areas.
3. Members who do not hold at least a managerial position or a position on the Board of Directors of the business.
4. Members under the age of 18 or above the age of 65.

Botswana is no different to other countries regarding the availability of a register of family-owned businesses. Organisations such as BB which have some information on family businesses consider such information to be extremely sensitive, and therefore share general information only about their clients without revealing or showing ownership structures. The information required for this study was collected from the register of SMEs found on the BB and LEA databases for 2017. The databases from which the respondents were selected contained full details of the family businesses, including the physical addresses, numbers and e-mail addresses of the main contact persons. Consent to use the databases was obtained from BB (Appendix H: Letter of Permission to use Business Botswana Database) and from LEA (Appendix I: Letter of Permission to use Local Enterprise Authority Database).

#### **4.7 INFORMED CONSENT**

Respondents were well informed about the nature of the study and, also that their participation in the study would be on a voluntary basis. The researcher prepared documentation on the research objectives and the role of the respondents in the study (see Appendix D). The Respondent Information Sheet highlighted that the data would be used solely for research purposes and that the confidentiality of the respondents would be maintained throughout the process. Respondents were also informed that they were free to withdraw from the study at any point during the process. All respondents were provided with a consent form which they all signed before the commencement of the research (see Appendix E). The researcher was aware that even well-intentioned, undue pressure on respondents may be unethical and may invalidate the results. The researcher did not anticipate that any of the respondents would be subjected to any risk exposure. The covering letters emphasised the issues of voluntary participation, privacy and confidentiality. The problems encountered in gathering the data included negativity towards the research, delayed appointments and some of those contacted refusing to participate in the study. The researcher could only assume that the lack of interest stemmed from fear of competition, as well as the suspicion that the researcher may have been an undercover investigator for the government and/or tax authority.

#### **4.8 ACCESS TO THE COLLECTED DATA**

The paper-based data was kept in a private office in a locked drawer at the BA ISAGO University, Botswana, where the researcher is employed. The data was classified depending on the information it provided. Soft copies of the data were stored on the researcher's computer and on other password protected backup devices, such as memory sticks and movable hard drives. The statistician and fieldworkers signed confidentiality agreements before they were allowed access to the data (Appendix F – Confidentiality Agreement with Field Worker, and Appendix G – Confidentiality Agreement with Statistician). Only the researcher and the statistician had access to the computer-based records and data.

#### **4.9 DATA ANALYSIS**

Once the data had been collected, it was analysed using both descriptive and inferential statistics. Descriptive statistics were used to describe the relationships between the variables that had been identified and hypothesised. The study employed factor analysis and multiple regression analysis using the Statistical Package for Social Sciences (SPSS). To test hypotheses H<sub>1</sub>, H<sub>3</sub> and H<sub>5</sub>, a statistical analysis was carried out to determine the relationships between the variables as determined by the correlation coefficient ( $r$ ). The value of ( $r$ ) determines the magnitude of the relationships, and if these relationships are significant (Pearson correlation coefficient). To test hypotheses H<sub>2</sub>, H<sub>4</sub> and H<sub>6</sub>, a statistical analysis to compare the significance of the two independent variables, was conducted. The statistical analysis tested for significant differences and involved an independent t-test at alpha level .05 or a population t-test.

#### **4.10 RELIABILITY AND VALIDITY**

Reliability is concerned with the findings of a research study and relates to the credibility of the findings. A key aspect is the consistency or repeatability of the research over time. Research should be auditable, transparent and clear to the extent that a reader may both undertake the same research and obtain the same results, or else the method is sufficiently clear to instil confidence in the reader that the results are genuine. Greener (2008:39) and Onwuegbuzie and Johnson (2006:48) argue that, without rigour, research becomes fiction and loses its value. Welman *et al.*, (2012:145) explain reliability as the extent to which the scores obtained may be generalised to different measuring occasions, measurement/test forms, and measurement administrators.

The Cronbach's alpha coefficient was calculated to measure the reliability of the measurement instrument (Table 4.2). The Cronbach's alpha shows the degree to which all the items in a measurement instrument measure the same attribute. According to the SAS Institute (2005), the Cronbach's alpha coefficient is based on the average correlation between the variables within a test. The greater the coefficient is, the more reliable the scale. Huysamen (1989) and

Nunnally and Bernstein (1994) suggest that, for acceptable reliability, the Cronbach's alpha coefficient should be greater than 0.7. It is a test reliability technique that requires a single test administration only to provide a unique estimate of the reliability of a given test. Thus, the quality of a research study is related to the extent to which the results are generalisable and, thus, the validity or trustworthiness of the research must be tested and, if necessary, increased. Table 4.2 shows the Cronbach alpha values for the constructs in the questionnaire.

**Table 4.2: Cronbach's alpha values**

<b>Criteria</b>	<b>Number of Items</b>	<b>Cronbach's alpha coefficient</b>
Vision, mission and strategy	13	0.957
Decision-making and communication in the business	9	0.687
Governance structures	16	0.907
Profitability	10	0.692
Family relationship and trust	8	0.859
Business challenges	9	0.584

\*\* (Alpha value < 0.7)

Three values were less than 0.7. However, they were very close to 0.7, except the business challenges variable if rounded to two decimal places. Therefore, based on these high values of the Cronbach's alpha, the questionnaire used for this study was such that the same results would be obtained if the instrument was used at some other time with the same respondents.

Research validity is characterised by three main dimensions, namely face, construct and internal validity. Face validity refers to the plausibility of the methods used to carry out the research. Do the research methods used make sense? Construct validity refers to an assessment of whether the methods used in the research are capable of measuring what the researcher intends to measure. This study used questionnaires as the main source of the primary data gathering, thus making construct validity particularly important in the study. It was essential that the questions were both clear and easy to understand as the questionnaires

were sent by post or email and, thus, there was no opportunity to clarify the meanings of the questions, should the respondents not understand them. Pilot testing the questionnaire enabled the researcher to address any issues related to construct validity. A common problem faced by researchers who use postal or emailed questionnaires is failure on the part of the respondents to understand the questions, thus invalidating the results. Internal validity refers to causality between the variables, while external validity refers to the generalisability of the results.

A research instrument with high internal consistency implies that there is a high degree of generalisability across the items within the measurement (Welman *et al.*, 2012:147). The Cronbach’s alpha coefficient was calculated to measure the reliability of the measuring instrument.

Onwuegbuzie (2003:75) notes several threats to the internal and external validity that might arise during the research process. Table 4.3 depicts the possible threats to both internal and external validity.

**Table 4.3: Validity, reliability and generalisability**

<b>Concept</b>	<b>Positivist philosophy</b>	<b>Interpretivist philosophy</b>
Validity	Does the research instrument measure what it is supposed to measure?	Has the researcher gained full access to the knowledge and subjective meanings of the informants?
Reliability	Will the measure yield the same results on different occasions?	Will similar observations be made by different researchers on different occasions?
Generalisability	What is the probability that the patterns observed in a sample will also be present in the wider population from which the sample is drawn?	How likely is it that the ideas and theories generated in one setting will also apply in other settings?

**Source: Researcher’s own compilation**

#### **4.11 RESEARCH VARIABLES**

The questionnaire contained 81 items to enable the demographic, independent and dependent variables to be measured.

#### **4.11.1 Dependent variables**

The dependent variables in this study were the continuity and sustainability of the family-owned business. These variables were measured objectively in terms of profitability, length of period (time) in business, and identifying new opportunities. According to Venter *et al.*, (2012:71), family business success is measured by perceived continuity of the business and family harmony. Perceived continuity in this study meant trans-generation handover of management, ownership, wealth, and legacy of the family business. There were also subjective measures of success such as the respondents' perceptions of long term strategy, clarity of vision, and profitability.

#### **4.11.2 Independent variables**

The study included the seven independent variables as listed in Table 4.4. These were measured using a list of 72 items. The data collected consisted mainly of the family business history, business governance, challenges faced, and management systems in place. The demographic data was limited to the gender, age and qualifications of the respondents. If the respondents have felt that the information being solicited violated either them or their business standing, they were free to withdraw from the study. The data were collected either at the business premises of the respondents or electronically returned. The physical address of each family business was available on the BB and LEA registers. The questionnaires were e-mailed, posted or hand-delivered to the relevant addresses. The research instrument used is contained in Appendix B. Table 4.4 shows the variables, and their respective weights.

**Table 4.4: Independent variables**

<b>Variable</b>	<b>Measurement items</b>	<b>Weighting</b>
1. Vision, mission and strategy of the business	12	18%
2. Decision-making and communication in the business	7	11%
3. Governance structures	15	23%
4. Succession planning	7	11%
5. Profitability	9	14%
6. Family relationship and trust	7	11%
7. Business challenges	8	12%

#### **4.11.3 Demographic features**

The research instrument also measured demographic variables such as the gender, age, educational attainments, ownership, and the length of time in the businesses, as well as the number of employees. These variables were analysed using descriptive statistics which displayed the distribution of the respondents' characteristics.

#### **4.12 QUESTIONNAIRE DESIGN**

The study adopted a survey-based research design. Hofstee (2011:122) maintains that this method is used when there is a limited number of individuals available who are presumed to have the information the researcher desires, who are able and willing to disclose such information, and who are (nearly always) intended to be representative of a larger group. This method has been accepted in research where the intention of a researcher is to explore people's perceptions, opinions and desires. Each respondent in the study was asked to respond to the same set of questions. This is an efficient way of collecting responses from a large sample prior to quantitative analysis (Saunders *et al.*, 2009:212). The data was collected using a measuring instrument that consisted of eight sections. The items in these eight sections were

generated by the researcher from the available literature, including research, into studies on family-owned businesses.

According to Zikmund (2000:310), a questionnaire is a formalised set of questions for obtaining information from sampled respondents. The design of a questionnaire differs according to the way in which it is administered and the degree of contact the researcher has with the respondents. Self-administered questionnaires are usually completed by the respondents. This type of questionnaire may be administered by postal mail, online and by the questionnaires being dropped and collected. Telephonic questionnaires involve contacting the respondents by telephone, while structured questionnaires involve the researcher meeting the respondents and asking the questions face to face. Although questionnaires may be used as the only data collection method, it is preferable to combine this method with other data collection methods. The quality of the questionnaire ensures the validity, reliability and generalisability of the final results.

The difficulties encountered in designing questionnaires are due to the following reasons (Neuman 2000:128; Greener, 2008:75; Welman *et al.*, 2012:212):

- a. each question must provide a valid and reliable measure;
- b. the questions must clearly communicate the research intention to the survey respondent;
- c. the questions must be assembled into a logical, clear instrument that flows naturally and will keep the respondent sufficiently interested to continue to cooperate.

In compiling the questionnaire for this study, the researcher took cognisance of the fact that good questionnaires are difficult to construct, while bad questionnaires are difficult to analyse. Thus, due care was taken in the design of the questionnaire.

A detailed and accurate questionnaire was developed (based on the literature) to provide a theoretical foundation of variables (observable questions) with which to measure the theoretical constructs (latent variables). A questionnaire is a formalised set of questions and is

used to obtain information from the respondents (Welman, *et al.*, 2012:142). Regarding the validity of the research instrument, Hofstee (2011:116) asks the following questions: How do you know when to apply each research instrument so that you will obtain the data you want; and, how do you know it measures what you say it measures? These questions are fundamental to the issues of reliability and validity, especially when pioneering an instrument. Similarly, according to Welman, *et al.*, (2012:142), the instrument used to measure the variable must measure that which it is supposed to measure, and this is referred to as construct validity. The questionnaire used in this study was benchmarked with instruments used in similar studies such as those of Adendorff (2004), Adendorff, *et al.*, (2008), Van der Merwe (2009) and Berent-Braun and Uhlaner (2012).

The level of measurement used in the survey questionnaire was a five-point Likert scale. The Likert scale invention is attributed to the work by Likert (1931), who proposed this technique for the measurement of attitudes. A Likert scale is a psychometric scale commonly used in questionnaires and is the most widely used survey research. It comprises statements which the respondent is asked to evaluate according to any type of subjective or objective criteria, and the level of agreement or disagreement are then measured. This assessment tool has been accepted and used extensively by researchers in the fields of social sciences, marketing and business when attitudes, emotions and opinions are measured. The researcher was aware of the limitations and distortions of the Likert scale approach. The biases which are associated with the Likert scale are presented in Table 4.5.

**Table 4.5: Showing bias and how it was dealt with in this study**

<b>Bias</b>	<b>Meaning</b>
Central tendency bias	Respondents may avoid using extreme categories
Acquiescence bias	Agree with statements as presented
Social desirability bias	Responding in a manner which portrays either the respondents or their organisations in a more favourable light than may otherwise have been the case

**Source: Researcher's own compilation**

Designing a scale with the balanced keying of an equal number of negative and positive statements may obviate acquiescence bias, although dealing with central tendency and social desirability biases are problematic (Currier, 1984; Babbie, 2005; Dawes, 2008). To deal with these biases, the questionnaire used in this study was designed with two positive items, one neutral item and two negative items to address the acquiescence bias.

This study measured the respondents' opinions on variables for each construct. Each construct articulated in the research objectives, and the research hypotheses contained items which respondents were required to rate in terms of their own degree of agreement or disagreement. The research instrument contained administrative questions about the family business, which also helped to eliminate those businesses that did not fit the sampling frame.

Each variable under investigation was operationalised by means of items from validated instruments in similar studies. Each objective and the corresponding stated hypothesis were carefully assessed. The variables related to each objective were expressed in the questions posed to the respondents. Attention was paid to the variables which addressed the problem statement, research objectives and the research hypotheses. The variables explored the vision, mission and strategic plan, governance structures, succession planning, decision-making, profitability and sustainability of family businesses, as well as the challenges they face. Where items were not identified from previous studies, new items were formulated based on the findings from the literature review.

It is imperative to note that, despite the use of a questionnaire in this study and its widespread use in other studies, this is not without its own problems. Gorrell and Eaglestone (2011:508) argue that questionnaires are susceptible to common method variance bias. This occurs when the respondents' answers to the questions are not a pure reflection of their (intrinsic) thoughts about the phenomena being investigated, but are influenced by the way in which the questions are asked. That is, by (intrinsic) features relating to the design or administration of the questionnaire.

The following approaches were used to collect the data required for this research study:

- I. The prospective target population received information about the research and initial consent was telephonically sought before the questionnaire was sent (see Appendix D - Respondent Information Sheet).
- II. Some questionnaires were hand-delivered by either the researcher or the field workers. The same approach was used to collect the completed questionnaires.
- III. Some questionnaires were emailed to the respondents and they were requested to email back their responses.

Throughout the data collection process, the researcher and field workers had to continuously persuade and encourage respondents to complete the questionnaire.

#### **4.13 HYPOTHESES TESTING AND ANALYSIS**

Hypothesis is an assumption about a population or phenomena (Panneerselvam, 2012:224). The focus of the study was that effective family business governance is imperative for the sustainability and continuity of family businesses in Botswana. The existence of, and balance between family and business governance are paramount in this proposition. The challenges facing several family businesses regarding their sustainability and continuity beyond the first generation may be resolved by adopting sound family and business governance systems.

To address the objectives of the study, the research hypotheses were empirically tested, as prescribed in Table 4.6.

**Table 4.6: Hypotheses testing**

Null hypotheses	Statistical method
<b>H1<sub>0</sub>:</b> There is no significant relationship between the existence of family governance structures and the sustainability of family businesses.	The statistical analysis aimed at determining the relationship, was ascertained by the correlation coefficient (r). The value of (r) determined the magnitude of the relationship, and if or not there was a significant relationship (Pearson correlation coefficient).
<b>H2<sub>0</sub>:</b> There are no significant differences between the challenges faced by small and medium scale family businesses in Botswana.	The statistical analysis for comparing the two independent variables for significance was used. The statistical analysis to test for significant differences was an independent t-test at alpha level .05 or population t-test.
<b>H3<sub>0</sub>:</b> The relationship between management succession planning and the sustainability of family businesses in Botswana is not significant.	The statistical analysis to ascertain the relationship was determined using the correlation coefficient (r). The value of (r) determined the magnitude of the relationship, and if or not there was a significant relationship (Pearson correlation coefficient).
<b>H4<sub>0</sub>:</b> There are no significant factors that hinder the adoption of good governance practices by family businesses in Botswana.	The statistical analysis for comparing the two independent variables for significance was used. The statistical analysis to test for significant differences was an independent t-test at alpha level .05 or population t-test.
<b>H5<sub>0</sub>:</b> There is no significant relationship between a shared vision and mission and the continuity of family businesses in Botswana.	The statistical analysis to determine the relationship was determined using the correlation coefficient (r). The value of (r) determined the magnitude of the relationship, and whether or not there was a significant relationship (Pearson correlation coefficient).

<p><b>H6<sub>0</sub>:</b> The relationship between the decision-making approach adopted by family businesses in Botswana and their sustainability is not significant.</p>	<p>The statistical analysis for comparing the two independent variables for significance was used. The statistical analysis to test for significant differences was an independent t-test at alpha level .05 or population t-test.</p>
<p><b>H7<sub>0</sub>:</b> The relationship between the communication approaches adopted by family businesses in Botswana and their sustainability is not significant.</p>	<p>The statistical analysis for comparing the two independent variables for significance was used. The statistical analysis to test for significant differences was an independent t-test at alpha level .05 or population t-test.</p>

**Source: Researcher’s own compilation**

#### **4.14 VISION AND STRATEGIC PLAN**

The alignment of business goals and those of the family and its members may create a unity of purpose that should enable much greater business agility, and a wider range of strategic options than would otherwise have been the case (Kenyon-Rouvinez & Ward, 2005). According to Neubauer and Lank (1998), forming a vision for a family business is part of the entrepreneurial aspect of management. While the vision emanates from the entrepreneur as the visionary and one who identifies opportunities, it is nevertheless essential that it be shared by all the family members for them to live it.

#### **4.15 GOVERNANCE STRUCTURES**

The items measured clearly specified governance responsibilities, clear governance rules and the proper regulation of family business governance. This variable was loaded with 16 items measuring governance structures and systems. The results from Adendorff *et al.*, (2008) suggest that businesses with appropriate control measures, well-managed business risks and proper governance systems, have a higher chance of survival compared to those who do not have proper governance structures and systems. The issue of governance included two

dimensions, namely, business governance and family governance. Both these aspects were explored in the response items designed.

#### **4.16 COMMUNICATION**

For the purposes of this study, communication was operationalised to refer to the channels of communication and atmosphere that facilitate the sharing of views and access to information on the part of family members. According to Adendorff *et al.*, (2008), a culture of open family communication, reinforced by structured processes, is an integral precondition to the creation of a successful family governance process. While this study did not prove its hypothesis relating to a positive relationship between family business success and family communication, the study however indicates that communication is important to the success and longevity of family businesses. Both communications within the family, and the way in which family matters are handled, influence business performance. Gordon and Nicholson (2010) state that, if families are to add value to and not “poison” the business, it is vital that attention is given to family relationships. It is not possible for family governance processes to survive without a conducive atmosphere (Martin, 2001:92). The formalisation of the communication structures and processes depends on the size and generational stage of the family business. Aronoff and Ward (1992) and Neubauer and Lank (1998) express the view that a business may include family institutions which provide opportunities for dialogue, networking, cohesion-building, and the setting of family and business boundaries.

#### **4.17 SUCCESSION PLANNING**

In the interest of the continuity and sustainability of a family business, there must be a deliberate strategy aimed at generational handover and takeover. According to Alderson (2015:144), a small family business is more likely to fail due to a lack of a succession plan, than other factors such as competition or financial matters. The transitions of both the management and ownership roles are among the most formidable obstacles to the stability and growth of a family business (Ward, 1987; Handler & Kram, 1998; Venter, 2003).

Entrepreneurial drive, as found in the family founder, may not be abundant among the offspring. Sten (2004) found that the founders of family SMEs in Finland almost universally wanted to pass ownership of such businesses onto their offspring.

Statements on the issue of succession were designed and focused on addressing **Research (secondary) Objective 3**: “To determine the relationship that exists between management succession planning and the sustainability of family businesses in Botswana”.

#### **4.18 FAMILY RELATIONSHIPS AND TRUST**

Family harmony is important for the survival of both the family and the family business, while perceived harmony is positively related to the success of the business. Olson *et al.*, (2003) use the functional integrity of family as a subjective measure of family business success, with family functional integrity being measured, using the following five basic components of family functioning, namely: adaptation, partnership, growth, affection and resolve (APGAR).

#### **4.19 DATA ANALYSIS**

The research design should articulate the relationship between the data collection method and the data analysis (Welman *et al.*, 2012). Once the data had been collected, it was analysed using both descriptive and inferential statistics. Descriptive statistics were used to describe the relationship between the variables that had been identified and hypothesised. Regression analysis was employed using the SPSS and other statistical tests such as the t-test. To test hypotheses **H1<sub>0</sub>**, **H3<sub>0</sub>** and **H5<sub>0</sub>**, a statistical analysis was conducted to determine the relationship using the Pearson correlation coefficient (r). The value of (r) determined the magnitude of the relationship, and if there was a significant relationship (Pearson correlation coefficient). To test hypotheses **H2<sub>0</sub>**, **H4<sub>0</sub>**, **H6<sub>0</sub>** and **H7<sub>0</sub>**, a statistical analysis was conducted to compare the significance of the relationship between the two variables. The statistical analysis used to test for significant differences was an independent t-test at alpha level .05 or population t-test.

#### **4.20 ETHICAL AND CONFIDENTIALITY ISSUES**

There are ethical concerns in a research study which involve extracting information from individuals and private businesses. Important concerns in respect of the respondents included both privacy and confidentiality. However, the issue of ethics in research spans an even wider spectrum of issues, with ethics ranging from factors related to dealing with other people and the researcher's conduct and behaviour when carrying out the research (Creswell, 2008). Ethics deal with confidentiality, anonymity, the use of data for new purposes, cheating in data analysis when the results are not in accordance with the researcher's expectations, and convenience sampling.

This study adopted various approaches to ensure that ethical issues were addressed. Respondent anonymity is usually a basic requirement in business research, unless a research method is used where a specific identity is relevant to the results, and the respondents agree to their association with the research being disclosed. There was no need for this study, to collect personal details such as the age, gender, shareholding or ethnicity of respondents. Thus, respondents were not required to identify themselves or record their names, their families or the businesses they represented. The researcher assured the respondents of their right to both confidentiality and privacy and pledged to maintain anonymity during the data analysis. Respondents were also assured that the data would be stored safely.

In respect of informed consent, respondents were well informed about the nature of the study and that their participation was on a voluntary basis. The researcher prepared a document which was sent to all respondents (Appendix D), which explained the research objectives and the respondents' role in the research. In addition, the Informed Consent Form indicated that data was solely for research purposes, and that confidentiality would be maintained throughout the research process. Respondents were also informed that they were free to withdraw from the study at any point during the process. The researcher was aware that even well-intentioned, undue pressure on respondents may be unethical and invalidate the results. The researcher did not anticipate any risk exposure to the respondents.

The researcher made a pledge to all respondents that, upon the successful completion of the research study, feedback would be provided to them through BB forums, should they wish to know the results of the study. This organisation (BB) hosts annual events and fairs, and the researcher intended to request to make the results available through a summary presentation, and that interested respondents would be given a compact disk copy of the results. The researcher did not anticipate any foreseeable harm or discomfort associated with the research. The research, which included the questionnaire, was granted ethical clearance by the Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management Research Ethics Review Committee, UNISA, on the 16th September 2016 (Appendix A - UNISA Ethical Clearance Certificate).

#### **4.21 CONCLUSION**

This chapter presented the research methodology used to investigate governance factors which influence the survival of family businesses in Botswana. As such, the chapter discussed the research strategies, sampling techniques, data analysis, data reliability and validity, generalisability, and ethical issues relevant to the study. A survey questionnaire was designed (standard psychometric procedures were followed in developing the measures for the key constructs), tested for validity and reliability, and finally self-administered upon owners and managers of 243 family businesses. The next chapter presents the research results and findings of the study.

## **CHAPTER 5**

### **RESEARCH RESULTS OF THE STUDY**

#### **5.1 INTRODUCTION**

This chapter presents, interprets and discusses the empirical results of the study. The data was collected during fieldwork using a questionnaire completed by family business owners and managers, and the directors of family-owned businesses in the manufacturing and services sectors of Botswana. This chapter is divided into two sections – firstly, the presentation of the data and, secondly, the interpretation and discussion of the data. In the data presentation, statistics relating to the demographic profiles of the respondents are displayed, as well as the reliability tests, validity tests, relationship tests, and independent sample t-tests which were done to test the hypotheses, as explained in Table 4.3 in Chapter 4.

A total of 243 questionnaires were administered to family-owned businesses which had agreed to participate in the research. Of these, 167 completed questionnaires were returned with 144 being found to be usable (23 were deemed to be unusable as respondents completed the demographic part only). This yielded a response rate of 69%. After analysing the data, the researcher believed that all responding businesses qualified as family businesses as defined in this study, as 92% of the founders were either managing or working with family members. These businesses formed the units of analysis for the study and were all registered with either BB or the LEA in 2017. The aim of the study was to investigate the effects of governance on the continuity and sustainability of family businesses in Botswana. The findings of this study support the notion that proper governance affect the sustainable and continuity of family-owned businesses.

The questionnaire used in the research comprised of eight sections. The first section, Section A, required respondents to provide background information such as: gender, highest educational qualification attained, the category of business, length of time the business had been in operation, the position of the founder in the business, number of employees, and

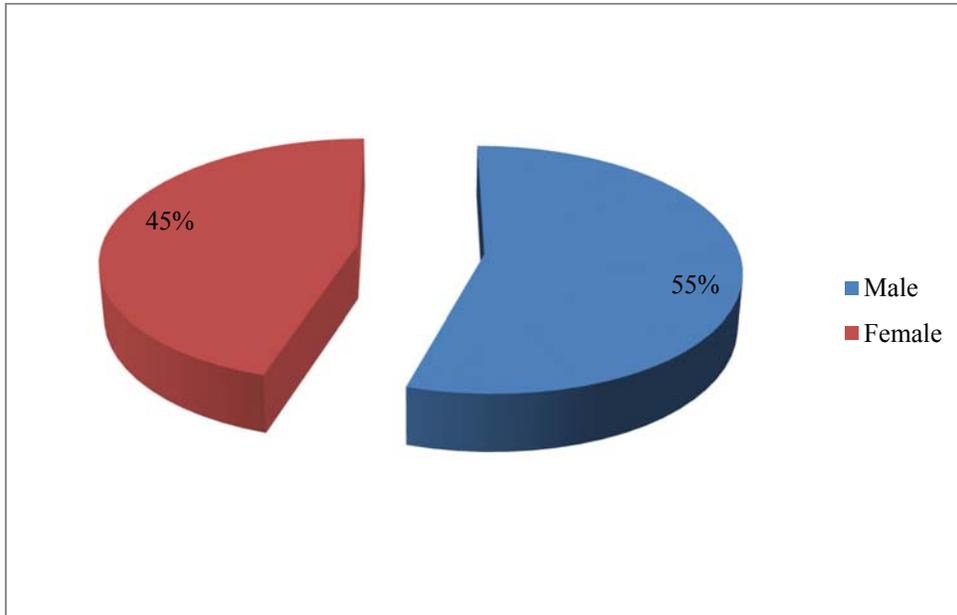
relatives of the founders working within the family business. Secondly, Section B required respondents to provide solicited information of the vision, mission, values and strategy of the family business. In Section C, questions gathered data regarding decision-making and communication within the family business. Section D concentrated on governance structural areas such as Board of Directors, Advisory Board, family office and compliance matters. Section E focused on the succession and succession plan within the family business. Section F gave an overview of the profitability and sustainability of family businesses. Section G required data on the family relationship, focusing on family trust and harmony. The final section, Section H, ruminated on the challenges facing family-owned businesses, from financial, leadership, labour, and compliance to the regulatory environment.

## **5.2 DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

Demographic and other background data were collected, including gender, highest level of educational attainment, length of time the business had been in operation, position of the founder, the relationship of the manager to the family business, number of people employed by the business, and the number of relatives working in the family business.

### **5.2.1 Gender**

Figure 5.1 shows the gender participation in the study. As illustrated, respondents comprised 55% male and 45% female.



**Figure 5.1: Gender of the respondent**

### **5.2.2 Highest level of educational attainment**

Table 5.1 shows the highest level of educational attainment of respondents by gender. Of the 78 male respondents, the majority (n=20) had a Bachelor's degree, 18 had a general certificate secondary education, 14 had a College diploma, 12 had a College certificate, 7 had a junior certificate, 4 had completed their Primary School Leaving Examination and 3 had a Postgraduate qualification. Of the female respondents, the majority (n=21) had a College diploma, 17 had a Junior certificate, 9 a General Certificate Secondary Education, 8 had a College certificate, , 6 a Bachelor's degree, 3 a primary school leaving certificate, and 2 held a similar Postgraduate qualification. The highest level of educational attainment of the respondents is shown in Table 5.1.

**Table 5.1: Respondents' educational attainment**

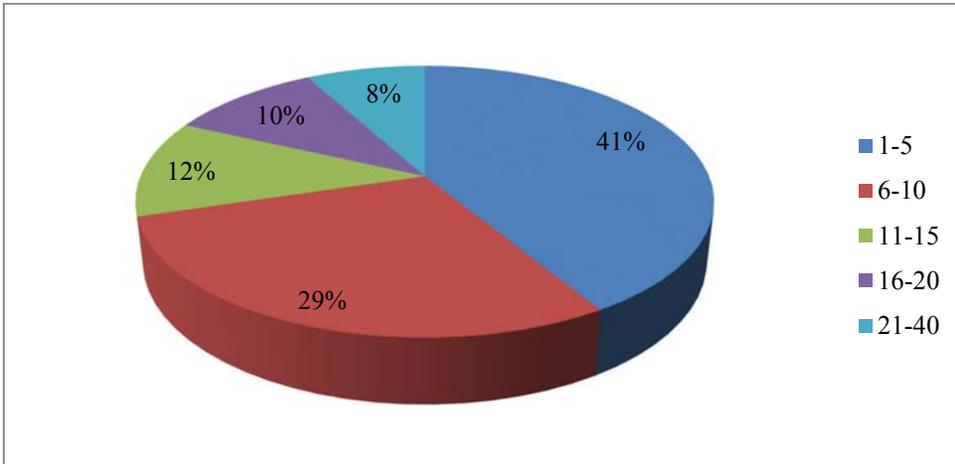
<b>Highest level of educational attainment</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Primary school leaving examination	4	3	7
Junior certificate	7	17	24
General certificate secondary education	18	9	27
College certificate	12	8	20
College diploma	14	21	35
Bachelor's degree	20	6	26
Master's degree or similar postgraduate qualification	3	2	5
<b>Total</b>	<b>78</b>	<b>66</b>	<b>144</b>

### **5.2.3 Category of organisation**

Results on this question indicate that 78.5% were small businesses, while 21.5% of respondents categorised themselves as medium businesses. Since the questionnaire did not indicate the parameters of categorisation, it can be assumed that respondents used the national figures to classify their businesses. The national figures were provided in Section 1.2 of the study (Chapter 1).

### **5.2.4 Length of time the business has been in operation**

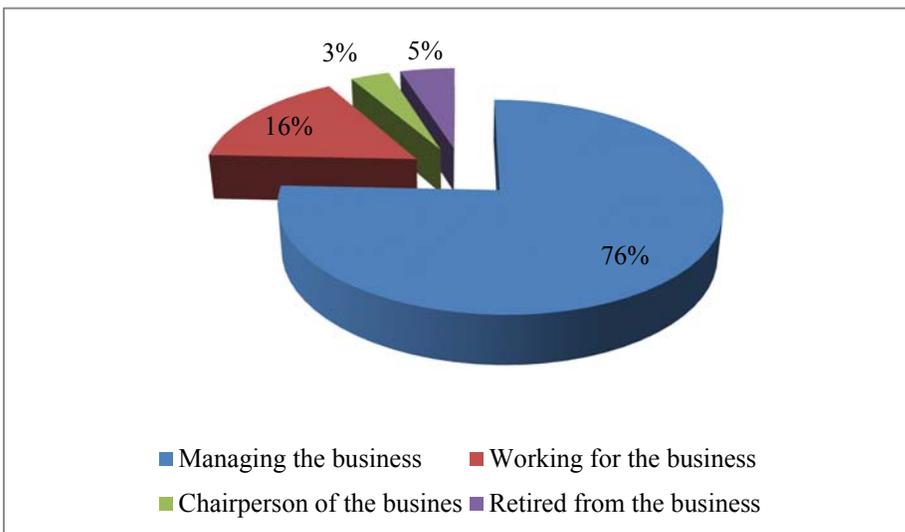
Figure 5.2 shows that most businesses, that is 70%, had been in operation between 1 and 10 years, 12% had been in operation between 11 and 15 years, 10% between 16 and 20 years, and 8% between 21 and 40 years. It can thus be inferred that most businesses are still in the first-generation phase, while 8% are likely to be in the second-generation phase, especially those above 30 years. The length of time the businesses have been in operation is shown in Figure 5.2.



**Figure 5.2: Length of time businesses have been in operation**

### 5.2.5 Position of the founder in the business

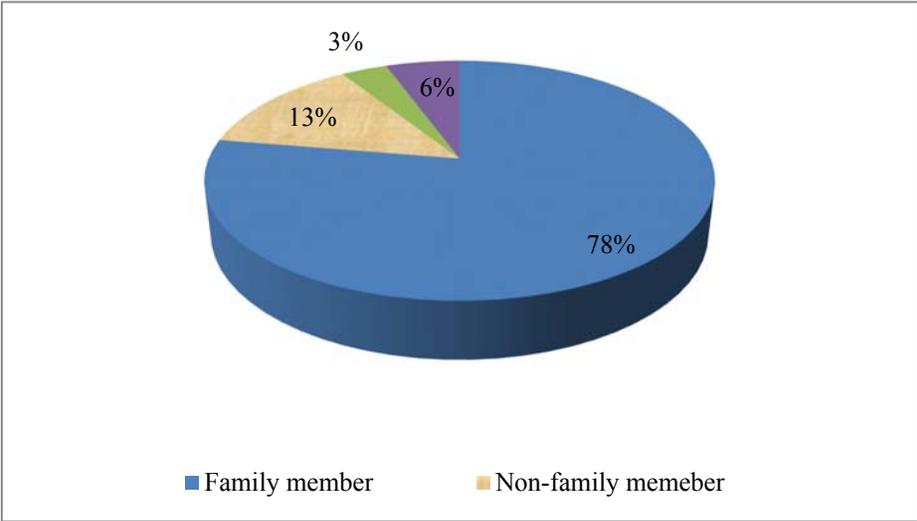
Figure 5.3 shows the different positions of the founder in the business. Most business owners (76%) are managing the business, while 16% work for the business, 5% are retired from the business, and 3% are the chairpersons of the business. The positions of the founder in the businesses are shown in Figure 5.3.



**Figure 5.3: Position of the founder in the business**

### 5.2.6 Relationship of the manager to the family business

Figure 5.4 shows the relationship of the manager to the family-owned business. Accordingly, 78% of the businesses are managed by family members, 13% by a non-family member, 6% indicated any other, and 3% indicated by friends of the family.



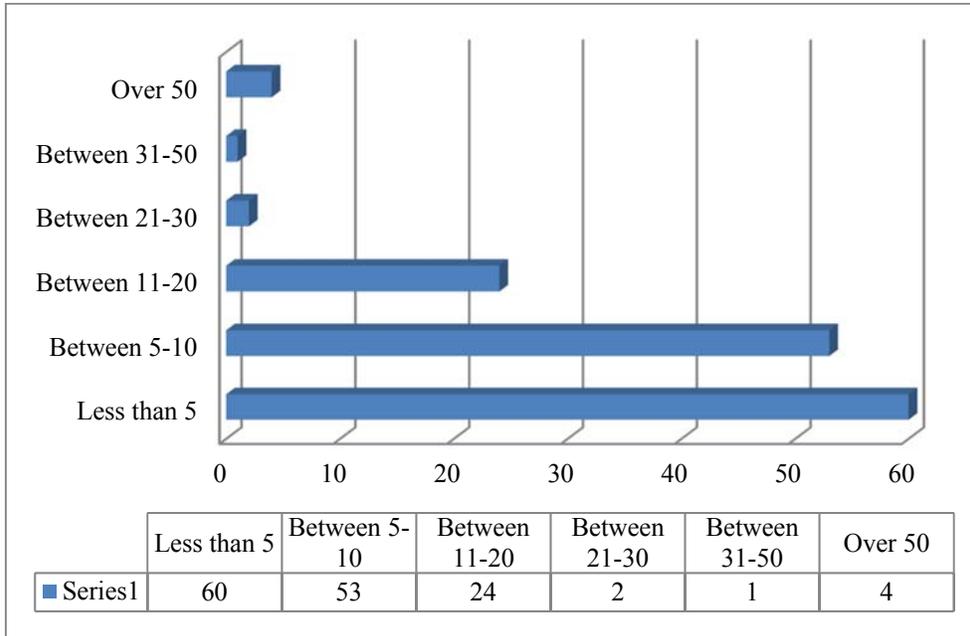
**Figure 5.4: Manager of the business**

**5.2.6 Ownership structure of the business**

Results indicated that the private limited companies were the dominant form of business ownership at 66% of the responses, 26.4% were sole proprietorship and 7.6% were partnerships. These are the forms of formal business ownership in Botswana as explained in section 1.2.1 (Chapter 1) on the classification and guidelines for registration of SMEs.

**5.2.6.2 Number of people employed by the business**

Figure 5.5 shows that most businesses (n = 60) employed less than 5 people, followed by those that employed between 5 and 10 people (n=53). Two businesses employed 21 and 30 employees. One family business employed between 31 and 50 employees. Four businesses employed over 50 people. The number of employees in the family businesses is shown in Figure 5.5.

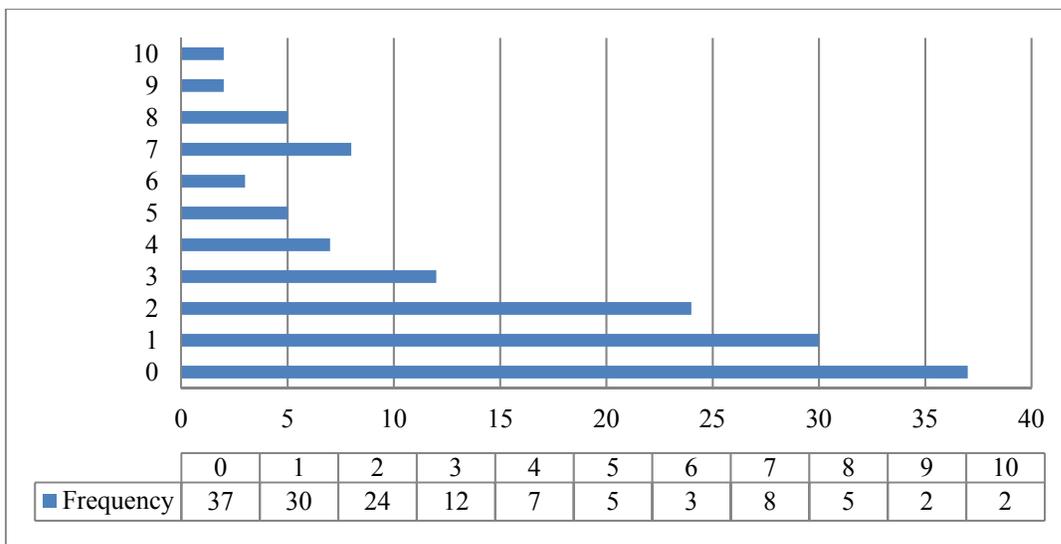


**Figure 5.5: Number of people employed by the business**

### 5.2.6.3 Number of relatives of the founder or family that work for the business

The research sought information on the number of relatives employed by the businesses.

Figure 5.6 indicates the number of relatives employed by each family business.



**Figure 5.6: Number of relatives of the founder or family that work for the business**

Figure 5.6 reveals that 2 of the businesses employed 10 relatives of the founder or family, 2 employed 9 relatives, 5 businesses employed 8 relatives, 8 businesses employed 7 relatives, 3

businesses employed 6 relatives, 5 business employed 5 relatives, 7 businesses employed 4 relatives, 12 businesses employed 3 relatives, 24 businesses employed 2 relatives each, 30 businesses had one relative each, while 37 did not employ any family members in their businesses.

### 5.3 VISION, MISSION AND STRATEGY

The research sought to find the existence of a vision, a mission statement and a strategic plan in family businesses in Botswana. This section presents results on the responses regarding the existence of these variables. Table 5.1 shows the Cronbach's alpha coefficient of the 13 items used to collect data on the vision, mission and strategy of family businesses.

**Table 5.2: Reliability statistics for vision, mission and strategy**

Cronbach's alpha	Cronbach's alpha based on standardised items	No. of items
.957	.959	13

Table 5.2 shows the overall reliability of the 13 items. A reliability coefficient of .957 is above the minimum acceptable level of 0.7 as explained in Table 4.4 in Chapter 4. This indicates that 96% of variability in test scores is due to true score differences among responses, while the remaining 4% is due to measurement error.

**Table 5.3: Item statistics: vision, mission and strategy**

Vision, mission and strategy statements	Mean	Std. deviation	N
The business's vision is clear	3.64	1.543	135
The business's vision is communicated to all employees	3.61	1.506	135
The business has a written strategic plan	3.71	1.429	135
The business's strategic planning process is in place	3.83	1.313	135
I fully identify with the mission of the business	4.01	1.302	135
The business has a long-term strategy	4.10	1.209	135
The long-term strategies of the business are planned long in advance	4.04	1.218	135

The business's goals are clearly spelt out	4.10	1.209	135
The founder of the business has a clear vision for the business	4.24	1.198	135
The family which owns this business share the vision of the founder of the business	4.00	1.184	135
The business values are important to the founder and his/her family	4.11	1.176	135
The business upholds its values	4.16	1.141	135
I identify with the values of the business	4.28	1.097	135

Table 5.3 shows that on average, the answers agree in all the vision, mission and strategy items. The mean average score for the relationship between the vision, mission and strategic plan was above 4 with most statements. Hence, the findings indicate that the vision, mission and strategic plan affect the sustainability of family businesses. Table 5.4 shows the statistical values of the responses to existence and importance of vision, mission and strategy in influencing the sustainability of family businesses. The Table shows the mean, and correlation coefficient of the items.

**Table 5.4: Total statistics: vision, mission and strategy**

Statement	Scale mean if item deleted	Scale variance if item deleted	Corrected item – total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
The business's vision is clear	48.19	153.048	.701	.872	.956
The business's vision is communicated to all employees	48.21	153.528	.707	.869	.956
The business has a written strategic plan	48.12	152.956	.769	.822	.954
The business's strategic planning process is in place	48.00	154.403	.798	.861	.953
I fully identify with the mission of the business	47.82	153.326	.842	.847	.952
The business has a long-term strategy	47.73	155.779	.826	.854	.952
The long-term strategies of the	47.79	156.807	.783	.839	.953

business are planned long in advance					
The business's goals are clearly spelt out	47.73	155.466	.838	.874	.952
The founder of the business has a clear vision for the business	47.59	156.482	.809	.867	.953
The family which owns this business share the vision of the founder for the business	47.83	158.545	.745	.784	.954
The business values are important to the founder and his/her family	47.72	157.965	.772	.780	.954
The business upholds its values	47.67	157.731	.807	.824	.953
I identify with the values of the business	47.55	159.100	.790	.770	.954

Table 5.4 shows that the individual reliability of the items is excellent at 0.95 significance level, thus signifying a high internal consistency level. Furthermore, the item-total correlation is high, which validates the instrument, meaning that the correlation between the individual responses is high and positive. The square multiple correlation, that is  $R^2$ , measures how much of the variability in the responses to an item can be predicted from the other items in the instrument.

#### 5.4 DECISION-MAKING AND COMMUNICATION IN THE BUSINESS

Table 5.5 presents the Cronbach's alpha for the 8 items used to gather data on decision-making and communication approaches in family businesses.

**Table 5.5: Reliability statistics: decision-making and communication in the business**

Cronbach's alpha	Cronbach's alpha based on standardised items	No. of items
.680	.687	8

As displayed in Table 5.5, the Cronbach's alpha is 0.69, which is lower than ( $p=0.7$ ); however, if rounded up it meets the minimum acceptable alpha. This implies that the instrument does not truly reflect the decision-making and communication in the family business. It could be that there were other items that were not included in the instrument, or that the survey was not completed by staff responsible for decision-making and communication in the businesses.

Table 5.6 presents the statistical values of the items used to collect data regarding decision-making and communication approaches in family businesses.

**Table 5.6: Item statistics: decision-making and communication in the family business**

<b>Statement</b>	<b>Mean</b>	<b>Std. deviation</b>	<b>N</b>
There are clear lines of communication in the business	4.09	1.026	135
The communication channels available in this business are adequate	4.13	.901	135
All family members in the business are allowed to make decisions in the business	3.53	1.315	135
The family members have confidence in each other's decision-making abilities	3.97	1.159	135
The founder is the key decision-maker in this business	4.37	.944	135
The family business is well informed of what happens in the business	3.89	1.170	135
Information is made available to all non-employee family business members	3.76	1.235	135

Business decisions are made using formal management structures	4.18	1.014	135
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Table 5.6 indicates that the mean average response is “agreed” which is 4 (m=4), thus reflecting that they, on average, agreed that decision-making and communication are directly related to the sustainability and continuity of the family business. The lowest scores on decision-making items were recorded on “All family members in the business are allowed to make decisions in the business” (m=3.53), and “Information is made available to all non-employee family business members” (m=3.76). This could be resulting from the high dominance of the founder/owner, since the most businesses were in the first-generation stage. This implies that the entrepreneurial momentum is still present, and that decision are centralised (Calabro & Mussolino, 2013:391).

**Table 5.7: Item-total statistics: decision-making and communication in the business**

Statement	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
There are clear lines of communication in the business	27.82	19.923	.338	.475	.657
The communication channels available in this business are adequate	27.79	19.245	.507	.508	.625
All family members in the business are allowed to make	28.39	18.627	.327	.327	.664

decisions in the business					
The family members have confidence in each other's decision-making abilities	27.94	17.280	.565	.491	.599
The founder is the key decision-maker in this business	27.54	20.250	.344	.320	.656
The family business is well-informed of what happens in the business	28.02	19.813	.277	.231	.673
Information is made available to all non-employee family business members	28.15	18.187	.413	.306	.639
Business decisions are made using formal management structures	27.73	20.824	.239	.167	.678

As Table 5.7 shows, the reliability alpha of 0.6 was below the minimum acceptable ( $p = 0.7$ ). This part of the instrument lacked internal consistency, which implies that the instrument, as mentioned earlier, was either not completed by those responsible for decision-making and communication in the business, or that some items had been omitted from the instrument. The square multiple correlation, that is  $R^2$ , measures how much of the variability in the responses to an item can be predicted from the other items in the instrument. The following Section reports on the findings regarding the existence of governance structures in family businesses in Botswana.

## 5.5 GOVERNANCE STRUCTURES

Table 5.8 shows the overall reliability of the 16 items. A reliability coefficient of .905 is excellent and indicates that at 91% of variability in test scores is due to true score differences among responses, with only the remaining 9% being due to measurement error.

**Table 5.8: Reliability statistics: governance structures**

<b>Cronbach's alpha</b>	<b>Cronbach's alpha based on standardised items</b>	<b>No. of items</b>
.905	.907	16

Table 5.9 shows the mean and standard deviation of the items used to measure the existence of governance structures in family businesses in Botswana.

**Table 5.9: Item statistics: governance structures**

<b>Statement</b>	<b>Mean</b>	<b>Std. deviation</b>	<b>N</b>
The business has a Board of Directors	2.50	1.544	143
The Board of Directors has a scheduled list of meetings per year	2.51	1.528	143
There are outside Board members on the Board of Directors	2.28	1.410	143
The governance responsibilities in this business are clearly specified	3.38	1.423	143
The business has clear governance rules	3.62	1.251	143
The business has clear governance structures	3.63	1.244	143
There is a family office which deals with family business matters	3.22	1.423	143
There is a clear separation of family and business matters in the business	3.54	1.269	143

The business has a formal document that describes the relationship between the family and the business	3.18	1.337	143
When needed, the business draws on the expertise of outsiders (e.g. lawyers, accountants)	3.89	1.301	143
The governance of the business is properly regulated	3.83	1.114	143
The business asks outsiders to help with governance issues	3.61	1.192	143
There are control measures in place in the business	3.83	1.199	143
The business has an Advisory Board	3.14	1.314	143
The business is adequately accountable to stakeholders	3.79	1.288	143
There are systems in place to ensure legal compliance in the business	3.94	1.351	143

Table 5.9 shows that minimum scores were recorded for the items “There are outside Board members on the Board of Directors” ( $m = 2.28$ ), and “The business has a Board of Directors”, ( $m = 2.50$ ). Small family businesses in Botswana do not realise the value added by having a Board of Directors. According to Vandebek, Voordeckers, Lambrechts and Huybrechts (2016:249), greater diversity in the boardroom seems beneficial for performance, owing to the increased availability of functional knowledge and skills. This study argues for a mechanism to enlighten SMEs of the benefits of having Board of Directors or Advisory Boards. A clear observation from this study was the higher mean ( $m=3.14$ ) “The business has an Advisory Board”, suggesting that family businesses viewed and accepted Advisory Boards more favourably than a Board of Directors. It can be inferred that Advisory Boards’ role is less binding and controlling, yet providing the skills to augment family members. Family businesses need to take cognisance of the services which Board members provide to the businesses example, building organisational reputation, networking, or advising management (Van den Heuvel, Van Gills & Voordeckers, 2006:469; Vandebek *et al.*, 2016:250; Wilson, *et al.*, 2013:1374.).

As Table 5.10 indicates, individual reliability is quite high at 0.90, thus signifying a high internal consistency level. This implies that the instrument was a good measure of governance structures in relation to family businesses in Botswana. Furthermore, the item-total correlation is moderate, which validates the instrument, meaning that the correlation between the individual responses is moderate and positive. The square multiple correlation, that is  $R^2$ ,

measures how much of the variability in the responses to an item can be predicted from the other items in the instrument.

**Table 5.10: Item-total statistics: governance structures**

<b>Statement</b>	<b>Scale mean if item deleted</b>	<b>Scale variance if item deleted</b>	<b>Corrected item – total correlation</b>	<b>Squared multiple correlation</b>	<b>Cronbach's alpha if item deleted</b>
The business has a Board of Directors	51.38	163.648	.514	.952	.902
The Board of Directors has a scheduled list of meetings per year	51.37	162.334	.556	.961	.900
There are outside Board members on the Board of Directors	51.61	166.568	.488	.721	.902
The governance responsibilities in this business are clearly specified	50.50	160.875	.649	.625	.897
The business has clear governance rules	50.27	161.362	.736	.844	.894
The business has clear governance structures	50.26	161.096	.750	.874	.894
There is a family office which deals with family business matters	50.67	164.372	.546	.775	.900
There is a clear separation of family and business matters in the business	50.34	169.292	.467	.513	.903
The business has a formal document that describes the relationship between the family and the business	50.71	168.586	.459	.688	.903
When needed, the business draws on the expertise of outsiders (e.g. lawyers, accountants)	50.00	165.180	.582	.523	.899
The governance of the business is properly regulated	50.06	165.874	.669	.633	.897
The business asks outsiders to help with governance issues	50.28	166.775	.589	.611	.899
There are control measures in place in the business	50.06	166.382	.598	.592	.899

The business has an Advisory Board	50.75	164.600	.593	.610	.899
The business is adequately accountable to stakeholders	50.10	165.138	.589	.614	.899
There are systems in place to ensure legal compliance in the business	49.94	164.595	.574	.635	.899

## 5.6 SUCCESSION PLANNING

This section reports the results of the 8 items used to measure succession planning variables, and their relationship to sustainability of family businesses. Table 5.11 shows the overall reliability of the eight items measuring succession planning. A reliability coefficient of 0.744 is above the minimum of  $p = 0.7$ , thus indicating that 74% of variability in the test scores was due to true score differences among responses, while the remaining 26% was due to measurement error.

**Table 5.11: Reliability statistics: succession planning**

Cronbach's alpha	Cronbach's alpha based on standardised items	No. of items
.744	.746	8

Table 5.12 shows item statistics for succession planning; the mean averages of responses were agreed and neutral. Minimum scores were recorded on “The identity of the successor to the current owner/manager has been communicated to family members employed by the business” ( $m = 2.86$ ), and also “The person who will take over this business has already been identified” ( $m = 2.81$ ). Most respondents agreed that “I have a rewarding career in this business” ( $m = 4.05$ ). One probable explanation for lower scores on succession planning could be that these businesses are still in infancy. The Price Waters Coopers (PwC) (2016a:3) survey identified a lack of clear transition from one generation to the next as fault-line in family businesses.

**Table 5.12: Item statistics: succession planning**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
The business has a succession plan in place for the business	3.93	1.134	135
The person who will take over this business has already been identified	2.81	1.472	135
There are career opportunities for family members in the business	3.73	1.198	135
The likely economic opportunities for other family members are an important consideration in this business	3.73	1.204	135
I have a rewarding career in this business	4.05	1.046	135
I plan to continue working for this business in the future	4.13	1.021	135
I have challenges to work for this business	3.68	1.244	135
The identity of the successor to the current owner/manager has been communicated to family members employed by the business	2.86	1.532	135

Table 5.13 shows the statistics of the items used to measure the relationship of succession planning and sustainability of family businesses in Botswana.

**Table 5.13: Item-total statistics: succession planning**

<b>Statement</b>	<b>Scale mean if item deleted</b>	<b>Scale variance if item deleted</b>	<b>Corrected item – total correlation</b>	<b>Squared multiple correlation</b>	<b>Cronbach's alpha if item deleted</b>
The business has a succession plan in place for the business	25.01	32.246	.146	.075	.766
The person who will take over this business has already been identified	26.13	25.947	.487	.510	.708

There are career opportunities for family members in the business	25.21	28.076	.465	.612	.712
The likely economic opportunities for other family members are an important consideration in this business	25.21	26.867	.568	.701	.693
I have a rewarding career in this business	24.89	29.114	.461	.396	.715
I plan to continue working for this business in the future	24.81	29.366	.453	.350	.717
I have challenges to work for this business	25.26	27.567	.482	.328	.709
The identity of the successor to the current owner/manager has been communicated to family members employed by the business	26.08	25.672	.477	.535	.711

From Table 5.13 individual reliability is adequate, that is 0.70, thus signifying an adequate internal consistency level. This implies that the instrument reflects succession planning in those family businesses. However, the item-total correlation is low and therefore does not validate the instrument, meaning that the correlation between the individual responses was moderate and positive. According to Buang *et al* (2013:79), a fruitless succession process has serious consequences not only for family members and business partners, but also for the economic development of a country. Buang *et al.*, (2013:81) claim that family businesses in the SME sector also experience internal conflict between family members, particularly on succession issues, which are critical factors affecting business continuity.

According to Shen and Cannella (2002:718), succession issues may lead to an unequal emphasis on preserving the founder's individuality, rather than strategically positioning the firm to adapt to changes in the marketplace. Moreover, the lack of a proper succession plan is a major hindrance to the survival of family businesses. Adendorff, *et al.*, (2005:42) similarly

found that governance in Greek family businesses in South Africa could be improved through the implementation of strategic planning and proper succession planning. Failure to put a succession plan and process in place negatively affect the sustainability and continuity of family businesses (see Section 4.10 - Hypothesis testing). In this study, it has been shown that there is a positive significant relationship between management succession planning and the sustainability of the business. A similar conclusion was made by Duh (2015:45), namely that succession can indeed represent an opportunity for family business rebirth. In the context of family succession plans, Brenes, Madrigal and Requena (2011:283) found a positive relationship between communication (family ownership and executive management) with business performance. Brundin, Melin and Nordqvist (2007) argued that strategic dialogue among family business members is an important practice to grow across generations.

## 5.7 PROFITABILITY AND SUSTAINABILITY

Section 5.7 reports on the results on the 10 items used to measure profitability and sustainability in family businesses in Botswana.

**Table 5.14: Reliability statistics: profitability and sustainability**

Cronbach's alpha	Cronbach's alpha based on standardised items	No. of items
.668	.692	10

Table 5.14 shows the Cronbach's alpha as being 0.67. This is below the minimum acceptable level, although if rounded up it meets the minimum,  $p = 0.7$ . This implies that the instrument does not truly reflect the profitability and sustainability of the businesses. It could be that there were other items that were not included in the instrument, or that the instrument was not completed by the family members responsible for decision-making and communication in the businesses.

**Table 5.15: Item statistics: profitability and sustainability**

Statement	Mean	Std. deviation	N
The businesses' profitability is satisfactory	3.69	1.083	137

The financial success of this business is guaranteed	3.91	.927	137
The revenues generated by the business are increasing over the years	4.20	.739	137
Maximising profitability is a key goal of this business vision	4.34	.779	137
Generating profits is an important consideration for everyone involved in the business	4.41	.753	137
The sustainability of the business is properly planned for	4.31	.715	137
Family members depend on the business for survival	3.91	1.097	137
The family is able to provide financial resources to the business should the need arise	4.14	1.023	137
Managers are looking forward to expand the business	4.26	.941	137
Managers in the business are looking for innovative ways of conducting business	4.37	.932	137

Table 5.15 shows very high scores for most items. Those that received the highest scores were “Generating profits is an important consideration for everyone involved in the business” (m = 4.41), “Managers in the business are looking for innovative ways of conducting business” (m = 4.37), and “Maximising profitability is a key goal of this business vision” (m = 4.34). Minimum scores were recorded for “The business’s profitability is satisfactory” (m = 3.69), “The financial success of this business is guaranteed” (m = 3.91), and “Family members depend on the business for survival (m = 3.91).

**Table 5.16: Item-total statistics: profitability and sustainability**

Statement	Scale mean if item deleted	Scale variance if item deleted	Corrected item – total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
The businesses' profitability is satisfactory	37.85	17.508	.225	.196	.669
The financial success of this business is guaranteed	37.63	17.485	.306	.407	.648
The revenues generated by the business are increasing over the years	37.34	17.445	.442	.442	.627
Maximising profitability is a key goal of this business	37.20	17.458	.408	.371	.631

vision					
Generating profits is an important consideration for everyone involved in the business	37.13	17.203	.472	.412	.621
The sustainability of the business is properly planned for	37.23	17.632	.429	.314	.630
Family members depend on the business for survival	37.64	17.675	.200	.258	.675
The family is able to provide financial resources to the business should the need arise	37.40	16.198	.422	.347	.623
Managers are looking forward to expand business	37.28	17.702	.269	.486	.656
Managers in the business are looking for innovative ways of conducting business	37.17	17.729	.271	.468	.655

Table 5.16 indicates that individual reliability, which is on average 0.6, is questionable, thus signifying a low internal consistency level. This implies that, as mentioned earlier, some items were omitted from the instrument. Furthermore, the item-total correlation is low, which does not validate this section of the instrument. The square multiple correlation, that is  $R^2$ , measures how much of the variability in the responses to an item can be predicted from the other items on the instrument.

## 5.8 FAMILY RELATIONSHIPS AND TRUST

This section reports on the results of the 8 items used to measure family relationships and trust factors which affect the sustainability of family businesses in Botswana. Table 5.17 shows the overall reliability of the eight items.

**Table 5.17: Reliability statistics: family relationship and trust**

Cronbach's alpha	Cronbach's alpha based on standardised items	No. of items
.822	.859	8

A reliability coefficient of 0.822 was obtained, which is above the minimum, indicating that 82% of the variability in test scores was due to true score differences among responses, while the remaining 16% was due to measurement error.

Table 5.18 shows the mean and standard deviation of each item used to measure family relationship and trust among members of family businesses.

**Table 5.18: Item statistics: family relationships and trust**

Statement	Mean	Std. deviation	N
Family members trust each other	4.07	1.057	140
Family members respect each other	4.31	.881	140
Family members have confidence in each other's capabilities	4.24	.910	140
Family members believe in each other	4.21	.993	140
Family members have a high regard for each other	4.38	.869	140
There is no conflict amongst family members	4.04	1.072	140
There is conflict among family members in this business	2.30	1.366	140
Family members support each other	4.25	1.004	140

Table 5.18 shows that the overall mean score for family relationships and trust is high ( $m = 4$ ). The dimension with the highest score is “Family members have a high regard for each other” ( $m = 4.38$ ). The minimum score was recorded for responses on the statement “There is conflict amongst family members in this business” ( $m = 2.30$ ), while “There is no conflict among family members” ( $m = 4.04$ ). Conflict among family members is dealt with differently from other types of conflicts. It can be inferred that family conflict is an internal matter which is not discussed with the public. Family members are emotionally attached to each other and are in long term relationships.

**Table 5.19: Item-total statistics: family relationship and trust**

Statement	Scale mean if item deleted	Scale variance if item deleted	Corrected item – total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
Family members trust each	27.72	23.483	.549	.528	.801

other					
Family members respect each other	27.49	22.496	.832	.844	.767
Family members have confidence in each other's capabilities	27.56	22.191	.840	.859	.764
Family members believe in each other	27.59	22.187	.754	.720	.772
Family members have a high regard for each other	27.41	22.302	.873	.836	.762
There is no conflict amongst family members	27.75	23.196	.569	.445	.798
There is conflict among family members in this business	29.49	29.964	.107	.086	.909
Family members support each other	27.54	24.005	.529	.381	.803

Table 5.19 shows that individual reliability is good at 0.80, thus signifying a high level of internal consistency. This implies that the instrument reflects family relationship and trust in the businesses studied.

## 5.9 BUSINESS CHALLENGES

This section presents results on the responses regarding challenges faced by family businesses. Nine items were used to gather information on challenges faced by family businesses which affect their sustainability and continuity. Table 5.20 shows the overall reliability of the nine items measured by the Cronbach's alpha.

**Table 5.20: Reliability statistics: business challenges**

<b>Cronbach's alpha</b>	<b>Cronbach's alpha based on standardised items</b>	<b>No. of items</b>
.557	.584	9

A reliability coefficient of 0.557 is poor, which indicates that 58% of variability in test scores is due to true score differences among responses, while the remaining 42% is due to measurement error.

**Table 5.21: Item statistics: business challenges**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
Leadership	3.74	1.212	139
Raising capital	4.09	.913	139
Management structures	3.99	.955	139
Financial mismanagement	2.88	1.576	139
Regulatory systems	3.78	1.000	139
Competition	4.34	.913	139
External interference	3.81	1.152	139
Lack of financial resources	3.11	1.521	139
Labour issues	2.71	1.524	139

Table 5.21 shows item statistics for business challenges; accordingly, the mean averages of responses are agreed and neutral. “Competition” had the highest mean score of  $m=4.34$ , followed by raising capital,  $m=4.09$ . “Labour issues” and “Financial mismanagement” had the lowest mean averages of  $m=2.71$  and  $m=2.88$  respectively. “Competition” had a high mean score of ( $m=4.34$ ) as the main challenge facing family businesses and threaten their sustainability and continuity. Small and medium family businesses do not face challenges of labour and financial mismanagement. A possible explanation is that labour is supplied by family members and any labour related issues are amicably solved through family dispute resolutions.

**Table 5.22: Item-total statistics: business challenges**

Statement	Scale mean if item deleted	Scale variance if item deleted	Corrected item – total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
Leadership	28.70	23.778	.125	.426	.565
Raising capital	28.35	22.679	.370	.517	.505
Management structures	28.45	24.134	.179	.423	.547
Financial mismanagement	29.56	20.915	.231	.239	.541
Regulatory systems	28.66	22.849	.301	.225	.518
Competition	28.10	23.584	.260	.204	.529
External interference	28.63	22.685	.247	.212	.530
Lack of financial resources	29.33	19.527	.363	.439	.488
Labour issues	29.73	20.432	.288	.433	.518

Table 5.22 shows that individual reliability for business challenges is poor at 0.50, thus signifying a poor level of internal consistency.

### 5.10 HYPOTHESIS TESTING

Section 5.10 presents the results of the hypotheses tests. Seven hypotheses were tested in this study and the results are shown in the various Tables in this section. The Pearson's correlation tests and Levene's independent sample tests were performed to measure the relationships between the identified independent variables and the dependent variables. Each hypothesis was in response to each of the seven specific objectives of the study.

**H<sub>10</sub>: There is no significant relationship between the existence of family governance structures and the sustainability of family business**

**Table 5.23: Relationship between family governance structures and the sustainability of family businesses: Pearson correlation**

Statement		Governance structures	Sustainability of family businesses
Governance structures	Pearson correlation	1	.308**
	Sig. (2-tailed)		.000

	N	143	143
Sustainability of family businesses	Pearson correlation	.308**	1
	Sig. (2-tailed)	.000	
	N	143	143
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 5.23 shows the Pearson r correlation test of family governance structures and the sustainability of family businesses. The analysis obtained the following value:  $r = 0.308^{**}$  and  $p = 0.000$ ; hence, the null hypothesis  $H_{10}$  is rejected. A conclusion can therefore be made that there is a weak positive relationship ( $r = 0.308^{**}$ ) between family governance structures and the sustainability of family businesses. This means that governance structures are lowly/poorly recognised by family businesses. This can be inferred that most family businesses must be in the first generation, controlled by the nuclear family and have a low regard of governance structures.

**H2<sub>0</sub>: There is no significant difference between the challenges faced by small and medium-scale family businesses in Botswana.**

**Table 5.24: Independent samples test: significance of difference between the challenges faced by small and medium-scale family businesses in Botswana**

Statement	Levene's test for equality of variances		T-test for equality of means				
	F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. error difference

Business challenges	Equal variances assumed	2.404	.123	1.304	142	.194	-.193	.148
	Equal variances not assumed			-1.362	139.932	.175	-.193	.142

The results displayed in Table 5.24 show the Sig. value (p-value) of 0.123. At a significance level of 0.05, it is sufficient to fail to reject the null hypothesis because the value of the Levene's test statistic is greater than the level of significance. It is therefore sufficiently evident to conclude that there is no difference between the challenges faced by small and medium scale family businesses in Botswana.

**H3<sub>0</sub>: The relationship between management succession planning and the sustainability of family businesses in Botswana is not significant.**

Table 5.25 shows the results of the Pearson  $r$  correlation test of management succession planning and the sustainability of family businesses.

**Table 5.25: Relationship between management succession planning and the sustainability of family businesses**

Statement		Succession planning	Profitability and sustainability
Succession planning	Pearson correlation	1	.613**
	Sig. (2-tailed)		.000
	N	143	143
Profitability and sustainability	Pearson correlation	.613**	1
	Sig. (2-tailed)	.000	
	N	143	143

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The analysis produced the following value  $r=0.613^{**}$  and  $p=000$ . These findings therefore indicate that the null hypothesis **H3<sub>0</sub>** is rejected. The result shows that family businesses need to have a succession plan in place to ensure the sustainability of family businesses.

**H4<sub>0</sub>: There are no significant factors that hinder the adoption of good governance practices by family businesses in Botswana.**

**Table 5.26: Independent samples test: significance of factors that hinder the adoption of good governance**

Statement		Levene's test for equality of variances		T-test for equality of means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. error difference
Governance structures	Equal variances assumed	.104	.748	-.630	142	.530	-.122	.194
	Equal variances not assumed			-.611	89.401	.543	-.122	.200

As shown in Table 5.26, a test was also conducted to assess the significance of factors that hinder the adoption of good governance practices by family businesses in Botswana. Clearly, a statistic for the Sig. value (p-value) = 0.748 is more than the level of significance at 0.05. This implies that there is sufficient evidence to conclude that there is no variability that exists within the significance of factors hindering the adoption of good governance practices by family businesses in Botswana.

**H5<sub>0</sub>: There is no significant relationship between a shared vision, mission and strategic plan and the sustainability and continuity of family businesses.**

Table 5.27 shows the Pearson  $r$  correlation test for a shared vision, mission and strategy and the continuity of family businesses.

**Table 5.27: Relationship between a shared vision, mission and strategy and the continuity of family businesses**

Statement		Composite vision, mission and strategy	Profitability and sustainability
Composite vision, mission and strategy	Pearson correlation	1	.057
	sig. (2-tailed)		.494
	N	143	143
Profitability and sustainability	Pearson correlation	.057	1
	sig. (2-tailed)	.494	
	N	143	143

The analysis found the following value  $r = 0.057$ ,  $p = .494$ . These findings indicate that the null hypothesis  $H_{50}$  is rejected. The conclusion is that there is a weak positive relationship between a shared vision, mission and strategy and the continuity of family businesses. Vision is not shared by all members of the businesses, or small and medium family businesses have no written vision or mission statements. This could be due to the entrepreneurial nature of small and medium family businesses championed by the founder.

**H<sub>6</sub>: The decision-making approach of family businesses in Botswana that promotes sustainability is not significant.**

Table 5.28 shows the Pearson  $r$  correlation test for decision-making and profitability and the sustainability of family businesses.

**Table 5.28: Relationship between decision-making and profitability and the Sustainability of family businesses**

Statement	Business decisions are made using formal management structures	Profitability and sustainability

Business decisions are made using formal management structures	Pearson correlation	1	.253**
	Sig. (2-tailed)		.002
	N	143	143
Profitability and sustainability	Pearson correlation	.253**	1
	Sig. (2-tailed)	.002	
	N	143	143
**. Correlation is significant at the 0.01 level (2-tailed).			

The analysis found that value  $r=0.253$ ,  $p=.002$ . Hence, a weak positive significant relationship was found to exist between decision-making and profitability, and sustainability. This results in the null hypothesis **H<sub>60</sub>** of no significant relationship between decision-making and profitability and the sustainability of family businesses being rejected as shown in Table 5.28.

The model-fitting information displayed in Table 5.6-16 shows the overall fitness of the model. The model shows that there is a significant relationship between intercept and independent variables. This is shown by the differences in the chi-square and the "Sig." level of  $p = .000$ , which means that the full model is a better statistically significant predictor of the dependent variable than the intercept-only model alone.

**Table 5.29: Model-fitting information**

Model	Model fitting criteria	Likelihood ratio tests		
	-2 log likelihoods	Chi-square	df	Sig.
Intercept only	69.673			
Final	29.420	40.253	8	.000
<b>Pseudo R-square</b>				
	Cox and Snell	.263		
	Nagelkerke	.576		
	McFadden	.501		

The model shows that in the absence of any explanatory variable, profit and continuity will increase by 3.178 units. Governance has no statistically significant effect on profitability and continuity. The variables that were found to have a positive and significant effect on profitability and continuity are vision, mission and strategy, family relationship and trust, and business challenges.

## **5.11 CONCLUSION**

This section presented a summary of the quantitative data analyses. The findings from the quantitative study indicated that the majority of small and medium family businesses fall within the start-up phase but do have the potential to grow and begin operating as large organisations. Just like other organisation types, small and medium organisations grow and change. Respondents are aware of the significant role played by small and medium organisations in promoting economic growth and development in Botswana. Funding was identified as a major determinant; however, government funding initiatives are done to promote the small and medium businesses to acquire funds and other resources.

The levels of education and experience possessed by managers of family businesses is an important factor influencing their sustainability and continuity. According to PwC (2016a:4), it is proposed that family businesses need the right people in terms of both skills' sets and education. Research has shown that the level of education is the most significant human capital variable for identifying business continuance (Bates, 1990). Bates's (1990) research further showed that a business owner's educational background has a direct influence on the business's ability to raise capital. It can be inferred that providers of capital are more inclined to favourably deal with a business promoter who has the understanding of the business and financial markets of which education plays a role. Williams (2009), Pena (2002) and Robinson and Sexton (1994) concur that higher levels of education will assist owners to make better strategic decisions regarding resource allocation in their businesses. Williams and Jones (2010:51) further conclude that higher education is critical for better strategic thinking and leads to the survival of the firm.

Respondents further indicated that the vision, mission and strategy are important to ensure the sustainability of family businesses. They all agreed that this can enable them to gain a competitive advantage. Respondents are familiar with the values of the business and they agreed that the business values are important to the founder and his/her family. A good governance structure was identified as a factor which can assist the small and medium organisations in promoting the sustainability of family businesses in Botswana. There are various business challenges faced by small and medium businesses and it was noted that raising capital and competition are the main challenges faced by family businesses in Botswana. This infers that capital constraints and competition challenges are the main factors menacing the sustainability and continuity of family businesses in Botswana.

Succession planning issues was identified as a factor hindering the sustainability of family businesses in Botswana. The study results indicated that most family businesses do not have a formal succession plan in place. There is no clear picture of who will take over the business, and the successor to the current owner/manager is rarely communicated to family members. This means that there is no continuity plan in family businesses and this seems to affect the sustainability of small and medium businesses. This seems to be a norm across the globe, as owners are usually the founders of the business. They want to leave legacy in their businesses. All the respondents agreed that career opportunities and economic opportunities for family members are important in the business. This assertion tends to limit the growth and sustainability of small and medium businesses because it limits competent people to take over vacancies in the family businesses, as family members will be jostling for positions in their family businesses.

Respondents further agreed that the family members depend on the business for survival, and generating profits is an important consideration for everyone involved in the business. This result clearly indicates that the family business does not retain profit into the business. This might be the reason why they face capital raising challenges, as profits for family businesses are usually insignificant as all their basic needs and wants are catered for by the business. This

leaves little profit for business growth; hence, challenging the sustainability of small and medium businesses in Botswana. This means that few investors will be interested to invest in small and medium businesses. This shows that small and medium businesses should incorporate good governance structures of sound financial management to promote the sustainability of family businesses.

Furthermore, the study revealed that sound family relationships and trust are key factors to ensure the sustainability of family businesses in Botswana. The study shows that family members believe in each other, support and respect each other, and they have a high regard for each other. This finding is vital to promote good governance. One of the key concepts of good governance is trust and honesty. This trust needs to be complimented by transparency. Honesty in reporting financial information and other issues about the business help to build stakeholder confidence in the business. It attracts potential investors, especially government support in the form of grants and other financial and non-financial support. This promotes the growth and sustainability of small and medium family businesses. The next chapter presents the discussion of the study's findings.

## **CHAPTER 6**

### **DISCUSSION OF THE RESEARCH FINDINGS**

#### **6.1 INTRODUCTION**

In this chapter a summary of the research findings and conclusions are presented. This includes the summary of the study, and the conclusions relating to the extent to which the objectives set out for the study were fulfilled. A discussion of the results and findings

constitute a major section for this chapter. Major empirical conclusions are also stated in this chapter.

## **6.2 DISCUSSION OF RESEARCH FINDINGS**

The focus of this study was to investigate governance factors which affect the sustainability and continuity of small and medium family businesses in Botswana. Governments throughout the world, including Botswana, have identified small and medium enterprises (SMEs) as engines of growth and employment creation. This chapter presents a discussion of these results linking the objectives of the study, methodology used to investigate the research problem and the results obtained. Despite the recognition of the contribution by SMEs, very little has been done in terms of creating a regulatory framework targeted at this sector that addresses their governance, sustainability and continuity. A study of this nature was important as various key sectors of the Botswana economy are dominated by family-owned and controlled businesses. The lack of continuity in family businesses is a major concern of this study, considering the role that family businesses play in the world economy (Van der Merwe, 2009:33). An understanding of the family dynamics and governance systems in family businesses is important for their success and survival.

The sustainability and continuity of the family business was measured by the ability of the family business to transition beyond generations and to be both financially and systematically viable. It is against this background that a better understanding of the way in which governance structures and systems affect family businesses in Botswana should be fully explored for these forms of businesses to contribute to the economic diversification drive, and to deal with the growing youth unemployment as espoused by the Botswana Industrial Development Policy of 2014.

This research found that family businesses in Botswana are predominantly managed by a member of family (70%), which is important for the success of these businesses. Successful family businesses are committed to a set of values that extend beyond mere financial gain.

These values typically manifest in the form of a mission or vision statement and have a direct relationship with the sustainability and continuity of family businesses.

It was established from the analysis and interpretation in chapter 5 that 59% of the male respondents have at least a college certificate, while 34% of the females have a similar qualification. According to PwC (2016a:4), family businesses need the right people in terms of both skills' sets and education. Research has shown that the level of education is the most significant human capital variable for identifying business continuance (Bates, 1990). This means that for small and medium family businesses to achieve sustainability and continuity, education of family members is important. Family members in managerial positions should be appointed on the merit of their educational background to ensure the sustainability and continuity of family businesses. Family businesses are therefore encouraged to invest in the education and development of their current and future generation management to enhance business sustainability and continuity.

## **6.3 CONCLUSIONS TO THE RESEARCH OBJECTIVES AND THE FINDINGS OF HYPOTHESES**

### **6.3.1 Research objectives revisited**

This section of the study provides answers to the objectives which the study sought to achieve. The researcher aimed to understand the effects of governance factors which affect the sustainability and continuity of family businesses in Botswana. The **primary objective** of this study was to investigate the effects of governance structures and systems on the sustainability and continuity of family businesses in Botswana. Specifically, the study had the following secondary objectives:

1. To identify the existence of family governance structures promoting the sustainability of family businesses in Botswana.
2. To identify governance challenges faced by family businesses in Botswana.

3. To determine the relationship that exists between management succession planning and the sustainability of family businesses in Botswana.
4. To determine factors that hinder the adoption of good governance practices in family businesses in Botswana.
5. To investigate the relationship between a shared vision, mission and strategic plan and the sustainability and continuity of family businesses in Botswana.
6. To assess the decision-making approaches in family businesses which promote the sustainability and continuity of family businesses in Botswana.
7. To investigate the relationship between communication approaches and sustainability of family businesses in Botswana.

The link between the objectives, the hypothesis for each independent variable or variables and the results of the hypotheses tests are presented in this section of the study. To solve the research problem, seven objectives were set, and seven respective hypotheses were tested in this study, using Pearson correlation tests and Levene's test independent sample tests. The purpose was to measure the relationships between family governance structures and the sustainability of family businesses. Table 6.1 provides a summary of the null hypothesis, the statistical method used to test the hypotheses, and the results obtained.

## 6.4 HYPOTHESIS TEST AND RESULTS

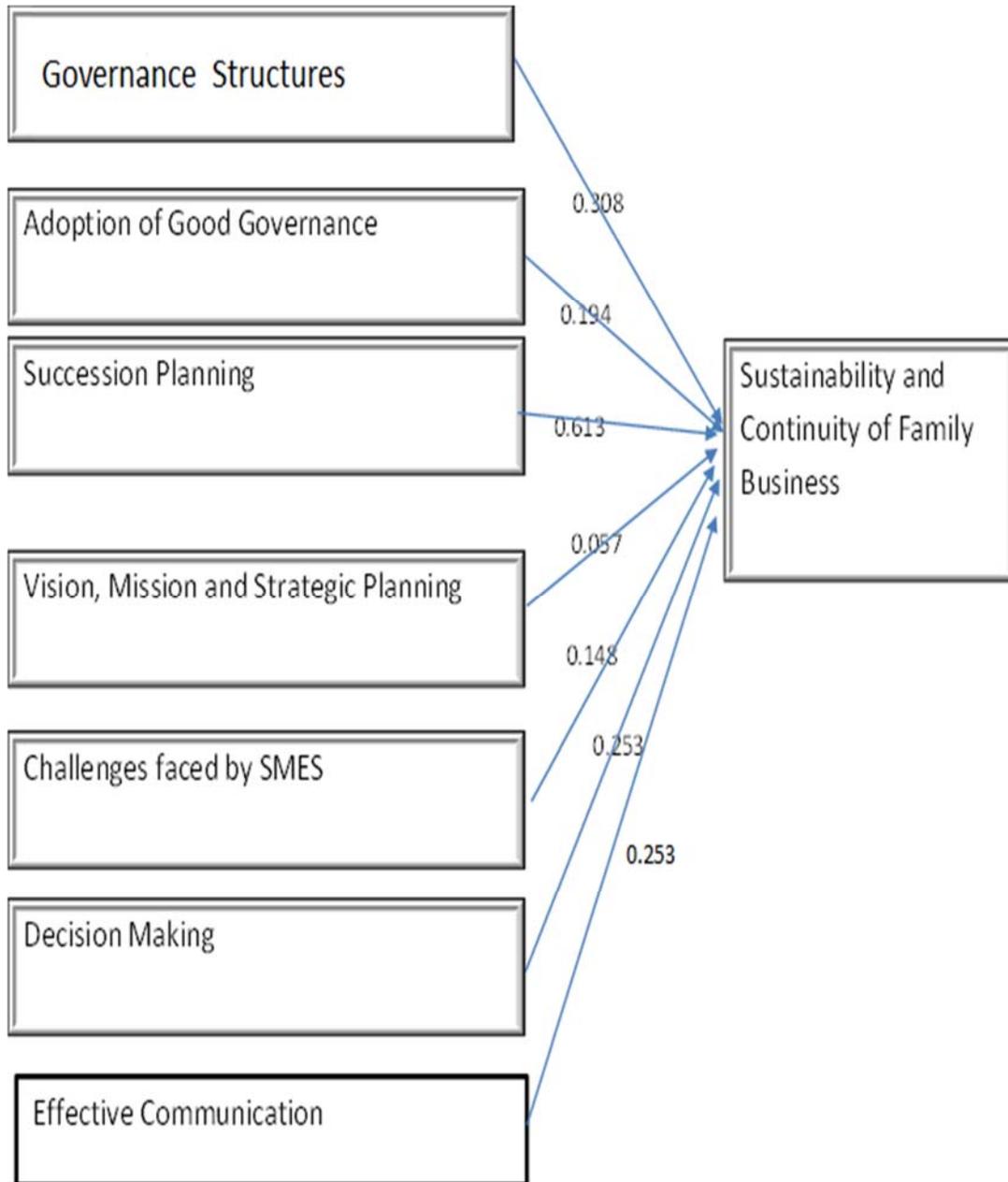
Table 6.1 shows a summary of the null hypothesis, the statistical method used to test the hypothesis and results obtained.

**Table 6.1: Findings of the null hypothesis testing**

Null hypotheses	Statistical method	Results
<b>H1<sub>0</sub>:</b> There is no significant relationship between the existence of family business governance structures and the sustainability of family businesses.	The statistical analysis to determine the relationship between the existence of family business governance structures and the sustainability of family businesses was done using Pearson correlation coefficient (r). The value of (r) determined the magnitude of the relationship, and whether or not there is a significant relationship (Pearson correlation coefficient).	As per the results in Table 4.6, the null hypothesis which states that there is no significant relationship between family governance and the sustainability of family businesses was rejected. The conclusion is that there is a positive (r = 0.308) significant relationship between family governance structures and the sustainability of family businesses.
<b>H2<sub>0</sub>:</b> There are no significant differences between the challenges faced by small and medium scale family businesses in Botswana.	The statistical analysis for comparing the two independent variables for significance was used, i.e. the independent t-test at alpha level .05 was used to test for significant differences.	The results as displayed in Table 4.6 fail to reject the null hypothesis that there is no significant difference between the challenges faced by small and medium scale family businesses in Botswana.
<b>H3<sub>0</sub>:</b> The relationship between management succession planning and the sustainability of family businesses in Botswana is not significant.	The statistical analysis to determine the relationship was determined by the correlation coefficient (r). The value of (r) determines the magnitude of the relationship, and whether or not there is a significant relationship (Pearson correlation coefficient).	The results shown in Table 4.6 led to the rejection of the null hypothesis and concluded that there is a significantly strong relationship between succession planning and sustainability of family businesses. The results indicate a positive correlation coefficient of 0.613** between succession planning and the sustainability and continuity of family businesses.

<p><b>H4<sub>0</sub>:</b> There are no significant factors that hinder the adoption of good governance practices by family businesses in Botswana.</p>	<p>The statistical analysis used for comparing the two independent variables for significance was the independent t-test at alpha level.</p>	<p>The results in Table 4.6 failed to reject the null hypothesis that there are no significant factors that hinder the adoption of good governance by family businesses in Botswana.</p>
<p><b>H5<sub>0</sub>:</b> There is no significant relationship between a shared vision and mission and the continuity of family businesses.</p>	<p>The statistical analysis to determine the relationship was the correlation coefficient (r). The value of (r) determines the magnitude of the relationship, and whether or not there is a significant relationship (Pearson correlation coefficient).</p>	<p>The findings of the research indicate that the null hypothesis is rejected and a positive relationship (<math>r= 0.057^{**}</math>) exists between a shared vision and mission and the continuity of family businesses.</p>
<p><b>H6<sub>0</sub>:</b> The decision-making approach adopted by family businesses in Botswana that promotes sustainability is not significant.</p>	<p>The statistical analysis used to compare the two independent variables for significance was the independent t-test at alpha level .05.</p>	<p>There is a positive significant relationship (<math>r=0.253^{**}</math>) between the decision-making approach adopted by family businesses and sustainability. This implies that the null hypothesis was rejected, as shown in Table 5.28.</p>
<p><b>H7<sub>0</sub>:</b> The communication approaches adopted by family businesses in Botswana that promotes sustainability is not significant.</p>	<p>The statistical analysis used to compare the two independent variables for significance was the independent t-test at alpha level .05.</p>	<p>There is a positive significant relationship (<math>r=0.253^{**}</math>) between the communication approach adopted by family businesses and sustainability. This implies that the null hypothesis was rejected, as shown in Table 5.28.</p>

To test the validity of the objectives the study tested the seven hypotheses and indicated the achievement of the objectives as follows. Figure 6.1 shows the statistical values of the tests of each hypothesis for each respective objective and variables.



**Figure 6.1: Summary of statistical results**

The following section provides an analysis of the extent to which each of the seven secondary objectives of this study was met.

## Objective 1

To identify the existence of family governance structures promoting the sustainability of family businesses in Botswana.

To achieve the objective as stated above, the following null hypothesis was formulated and tested.

**H1<sub>0</sub>: There is no significant relationship between the existence of family business governance structures and the sustainability of family businesses.**

The results indicated that there is a significant positive ( $r = 0.308^{**}$ ) relationship between family governance structures and the sustainability of family businesses. The null hypothesis showed that there is no significant relationship between the existence of family business governance structures and the sustainability of family businesses; therefore, the hypothesis was rejected. This implies that family business governance structures are positively related to family business sustainability. The results of this study showed that 65% of respondents agreed that their businesses had clear governance structures, while 71% indicated that they had systems in place to ensure legal compliance within the business. This could imply that most firms were aware of the need to comply with external legal requirements such as taxation, labour laws and environmental and health issues. Relatively low scores were recorded regarding the existence of corporate governance structures and systems in family businesses in Botswana, such as the existence of Board of Directors and or Advisory Boards. For example, 32% of the respondents agreed that they had Board of Directors in place, while 44% agreed that they have Advisory Boards in their businesses.

Furthermore, the results indicated that “there were relatively high family business governance which were clearer in governance rules” at 65%. “The business has clear governance structures” at 64%; while only 50% agreed that “There is a family office which deals with family business matters”. Therefore, it can be concluded that family businesses in Botswana seem to be more concerned with corporate governance than with family governance.

In a business, governance structures are one of the key factors that determine the health of the organisation and its sustainability. Moreover, the well-being of the business depends on the soundness of the individuals who work for it as they, in turn, influence the business. A good governance structure contributes to sustainable business development by enhancing the performance of the business and increasing its access to outside capital. Blumentritt (2006:70) concludes that there is a positive relationship between strategic planning activities in family businesses and the presence of Board of Directors and Advisory Boards. However, it was also found that Advisory Boards were a potentially more important tool in the management of family businesses. They allow family businesses to have access to technical expertise without formal covenants.

This result implies that family governance structures are not yet fully adopted by family businesses in Botswana. The reason may be that most family businesses in Botswana are in the first generation, and, hence the need for family governance structures are less recognised. However, the study indicated that good family governance is necessary to promote the sustainability of family businesses. The researcher therefore recommends that good sound family governance structures are needed to ensure the sustainability of family businesses in Botswana.

## **Objective 2**

To identify governance challenges faced by small and medium sized family businesses in Botswana.
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To meet objective 2 of this study, the following null hypothesis was formulated and tested.

**H<sub>20</sub>: There is no significant difference between the challenges faced by small and medium-scale family businesses in Botswana.**

The results failed to reject the null hypothesis that there is no significant difference between the challenges faced by small and medium scale family businesses in Botswana, which implies that they face the same challenges associated with size. Accordingly, some of the challenges that they face are associated with leadership, raising capital, financial mismanagement, competition, regulatory systems, external interference, a lack of financial resources, and labour issues. The results of this study correlate with Franco and Haase (2010), Gill and Biger (2012), and Adisa, Abdulraheem and Mordi (2014:6) who identified a lack of funding, market challenges and regulatory issues as having a negative effect on SME growth in Canada; while Nwosu, Osuagwu, Abaenewe, Ndugbu and Sani (2016:38) found that some of the problems faced by SMEs in Nigeria included management issues, access to capital/finance, policy inconsistencies, environmental factors and infrastructure. Similarly, a study by Tushabomwe-Kazooba (2006) in Uganda identified the causes of business failure as a lack of business plans, high taxes and a lack of capital. In sub-Saharan Africa, a common reason for the failure of SMEs is a lack of finance or limited access to finance, mainly as a lack of collateral. In the developed economies, research has shown that access to loans is linked more to business viability and promoter experience, than to collateral availability.

### Objective 3

To determine the relationship that exists between management succession planning and the sustainability of family businesses in Botswana.
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To meet objective 3, the following null hypothesis was formulated and tested.

**H<sub>30</sub>: The relationship between management succession planning and the sustainability of family businesses in Botswana is not significant.**

The null hypothesis (H<sub>30</sub>) was rejected because the correlation value ( $r = 0.613$ ,  $p=0.000$ ) indicates that management success is significantly and positively associated with the sustainability of family businesses. The objective was confirmed and achieved. The study concluded that there is a significant positive relationship between management succession and

the sustainability of family businesses. This signifies that management succession planning is vital for the success and sustainability of family businesses in Botswana.

More so, the findings of this study lend support to previous studies on the effect of succession planning on the longevity of family-owned businesses. The research has empirically shown that factors such as having a succession plan, the identification of a successor, and communication of the successor to family members all affect the continuity of family businesses in Botswana.

The results indicated an awareness of the need for succession planning by 70% of the respondents. However, the succession process has not been embraced by 65% of the family businesses in Botswana. Only 35% of businesses indicated that the person who will take over the business had been identified, while 38% agreed that the identity of the successor to the current owner or manager had been communicated to family members employed in the business. In a world survey of family businesses by PwC (2016a:1), 43% of family businesses do not have succession plans in place.

The findings further suggested that the identification and proper grooming of the successor are key factors in the succession process. Scholars have found a positive relationship between the level of preparation and the effectiveness of the succession process (Chaimahawong & Sakulsriprasert, 2013:1). Other studies have highlighted the prominence of succession planning in the sustainability of family businesses (Motwani, Levenburg, Schwarz & Blankson, 2006; van der Merwe 2010b:40; Boyd, Royer, Pei & Zhang, 2015) and the study attest to this. Ghee, Ibrahim and Abdul-Halim (2015:104) state that succession planning is the key to the success of the family business and that it should be taken care of if the business is to be sustainable. Ghee *et al.*, (2015:112) argue that the success of a family-owned business is grounded on several cohesive factors such as the founder's business management skills, and the formation of a solid foundation for successors to the successor transition process.

Thus, the researcher recommends that succession plans must be in place and all the family members must be aware of the successor in time. This communication helps to minimise conflict of interest and family politics when a successor is needed. It also enables smooth transition of power in the event of death, resignation or any mishap. This also promotes the sustainability of the family business. Empirical evidence has shown that most family businesses disappear or close soon after the death of the founder. This shows that the family business should seriously consider management succession to promote the sustainability of the family business. Although this study dealt with succession at management level only, succession would also include the transfer of ownership and the transfer of taxes. Hence, an effective succession plan would ensure the transfer of management and ownership, and the payment of transfer taxes.

#### **Objective 4**

To determine factors that hinder the adoption of good governance practices in family businesses in Botswana.
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To meet objective 4, the following null hypothesis was formulated and tested.

**H<sub>40</sub>: There are no significant factors that hinder the adoption of good governance practices by family businesses in Botswana.**

From Table 6.1, the results failed to reject the null hypothesis, which implies that there is no factor(s) that hinders the adoption of governance practices by family businesses in Botswana. Accordingly, good governance structures are put in place to sustain the business. This study assessed the family business's adoption of family and corporate governance practices such as putting systems in place to ensure legal compliance in the business, having clear governance rules and structures, and the availability of documents that describe the relationship between the family and the business. The results showed that family firms had clear governance rules (64% agreeing and 18.7% remaining neutral), as well as systems in place to ensure legal compliance in the business (71% agreeing, 14% remaining neutral and the remainder disagreed). It can thus be inferred that family businesses put in place governance systems and

structures related to legal requirements and compliance. Results from this study indicated that 63% of the businesses had outside board members, while only 27% agreed with the need to appoint an independent board member. Poor governance or a lack of governance is a major factor in the demise of family businesses (Neubauer & Lank, 1998).

### **Objective 5**

To determine the significance of a shared vision and mission on the continuity and sustainability of family businesses in Botswana.

To meet objective 5, the following null hypothesis was formulated and tested.

**H5<sub>0</sub>: There is no significant relationship between a shared vision, mission and strategic plan and the continuity of family businesses.**

The test results showed that there is no significant relationship between a shared vision, mission and strategic plan, and the sustainable continuity of family businesses is rejected. The results indicate that a shared vision, mission and strategy are significant and positively associated with the continuity of family businesses in Botswana ( $r = 0.057$ ,  $p < .494$ ). The  $p > 1$  means that there was no correlation between a shared vision, mission and strategy with the continuity of family businesses. Empirical research has shown that the existence of a vision, mission and strategy is positively related to the sustainability and continuity of family businesses in Botswana.

The study found evidence for the positive effect of a vision, mission and strategic planning on the sustainability of family businesses. Businesses with a vision and who conduct strategic planning, survive into the future. All variables used to measure the relationship between a vision, mission and strategic plan scored very high, with 70% in agreement that these variables affect the sustainability of family-owned businesses in Botswana.

Thus, the researcher recommends that family businesses need to have a clear vision which must be communicated to all employees, and that the vision and mission statement must be clearly written down and spelt out.

The observation indicates that in most family businesses studied, most of them do not have a written vision and mission. It also seems only the founder is aware of the vision of the business. This should be corrected by ensuring that the business's vision is clear to all employees. As a result, research objective 5 was achieved.

Strategic planning is linked to good governance, as it involves stakeholder consultation and clear documentation. The results confirmed prior results on this subject. Strategic management and a vision were identified as important determinants of business success among SMEs (Beaver, 2007; Franco & Haase, 2010). Beaver (2002:48) posits that strategic thinking and planning are strongly related to SMEs' financial performance.

### **Objective 6**

To assess family business decision-making approaches which promote the sustainability and continuity of family businesses in Botswana.

To fulfil objective 6, the following two null hypotheses were formulated and tested.

**H<sub>60</sub>: The decision-making approach of family businesses in Botswana that promotes sustainability is not significant.**

Results from the hypothesis indicate that there is a positive significant relationship ( $r=0.253^{**}$ ) between the decision-making approach adopted by family businesses and sustainability. Therefore, H<sub>60</sub> is rejected. One major criticism of the family business is poor decision-making due to "power" and person "culture".

Decisions in family businesses need to be made by a process of consultation and discussion and should not be dictated by the owner. The founders need to consult all family members and use external professional consultants to assist in decision-making in the family business. This promotes the sustainability of the family business.

### **Objective 7**

To investigate the relationship between communication approaches and the sustainability of family businesses in Botswana.

To fulfil objective 7, the following two null hypotheses were formulated and tested.

**H7<sub>0</sub>: The communication approach of family businesses in Botswana that promotes sustainability is not significant.**

There is a positive significant relationship ( $r=0.253^{**}$ ) between the communication approach adopted by family businesses and sustainability. This implies that the null hypothesis was rejected, as shown in Table 5.28. The research also found that with communication, 82% of the respondents agreed that there were clear lines of communication as 83% believed the communication channels in family businesses in Botswana were adequate. Thus, the researcher recommends that information and communication is vital towards the sustainability of the family business. To ensure the sustainability of family businesses, it is vital to have clear lines of communication in the business. The founder must share information with other family members to avoid conflicts of interests which might threaten the sustainability of the family business. Everyone should be informed of what is happening in the family business.

Carman and Pearson (2013:103) suggest that family business owners and managers should encourage open communication, not only with younger members of their families, but also among family employees. Open communication with young members of the family positively influences them to join the family business. Lunderg (1994:34) stresses the importance of effective communication to avoid misunderstandings among family members, as these destabilise relationships and the operations of the firm. Communication systems in family businesses evolve over time. Kolak and Volling (2007) posit family functioning can be enhanced or weakened by the state of family communication.

The researcher met the objectives of the study, and the two hypotheses were tested and confirmed.

## **6.5 SUMMARY OF THE THEORETICAL ORIENTATION**

Chapters two and three of this study established that family businesses have grown and changed substantially to date. Presently, small and medium businesses are viewed as the spring board of the economy. Most governments globally do have ministries responsible for SMEs. This reflects that SMEs are vital and contribute immensely towards economic growth. Despite this positive development, the theoretical literature has shown that a lack of good governance in family businesses is still a cause of concern. Hence, the research gap sought to close this gap by identifying governance factors that affect the sustainability and continuity of small and medium family businesses in Botswana. Factors important for the survival and sustainability of family businesses were also explained. It was found that factors like succession planning, decision-making, and communication are some of the factors linked to the governance systems of family businesses.

SMEs have multiple similarities and differences from non-family businesses. The biggest differing factor being the presence of the family in the business. Small and medium businesses employ a vast number of less skilled people, making them an important sector and an attractive partner for the government in its commitment to bring about sustainable economic development in its quest to diversify the economy, and to eradicate poverty. With the increase in the number of SMEs in Botswana all competing for resources and markets, it becomes imperative for these businesses to put in place business practices to survive over generations. Now, more than ever, SMEs need to understand their visions, missions and strategic plans. To meet the demands of the competitive environment, these businesses should harness the knowledge available in the corporate governance field. Good corporate governance is concerned with who has the power to rule directly and control the business to ensure that business objectives are met. Chapter three provided the theoretical underpinnings related to the governance and sustainability of family businesses.

In this study, the term governance means the way in which SMEs are governed, and for which purpose. It is concerned with openness, accountability, honesty and transparency in family businesses in Botswana which is currently lacking. The literature has shown that it is vital to consider and have sound governance in the family business. Family businesses need to recognise good governance for the long-term sustainability and growth of the business. Furthermore, this chapter discussed the governance challenges faced by small and medium family businesses and the relationship that exists between management succession planning and the sustainability of family businesses. Family business decision-making and communication approaches which promote the sustainability of family businesses were also discussed in the chapter.

The research has shown that the presence of governance structures, a vision, mission and strategy, effective communication and decision-making, and succession planning all affect the sustainability and continuity of family businesses in Botswana. In essence, six of the seven hypotheses were supported. In summary, Table 5.30 shows that in the absence of any explanatory variable, profit and continuity would increase by 3.178 times. Moreover, governance has no statistically significant effect on the profitability and sustainability of family businesses. The variables that had a positive and significant effect on the profitability and continuity include a vision, mission and strategy; family relationship and trust; and business challenges. This study was also not conclusive regarding the effect of a Board of Directors on enhancing the longevity of family-owned businesses. This research has tested seven hypotheses relating to governance factors which affect the sustainability and continuity of family businesses in Botswana. The research has highlighted that these factors are critical for the sustainability of family businesses in Botswana. Positive relationships between these variables and the main dependent variable (sustainability of family businesses) were established.

## 6.6 CONCLUSION

This chapter summarised the major findings of the study, the tests for each hypothesis and analysis for each objective. The results showed that there is a need of good family governance structures to promote the sustainability of family businesses in Botswana. The empirical results proved that the existence of governance structures affect the sustainability and survival of the family business. The study also revealed that the existence of a vision, mission and strategic planning were important for the sustainability and continuity of family businesses, though not necessarily written down. The empirical results proved that management succession planning was an important determinant of good governance. A significant and direct relationship was found to exist between management succession planning and family businesses' sustainability and continuity. The study highlighted the importance of the management of the succession planning process. These results have shown that most family businesses in Botswana do not plan for succession in their businesses. The results have further showed a positive relationship between the vision, mission and strategic planning, and family sustainability. A shared vision was perceived to be important in sharing the collective idea of the business to all family members. The study also revealed that family businesses need to change the way they conduct business by incorporating everyone in family business decision-making and communication processes, as it promotes the sustainability of family businesses in Botswana. The study established that family businesses have various platforms and structures which they can use to effectively communicate with their family members such as family meetings, assemblies, councils and other family gatherings. As a result, all the objectives of the study were confirmed and achieved.

The next chapter presents the conclusion and recommendations of the study, the contributions of the study, and areas for further research.

## **CHAPTER 7**

### **CONCLUSION AND RECOMMENDATIONS**

#### **7.1 INTRODUCTION**

This chapter focuses on the conclusion and recommendations of the study. It also indicates the limitations of the study and potential areas for further research. This chapter makes recommendations on policies and decisions that could affect the survival of family-owned businesses in Botswana. The recommendations are made on the main research findings.

#### **7.2 CONTRIBUTION OF THE STUDY**

Family businesses are one of the driving forces of modern economies, including the Botswana economy. It is therefore relevant to study family businesses, and more specifically, to understand the factors, structures and systems that support their sustainability and continuity. The study has revealed that separating the concepts of the family in business, and the family business, may assist researchers in obtaining an in-depth understanding of governance in family businesses in Botswana. The empirical contributions of this study were discussed in Chapter six. Consequently, the following section summarises the additional contributions made by this study.

1. This research contributes to the literature on family business governance in Botswana. To the researcher's knowledge, this is ground-breaking research in that it identifies governance factors that influence family business continuity in Botswana. In Botswana, there has been up to now no accepted model, standard or theory on the governance of SMEs. The findings of this research therefore provide a basis for comparison with similar studies on the effects of governance on the sustainability and continuity of family businesses in Botswana.

2. This study contributes to the literature on small and medium family business sustainability by locating governance as a key variable in line with academic debate which suggests that the existence of governance structures and systems are key determinants for business survival.
3. The research links family governance and business governance with the success of both the business and the family. This link provides greater insight into the way governance policies and systems can be developed or further enhanced for the sustainability and longevity of the family business. The study focused on an area which is often neglected owing to the convergence of ownership and management incentives. The government of Botswana has put in place various facilities and institutions to support SMEs. The importance of governance factors for the sustainability and continuity of family businesses was explored through the empirical investigation. Despite arguments in the literature for low or no agency costs in family businesses because of the overlap of ownership, management and altruism, this study is inclined to the view that both corporate and family governance structures and systems should be in place.
4. This study provides evidence of the importance of small and medium family businesses to have a Board of Directors or an Advisory Board as a source of key skills for various functions where expertise may not be available in the business.
5. The research provided some practical considerations for small and medium family businesses to apply to enhance their longevity. These include having in place a Board of Directors, an Advisory Board, a vision, mission, strategic plan, succession planning, and an effective communication system. These issues have been demonstrated as having significant effects on small and medium family business sustainability in Botswana.

### **7.3 RECOMMENDATIONS FOR THE STUDY**

Recommendations are made on the basis that good governance enhances the sustainability and continuity of family businesses in Botswana. The sustainability and continuity of family businesses is not only important for the socioeconomic wealth of the owners, but also for the economy of Botswana. The findings point to the importance of governance as a tool for ensuring the sustainability of small and medium family businesses. It has long been established that small and medium enterprises are the engines of economic growth and employment creation the world over. It has also been established in the research on SMEs that their mortality rates are high, and hence, need to be lowered.

#### **7.3.1 Establishment of a code of conduct on the governance of small and medium businesses.**

Based on the analysis conducted in this research, it is recommended that family-owned businesses in Botswana should put in place governance mechanisms to safeguard their longevity and sustainability. Based on both the literature and the empirical evidence obtained, a vision, mission, strategic plan, governance control mechanisms, effective family communication, family business structures, succession plans and documentation, and participative decision-making have a positive relationship with the sustainability and continuity of family-owned businesses in Botswana. The results have also shown that SMEs have not fully integrated corporate governance structures and systems. Therefore, governance of both the family and the business is needed to ensure the sustainability and continuity of small and medium family businesses.

#### **7.3.2 Capacity building and technical support by government and stakeholders**

It is recommended that policymakers should put in place mechanisms for technical support policies, programmes, seminars and/or workshops with a special emphasis on the need of SMEs to implement governance structures. Family businesses ought to be encouraged to take

a long-term view, put a mission and strategic plans in place, and have succession plans and effective communication among family members. These initiatives could be presented through established forums such as family assemblies, family meetings, and participative decision-making processes which empower the next generations with business skills, while also allowing them to be heard. According to Williams and Jones (2010:39) and Gardner (2014), most family businesses operate without formal structures, which result in poor corporate governance. Such informality negatively affects businesses' long-term survival. Corporate governance, which has been identified as being vital for corporate control of the firm, was also found to be a major challenge for family businesses (Van der Merwe, 2007:15). This means that to ensure the sustainability of family businesses, there is a need for SMEs to establish capacity building and technical support. The government of Botswana has not done enough in this area. The researcher has observed that there is scanty literature which addresses governance, succession planning, business sustainability and continuity of SMEs in Botswana. This is more critical for businesses which are in the first generation, where the death of the founder directly affects the continuity of the business.

### **7.3.3 Establishment of strong institutions to support small and medium family businesses**

It is recommended that strong institutions, which support family-owned businesses as a form of business ownership, should be created. Such institutions would then provide information and guidance to family businesses. This is important as research has made it clear that family businesses differ in various ways from their non-family business counterparts.

### **7.3.4 Register of family businesses**

There is a need for a formal register of family businesses in Botswana. Issues of governance and the sustainability of family businesses can then be easily disseminated to the correct audience.

### **7.3.5 Need for the development of a governance framework**

Provide guidance on cost effective ways of adopting good governance structures and systems, a guide on governance is required. This study recommends that the government, through the Ministry of Trade and Industry, should develop a handbook with governance guidelines that provide key pillars of governance, and on how small and medium family businesses can institute and incorporate governance best practices.

### **7.3.6 Importance of formal planning for small and medium family businesses**

The results of this study have shown that planning by small and medium family businesses is not systematically done and documented, and where it exists, it is done by the founder. It is recommended that small and medium family businesses should institute formal planning processes and craft a strategic plan to enhance their competitiveness and sustainability. The planning process should engage both family members (current and the next generation), and non-family members in management.

### **7.3.7 Need for effective communication systems and channels in the family business**

Family businesses should adopt a culture of open family communication in a structured manner, taking into account the size of both the family and the business. Open communication is a vehicle for good governance and sustainability of the family business. Depending on the size of the business, family businesses should formalise its gatherings to discuss family and business matters in the form of meetings, assemblies and councils. These forums create an environment of trust across generations. The section below discusses the limitations of this study.

## **7.4 LIMITATIONS OF THE STUDY**

1. There is limited research available on the governance and sustainability of family businesses in Botswana; thereby limiting sources of available empirical evidence. Where such literature existed, it was either archaic or was mainly for studies conducted in developed countries, making it difficult to easily relate it to Botswana. Literature from South African cases was illustrative in guiding this study.
2. Botswana does not have a register of family businesses operating in the country. This resulted in the researcher relying on registers meant for different purposes being used to sample the units of analysis of this study. While most family firms have been registered by the Registrar of Companies as SMEs, there is no such register for the classification of businesses or any forums that pertain to family businesses in Botswana. Consequently, it limits the number of organisations that are readily recognisable as family businesses and which are properly registered. This study may have excluded some family businesses which were not listed on the BB and LEA registers. The availability of an exhaustive register with all family businesses might have yielded different findings and conclusions.
3. There is very little documented research on SMEs in general, and specifically on family businesses in Botswana. This limited the researcher's ability to compare the findings of this study with similar studies on family businesses in Botswana.
4. Botswana is a vast country with most family businesses operating along the NI highway road. It was, thus, anticipated that it may be difficult to access those businesses not on the main road and/or situated in small villages around either Gaborone or Francistown, because of both the financial costs and the long distances involved, especially if these businesses failed to respond to e-mails and telephone calls. However, as most family businesses in Botswana were either in Gaborone or

Francistown, it was not anticipated that the demarcation of the study would affect its validity.

5. Only 263 family businesses were involved, where 144 of these completed the research instrument. This small number limited the statistical analysis techniques that could be utilised. A larger sample might have increased the generalisability of the findings and conclusions of this study.
6. Additionally, the researcher did not explore issues of profitability and cash flow trends in this study. Such an inclusion would reveal financial aspects which could determine the survival and sustainability of family-owned businesses.
7. Finally, while Unisa provided the researcher with partial funding for the study, the approval process to draw the funds was very slow, causing delays to the completion of the study.

However, despite these limitations, the results of this study are instructive and plausible. This study has made useful contributions to the existing body of knowledge regarding small and medium family businesses in Botswana. The following section recommends areas for further research.

## **7.5 FURTHER RESEARCH AREAS**

1. It is recommended that future studies should focus on developing a systematic generic model and assist small and medium family-owned businesses to implement and improve the sustainability and continuity of businesses in Botswana.
2. While family businesses are distinctly different from their non-family counterparts, they are not in themselves homogeneous. Differences among themselves trigger variations in the forms and shapes of governance adopted by each business. There is thus a need for a study to examine heterogeneity among family businesses, and how it

influences their governance. This study did not concern itself with the heterogeneous nature of the family business and hence took a one-size-fits-all approach.

3. A replication of this study could be conducted, using family business owners only as respondents to check if results would differ from what the researcher obtained in this study.
4. Considering that this was an exploratory cross-sectional study over a short period of time, a longitudinal research design could be used, which may yield different results.
5. Similar studies could be done in other parts of Botswana, especially in rural settings, and compare the results with a predominantly urban setting.
6. A study could be conducted to determine why family-owned businesses do not have or find the need to belong to an association, or why they are not registered in Botswana.
7. Future research could also be conducted how family businesses in Botswana might overcome factors that inhibit their adoption of good governance systems, structures and practices.
8. Further studies could be done to establish the entrepreneurial orientation of family-owned businesses in Botswana.
9. Finally, it would be beneficial to examine the practice of good governance in a comparative study of family and non-family businesses, alongside longevity results, to confirm the influence of the family on SME governance.

## 7.6 CONCLUSION

This research has broken ground in that the governance of family businesses in Botswana was unexplored until now. Previous research concentrated on SME challenges, access to finance, training and management skills, a lack of financial management and bookkeeping skills. No attempt has been made to date to study the sustainability and continuity of small and medium family businesses, despite their survival rates. This research has established the contribution being made by family businesses in Botswana in terms of their GDP, employment and wealth creation, and participation in the economic diversification strategy. Similarly, this research also demonstrated the high mortality rates of SMEs, family businesses included. Therefore, the need for generic governance standards that will assist in ensuring the longevity and sustainability of family businesses. The government of Botswana, through the Republic of Botswana (2013), and the economic diversification strategy, have placed SMEs at the centre of Botswana's economic turnaround.

The subject of corporate governance in family businesses is still evolving with limited literature available. This research has established that family business governance and institutions which support family business sustainability in Botswana, need attention at both the firm and the national level. While concepts such as succession planning seem to be common and easily identified, there was little evidence that family businesses were preparing for the next generation. Research regarding SMEs, including family businesses, will continue to be valuable for Botswana, considering the country's strategic focus on diversifying its economy away from its reliance on minerals and beef exports. The contribution by SMEs is viewed as a panacea for the high unemployment rate among the youth.

It is hoped that the findings, discussions, suggestions and recommendation in this study would remedy the observed sustainability and continuity trends and prevent the high prevalence of failure among family businesses in Botswana and in other developing countries and regions.

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## APPENDIX A: UNISA ETHICAL CLEARANCE CERTIFICATE



14 September 2016

**Ref #: 2016\_CEMS\_ESTTL\_003**

### DEPARTMENT OF ENTREPRENEURSHIP, SUPPLY CHAIN, TRANSPORT, TOURISM AND LOGISTICS MANAGEMENT RESEARCH ETHICS REVIEW COMMITTEE

This is to certify that the application for ethics clearance submitted by  
Mr Ruramayi Tadu (student #50773461, Ruramayi.Tadu@baisago.ac.bw)

Effects of governance on the sustainability and continuity of family businesses in Botswana  
**received Ethics Approval**

The application for ethics clearance for the above mentioned research was reviewed by the Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management Research Ethics Review Committee in August 2016 in compliance with the Unisa Policy on Research Ethics. Ethical Clearance for the project is granted.

You may proceed with the research project after you have considered the feedback from the committee. The research ethics principles outlined by the Unisa Policy on Research Ethics must be adhered to throughout the project. Please be advised that the committee needs to be informed should any part of the research methodology as outlined in the Ethics application (Ref #2016\_CEMS\_ESTTL\_003) change in any way or in case of adverse events. This certificate is valid for the duration of the project. The ESTTL Research Ethics Review Committee wishes you all the best with this research undertaking.

Kind regards,

Mrs C Poole  
Chairperson

Executive Dean: CEMS



University of South Africa  
Pretorius Street, Muckleneuk Ridge, City of Tshwane  
PO Box 392 UNISA 0003 South Africa  
Telephone: +27 12 429 3111 Facsimile: +27 12 429 4150  
www.unisa.ac.za

Open Rubric

## APPENDIX C: RESEARCH INSTRUMENT COVER LETTER

To: -----

Gaborone, Botswana

15 June 2017

Dear Sir/Madam

My name is Ruramayi Tadu, a Doctor of Business Administration student in the College of Economic and Management Sciences, Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management, at the University of South Africa (UNISA).

I am conducting a research study on the “**Effects of governance on the sustainability and continuity of family businesses in Botswana**”. My supervisors for this study are Professor E. Chiloane-Tsoka and Dr D. Visser.

Small and medium enterprises (SMEs) have been lauded for their significant contribution to the growth of several national economies. In view of the fact that the majority of family businesses are SMEs, it is not unnatural to assume that these family businesses face similar challenges to those faced by non-family businesses of a similar size. In view of the high failure rate of small and medium family businesses and their importance to the economy of Botswana, it is anticipated that this research will be of interest to a number of stakeholders. This study is focused specifically on governance factors which influence the sustainability and continuity of family businesses in Botswana.

The lack of longevity of these forms of businesses is the main concern of this study. The amount of money and other non-financial resources committed by both the public and private sectors is enormous, while the survival rate of these forms of business is dismally low.

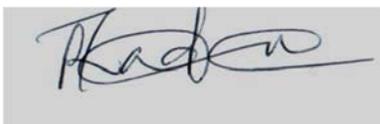
An understanding of family dynamics and governance systems is important for the success and survival of the family business. The complicated dynamics that exist between family members not only influence the performance of the family business, but also its growth, change and transitioning overtime.

It is hoped that the new and extended knowledge within this field will lead to an increased understanding of the family business phenomenon on the part of policy-makers, other relevant stakeholders and researchers. In addition, the research results should benefit the owners and managers of such businesses, offering useful guidelines for both future governance and business continuity.

Your business was selected by the researcher as a business that demonstrates the characteristics of a family business and you have been identified as an important informant for the purposes of this research. As a researcher, I strongly believe that your experience and knowledge will make a substantial contribution to the success of this study. I would therefore appreciate it if you could assist me in my study by completing the enclosed questionnaire. Estimated time to complete the questionnaire is **30 minutes**. All the information provided will remain strictly confidential unless you give written permission for either your name or that of your business to be disclosed. In appreciation of your contribution, a final summary of the findings will be made available to you on request.

The researcher may be contacted via e-mail and/or telephone (see contact details below). Please do not hesitate to contact me at any time if you require further explanation. I would greatly appreciate your cooperation and contribution, and extend my heartfelt thanks in advance for your assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ruramayi Tadu', is written over a light gray rectangular background.

**Ruramayi Tadu**

Doctoral student

College of Economic and Management Sciences

Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics  
Management, University of South Africa (UNISA)

Postal Address: BA ISAGO University, Private Bag 149, Kgale View Postnet

Gaborone, Botswana

395 7744 / 77571562/74639898

Supervisor: Prof G.E. Chiloane-Tsoka, Department of Entrepreneurship, Supply Chain,  
Transport, Tourism and Logistics Management

Preller Street, Muckleneuk Ridge, Pretoria

PO Box 329 UNISA 0003 South Africa

Chiloge@unisa.ac.za

Co-supervisor: Dr D. Visser, Department of Business Management

Preller Street, Muckleneuk Ridge, Pretoria

PO Box 329 UNISA 0003 South Africa

vissed@unisa.ac.za

## **APPENDIX D: RESEARCH RESPONDENT INFORMATION SHEET**

### **Dear Prospective Respondent**

My name is Ruramayi Tadu and I am conducting research on the **“Effects of governance on the sustainability and continuity of family businesses in Botswana”** through the University of South Africa, College of Economic and Management Sciences, Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management. Thus, I would like to invite you to take part in my doctoral research study that seeks to identify effects of governance on the sustainability and continuity of family businesses in Botswana. It is important for you to understand why the research is being done and why I seek your involvement before you decide to respond to the questionnaire. Please take time to read the following information carefully and discuss it with me if you wish. I am willing to clarify any issues from you should there be a need.

#### **1. What is the aim/purpose of the study?**

The aim of this study is to investigate the governance factors which influence the sustainability and continuity of family businesses in Botswana.

I am conducting this research to find out the governance factors which influence the sustainability and continuity of family-owned businesses.

#### **2. Why am I being invited to participate?**

You were selected as a possible respondent in this study because of your experience and leadership position in the firm. There are close 350 other respondents who will participate in this study. All target firms were selected randomly among small and medium family businesses in Botswana from the list of Small and Medium Enterprises.

#### **3. What is the nature of my participation in this study / what does the research involve?**

As a respondent in this study, you will be involved in a survey. You will be required to fill in the questionnaire, which takes about 30 minutes to complete. The field worker or myself will

hand you the questionnaire or it will be send to your email by prior appointment. Once completed, an arrangement will be made to collect the questionnaire.

**4. Can I withdraw from this study?**

Participation in this study is voluntary - you are not under any obligation to consent and - if you do consent - you can withdraw at any stage before you complete the questionnaire. However, once the questionnaire has been completed and collected, withdrawal will not be possible.

**5. What are the potential benefits of taking part in this study?**

When your participation is complete, you will be given an opportunity to learn about this research, which may be useful to you in your governance of the family business.

**6. What is the anticipated inconvenience of taking part in this study?**

In this survey there is no discomforts, inconveniences and potential risks that the respondent may experience. There are also no foreseeable risks envisaged for this survey.

**7. Will this information be kept confidential?**

The confidentiality of all recorded information will be maintained to the fullest extent possible. Your name or that of your business will not be recorded anywhere and no one will be able to connect you to the answers you give. Your answers will be given a fictitious code number or a pseudonym and you will be referred to in this way in the data, any publications, or other research reporting methods such as conference proceedings.

Your answers may be reviewed by people responsible for making sure that research is done properly, including the field worker, transcribe, external coder, and members of the Research Ethics Review Committee. Otherwise, records that identify you will be available only to people working on the study, unless you give permission for other people to see the records.

A report of the study may be submitted for publication, to a Journal, Book Chapter or Conference Proceedings, but individual respondents will not be identifiable in such a report.

**8. How will information be stored and ultimately destroyed?**

Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet at BA ISAGO University, Botswana, for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable.

**9. Will I receive payment or any incentives for participating in this study?**

You will not receive any form of payment or reward for participation in this study. There are no costs to you for your participation in this study beyond the time and effort required to participate in the survey described above. The questionnaire will be handed or emailed after you have agreed and will be collected following your confirmation that it is completed.

**10. Has the study received ethical approval?**

This study has received written approval from the Research Ethics Review Committee of the College of Economic and Management Sciences, UNISA. A copy of the approval letter can be obtained from the researcher if you so wish.

**11. How will I be informed of the findings/results?**

If you would like to be informed of the final research findings, please contact us. If you wish to be told the results of this research, please contact Ruramayi Tadu on the details below.

Phone: 00267 7463 9898 e-mail: [ruramayi.tadu@baisago.ac.bw](mailto:ruramayi.tadu@baisago.ac.bw)

On request, an executive summary of the findings will be made available to you.

Should you require any further information or want to contact the researcher about any aspect of this study, please contact Ruramayi Tadu on the details below. Phone: 00267 7463 9898 e-mail: [ruramayi.tadu@baisago.ac.bw](mailto:ruramayi.tadu@baisago.ac.bw). Should you have concerns about the way in which the research has been conducted, you may contact Professor Chiloane-Tsoka (e-mail: [chiloge@unisa.ac.za](mailto:chiloge@unisa.ac.za)).

Any complaint will be investigated promptly, and you will be informed of the outcome.

Thank you for taking time to read this information sheet and for participating in this study.

Thank you.

A handwritten signature in black ink on a light gray background. The signature is cursive and appears to read 'Ruramayi Tadu'.

Ruramayi Tadu

**APPENDIX E: CONSENT TO PARTICIPATE IN THE STUDY BY RESPONDENT**

I, \_\_\_\_\_ (respondent name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty.

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to the recording of the data on the questionnaire.

I have received a signed copy of the informed consent agreement.

Respondent Name & Surname..... (Please print)

Respondent Signature..... Date.....

Researcher's Name & Surname: Ruramayi Tadu

Researcher's signature 

Date: 5 June 2017

## APPENDIX F: CONFIDENTIALITY AGREEMENT WITH FIELD WORKERS



### Confidentiality Agreement : Fieldworkers

This is to certify that I, Thatayaone Kgosi, a fieldworker of the research project **Effects of governance on the sustainability and continuity of family businesses in Botswana** agree to the responsibilities of the administration and collection of completed questionnaires from participants (and additional tasks the researcher(s) may require in my capacity as fieldworker).

I acknowledge that the research project is/are conducted by **Ruramayi Tadu** of the **Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management, University of South Africa**.

I understand that any information (written, verbal or any other form) obtained during the performance of my duties must remain confidential and in line with the UNISA Policy on Research Ethics.

This includes all information about participants, their employees/their employers/their organisation, as well as any other information.

I understand that any unauthorised release or carelessness in the handling of this confidential information is considered a breach of the duty to maintain confidentiality.

I further understand that any breach of the duty to maintain confidentiality could be grounds for immediate dismissal and/or possible liability in any legal action arising from such breach.

Full Name of Fieldworker: Thatayaone Kgosi  
Signature of Fieldworker: [Signature] Date: 02/06/17

Full Name of Primary Researcher: RURAMAYI TADU  
Signature of Primary Researcher: [Signature] Date: 25/2017



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[www.unisa.ac.za](http://www.unisa.ac.za)

## APPENDIX G: CONFIDENTIALITY AGREEMENT WITH STATISTICIAN



### Confidentiality Agreement Statistician

This is to certify that I, Pro A Amano , the statistician of the research project **The effects of Governance the sustainability and continuity of family businesses in Botswana** agree to the responsibilities of the statistical analysis of the data obtained from participants (and additional tasks the researcher(s) may require in my capacity as statistician).

**Department Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management, at the University of South Africa (UNISA).**

I acknowledge that the research project is conducted by Ruramayi Tadu of the Department of

I understand that any information (written, verbal or any other form) obtained during the performance of my duties must remain confidential and in line with the UNISA Policy on Research Ethics.

This includes all information about participants, their employees/their employers/their organisation, as well as any other information.

I understand that any unauthorised release or carelessness in the handling of this confidential information is considered a breach of the duty to maintain confidentiality.

I further understand that any breach of the duty to maintain confidentiality could be grounds for immediate dismissal and/or possible liability in any legal action arising from such breach.

Full Name of Statistician: Prof A. Amano  
Signature of Statistician: [Signature] Date: 30/3/2017

Full Name of Primary Researcher: RURAMAYI TADU  
Signature of Primary Researcher: [Signature] Date: 30/03/2017



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PO Box 392 UNISA 0003 South Africa  
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## APPENDIX H: LETTER OF PERMISSION TO CONDUCT RESEARCH FROM MINISTRY OF TRADE AND INDUSTRY

TELEPHONE: 3601200  
TELEFAX: 3971539  
EMAIL: [Mtihq@gov.bw](mailto:Mtihq@gov.bw)  
WEBSITE: [www.mti.gov.bw](http://www.mti.gov.bw)



REPUBLIC OF BOTSWANA

MINISTRY OF TRADE AND INDUSTRY,  
PRIVATE BAG 004,  
GABORONE  
BOTSWANA

ALL CORRESPONDENCE MUST BE ADDRESSED TO  
THE PERMANENT SECRETARY

**Ref:** TI 1/21/1 I (6)

12 February 2016

Ruramayi Tadu  
BA ISAGO University  
Private Bag 149  
Gaborone

Dear Sir

### **PERMISSION TO CONDUCT RESEARCH**

Reference is made to the letter dated 11<sup>th</sup> February 2016 from the UNISA University of South Africa, on your behalf, requesting for permission to conduct research.

I am pleased to let you know that permission has been granted to you, to conduct research study titled:

#### **"Effects of Governance on the family Business survival and continuity in Botswana"**

This permission allows you to access our libraries in Botswana, books, reports etc. as well as interviewing relevant stakeholders who would be able to assist you to get information on your research topic.

Please note that you are required to deposit a bound copy of your research papers/books at Botswana National Archives, the University of Botswana Library, and the Ministry of Trade and Industry.

Yours faithfully

Peggy O. Serame  
**Permanent Secretary**



*Mission: The Ministry of Trade and Industry will promote the development of Sustainable industries and trade*



**APPENDIX I: LETTER OF PERMISSION TO USE BUSINESS BOTSWANA DATABASE:**

**BUSINESS BOTSWANA**

**Head Office**

Business Botswana (*former BOCCIM*) House  
Luthuli Road  
P.O. Box 432  
Gaborone  
**Phone:** 3953459  
**Fax:** 3973142  
**Email:** [publicrelations@businessbotswana.org.bw](mailto:publicrelations@businessbotswana.org.bw)

**North Region**

Haskins Building  
Private Bag F/85  
Francistown  
**Phone:** 2414622  
**Fax:** 2414494  
**Email:** [businessbotswanaft@businessbotswana.org.bw](mailto:businessbotswanaft@businessbotswana.org.bw)

---

12<sup>th</sup> April 2016

Mr Ruramayi Tadu  
BA ISAGO University  
Private BAG 149  
Kgale View  
Gaborone

Dear Sir,

**RE: PERMISSION TO USE BUSINESS BOTSWANA REGISTER OF MEMBERSHIP TO CONDUCT RESEARCH PURPOSES**

Reference is made to your request dated 11<sup>th</sup> February 2016, from the University of South Africa, on your behalf requesting for permission to conduct research. Business Botswana is pleased to let you know that permission has been granted to use our Membership Directory to conduct your research titled: "Effects of Governance on the Sustainability and Continuity of Family Businesses in Botswana"

This permission allows you to use the Business Botswana Membership Directory to access contact details for our members. Please note that you are required to deposit a bound copy of your research project at Business Botswana, upon completion of your studies.

Yours faithfully



Keolepile P. Motshusi (Mrs)  
**For Director Membership Management**

**BUSINESS BOTSWANA Officers:**

L.L. Mosienyane (President), G. Keabane (Vice Pres.), P. Maitlhobogi (Vice Pres.), B.D. Phirie (Treasurer), D.S. Molobe (Acting CEO)

## APPENDIX J: LETTER OF PERMISSION TO USE LOCAL ENTERPRISE AUTHORITY DATABASE



**Ref:** LEA 7/5/4/1 II (64)

21 June 2016

Ruramayi Tadu  
Vice President, Academic Affairs  
Ba Isago University  
Gaborone

Dear Ruramayi Tadu

**RE: REQUEST FOR LEA CLIENTS INFORMATION FOR RESEARCH**

The above subject and your application to carry out a study titled “**Effects of governance on the sustainability and continuity of family businesses in Botswana**” refers. Your application to access LEA clients’ data is granted under the following terms;

1. The provision of LEA clients list does not amount to organizational consent on behalf of its clients; individual consent for participation in your study is to be sought from each of the target clients you intend to enumerate.
2. The clients’ information provided is to be used strictly for the conduct of your study only and is to be protected from unauthorized access.
3. LEA requires you to disseminate the findings to the relevant authorities within the organization before being published for public consumption.
4. LEA requires you to deposit a copy with the Authority upon completion of your research study.
5. That the findings of your study do not prejudice LEA in anyway.



Kindly contact the Gaborone and Francistown LEA Branch Managers to provide you with the lists of their Small and Medium enterprises clients for sampling purposes.

Thank you.



Dynah Solani

**Director, Research & Development. LEA**