



**THE INFLUENCE OF CULTURAL FACTORS ON  
SUCCESSFUL SUCCESSION IN INDIAN SOUTH AFRICAN  
FAMILY OWNED BUSINESSES AND AMERICAN FAMILY  
OWNED BUSINESSES (BASED IN INDIANA)**

by

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## **Abstract**

This doctoral dissertation utilizes survey research design and an interview research design to compare the influence of cultural factors on successful succession in South African and American family owned business (FOB's). The target populations consisted of owner managers and successors of FOB's located in two countries: USA (State of Indiana) and South Africa (Indian South Africans). The qualitative research methodology was based on 1:1 interviews with 10 FOB's in South Africa and the USA. The survey research methodology was based on a cross-sectional survey and the research design was correlational. The independent variables included nine cultural dimensions of the target populations measured using a dedicated survey instrument. The dependent variable (Perceived Success) was the relative success of each participant in the target population, with respect to his/her alleged levels of accomplishment in the succession processes. The demographic characteristics of the members of the target populations were also recorded.

Correlative relationships between nine reliably measured cultural dimensions, seven demographic characteristics, and the Perceived Success of the succession process were identified. Differences between the populations in USA and South Africa were apparent. Multiple Linear Regression analysis indicated that the most important predictor of Perceived Success in the USA population was Performance Orientation, followed in rank order by In-Group Collectivism, Assertiveness, and Uncertainty Avoidance. Demographic variables had no significant effect on the relationship between Predicted Success and the cultural dimensions of the USA population. In comparison the most important predictor of Perceived Success in the Indian South African population was Uncertainty Avoidance, followed in rank order by Performance Orientation, Future Orientation, the age of the participant, and the number of people who worked in the participant's organization. The combined model between the USA and the Indian South African FOB's indicated that the most important predictor for perceived success was Uncertainty Avoidance, followed in rank order by In- Group Collectivism, Performance Orientation and Assertiveness. Evidence is provided to conclude that the relative importance of cultural dimensions and demographic characteristics to the succession planning of owner managers and successors in South Africa was significantly different to those of their western counterparts.

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## **Chapter One: Introduction and Problem in Context**

### **1.1 Introduction**

Succession planning is an issue of significant importance in family owned businesses (FOB's). FOB's are regarded as a great pushing force for economic expansion, creation of jobs, redistribution of wealth and social stability (Levin, 1998; Sunter, 2000). According to Adendorff, Boshoff, Court, and Radloff, ( 2005) up to 80% of South African Businesses and up to 60% of companies listed on the Johannesburg Securities Exchange are FOB's, and they go on to say FOB's have a unique ability to generate substantial wealth and jobs on a much larger scale than any other type of business.

FOB's generate a substantial amount of economic activity in many countries and as shall be seen in this paper. South African and American FOB's are approaching the point where business owners will most likely be making critical decisions regarding their long term existence. In USA for example the boomer generation (individuals born during the Post World War II baby boom-1945-1960) is starting to retire and as a result there is a well pronounced interest in various aspects of business succession planning.

In South Africa research data shows that FOB's are the most effective way through which to lower unemployment and improve economic growth (Erwin, 2002). According to Venter (2003), 80-90% of small and medium enterprises are family owned in South Africa and thus the social and economic impact of FOB's cannot be over emphasized. It is therefore critical to ensure the survival and continued creation of these businesses as a means for economic expansion.

FOB's are the dominant form of business and the most important contributor of economic growth in almost entirely all countries (Neubauer and Lank, 1998). It will therefore be a regrettable mistake to downplay the importance of the success of FOB's to any country. According to Venter (2003) the influence and size of FOB's in South Africa is expected to significantly increase and thus their significance is of absolute importance.

Numerous scholars have noted and discussed the importance of the role played by FOB's in the U. S. economy (Gersick, Davis, McCollom Hampton & Lansberg, 1997; Ward, 1987). These scholars have portrayed FOB's as the backbone of the U. S. economy. Beckhard and Dyer (1983, Kirchhoff and Kirchhoff, 1987; Sexton and Van Aucken, 1982) estimated that over 80-95% of all business establishments

in the U. S. are family-owned or family controlled. It has also been stated that approximately 50% of the gross national product of the U. S. is generated by family firms (Ward and Arnoff, 1990). Most recently Mason (2007) revealed that in the USA FOB's comprise more than 80 percent of all businesses in North America and account for six out of every 10 jobs in the United States.

Unfortunately, these vital contributors to the economy face an inevitable crisis: The vast majority of family businesses fail when their founders retire or die. In fact, fewer than one in three survives the transition from the first generation of ownership to the second (Manson, 2007).

In South Africa, FOB's are exposed to high failure rates and according to the most recent research data the failure rate is between 70-80% (Ryan, 2003; Moodie, 2003, GEM Report, 2008). The Global Entrepreneurship Monitor (GEM) 2008 figures show that only 2.3 percent of South Africans own businesses that have been established for over 3.5 years, indicating a high failure rate among start-ups (GEM Report, 2008).

According to Nieman (2006) and Hugo (1996), only 30% of all FOB's progress to the second generation, and only 10% to the third generation with smaller FOB's expected to survive for only five to 10 years. The high failure rate of family businesses adds to the negative social and economic growth, liquidation of FOB's brings loss not only to the proprietary family, but also to the employees of the business and the surrounding community (Nieman, 2006).

According to Venter, Boshoff, & Maas (2005), FOB's share a unique strategic issue- succession, the transference of leadership from one generation to the next. They suggest that, internationally, only an estimated 30% of FOB's survive to the second generation, while fewer than 14 % make it beyond the 3rd generation. This makes it clear that the longevity of FOB's is a concern and hence the strategic issue of succession is essential for the survival of FOB's.

These statistics are consistent with those reported in other countries. There is no doubt that every family business owner has a dream to see the ownership of their business continue after their departure from the business, however statistics worldwide show that only 30% of family businesses survive past the 1st generation, and only 10-15% survive to the 3rd generation and about 3% survive into the 4th generation (Davis and Harveston, 1999; Goldberg, 1996; Nieman, 2006). Such an alarming failure rate should be of

great concern to any capitalist society since FOB's are major contributors to the economic and social well-being of such economies.

According to Muske and Fitzgerald (2006), FOB's represent substantial economic entities within the macro economy, whilst also providing significant resources (income) to the micro economy, namely the family. The social and economic impact that FOB's have is increasingly being recognized, and the number of such businesses is expected to continue rising in the future (Nieman, 2006; Venter, 2003). The importance of FOB's is thus unique and clear for all countries, including South Africa.

Besides the increased complexity, various other factors also contribute to the susceptibility of family businesses. Complicating internal issues include amongst others: role carry-over between business and family; rivalry and conflict between family members; lack of governance structures and processes; inability to cope with the organization's natural evolution; lack of vision and entrepreneurship; lack of planning in general and succession planning in particular; emigration of the next generation of owners; poor estate planning, with outdated wills; and improper management of the relationship between the family, the board and the business (Venter, 2003; Davis and Harveston, 1999; Goldberg, 1996; Nieman, 2006). External issues that contribute to the susceptibility of family businesses include: increased international competition; inability to adjust to the marketplace; negative impact of inheritance taxes; and the ever-changing governmental policies (Venter, 2003). Nieman (2006), for example, attributes family business failure to factors such as conflict between family members, nepotism, tradition, a paternalistic/autocratic culture existing in the business, improper handover to the next generation, a lack of leadership, and ineffective communication. As family businesses are significant contributors to the social and economic welfare of any economy, their lack of longevity is reason for concern.

Many business practitioners fail to realize that family businesses differ in a variety of critically important ways from non-family businesses. Mostly the unique nature and characteristics of family businesses get easily overlooked and/or misunderstood each time when the family business is approached like any other business (Karofsky, Millen, Yilmaz, Smyrniotis, Tanewski, & Romano, 2001). It is therefore critical for family business practitioners to seek insight and expertise that goes beyond general business practices in order to address the dilemmas and challenges that face FOB owners/managers as such insight could facilitate the longevity and financial performance of this important economic business sector.

Aronoff (1999) presented an argument showing his dissatisfaction on how the statistics on FOB failures are presented. He acknowledges that the most quoted statistic in the world of FOB's is that: 30% of FOB's make it to the second generation, 10-15% makes it to the third and 3-5% make it to the fourth generation. Aronoff suggests that the statistics might not be taking into consideration the successful ways of "making it" such as transfer of ownership to employees, becoming part of a roll-up, cashing out to a competitor's strategic acquisition, or even a carefully planned gradual liquidation of a business in a dying industry.

Aronoff presents a compelling argument showing how the failure rate statistics are misused in research. He presents that researchers using these statistics sometimes imply, suggest or out-right state that the numbers indicate a sorry state of affairs and he questions whether a 30% "make it" rate is bad, good or just plain normal rate.

A comparison with non-family firms might help to answer the question posed above. The challenge is that publicly-traded companies with dispersed ownership naturally turn over share ownership, hence one cannot speak of a survival rate that includes an ownership dimension, and that makes it impossible to compare FOB's to non-family firms.

Despite the challenge, Aronoff (1999) looked at the data concerning the non-family firms listed on the Dow Jones Industrial Average (DJIA) in the USA in 1996 and he concluded that the survival rate of the companies comprising the DJIA and of the FOB's in general turns out to be the same. Based on his study he suggested that the FOB's have the same chance of survival as General Electric (GE is generally considered to be one of the best managed and capitalized companies in the world).

He concluded that FOB's should have strengths that allow them the same probability of survival as this admired industrial giant and he states that the 30% survival rate is thus normal or extraordinary. Aronoff suggest that the 30% generational survival rate among family businesses is incredible testimony to the positive power of family when applied to business. Strengths of FOB ownership and management such as family values, loyalty, pride and cohesiveness provide sustenance not available to non-family firms.

Other researchers have gone further to suggest that FOB's outperform non-family owned firms, but attribute their success to the "familiness" (interactions, shared stories, language, trust, norms, and values) characteristic of a FOB (Chrisman, Chua & Litz, 2003; Habbershon and Williams, 1999; Habbershon,

Williams & MacMillan, 2003; Pearson, Carr & Shaw, 2008; Sorenson, Goodpaster, Hedberg & Yu, 2009). Preliminary historical work by Mackie (2001) suggests that FOBs actually survive for longer than their counterparts. Further, Anderson, and Reeb (2003) found that FOB's under the direction of the founding family outperform other firms.

In both USA and South Africa it's so apparent that FOB's are the backbone of the economies and thus survival of such enterprises should be of paramount importance. Although succession planning has been a focus in family businesses for the past two decades, especially the transfer of ownership from controlling-owner to controlling-owner, family businesses experts are of the opinion that cultural factors play an influential role in the successful succession of FOB's (Goffee, 1996, Brown and Coverley 1999; Chau 1991; Corbetta and Montemerlo 1998; Howorth and Assaraf Ali 2001; Keating and Little 1997; Laubscher 1993; Lee and Tan 2001; Malinen 2001; Santiago 2000; Sharma 1997; Sharma and Rao 2000; Papalexandris and Panayotopoulou 2004, Van Duijn, Breunese and Malindz, 2007, Maas & Diederichs, 2007 and Venter, 2004). Thus the question to be answered through this study is: What is the impact of cultural factors on successful succession in FOB's?

## **1.2 Contextualizing Family Businesses**

FOB's consists of two parts, namely the family and the business. The family and the business are technically separate systems, each with its own members, goals and values that overlap in the FOB (Longenecker, Moore, & Petty, 2003; Rwigema and Venter, 2004). The Family is there to care for and develop its members, whereas the business is there to produce and distribute goods and/or services. The family has a primary goal to ensure that each family member is fully developed, as well as providing equal opportunities and rewards for each member of the family, yet the primary goal of the business is to survive, generate goods or services, and to be viable (Burns, 2001; Longenecker et al., 2003). In this sense the FOB's are thus a unique business type as they allow for the simultaneous coexistence of both family and business relationships (Muske, Fitzgerald & Kim 2002). In light of this, FOB's are no longer being regarded as single systems or two separate systems, but rather as two overlapping, interdependent systems (Muske *et al.*, 2002; Rwigema and Venter, 2004).

The family and the business systems thus provide resources to each other and make demands on one another, and according to (Muske and Fitzgerald, 2006), utilizing resources in either system as a response



to a need or disruption within the opposite system. Specific complex and emotional issues relating to an ordinary family and factual issues relating to the business are also presented by these two systems. The successful combination and management of these parts may prove to be quite difficult (Maas and Diederichs, 2007), and might be the reason why the failure rate of FOB's is so high.

According to Maas and Diederichs (2007), a FOB is a business that is owned and directly influenced by members of the same family, who share the intention of creating wealth for future generations. Kenyon-Rouvinez and Ward (2005) define FOB's as, three or more family members all in active business or two or more generations of family control; or current family owners who intend to pass on control to another generation of the family. Similarly, Longenecker et al. (2003) define a family business as being one in which two or more members of the same family share ownership of a business or work together within a business. According to Zimmerer and Scarborough (2002) FOB's comprise two or more family members that financially control the business. Van Duijn, Breunese and Malindz (2007) similarly define FOB's as being a business that is owned, controlled and operated by members of one or several families.

Family members may be involved in FOB's to varying degrees. Family members can be regular employees, shareholders or members of the board of directors or can be full-time managers of the business. Family members serving in the board as directors will have control on the strategic direction of the business, but may or may not be actively involved in the day-to-day running of the business. In this regard, the business will still be a family business under the control of a specific family (Maas and Diederichs, 2007).

It might seem easy to define FOB's based on the definitions presented above, but many researchers recognize that family firms are not homogenous (Tannenbaum, 2002; Cromie, Stephenson and Monteith, 1995; Beehr, Drexler and Faulkner, 1997). Tannenbaum, (2002) goes further and argues that the reality of FOB's defy easy categorizations such as presented above since FOB's range from small and medium-sized companies to large conglomerates that operate in multiple industries and countries. However, he acknowledges that FOB's may generally take one of the following basic arrangements:

- Single family, one generation
- Single family, multiple generations
- Multiple families, one generation
- Multiple families, multiple generations

- All generations active in the business
- Some active/some passive
- None active
- Single Family/Managed by Non-Family-owned Members
- Multiple Families/Managed by Non-Family-owned Members
- Publicly-Traded Company owned in part by Founding Family
- Investments, controlling or otherwise, in several public companies

For the purpose of this study, a family business will be discussed uniformly, as one that is owned by members of the same family to shape and/or pursue the formal or implicit vision of the business and where it is the intention of family members to hand the business over to the next generation or where the business has already been handed over to a family member to manage and/or control

### **1.3 The Importance Of Family Owned Businesses**

FOB's are rapidly becoming the dominant form of business enterprise in both developed and developing countries (Muske *et al.*, 2002; Neubauer & Lank, 1998). As stated above, according to Muske & Fitzgerald (2006), FOB's represent substantial economic entities within the macro economy, whilst also providing significant resources (income) to the micro economy, namely the family. The social and economic impact that FOB's have is increasingly being recognized, and the number of such businesses is expected to continue rising in the future (Nieman, 2006; Rwigema & Venter, 2004; Venter, 2003). The importance of FOB's is thus unique and clear for all countries, including South Africa.

To date, neither the South African government nor the USA government have a reliable database concerning FOB's, but estimates have shown that family-owned businesses are the leading form of business in South Africa and USA. As stated in the introduction, according to Adendorff *et al* (2005) up to 80% of South African Businesses and up to 60% of companies listed on the Johannesburg Securities Exchange are FOB's. FOB's are also considered to be the pillar of strength behind the global economy as they represent between 67% and 90% of all of the world's businesses (O'Connor, Hamouda, McKeon, Henry, & Johnston, 2006; Rwigema and Venter, 2004). Several of the world's most influential and successful businesses are family-owned and operated, many of them becoming household names.

Policy makers in South Africa and abroad are now starting to fully understand and appreciate the important role that FOB's play in creating employment, business start-ups, and the economic development of local communities (O'Connor et al., 2006). FOB's are amongst the largest contributors to employment and wealth in almost every country, including South Africa and USA (Maas and Diederichs, 2007; Neubauer and Lank, 1998; Rwigema and Venter, 2004, Manson, 2007). In the US, for example, over 90% of all corporations (including 35% of Fortune 500 companies) are either owned or controlled by a family (Lansberg, 1983).

FOB's are critical for economic growth and employment creation in South Africa and USA, as they are responsible for creating jobs for unemployed and often unskilled workers (Van Duijn, Breunese, & Malindz, 2007; Manson, 2007). FOB's also offer employment opportunities for family members, a view supported by Maas and Diederichs (2007) and Muske and Fitzgerald (2006). In this regard the establishment and management of successful family businesses will therefore assist families in providing job opportunities for their members, and build wealth over generations. For example some prominent literature on economic history has blamed FOB's and their lack of capital for the retarded economic development of nations such as the England, Germany and France of the 18th century, especially vis-a-vis that of the United States (Chandler, 1990; Landes, 1949).

Although family business is often thought to be synonymous with small business, this is not necessarily true. In fact, some of the world's largest companies are FOB's, of the companies listed on the Johannesburg Stock Exchange (JSE), sixty percent are family owned. As examples among others, The Pick n' Pay Stores (Limited) in South Africa was founded and controlled by the Ackerman family, Anglo-American Plc, one of the world's largest diversified mining and natural resource groups was founded by the Oppenheimer's and Remgro Limited, founded by the Rupert family (Balshaw, 2004). According to Venter (2003), 80-90% of small and medium enterprises are family owned in South Africa and thus the social and economic impact of FOB's cannot be over emphasized. It is therefore critical to ensure the survival and continued creation of these businesses as a means for economic expansion.

FOB's are also important at a local community level. Successful and stable FOB's provide work for the community, thereby encouraging greater stability in the local community. The family bond that exists between family members results in individuals being more likely to assist one another in times of difficulty, providing an example of working together communally (Maas and Diederichs, 2007). Another

important factor about FOB's is that they have the ability to concentrate on what they do best, thereby developing competencies that are difficult to beat (Vallejo, 2009).

Clearly, if the development and sustainability of FOB's is hastened in South Africa, USA and other economies, a positive impact on factors such as sustainable wealth creation over numerous generations and the reduction of crime and unemployment can be expected (Maas and Diederichs, 2007). In the next sections the differences between the FOB's and other non-family owned businesses are presented and reflected upon.

#### **1.4 Challenges Facing FOB'S**

Despite the importance of FOB's, these businesses are threatened by challenges that are unique to their small size (Kroon, 1998). In most cases FOB's may not have separate departments and ample bargaining power with their suppliers, to deal with the problems that arise in the business. Usually problems are often handled by a single person, who cannot possibly be a jack-of-all-trades (Kroon, 1998).

The macroeconomic environment presents many challenges to FOB's compared to non-FOB's (Van Eeden, Viviers & Venter 2003), often in the form of downsizing and credit limitations (Kroon, 1998). For example when credit limitations are enforced during periods of recession, the credit standing of FOB's is often the first to be affected. Financial powerhouses will more than likely restrict risky and poorly capitalized FOB's first and the interest rates payable by these businesses go up as a result of the high risk involved in such turbulent times. A business that is poorly capitalized has a diminished chance of survival, particularly during recessions (Kroon, 1998) because of the minimized ability to purchase and maintain facilities, appoint and remunerate competent employees, or produce and market its products. The greatest challenge facing FOB's is the lack of capital (Megginson, Byrd, & Megginson, 2003; Murphy, 1996).

Adhering to ever-changing government regulations, as well as coping with interference from the government and other regulatory bodies, may prove challenging to FOB's compared to non-FOB's (Bosch *et al.*, 2006; Megginson *et al.*, 2003; Van Eeden *et al.*, 2003). To ensure regulatory compliance FOB owners are required to complete large amounts of paperwork, which may be difficult for them or the owners may be unaware of the necessary regulations, or are too inexperienced to be able to comprehend and complete the paperwork without error and or delay (Megginson *et al.*, 2003).

Another common problem experienced by FOB's compared to non-FOB's is inadequate management (Bosch *et al.*, 2006; Kroon 1998; Murphy 1996; Van Eeden *et al.*, 2003). Many FOB managers and owners have poor management skills, limited business knowledge and experience, and are thus unable to plan effectively. They lack critical business information about features such as the purchases, sales and operating costs of the business. The end result becomes uninformed decision-making, as knowledge of these features is critical to the decision-making process.

Lack of information by the owners leads to ineffective planning, hence the inability to clearly establish proper goals, budgets and guidelines for the business to achieve its core objectives. When the management is uninformed and unable to plan effectively it becomes impossible to establish effective control of the business (Kroon, 1998) and this challenge is more pronounced because most FOB's rely on a single individual to run the business for them (Megginson *et al.*, 2003).

Another challenge is the lack of the necessary marketing expertise to effectively market the business and its products (Kroon, 1998). Poor marketing usually leads to a poor business location, inability to conduct effective market research and identifying the target market, resulting in the production of poor quality products and services (Van Eeden *et al.*, 2003).

Human Resource issues often arise in FOB's compared to non-FOB's due to the inability to acquire a workforce with adequate skills, training and expertise. This may be attributable to the remote location of the business, the inability to offer attractive benefits, job security and advancement opportunities (Kroon, 1998; Van Eeden *et al.*, 2003). A workforce without the necessary skills and expertise tends to have low productivity, low morale and other labor-related challenges (Van Eeden *et al.*, 2003). Balancing views by historians such as Pollard (1965), Fear (1997) and James (2006) have confirmed to the contrary though that family businesses have, for centuries, played important roles in passing on knowledge and values, serving as an internal market for managerial labor.

Nieman (2006) attributes family business failure to factors such as conflict between family members, nepotism, tradition, a paternalistic/autocratic culture existing in the business, improper handover to the next generation, a lack of leadership, and ineffective communication. FOBs are viewed by some scholars as sentimental and conflict-ridden (Gersick, Davis, Hampton, & Lansberg, 1997; Schulze, Lubatkin, Dino,

& Buchholtz, 2001), resource-starved (Chandler, 1990), subject to conservatism and cronyism (Bertrand and Schoar, 2006; Landes, 1949; Morck and Yeung, 2003), and therefore slow-growing, and often short-lived (Daunton, 1988; Grassby, 2000; Kindleberger, 1964).

Many factors influence the lack of longevity of family businesses. Of great concern is the fact that FOB's are the most complex form of business because of the extra variable "family" being added to the common governance roles of typical corporation. This added variable simply imposes additional roles to be managed and hence complexity in the government of the FOB's and such increased complexity usually results in more conflict (Sorenson, 1999). The factors that contribute to the high failure rate of FOB's originate from the complexity of such forms of business organizations. This complexity occurs as a result of the family dimension being added to the common governance roles found in any business, namely those of the owner, management and employees. The number of roles that need to be managed is significantly complicated by this situation, and may lead to conflict and ultimately the failure of the business (Nieman 2006; Rwigema and Venter 2004; Van Duijn *et al.*, 2007).

Van Eeden and Venter (2007) state that one of the biggest threats to the growth, success and survival of any FOB is the complexity of family relationships. Van Duijn *et al.* (2007) add that family problems and emotions may impinge on the business. Rwigema and Venter (2004) also add that the inappropriate management of family relationships is a weakness of family businesses. The management of the FOB is often more focused on managing family relationships than any other part of the business (Van Eeden and Venter, 2007) and such misdirected efforts normally lead to failure. Other researchers argue to the contrary, (Chsriman, Chua, & Litz 2004; Davis, 1983; Gersick, Davis, Hampton, Lansberg, 1997; Taguiiri and Davis, 1996; Habberson and Astrachan 1997) argue that employing family members can lead to advantages for the FOB, since the existence of kin relationships are generally reputed to temper the self-interest and foster commitment of those inside the business. However other studies also show that kinship ties in a FOB may increase adverse selection and it might reduce the possibility of attracting the best non-family employees (Schulze, Lubatkin, Dino, and Buchholtz, 2001)

Sometimes it is difficult for family members to decide whether the family or the business should take priority. Families involved in a FOB are usually good at making small sacrifices for the sake of the business. According to Longenecker *et al.* (2003), situations may arise, however, where the interests of the family and the business collide, forcing the family members to decide which will take priority and

unfortunately many families choose the family over the business, insisting that their loyalty first and foremost rests with the family. It is a known fact that for a FOB to survive, its interests cannot be unjustifiably compromised to suit the needs of the family (Longenecker *et al.*, 2003).

Ineffective communication is another significant challenge faced by many FOB'S compared to non-FOB's. Due to lack of training among other reasons, family members lack the ability, knowledge or self-confidence to articulate their feelings and desires, in addition to the complex challenges that are sometimes encountered by the family business. It's common for family members to get involved in rumors, or to engage family members who are not involved, which tends to have a negative influence on the value of the family relationships (Rwigema and Venter 2004). In addition, Van Duijn *et al.* (2007) state that communication challenges are made worse by role confusion, emotions, political divisions or other relationship problems. FOB's are often very informal in nature, lacking clear policies and procedures for family members, e.g. lack of succession planning (Rwigema and Venter 2004; Van Duijn *et al.*, 2007). Rwigema and Venter (2004) also note that poor estate planning and invalid wills are a common problem in FOB's.

Other researchers disagree with the notion that communication is problematic for FOB's. Tagiuri and Davis (1996) argue that communication is more efficient and exchange of information is greater in FOB's than in non-family firms because of a family language that allows the expansion of trust, loyalty and motivation. (Chrisman, Chua & Litz, 2003; Habbershon and Williams, 1999; Habbershon, Williams & MacMillan, 2003; Pearson, Carr & Shaw, 2008; Sorenson, Goodpaster, Hedberg & Yu, 2009) also argue that FOB's outperform non-family owned firms, but attribute their success to the "familiness" (interactions, shared stories, language, trust, norms, and values) characteristic of family firms.

Resistance to change is another challenge for FOB's compared to non-FOB's since most FOB's are often run according to tradition. Change is sometimes a necessary opportunity and the resistance to change may cause members to be complacent or incapable of managing the disruptions and several risks linked to change (Rwigema and Venter 2004; Van Duijn *et al.*, 2007). Similarly, a paternalistic or autocratic culture may exist in a FOB. In that regard, control is centralized, and is influenced by tradition rather than good management practices. According to Rwigema and Venter (2004) and Van Duijn *et al.* (2007), a family business that is characterized by such a culture can potentially be at a disadvantage, as a family matriarch

or patriarch focused on building status for him/herself can adversely affect the capital resources of the business.

Another challenge for FOB's compared to non-FOB's is the interlinking of the financial affairs of the business with the personal financial affairs of the family. In addition, power relationships, blood ties, emotional bonds and inheritance issues of the family are also directly linked to the business. Failure by family members to understand these delicate features of the family business, can lead to constant problems, missed opportunities and the family members involved may experience the harsh and lasting consequences within the business (Rwigema and Venter, 2004).

FOB's face several other challenges and these challenges may have the greatest influence on FOB's and the challenges include among others (Rwigema and Venter 2004; Van Duijn *et al.*, 2007):

- Lack of diversity and outside opinion can lead family members having tunnel vision
- Compensation problems may arise for family members
- Owners lacking the knowledge of the net worth of the business and the factors that make it valuable or decrease its value
- Lack of vision and entrepreneurship or conflicting visions and goals for the business
- As discussed above lack of capital and new investment hence poor growth
- Due to lack of effective implementation policies and procedures, internal supervision amongst family members may be lacking
- Emigration of the next generation of owners/managers
- Poor governance methods
- Owners failing to cope with the natural evolution of the business

It may prove difficult for family members to manage the transition of the business from one generation to the next, as it involves the most important changes in the relationship between the family and the business. Each generation is usually faced with its own unique set of challenges and problems that may threaten the succession of the business. The succession process and the change of leadership within the business is often a source of conflict (Rwigema and Venter 2004).

Unfortunately, most FOB's do not have proper succession plans in place, which may lead to political conflicts and divisions in the family and also the business (Van Duijn *et al.*, 2007). On this issue of



succession, it is also possible that family members may not be interested in taking over the business (Rwigema and Venter, 2004). Family Business Consulting summarizes the key FOB strengths and weaknesses in the following table.

**Table: 1.1 Strengths and Weaknesses of Family Firms**

Dimension	Strength	Weakness
Infrastructure	Informal; flexible; entrepreneurial; innovative	Unclear; confusing; boundary problems; indecisive; resistant to change; lack of management development; no organization charts
Roles	Often play multiple roles; flexible; dual relationships; quick decision making	Role confusion; jobs don't get done; nepotism; dual roles interfere with learning and objectivity; family birth right can lead to unqualified family members in jobs
Leadership	Creative; ambitious; informal authority; entrepreneurial	Autocratic; resistant to structure and systems; avoids letting go
Family's Involvement	Employees committed; loyal; shared values and belief system; family spirit; family name; family dream; strong sense of mission/vision	Cannot keep family issues out of business; inability to balance family's and business's need for liquidity; lack of objectivity; inward looking; emotionally charged decision-making; can't separate work and family; rivalries
Time	Long-term perspective; committed; patient capital; loyalty; deeper ties; trust built up over time	Hard to change; tradition bound; history of family affects business decisions; trust affected by early disappointments
Succession	Training can begin early; mentoring a life-long process; can choose when to leave	Family issues get in way; unwillingness to let go; inability to choose a successor
Ownership/Governance	Closely held; family owned; high degree of control; earnings are motivators	May sacrifice growth for control; do not have to answer to stockholders; often no outside board of directors; high premium on privacy
Culture	Innovative; informal; flexible; creative; adaptable; common language; efficient communications	Founder's role stifles innovation; inefficient; highly emotional; resistant to change; reactive; high risk for conflicts
Complexity	Can foster creativity; rich interplay of roles and goals	Must be managed to avoid confusion; can be a drain of resources and energy

Source: Bray, 2011

It is against such seemingly insurmountable challenges that successful FOB's must flourish. The challenges presented above only reflect an attempt to show the many shoals and crevices through which a successful FOB must be navigated. As family businesses are significant contributors to the social and economic welfare of any economy, their lack of longevity is reason for concern. Therefore, the proper governance of a FOB's will lead to more successful businesses and a better and healthier economy in South Africa and abroad. The challenge of successful succession and cultural factors are the foundation for this study. More discussion will follow on how cultural factors influence the successful succession of FOB's

### **1.5 Cultural Factors: Nine Dimensions of Societal Culture**

While there are numerous dimensions of culture (Detert, Schroeder, Mauriel, 2000), this study examines nine dimensions of societal culture that are expected to be associated with successful succession in family firms. Based on prior literature on culture measurement the selected dimensions are: uncertainty avoidance, power distance, in-group and institutional collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation and humane orientation.

Most recently management research studies have focused on the cross cultural interaction between western and eastern enterprises. So far there hasn't been any known study that focused on the impact of cultural factors on successful succession between the South African and American family owned businesses. Dyer and Sanchez (1998) encourage researchers to conduct cross cultural research to see how theories are widely applicable.

The definition of culture adopted for this study is as follows: shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences of members of society which are transmitted across generations (Papalexandris and Panayotopoulou, 2004).

The nine cultural dimensions to be covered in this study were selected on the basis of a thorough review of literature (refer to section 3.3) relevant to the measurement of culture in prior large sample studies and also based on the existing cross culture theory, such as works of Kluckhohn and Strodtbeck, (1961), Hofstede (1980, 2001), Hofstede and Bond (1988), Hall (1981, 1990), Trompenaars (1993), Schwartz (1992, 1994),

McClelland (1961, 1985), Putman (1993), GLOBE (House, Chhokar, & Brodbeck, 2007; House, Hanges, Javidan, Dorfman, & Gupta, 2004) and others.

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) studies/project is a multi-phase, multi-method project in which investigators spanning the world examine the inter-relationships between societal culture, organizational culture, and organizational leadership. Social scientists and management scholars from 61 cultures/countries representing all major regions throughout the world are engaged in programmatic series of cross-cultural leadership studies.

**Justification for Selecting the Nine Dimensions of Societal Culture:** While previous researchers have introduced various cultural dimensions, in this study the nine specific societal culture dimensions are considered to be particularly salient for understanding management practices in different cultures. These nine dimensions account for most of the conceptual variance across cultures and help researchers escape from the culture theory jungle—a proliferation of theories that needlessly forces researchers to choose whose side they are on prior to initiating a research project. The nine dimensions presented here were derived from a comparative analysis and integration of competing theories and represent what is a useful strategy for reducing the confusion caused by differences across the models.

Six of the culture dimensions had their origins in the study conducted by Hofstede (1980, 2001). Hofstede's work identified five major cultural dimensions upon which country cultures differed: Power distance; uncertainty avoidance; collectivism/individualism; masculinity/ femininity and long term/short term orientation. In this study power distance and uncertainty avoidance reflect the same constructs as Hofstede (1980), Hall (1981, 1990), Trompenaars (1993), Schwartz (1992, 1994), McClelland (1961, 1985), Putman (1993), GLOBE (House, *et al.*, 2007) dimensions labeled power distance and uncertainty avoidance. Hofstede's collectivism/individualism dimension has been broken down into two dimensions: the institutional collectivism (collectivism I) dimension which measures societal emphasis on collectivism, with low scores reflecting individualistic emphasis and high scores reflecting collectivistic emphasis; and the in-group collectivism (collectivism II) dimension which measures the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families (House, *et al.*, 2007).

In place of Hofstede's masculinity dimension, this study focuses on gender egalitarianism and assertiveness both of which are stressed in Hofstede's masculinity dimension. These two dimensions represent the

theoretical construct of masculinity better, and avoid the confusion and difficulties sometimes associated with Hofstede's measure (House, *et al.*, 2007). Future orientation is derived from Kluckhohn and Strodtbeck, (1961) past, present, future orientation dimension; Hofstede's 1980 long term/short term orientation dimension and (House, *et al.*, 2007) future orientation dimension, which focuses on the temporal mode of a society.

The performance orientation dimension is derived from McClelland's work on need of achievement (McClelland 1961, 1985); O'Reilly, Chatman, & Caldwell, (1991) performance orientation dimension; Delobbe, Haccoun, & Vandenberghe (2002) results orientation dimension and Detert, Schroeder, Mauriel (2000) orientation to work dimension. The humane orientation dimension has its roots in Kluckhohn and Strodtbeck, (1961) work on the Human Nature Is Good vs. Human Nature Is Bad dimension, as well as Putnam's (1993) work on the Civic Society, and McClelland's (1985) conceptualization of the affiliative motive.

The justification for selecting these dimensions is also based on the fact that they are consistent with other cultural dimensions in studies conducted by Aycan (2003), Papalexandris and Panayotopoulou, (2004), Morris, Davis & Allen, (1993, 1997), Grossman (1997), Javidan and House (2001), Ward (1987), Zahra, (2003), Evans (1993), Schaubroeck and Lam (2002), Barach and Gantisky (1995), Barach, Gantisky, Carson, and Doochin (1988), Booysen and Nkomo (2006), Dumas (1989), Salganicoff (1990), Kaslow and Kaslow (1992), Aldrich (1989), Cuba, Decenzo, and Anish (1983), Martin (2001) and Dawley, Hoffman, & Smith, (2004). Refer to section 3.3 for thorough literature review on the nine societal culture dimensions

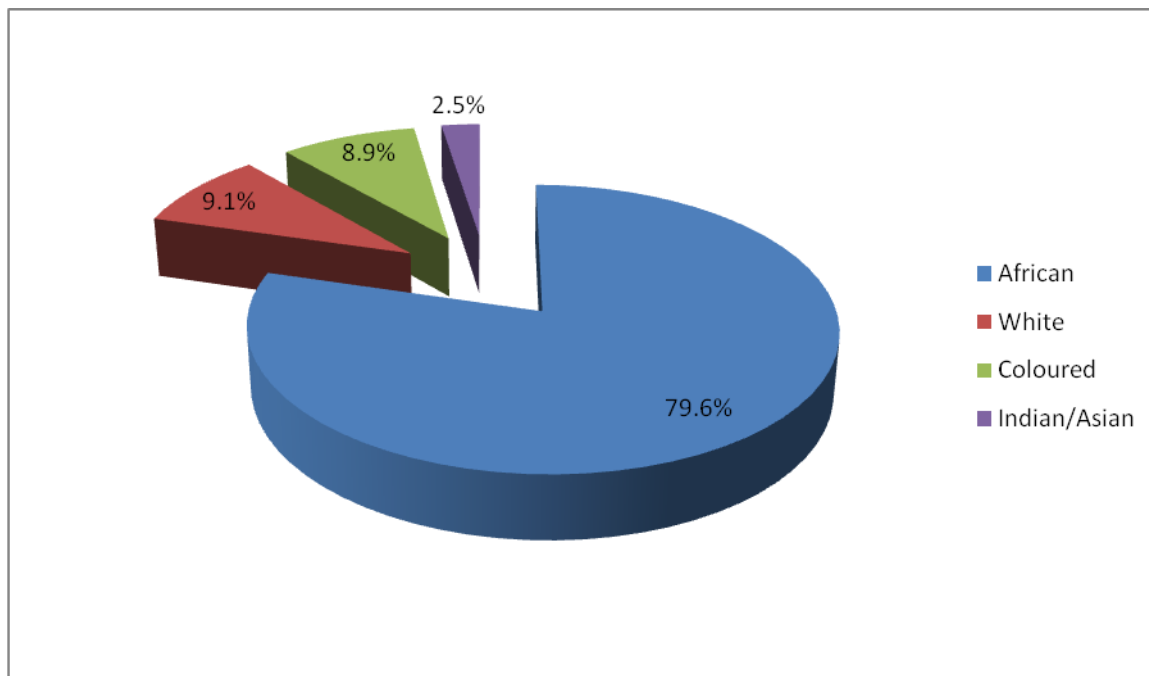
### **1.5.1 Justification for selecting the Anglo-Cluster USA and South African Indian FOB's**

South Africa has been referred to as the 'rainbow nation', a title which epitomizes the country's cultural diversity. The population of South Africa is one of the most complex and diverse in the world. Of the 45 million South Africans, nearly 31 million are Black, 5 million White, 3 million Colored and one million Indian (Ghosh, 2001). The Black population is divided into four major ethnic groups, namely Nguni, Sotho, Shangaan-Tsonga and Venda. There are numerous subgroups of which the Zulu and Xhosa (two subgroups of the Nguni) are the largest. The majority of the White population is of Afrikaans descent (60%), with many of the remaining 40% being of British descent (Ghosh, 2001). Most of the colored

population live in the Northern and Western Cape provinces, whilst most of the Indian population lives in KwaZulu Natal. The Afrikaner population is concentrated in the Gauteng and Free State provinces and the English population in the Western and Eastern Cape and KwaZulu Natal. South Africa has 11 official languages (Ghosh, 2001).

Recently according to the mid-2007 estimates from Statistics South Africa, the country's population now stands at some 47.9-million, up from the census 2001 count of 44.8-million.

**Figure 1.1 Pie Chart South Africa Populations**



Several studies have been conducted on how such ethnic diversity affects management culture and its effectiveness. In one study Thomas and Bendixen, (2000) both of the University of Witwatersrand in South Africa examined the influence of ethnic diversity on organizational culture and effectiveness. First, Thomas and Bendixen, (2000) measured dimensions of each manager's ethnic culture using well-established cultural values. Second, Thomas and Bendixen (2000) gathered data on each manager's management culture and effectiveness through interviews with their subordinates. Analysis of their data brought some

interesting conclusions to light, that despite the managers' identification with their ethnic group, there was a common national culture at the managerial level (Thomas and Bendixen, 2000).

Other researchers disagree with Thomas and Bendixen, according to Ashkanasy, Trevor-Roberts, & Earnshaw, (2002), there is no common national culture at the managerial level in South Africa. South Africa (White population) belongs to the Anglo cluster together with other countries such as; Australia, Canada, England, Ireland, New Zealand and the United States of America. These are developed nations, predominantly English speaking, and were all once British colonies. Today, they are amongst the wealthiest countries in the world.

House and his GLOBE associates (1999, 2004, and 2007) also argue that the white population in South Africa falls under the Anglo cluster, while black population in South Africa fall under the Sub-Saharan cluster. The GLOBE results show that the Anglo cluster is characterized by an individualistic performance orientation. Further, although they value gender equality, the Anglo cluster countries tend to be male dominated in practice. The Sub-Saharan cluster is characterized by high collectivism, high humane orientation and low future orientation.

It is critical to understand the differences between these clusters because in this study a comparative analysis was conducted between USA and the Indian FOB's in South Africa because they belong to the different clusters which provided the opportunity to explore the differences. Analyzing clusters of cultures provides a useful framework to understand the broader themes and values of culturally similar or dissimilar countries and it is for the same reason why this study is focusing on the influence of cultural factors on successful succession in Indian South African and American family owned businesses.

South Africa has many cultural and ethnic groups but as seen on the pie chart for South African Populations the four officially recognized race groups are generally described as follows: (1) White South Africans are South Africans with a European ancestry; this includes British, Dutch, Jewish, French, German, Spanish and Portuguese. (2) Indians/Asians are South Africans of Indian, Pakistani, and Arab ancestry. (3) Coloreds are those of mixed race. (4) Blacks/ Bantu/Africans are South African natives.

The Reason for selecting the Indian South Africans for the sample study is because they have 1) distinctly separate cultures and 2) that they have a long history of family owned businesses in South Africa and in

fact in Southern Africa (refer to section 3.5). According to the High Commission of India in South Africa (2009) the South African Indian origin community currently numbers around 1.15 million and constitutes about 2.5% of South Africa's total population. About 80% of the Indian community lives in the province of KwaZulu-Natal, about 15% in the Gauteng area and the remaining 5% in the Cape Town area. 98% of the Indian community in South Africa considers English their home language and the Indian origin community in South Africa is one of the largest such communities in the world, and one of the oldest dating back to the early 1900's.

For the sake of this study South African Indian refers to the group of Indian immigrants, whose descendants continue to call themselves Indian, though they are at the same time South African and participate in all areas of South African life. According to Govinden (2009) the first batch of these immigrants, a total of 341 laborers, predominantly Hindu from Madras, came to the colonial Natal sugar farms on the SS Truro on 16 November 1860. Ten years later in 1870, the passenger Indians, predominantly Muslim began to arrive: According to Govinden (2009) they were entrepreneurs, unattached by any contract to an employer, mainly from Bombay and other parts of the west coast of India. Most of these passenger Indians established themselves as traders and shopkeepers. By 1866 a total of 6 445 indentured immigrants had arrived in Natal; by 1911, 152 184 indentured immigrants from India had arrived, as had an estimated 30 000 passenger Indians (Govinden, 2009). The large majority of the descendants of these people both Hindu and Muslim continue to live in KwaZulu-Natal, where their ancestors were laborers or traders, but there are sizeable communities in Gauteng and some other smaller groups in other South African cities. Refer to section 3. 5 for a detailed history on the South African Indian FOB's.

In common with other large long-established overseas Indian communities, South African Indians have a deep emotional bond with their mother culture. For the purpose of this study such a link makes it possible to compare the results with other previous studies such as the GLOBE Leadership and Culture study on the Indian culture. The GLOBE study is comprehensive and methodologically rigorous and will for sure shape our knowledge of global leadership for at least the next few years. Section 3.4.2 gives a more detailed literature review on the GLOBE study results on societal culture dimensions as it pertains to the Anglo (USA) Cluster as well as the Southern Asia (Indian) clusters.

## 1.6 Problem Definition

According to several authors, one of the main reasons for high failure rate among 1st and 2nd generation FOB's is their inability to manage the complex process of ownership and succession management (Venter, *et al.*, 2003, Nieman, 2006; Rwigema and Venter, 2004; Van Duijn *et al.*, 2007). This statement is mostly true at the time of first transition between the founder and the next generation. Lansberg (1988) argues that one of the most important reasons why many first-generation family firms do not survive their founders is the lack of succession plans. However, others researchers have found that successful transitions have only informal succession plans (Morris, Williams, Allen, & Avila, 1997). Alternative reasons put forward for the lack of succession planning include a belief that the future is too uncertain given rapidly changing markets (Ward, 1988), founders' lack of interests outside the firm (Handler, 1990), and unclear career interests of offspring (Ward, 1988). Lansberg (1988) presented psychological reasons relating to the founder resisting change and an aversion to open discussion of life after death of parents. Interestingly, most of these reasons are strongly dependent on the cultural context and might vary with different cultures. FOB's in different cultures may also be predisposed to specific cognitive biases, which might affect the amount and formalization of planning (Busenitz and Barney, 1997).

It is an obvious necessity to plan for succession as a way to safeguard the continuity and viability of FOB's, yet founders frequently do not plan for succession. Among other reasons for this is the founder's desire to keep in control of his/her creation as well as man's lack of desire to change. A distinctive trait for most founders is that they are strong willed, place the business first and family last, think strategically and are driven by need for survival yet it is for the same reasons that they fail to plan for succession and they become unwilling to step down. For most owner-managers, succession implies giving up power and dealing with issues of mortality and death. Families will have to consider the loss of a well respected family figure. Based on the research of several authors, Handler (1994) suggests that a leader's sense of immortality and indispensability contributes to the problematic successions particularly in the later stages of his psychosocial development, as retirement pressure emerges.

Some FOB's might have formal succession plans, but the lack of a competent internal candidate to replace or interested in replacing the incumbent could result in selling of the family business. In some cases the incumbent might appoint a successor, but other family members, non-family members and/or other



stakeholders might fail to accept the choice. There are obviously many other reasons mitigating against successful succession in FOB's (Neubauer and Lank, 1998).

It is apparent that to be able to manage succession planning successfully there is a need to identify and understand the factors that influence succession in family businesses. Only then can it be expected for families to take a proactive approach to succession management. A well considered and planned succession will maximize the chances of finding a competent successor and will ensure a successful transition between generations (Neubauer and Lank, 1998). Against this background, the main objective of this study is therefore to identify cultural factors that impact on successful succession in FOB's.

Family firms' cultures develop over time reflecting the dynamic interplay between owners' values, organizational history and accomplishments, the competitive conditions of the firm's major industry, and national cultures (Corbetta and Montemerlo, 1999; Pistrui, Welsch, Wintermantel, Liao, & Pohl, 2000). These cultures also reflect the ethnic heritage of the family that owns and runs the firm (Pistrui, Huang, Oksoy, Jing, & Welsch, 2001). A society's regional cultures and historical experiences also shape these cultures (Davis, Pitts, & Cormier, 2000; Ward, 2000). In addition, these organizational cultures reflect a wide range of political, ideological, sociological, experiential, economic, and psychological factors (Pistrui, *et al.*, 2000). In the context of family firms, scholars have observed that national and regional cultures exert a unique influence on key family business processes such as succession (Howorth and Ali, 2001; Sharma and Rao, 2000). The multiplicity of the variables that influence these family business cultures makes them distinct and difficult to imitate.

While the literature on family firms and their cultures is evolving worldwide, little empirical research has investigated the specific links between these firms' cultures and succession planning, an issue this study explores. This study is going to therefore link qualitative (interviews) and quantitative (survey) methods thus integrating cultural factors into the succession planning process. The use of both the qualitative and quantitative survey research methods in a mixed-methods approach (methodological triangulation) will result in a more comprehensive understanding of cultural influences by allowing for a triangulation of data and providing a deeper understanding of what drives organizational behaviors (Altrichter, Posch, & Somekh, 1996). The theoretical considerations for the research methods used in this study are covered in detail in Section 4.2.

While there are numerous dimensions of culture (Detert, *et al.*, 2000), this study examines nine dimensions of societal culture that are expected to be associated with successful succession in family firms. Based on prior literature on culture measurement the selected dimensions are: uncertainty avoidance, power distance, in-group and institutional collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation and humane orientation.

Most recently management research studies have focused on the cross cultural interaction between western and eastern enterprises. So far there hasn't been any known study that focused on the impact of cultural factors on successful succession between the South African and American family owned businesses. Dyer and Sanchez (1998) encourage researchers to conduct cross cultural research to see how theories are widely applicable.

This study will not only investigate the influence of cultural factors on successful succession, but also compare and contrast which of these factors are important for owner managers and successors in South Africa as compared to their western counterparts.

It is critical for the continued success of FOB's and harmony within the family that FOB leaders and all stakeholders have a sound understanding of the critical success factors for succession. This study focuses on cultural factors that may impact family business succession, but it can be stated that a lot other factors have been identified such as those listed in Table 1.2

International and national data searches to determine whether similar dissertations or theses were previously undertaken, revealed that research on succession in family businesses focuses primarily on the following areas:

**Table 1.2 Previous Research Areas on succession planning**

<b>Previous Research Area</b>	<b>References</b>
The need for the next generation to participate in the succession process	Dumas, Dupuis, Richer & St.-Cyr 1995; Longenecker and Schoen 1978; Stavrou 1999; Ward 1987 Barach, Gantisky, Carson & Doochin 1988;
Poor estate planning and the impact on succession planning	Kuratko , Helga & Lucinda, 1994, Murphy, et al., 2005, Sorenson 2000
Emigration of next generation of owners	Kottke and Pelletier, 2006
Trust issues and communication issues among family members and how such issues impact succession planning	Handler 1989; Barnes and Hershon 1976
The importance and need for family businesses to develop formal succession plans and to engage in early estate planning	Danco 1995; Handler 1994; Hume 1999; Kets de Vries 1988, 1993; Sturgill 1998; Aronoff and Ward 1992; Ryan 1995;
Post-succession conflict and rivalry	Harvey and Evans, 1995
The influence of daughters and younger sons on the succession process	Barnes 1988; Dumas 1990; Hollander and Bukowitz 1990
The founder's viewpoint on the problems associated with selecting successors and managing the succession process.	Bork 1986; Danco 1980,1982; Harveston, Davis & Lyden 1997; Schein 1983; Sonnefeld 1986; Swogger 1991
The impact of timing and mode of entry on successor development and successful succession	Harvey and Evans 1995; Foster 1995
Differences between succession in FOB's compared to large publicly-owned companies	Fiegenger, Brown, Prince & File 1994; Fox, Nilakant & Hamilton 1996
The impact of family relationships on succession	Lansberg and Astrachan 1994; Seymour 1993
Management succession at levels below the board of directors	Welsch 1993
The next generation's point of view on the process of succession planning	Birley 1986; Blotnick 1984; Ciampa and Watkins 1999; Correll 1989; Dumas 1990; File and Prince 1996; Friedman 1991; Handler 1989; Rogal 1989; Steier 2001
Coping strategies associated with intergenerational successions	Russell, Griffin, Scott Flinchbaugh, Martin and Atilano 1985
The most desirable attributes of successors	Chrisman, Chua & Sharma 1998; Goldberg 1996; Goldberg and Wooldridge 1993
Sibling relationships and intergenerational succession in family businesses	Friedman 1991; Swogger 1991
The legal system and how it should facilitate family business transitions	Bjuggren and Sund 2001
How to manage succession and avoid dysfunctional conflict in family businesses	Ambrose 1983; Aronoff and Ward 1992; Barnes and Hershon 1976; Barach and Gantisky 1995; Bork 1986; Davis and Harveston 1999; Dickinson 2000; Fox <i>et al.</i> 1996; Gersick, Davis, McCollom Hampton & Lansberg 1997b; Davis, McCollom Hampton & Lansberg 1997; Goldberg 1991, 1996; Lansberg 1988; Morris <i>et al.</i> 1997; Rosenblatt, De Mik, Anderson and Johnson, 1985

Source: Author

For the purpose of this study, it is important to highlight the studies undertaken by: Brown and Coverley 1999; Chau 1991; Corbetta and Montemerlo 1998; Howorth and Assaraf Ali 2001; Keating and Little 1997; Laubscher 1993; Lee and Tan 2001; Malinen 2001; Santiago 2000; Sharma 1997; Sharma and Rao 2000; Papalexandris and Panayotopoulou 2004, Van Duijn *et al.*, 2007, Maas & Diederichs, 2007 and Venter, 2004; which focused on succession from different cultural perspectives. As far as can be ascertained these studies have not focused on all the nine dimensions of societal culture as covered in this study and there is lack of comparative investigation in these studies hence this study will focus on the impact of cultural factors on successful succession as well as a comparative investigation between American and Indian South African FOB's.

Sharma (1997) identified and empirically tested the relative importance of factors that influence a successful managerial transition from one family member to another. Sharma's study was the first attempt to understand the succession experience from multiple perspectives, namely successors, predecessors and other family members in the business, using a relatively large quantitative sample.

As stated above, one of the distinguishing factors for this study is the comparison between South Africa and USA and as far as could be ascertained, the type of comparative investigation explored through this study has not been previously undertaken between these two countries granted, which provides the "gap" where new knowledge can be added. Previous comparative research studies focused on the following countries and subject areas.

**Table 1.3: Previous Comparative Research Studies on Succession planning as conducted in other countries**

Previous Research Area	References
The extent to which variations in culture between U.S. and Korea affect the likelihood of succession planning	Kuratko, Hornsby, & Montagno, 1993
Differences Between Family and Non-Family SMEs: A comparative study of Australia and Belgium	Smith, 2008
Successor Attributes in Indian and Canadian Family Firms: A Comparative Study.	Sharma and Rao, 2000
Culture, Leadership, and Organizations: The <i>GLOBE Study</i> of 62 Societies; Cultural and leadership predictors of corporate social responsibility values of top management: a <i>GLOBE study</i> of 15 countries;	House, <i>et al.</i> , 2004; House, <i>et al.</i> , 2007
A comparative study of Korean immigrant businesses in Metro-Atlanta USA on succession factors	Young-Ho and Herbert 1999

Previous Research Area	References
The effects of succession planning on family-owned businesses: A comparative study of USA and Korean FOB's	Kuratko, <i>et al.</i> , 1993
The Influence of ethnicity on succession planning comparative study of Kenyan Asian family businesses and British Asian firms	Shaheena and Woods. 2002
The impact of culture and family on the strategies, opportunities, and barriers to growth for women entrepreneurs from Romania, Poland, and America	Gundry and Ben-Yoseph 2004
Ownership, Governance, and Management Issues in Small and Medium-Size Family Businesses: A Comparison of Italy and the United States	Corbetta and Montemerlo, 1999
An Examination of Uncertainty Avoidance, Power Distance, and Individualism for Business Professionals in the U.S. and Canada.	MacNab and Worthley 2007
A 16 Country Study on owner managers' attitudes towards family and business Issues:	Birley 2001

Source: Author

### 1.6.1 Justification for the Comparison between USA and South Africa

Reasons for conducting a cross-cultural comparative study (between South Africa and USA) include among others:

- a. American and Indian South African FOB's belong to different Clusters hence this study provides an opportunity to explore the differences
- b. Given the increased globalization of organizations and increased interdependencies among nations, the need for better understanding of cultural influences on leadership and organizational practices has never been greater. Due to globalization, situations that leaders and would be leaders face are; highly complex, constantly changing, and difficult to interpret thus succession plans should reflect what's going on in the global village.
- c. The research offers great potential for systemic improvements of the management of FOB's in South Africa and abroad. If the challenging issue of succession can be successfully tackled, the failure rate among FOB's could be dramatically reduced, thus enhancing the social and economic well being of the South African economy and other economies abroad.
- d. The researcher could effectively collect the data from the two countries without much difficulty since the researcher had access to the study populations in both regions.

More importantly, tremendous benefits can be gained when FOB leaders truly understand the differences in cultures across nations, and incorporate this understanding in current leadership styles. Furthermore,

Hofstede (1993) states that in a global perspective, US management theories contain a number of idiosyncrasies not necessarily shared by management elsewhere. Cross cultural research shows that many cultures do not share the same assumptions underlying leader behavior and style (Den Hartog, House, Hanges, Ruiz-Quantanilla, Dorfman, & GLOBE associates, 1999). As a result there is a growing need for a better understanding of the way in which leadership is enacted in various cultures and a need for an empirically grounded theory to explain differential leader behavior and effectiveness across cultures especially as it pertains to the issue of FOB successful succession.

The findings of Globe Study (House, *et al.*, 2007) have important implications for both practicing managers in FOB's and academics developing theories. Those findings have shown that there are major similarities in societal culture based on clusters of populations such as the Anglo Cluster, Sub-Saharan Cluster, the Southern Asia Cluster, etc. Similarities or differences in languages, ethnic backgrounds, and economic and social institutions accounts for the differences/similarities in the cultures between the different clusters.

Dickson, Aditya & Chhokar (2000) states that understanding culture as it is manifested across societies is a difficult undertaking, as is reflected in the wealth of literature on the topic. Understanding culture as it is manifested across organizations within a single society is also a difficult undertaking, as is reflected in the wealth of literature on that topic. Understanding culture as it is manifested across organizations from different societies – cross-cultural organizational culture analysis – is a more difficult undertaking, as is reflected by the relative lack of literature on the topic. This author is fully aware of the difficulties experienced in cross cultural studies and this study provides tremendous benefits to FOB leaders as they understand the differences in culture across nations.

The issue of succession planning has been covered extensively in literature (Sharma, Chrisman, & Chua, 1997). Despite all this coverage, knowledge of how family businesses are successfully passed down to the next generation remains rudimentary (Lansberg, 1999). A number of factors influencing succession planning in FOB's have been suggested in literature, but in a highly disconnected fashion which makes it difficult to draw firm conclusions. According to Van der Merwe, (1999) there was a lack of sufficient knowledge and better comprehension in South Africa regarding the family business sector in general and succession issues in particular, but there has been a slight improvement since 1999. FOB's have played an important role in the South African and American economy for the past three centuries and therefore

deserve more recognition. Even though the majority of family businesses in many countries are small and medium-sized (Neubauer and Lank, 1998), research on family businesses has focused on medium to large businesses in USA or Europe.

Study on small businesses has gained attention internationally during the past decade (Malinen, 2001). The world has become flat and due to such increased globalization, it is essential to understand how family businesses operate in different countries and cultures. It was therefore the primary objective of this research to identify the cultural factors that influence successful succession and to add to the body of knowledge of family businesses in South Africa and abroad. As of to date there hasn't been any known study similar to this study that compares and contrasts the Western (USA) and the South African cultural influences on successful succession in FOB's.

Families are the environment within which individuals begin to make sense of and learn about their world. Value systems, personal habits, virtues and vices are all learned, or made sense of, in a family environment (Belardinelli, 2002). From the earliest basic childhood experiences to those that follow with more specific connection to the family business, successors, for good or ill, are shaped by the culture and formative influences surrounding them (Belardinelli, 2002). Values and attitudes directly related to a family business are often embedded early on and make planning for succession a long term task (Gatrell, 2003). Family business owners need to consider what business values and type of culture they themselves possess, and what kinds they wish to instill in any successors and this study made a significant contribution in that regard.

Traditionally, the approach to understanding succession in family businesses has been to focus on the founder or owner manager and his emotional challenges in passing control and ownership to the successor (Goldberg, 1996; Swogger, 1991; Brown and Coverly, 1999) or the successor (Goldberg, 1991, Stavrou, 1999; Shepherd and Zacharis, 2000). However in this study succession was viewed from both perspectives just as in a few other studies by (Venter, 2003; Sharma, *et al.*, 1997; Lansberg and Astrachan, 1994; Philips and McConaughy, 1999).

The nature of family businesses is likely to vary cross-nationally according to the distinctive patterning of social values and norms of behavior. Ambitious attempts have been made to categorize these value differences (Hofstede, 1991) and link them to variations in social and workplace attitudes and behavior

(Laurent, 1983; Trompenaars, 1993). But few studies have been conducted into the ways in which such differences may have an impact on family businesses especially the practice of succession planning. There is no standard definition of culture and no universal set of cultural dimensions. There are potentially many ways that cultures can be different hence in this study the focus is on nine cultural attributes. These attributes will be referred to as cultural dimensions. These are aspects of culture that distinguish one family or society from another and have important managerial implications on how successful succession can be implemented.

In this study the link between cultural factors and the succession process was investigated and empirically tested to see possible influences of cultural factors on the perceived success of the succession process. It is important for the continued prosperity of the family business and harmony within the family that family business leaders and all stakeholders have an understanding of the cultural factors that impact successful succession.

## **1.7 Primary Research Objective/Research Statement**

Cultural factors play key role on Successful Succession in Indian South African Family Owned Businesses and American Family Owned Businesses.

### **1.7.1 Secondary Research Objectives**

The secondary research objectives for this study are thus:

1. To investigate and explore the cultural dimensions that are expected to be associated with successful succession in FOB's
2. To investigate the relationships between the cultural dimensions and the perceived success of the succession process
3. To measure and rank the factors in terms of their relative importance to owner managers and successors in South Africa as compared to their western counterparts
4. To develop models that will show how the independent variables (cultural dimensions) impact the dependent variable, namely perceived success.
5. To investigate which cultural dimensions are important for owner managers to instill and pass on to the successors



6. To compare and contrast the above mentioned objectives between USA and South African FOB's

## 1.8 Definition Of Terms

Definitions of terms are stated below:

- a) Performance orientation is the extent to which an organization or society encourages and rewards group members for performance improvement and excellence (House, *et al.*, 2007).
- b) Future orientation is the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification. In other words, the degree to which society helps its members face whatever situation occurs with a more long-term perspective (House, *et al.*, 2007).
- c) Assertiveness is the degree to which individuals in organizations and societies are assertive, confrontational, and aggressive in social relationships. This dimension is part of the Hofstede's (1980) masculinity dimension (House, *et al.*, 2007).
- d) Institutional collectivism (Collectivism I) reflects the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action. Low scores in this dimension reflect individualistic emphasis and high scores reflect collectivistic emphasis by means of laws, social programs or institutional practices (House, *et al.*, 2007).
- e) Gender egalitarianism is the extent to which an organization or a society minimizes gender role differences (House, *et al.*, 2007).
- f) Power distance is defined as the degree to which members of an organization or society expect and agree that power should be unequally shared. It is measured by the score given for the centralization of power and the gap in power between different levels of society (House, *et al.*, 2007).
- g) In-group collectivism (Collectivism II) is the degree to which individuals express pride, loyalty and cohesiveness in their organizations, families and other in-groups (House, *et al.*, 2007).
- h) Uncertainty avoidance is the extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events (House, *et al.*, 2007).
- i) Humane orientation is defined as the effort and practices, which a society shows in support of human beings including generosity, concern and friendliness (House, *et al.*, 2007).

- j) Family business: A family business in this study is one that is owned by members of the same family to shape and/or pursue the formal or implicit vision of the business and where it is the intention of family members to hand the business over to the next generation or where the business has already been handed over to a family member to manage and/or control (Maas and Diederichs, 2007; Rouvinez and Ward, 2005; Longenecker et al., 2003; Van Duijn, Breunese and Malindz, 2007)
- k) Succession: In this study, succession is broadly defined as the replacement of the leader of a family business by a successor, who must be a member of the same family. By definition, succession is a dynamic process, during which the roles and duties of the two main groups of individuals involved, i.e. the owner-manager and the successor, evolve interdependently and overlap, the ultimate goal being to transfer both the management and ownership of the business to the next generation (Venter, 2003; Cabrera-Suárez, De Saá-Pérez, and García-Almeida, 2001; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma, Chrisman, Pablo and Chua, 2001). Succession in this study will include both ownership and management succession
- l) Succession Planning: is a process for identifying and developing internal personnel with the potential to fill key or critical organizational positions. Succession planning ensures the availability of experienced and capable employees that are prepared to assume these roles as they become available (Venter, 2003; Cabrera-Suárez et al., 2001; Dyer, 1986; Handler, 1990; Morris *et al.*, 1997; Sharma *et al.*, 2001).
- m) Successful succession: in this study is defined as the extent to which various stakeholders in the process, namely the owner-manager, successor and those family members actively involved in the family business, are satisfied with the process; whether the family business will be financially secure and sustainable after succession; whether the relationships between family members and other stakeholders (e.g. suppliers and networks) will remain intact; and whether family members as well as employees will support the family business after succession has taken place (Venter, 2003; Cabrera-Suárez *et al.*, 2001; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma *et al.*, 2001)
- n) Owner-manager: Various terms are used interchangeably in the literature to refer to the owner-manager, for example founder, incumbent, predecessor, successee and older generation. In this study, an owner-manager refers to a person who has the management control and power in a family-owned or -controlled business and who has the right to pass that power and control on to the next generation of family members (Venter, 2003).

- o) Successor: a successor is a person who is the recipient or heir of the power and control given by the owner-manager or successee. In this study, the successor will be the person, either the son or daughter or family member of the owner-manager, who assumes the leadership title and authority on the retirement of the owner-manager as the leader of the family business (Venter, 2003; Cabrera-Suárez *et al.*, 2001; Dyer, 1986; Handler, 1990; Morris *et al.*, 1997; Sharma *et al.*, 2001).
- p) Culture: shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences of members of society which are transmitted across generations (Papalexandris and Panayotopoulou, 2004; House, *et al.*, 2007).

## **1.9 Assumptions Of Study**

Due to the emphasis of the research on USA and Indian South African FOB's the exploration of the impact of cultural factors on succession planning was restricted to the examination of the FOB's selected from these two populations.

Thus this study was built on several assumptions:

1. The influence of cultural factors on successful succession in USA FOB's differs from the South African Indian FOB's.
2. Perceived Success in the USA population is different from Perceived Success in the South African Indian Population
3. A relationship exists between perceived success, the nine cultural dimensions and demographic characteristics of the participants in this study
4. Some of the cultural dimensions (out of the 9 dimensions under consideration) have a significant impact on perceived success
5. Demographic variables such as age, gender, etc might moderate the impact of cultural variables on perceived success.

## **1.10 Significance Of Study**

This study is significant because it expands the understanding of how culture impacts successful succession amongst FOB's. The research offers great potential for systemic improvements of the management of FOB's in South Africa and abroad. By tackling the challenging issue of successful succession for FOB's

this study could lead to a dramatic and positive decline on succession failure rate among FOB's thus enhancing the social and economic well being of the South African economy and other economies abroad.

This study also provides a resource for FOB's to better understand the different influences of cultural factors on successful succession and means of promoting successful leadership succession amongst FOB's. The study expands the knowledge on what cultural dimensions are important for owner managers to instill and pass on to the successors.

### **1.11 Scope of Study and Delimitations Of The Study**

The study examines the nine societal culture dimensions that are expected to be associated with successful succession in FOB's. The contrast between the USA and Indian South African succession practices were examined. The study is limited to the USA and South African Indian FOB's thus the ability to generalize the results is limited to similar populations. Non family owned businesses were excluded from the study. Only societal culture dimensions were considered for this study, thus limiting the data analysis and extrapolation to societal culture dimensions.

In addition an analysis of the literature on cultural factors and succession planning was explored. Then surveys were distributed to 100's of FOB's in USA and amongst the Indian South African FOB's followed by documented interviews and an analysis of 10 selected FOB's (5 USA and 5 Indian South African). Finally recommendations were formulated and offered on the significance of how cultural factors impact the succession process.

### **1.12 Summary**

In this chapter the problem statement was established, previous research areas have been identified, justification for the nine societal culture dimensions was explained and the basis for the comparative analysis was established. The definition of terms was presented, research objectives were identified, the assumptions of the study were identified, the significance of study was established and the scope and limitations of study presented.

In the next chapter a detailed literature review on cultural factors influencing successful succession is presented and the history of the South African Indian FOB's is also presented. The literature review provides the theoretical background on the subject of cultural factors and succession planning and it shows what is missing in the previous research and it reveals how this research intends to fill the gap.

## **Chapter Two: Theoretical Considerations on Succession Planning**

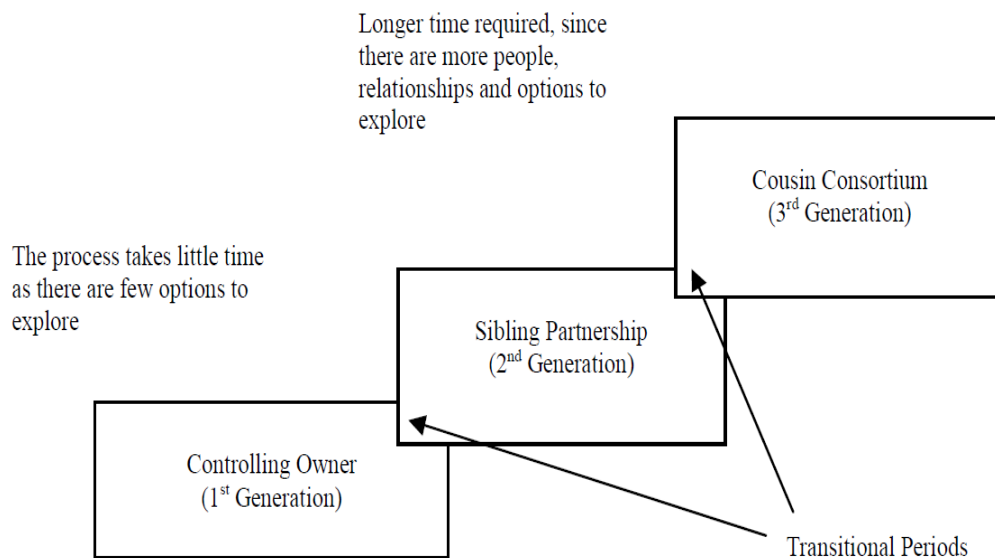
### **2.1 Introduction**

There is an agreement found among most researchers (as presented in different models) that succession is more of a process than an event (Churchill & Hatten, 1987; Handler, 1990). Succession is not simply a single step in time and space which takes place at once; it is a multistage and dynamic process that begins before heirs even enter the business. The effectiveness of succession is not limited to whether a successor has been chosen; but the entire process of succession also depends on the individual nature of the predecessor and successor as well among other group and organizational factors. In this chapter some succession planning models are presented. The list of models presented in this chapter is not exhaustive since there are several other models developed by researchers and other family business practitioners. The models in this chapter present a foundational base and some insight into the critical subject of succession planning. The models helped this researcher to develop the appropriate research objectives and to complete a comprehensive literature review in the area of succession planning in family owned businesses (section 3.2).

### **2.2 Transition Period Model**

Among others The Transition Period Model by Gersick, Lansberg, Desjardins & Dunn (1999) (see Figure 2.1) attempts to explain the issues involved in generational transition. This model shows the transition periods found as a business move from one generational stage to another during the first three generations. The three stages explained by this model are the Controlling Owner State (First Generation), Sibling Partnership (second Generation) and Cousin Consortium (third generation). The model emphasizes how transition becomes more complex with successive generations, mainly due to the greater number of family members involved in later generations and the consequently greater number of options available (Perryer and Te, 2010).

**Figure 2.1: Transition Period Model**



Source: (Gersick, Lansberg, Desjardins & Dunn, 1999)

This model does not help in identifying factors that influence the decision to pass control from one generation to the next but it provides useful pointers to some of the factors to be considered in generational transition, especially on the decision about who will control the business (Perryer and Te, 2010).

### **2.3 Dana's Push-Pull Model**

Dana's Push-Pull Model is a descriptive framework that emphasizes the need for pull factors to act on existing push factors for timely voluntary succession (Dana, 2005). Dana's model was developed after Cohn (1992). Cohn had used the words "push- pull" in reference to what he had observed from his clients after many years of advising family business owners.

Push forces are those that persuade incumbent owners to 'let go' and pass on management and ownership control of the FOB to their successors. The incumbent is compelled by these factors to plan and implement succession strategies. Push forces are generally external in nature, generated primarily by successors, other family members, employees, or by third party advisers such as accountants, attorneys and bankers. The push forces also come from professional advisers and peer pressure from family business associations that

believe in a well-ordered and timely succession as the best thing for family and the business (Dana, 2005, Perryer and Te, 2010).

Timing is critical for push forces to work, since the push factors help to coerce the incumbent to 'let go' of both management and ownership control. At the right time the incumbent will be compelled to pass on the torch. The incumbent usually enjoys the power and responsibility of being the owner and their position provides meaning and purpose. To pass on the torch means losing control, losing power and sometimes losing the identity hence to minimize resistance the timing should be right. This might be a factor why succession planning is often delayed. Otherwise the incumbent will neutralize or eliminate those that are pushing for retirement or succession (Dana, 2005, Perryer and Te, 2010).

On the other hand pull factors draw the incumbent away from their businesses as their primary interest and activity (Dana, 2005). The incumbent feels that it is their decision, they are doing it their way and it is at their own time. Usually they are starting a new phase in their life. The pull factors include; a concern to spend more time with loved ones, a desire to serve the community; a desire to travel or to write a book or vacation and doing the things that they always wanted to do but never had an opportunity.

There are three possible outcomes as a result of the interaction between the push-pull factors as presented below:

**Table: 2.1 Dana's Push-Pull Model Outcomes**

1st Outcome	Stalemate- there are stronger push factors acting on the incumbent and pull factors are not present. As a result there is considerable and sustained resistance to succession. Thus little or no movement at succession results which causes delays, indecision, frustrations and possible conflict.
2nd Outcome	Drag Effect- occurs when only pull factors are present and the result is little or no movement in the short to medium term.
3 <sup>rd</sup> Outcome	Smooth and voluntary succession- a combination of both pull and push forces are in play. The complementary forces would have to act on an incumbent to generate the requisite momentum for succession and retirement to take place. The absence of either one leads to the incumbent's hesitation in fully letting go.

Source: Dana, 2005



This model is considered descriptive and not prescriptive because it does not seek to list or classify the push and pull forces but draws attention to the fact that if pushing factors are not sufficient to produce the required action, it becomes counterproductive and merely produces resistance (Dana, 2005, Perryer and Te, 2010). The transition and motivation to do succession planning should therefore be enhanced if there is enough/substantial pulling.

What is considered pushing or pulling is dependent on people's perspectives and circumstances, since different people will perceive the forces at play in different ways. With this in mind, Dana (2005) stressed the importance of putting more emphasis on pull forces to complement and supplement push forces, to enable succession to occur in a timely way.

The model only attempts to encourage those involved in succession planning or succession to be aware of the fact that the existence of pull forces is beneficial to the process and thus should assist incumbents with the challenging task of identifying or creating relevant pull forces (Dana, 2005, Perryer and Te, 2010).

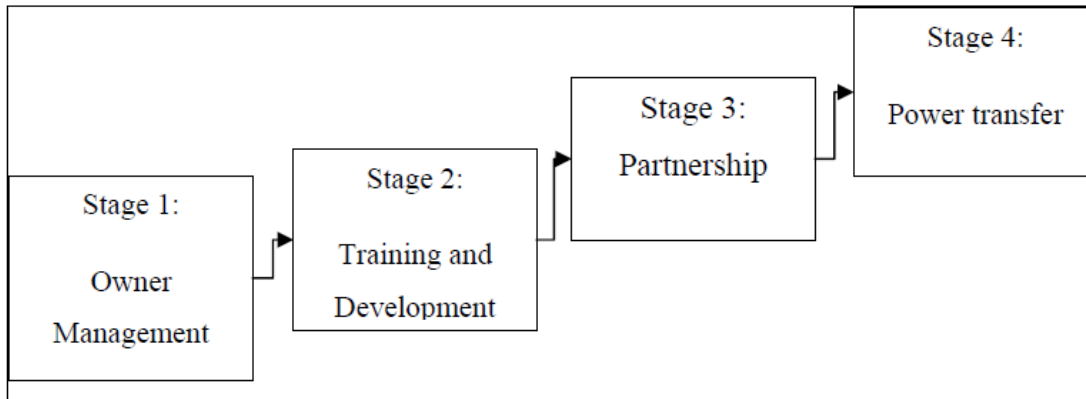
It is very complex to try and objectify these forces because it is too personal since it addresses the question on what will be considered sufficiently attractive for a business owner manager to let go of the business they know and love and lead a different existence outside the business (Dana, 2005, Perryer and Te, 2010)

Handler and Kram (1988) argue that resistance to let go is a complex phenomenon, reinforced by several factors such as the individual (e.g., the owner's ties to the business), the group (e.g., the interdependence of the subsystems of family, firm, and owner), the organization (e.g., values and assumptions of organizational continuity), and environment (e.g., the environment's impact on organizational structure). Clearly, these are also factors that could vary across cultures. Section 3.1.1 covers underlying determinants of successful transitions, desirable successor attributes and obstacles to FOB succession planning.

## **2.4 Life Cycle Model**

In this model, Churchill and Hatten (1987) developed a life cycle approach to describe the succession process between father and son in a family firm. They outlined 4 stages to the life cycle as presented in figure 2.2 below.

**Figure 2.2: Life Cycle Model**



Source: Churchill and Hatten (1987)

The table below summarizes the stages of the in the Life Cycle Model.

**Table: 2.2 Life Cycle Model Stages**

Stage 1: Owner Management	At this stage the owner is the only member of the family directly involved in the business and the successor is not directly involved in the business. The founder is the person running the business and using his/her leadership capabilities is building the organizational culture which on the one hand is necessary to run the day to day working of the business and in the long run it is useful for the successful succession of the company leadership.
Stage2: Training and development	It is the stage where the offspring learns the business. The successor is brought into the organization and starts taking part in day to day activities of the business. At this stage the incumbent learns to delegate and share his power
Stage 3: Partnership	A partnership is developed between the incumbent and successor as an extension of the second stage. The successor gains more authority and the relationship between the two is strengthened.
Stage 4: Power transfer	It is the stage where actual power transfer takes place and where responsibilities shift to the successor. The incumbent disassociates from the business and it is at this stage that it becomes crucial to look for new opportunities for predecessor's own life to help smoothen the process of succession.

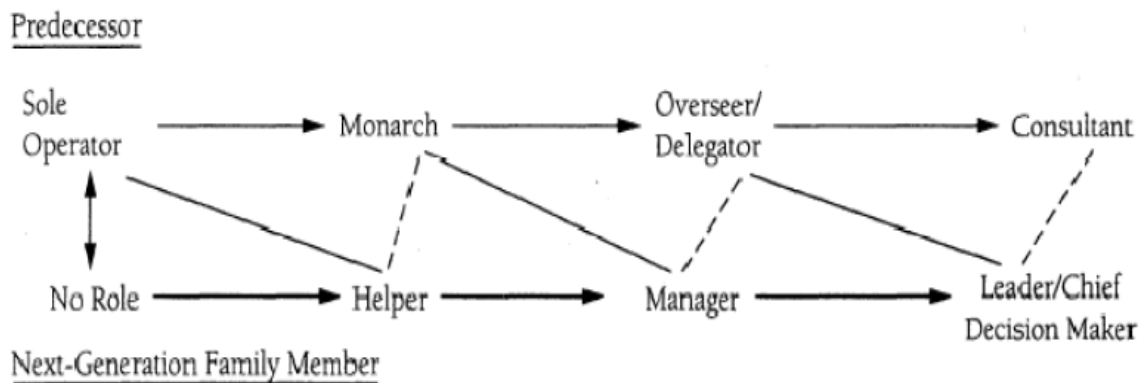
Source: Churchill and Hatten (1987)

Though it is critical to understand the individual factors listed in this model, however it should be taken into consideration that these are not the only factors which ensure the successful succession of the family business but other group related factors and organizational related factors are of equal importance (Churchill and Hatten, 1987). Refer to Section 3.2 which covers underlying determinants of successful transitions, desirable successor attributes and obstacles to FOB succession planning.

## 2.5 Mutual Role Adjustment Model

This model (Figure 2.3 below) was presented by Handler (1989) and the gist of this model is that both the incumbent/predecessor and the successor should have the ability to adjust to the changing nature of their role in the business throughout the succession process.

**Figure 2.3: Mutual Role Adjustment Model**



Source: Handler, 1989

If the adjustment is difficult and long the end result will be delayed succession. Handler (1989) proposed that family members fill specific roles during the succession process, and that these roles change over the stages of the transition. Further, she claims that successful transitions require a process of mutual role adjustment. Thus, the current generation head of the business may move from a “sole operator” to “monarch” to “overseer/delegator” to “consultant”. Meanwhile, the next generation family member moves from having “no role” to “helper” to “manager” to “leader/chief decision maker”. She argues that the roles of the next generation family member tend to be shaped by the role of the predecessor.

This model complements the life cycle model by Churchill and Hatten (1987) described above. Stage 1 is similar to the Sole Operator- No Role phase. The owner is the only member of the family directly involved in the business and the successor is not directly involved in the business. Stage 2 is similar to the Monarch-Helper phase. At this phase if the predecessor has good leadership qualities, and is able to delegate and if they have developed a culture of independence in the organization they will be able to make the succession process a success by training and developing the new leader. Stage 3 is somehow similar to the Overseer/Delegator- Manager Phase; a healthy partnership is enhanced and strengthened. Stage 4 is somehow similar to the Consultant-Leader/Chief Decision Maker phase, at this phase power is transferred and the predecessor becomes a consultant while the successor becomes the chief decision maker for the business.

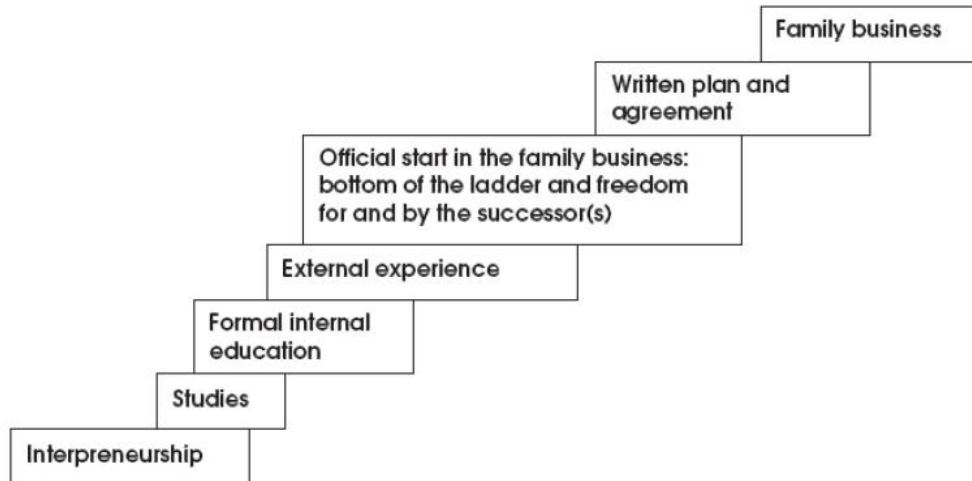
The individual factors explained above can influence the role adjustment model both in a negative or positive way. It should be taken into consideration though that these individual factors along with group level factors and organizational level factors all work together to ensure the successful succession of the family business.

Such life cycle models are limited in the sense that they are based on the assumption that the organization develops the managerial capabilities of the predecessor, and the organization develops in such a manner that ownership and management become separated (Morris, Williams, Allen & Avila, 1997). As a result these models typically ignore issues of succession and fail to consider the complexity inherent in FOB's. Dyer and Handler (1994) suggest that a family business should be approached from a total system perspective which consists of number of other subsystems which include the predecessor and entrepreneur as an entity, the business as an entity and the family as an entity.

## **2.6 Stepping Stone Model for Family Business Transfer**

Lambrecht (2005) developed this model based on the empirical study on several FOBS'. The model is presented as stepping stones from one step to the next.

**Figure 2.4: Stepping Stone Model for Family Business Transfer**



Source: Lambrecht (2005)

Lambrecht (2005) developed this model based on the empirical study on several FOBS'. Entrepreneurship is the 1st stepping stone, and at this step, the transfer of business knowledge, management values and leadership characteristics are passed to the next generation (Lambrecht, 2005). The owner is usually the founder who displays great entrepreneurial abilities to start a new business and that knowledge is passed on to the next generation

The second stepping stone for the successful transfer of the business consists of the Studies. At this step successors earn a degree or obtain educational training before full-time entry into the family business or they take specific studies that are oriented toward the sector of the family business to gain knowledge required to run the business. In other cases, potential successors are free to choose a discipline (Lambrecht, 2005).

At the third stepping-stone formal internal education is provided and that is usually possible with larger FOB's. The education and training is provided to the potential successors at a very young age (Tifft and Jones, 1999; Bibko, 2003). The successors attend meetings and they learn about the networks and contacts

associated with the business. At this step the predecessor gains the opportunity to judge and assess the capabilities of the successor.

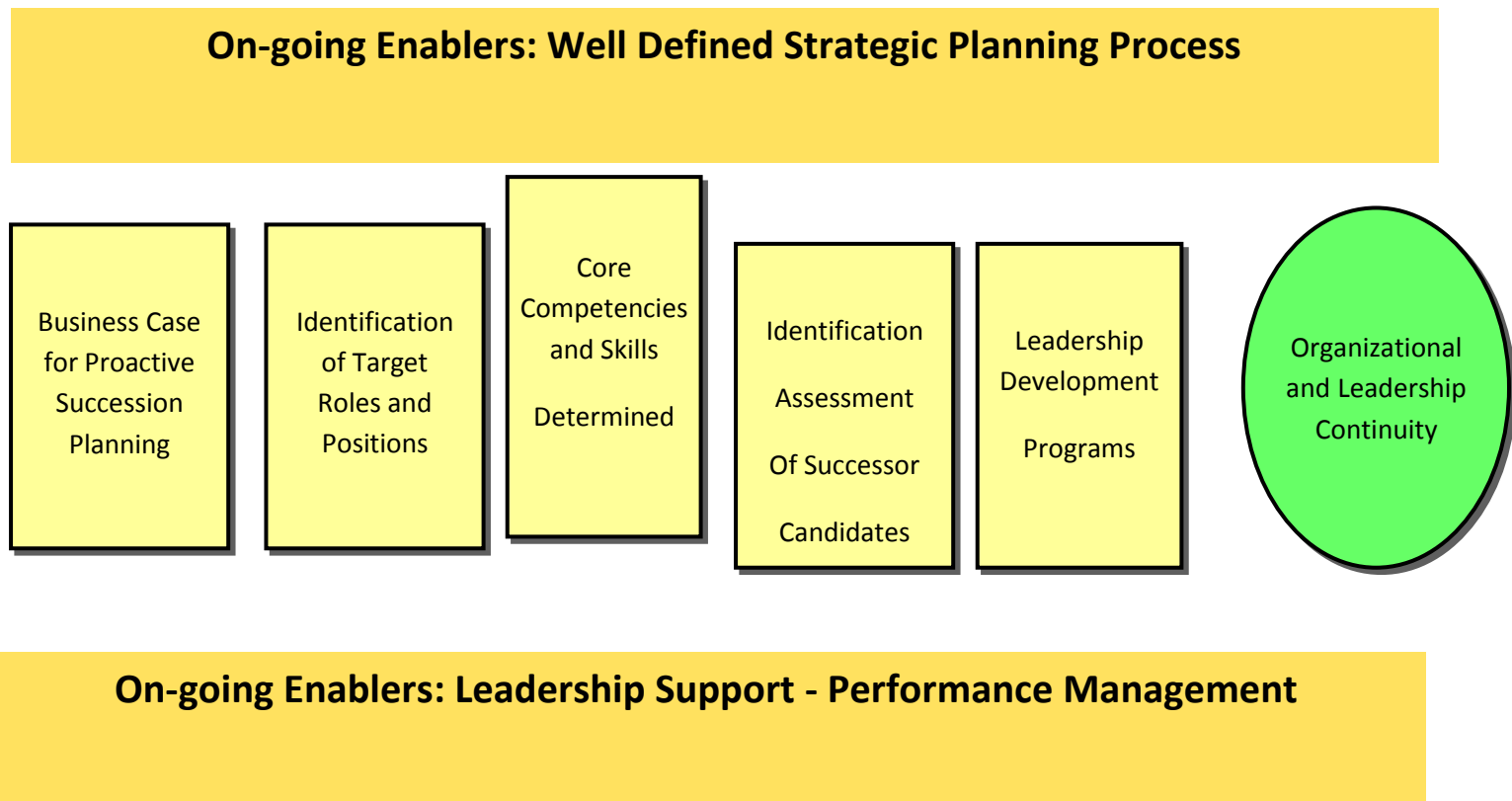
At the 5th step, the successor gains work experience from outside the family firm. This provides the potential successors with knowledge, self-confidence and worldly wisdom (Lambrecht, 2005). At the 5th step the successor is considered official. The successor passes through different departments in the business hence they prove themselves and also it helps the successor to win the confidence of employees, and to discover the business, the sector, and the customers. Lambrecht (2005) distinguishes between beginning at the bottom of the ladder and freedom for and by the successor. Freedom for the successor means taking responsibility, respecting the previous generations, asking for advice from the predecessor, and understanding that the past denotes the foundations and provides a lead to the future (Lambrecht, 2005).

The sixth stepping-stone relates to the written plans and agreements. The plans are outlined on what to do in case of sudden death or resignation of the incumbent, on how to legally transfer ownership, etc. Written plans are not an absolute guarantee for a successful transfer, other factors should be taken into consideration. During these six steps, the predecessor is very deliberate and conscious about the need to train and prepare the successor to take over the leadership/ownership of the family business.

## **2.7 Burke Succession Planning Model**

The figure below presents the five pre-dominate stages suggested to be followed in succession planning by Burke (2003). Surrounding the five stages are on-going enablers, such as a clearly defined and effectively communicated strategic plan, support by the leaders, competitive compensation and high-level performance management tools and processes. The combination of these key enablers will drive organizational and leadership continuity which are necessary elements of FOB success.

**Figure 2.5: Succession Plan Diagram**



Source: Burke, 2003

#### Stage 1: Understanding the Business Case for Proactive Succession Planning

At this stage the entrepreneur articulates a clear vision and company mission which envelops the culture and values of the business. This mission statement becomes the foundation for developing an effective strategic planning process which incorporates the development of a longer term business plan. The entrepreneur will thus envision where the business will be six, twelve and eighteen years into the future and such a vision will create a situation which necessitates decisions to be made on required organizational structure and effective leadership. This becomes a push factor which compels creative debate to go on around assessing the degree to which the owner's retirement and attrition issues will impact on desired business objectives (Burke, 2003). The following factors according to Burke (2003) should be taken into consideration during the strategic planning:

1. Understanding the industry sector, market share, competition and barriers to growth.
2. Long term business strategy for growth and required investments in capital and infrastructure.

3. Interest and desires of other family members involved in the business currently and their potential involvement in the future.
4. Age, experience and education of the beneficial owners and family members.
5. Independent business valuation and potential to increase brand equity over time.

These factors should be considered in formalizing a mission statement, the key first step for the beneficial owners in order to clearly articulate and communicate the vision, culture and values desired throughout the entire organization. What is done at this stage will impact the transition of the business to the next generation at some point in the future. This also minimizes the risk of family differences as far as what direction the business strategy should go, since those issues usually are sorted out in a healthy, structured analytical debate in the preparation of a strategic plan (Burke, 2003). For successful FOB's the planning process is an on-going business activity to be reviewed periodically.

#### Stage 2: Identification of Target Roles and Positions

At this stage critical workforce segments within the business are identified. It's just not slotting people into roles and positions but it's a careful assessment of particular resource requirements necessary to achieve business plan targets. The objectives of Stage two are to review current and future talent requirements hence key positions are identified and "at risk" positions identified (Burke, 2003) and other researchers (Kottke and Pelletier, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Perryer & Te, 2010) agree.

#### Stage 3 – Core Competencies and Skills

After identifying the "at risk" positions in the previous stage, it becomes necessary to also identify the core competencies and skills sets required in order to perform successfully in each role. This will help in several ways including; a) providing a framework for future hiring to meet the business needs, b) creating a baseline for staff including family member performance evaluation. In overall, any developmental gaps will be clearer to the owner and they can focus on assisting family members to gain skills and competencies necessary to fill the gaps (Burke, 2003; Kottke and Pelletier, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Perryer & Te, 2010). It is critical for any family members considered for key positions or as successor candidates to have a commitment to develop the skills and competencies necessary over time in order to meet the business needs in the future. It is not as easy as it sounds, rather it is a complex area because of the interrelated factors which include; trust and confidence, delegation and



decision making, personal sacrifices (opportunity costs) in order to learn the business and in overall assuming leadership roles and responsibilities (Burke, 2003).

At this stage the family members should be willing to transition into new and different roles in order to gain the big picture and to be involved in corporate policy and planning. In this way, they become acutely aware of the business needs, are fully informed and involved and have access to opportunities in order to develop an effective succession strategy (Burke, 2003; Kottke and Pelletier, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Perryer & Te, 2010).

#### Stage 4 – Identification and Assessment of Successor Candidates

At this point the potential candidates are identified, assessed and evaluated. The strategic plan establishes strategic direction and performance measurements required to lead and guide the FOB into the future. At this stage therefore development and implementation of a thorough competency based performance management process is initiated in order to identify the best family member to meet the needs of the FOB (Burke, 2003; Ward and Aronoff, 1993; Bjuggren and Sund, 2001, Dana, 2005, Lambrecht, 2005). For certain key positions it might be necessary for the family to look at external expertise and candidates. Transparency is critical at this stage as family members are expected to fully understand that there is no “free pass” as the successor candidate and that they must possess the necessary business and educational qualifications in order to take the FOB into the future (Burke, 2003; Ward and Aronoff, 1993; Bjuggren and Sund, 2001, Dana, 2005, Lambrecht, 2005).

Some researchers argue that leaders are not born; rather they develop over time by learning new skills and competencies. At this stage family members are given the opportunity to discover their “natural” management styles and to understand the differences in their personalities and business philosophies (Burke, 2003; Ward and Aronoff, 1993; Bjuggren and Sund, 2001). Thus identifying whether one family member has the ability to acquire those skills and competencies necessary to lead the organization as the successor candidate is the key outcome of this stage. The process is not easy because, a family member may be identified as a potential successor candidate but may not want the responsibility, yet another may desire to be the leader, but does not want to invest the time to develop the skills and competencies necessary in order to be an effective leader. This author acknowledges that this process might be more

complicated in micro FOB's were the owner might be wearing many hats or were the FOB is invariably survivalist in nature and for those reasons the succession process can be a daunting task.

### Stage 5 – Developmental Programs

The main focus on this final stage of the succession planning process is to ensure that potential successors are receiving sufficient development opportunities, including formal training internally and externally on an a regular basis. Thus a review of the current and required training and development practices is required at this stage. According to Burke (2003) the training will be ideal if it involves independent feedback, job development opportunities and formal evaluations of progress, special assignments and projects in addition to a formal mentoring program (Kottke and Pelletier, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Perryer & Te, 2010). The education/training experiences should be very broad and should include among other things; general management and leadership instruction, assessment of diversification opportunities and specific evaluation of business practices, to wealth management and family investment strategies (Burke, 2003; Kottke, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Perryer & Te, 2010).

Another point to consider as part of training is to allow the identified candidate to consider accepting positions outside the family organization and environment for a period of time in order to develop business experiences outside the comforting environment of the family business. The identified successor will thus be afforded the opportunity to assess different cultures and values, new mentors and innovative ideas from the external organization and eventually bringing those experiences back to the FOB. Ongoing education/training and personal development is crucial for any succession strategy. Burke (2003) suggests that the FOB might need to have “family retreats” on a regular basis and the knowledge that can be gained from a family retreat session can teach the family how to successfully manage the delicate relationship between family and business.

Succession Planning is most likely one of the most complex, emotional business issues FOB's will face. A successful strategy involves acceptance of an agreed process in conjunction with an agreed business plan. Some enablers identified above will assist the business owner in developing a proactive succession plan.

It is critical to get all family members involved in the process, whether the family members are involved directly in the day to day operations of the company or not. As discussed above the underlying business

strategy is determined through a formal vision and mission statement which is reinforced through a strong well-defined culture and organizational values. It's critical to facilitate a healthy debate at each stage of the succession planning process and everything must be fully analysed. The ultimate goal will be to "mobilize" all employees in addition to family members and the beneficial owners in creating synergy and organizational continuity (Burke, 2003).

## **2.8 Summary**

After reviewing the succession theoretical considerations presented above, this author presents below some key points learned about succession planning. The first point is that succession is a process and not a one-time event, employment in the business for family members should be taken as a privilege and an option and not an obligation, whenever possible outside experience should be gained and outside mentors appointed, family meetings are crucial and a family council or advisory board should be appointed. Control is an issue and incumbent owners need to realize that the business can actually prosper without them in the picture, job descriptions should be established and family members should be hired into existing positions, cross training is critical for the successor to have a big picture view of the business and the successor can be taught some complimentary skills that might be missing from the leadership structure. The successor should understand the history, strategic direction and culture of the FOB. Communication should be transparent and the reasons behind the succession process should be clearly explained. Last but not least, it's important to have target dates as that will help to measure progress in the succession process.

After careful consideration of these models this author agrees with Burke (2003) that a well-defined succession plan must deal with;

- 1) Identifying the most capable person to manage the organization at some predetermined time in the future.
- 2) How to attract and retain talented family members and employees who can effectively manage and grow with the business.
- 3) Managing change and transition in a culture within the organization so that numerous pitfalls are avoided.
- 4) How to enable retiring beneficial owners to satisfy on-going involvement and income needs.
- 5) Understanding the role of a Board of Directors or Advisors in the succession plan strategy

It is evident that succession planning is a critical issue confronting FOB's and that a well-considered and planned succession is important to improve a family business's chances of survival, profitability and growth. The focus of this study will be to look at the influence of societal cultural factors on the succession processes presented in this chapter.

Some of the life cycle models presented above are limited in the sense that they are based on the assumption that the organization develops the managerial capabilities of the predecessor, and the organization develops in such a manner that ownership and management become separated (Morris, Williams, Allen & Avila, 1997). As a result these models typically ignore issues of succession and fail to consider the complexity inherent in FOB's. Dyer and Handler (1994) suggest that a family business should be approached from a total system perspective which consists of number of other subsystems which include the predecessor and entrepreneur as an entity, the business as an entity and the family as an entity. Refer to Section 3.2 which covers underlying determinants of successful transitions, desirable successor attributes and obstacles to FOB succession planning.

In conclusion this author acknowledges that the transition of a FOB from one generation to the next is one of the biggest potential challenges that both the business and the associated family will face. The lines among family, business and ownership are often blurred in a family business which makes transitions highly emotive and complicated on all levels and what is suggested in these models though ideal it might be very complex to implement on the ground. It is factual though that succession occurs more smoothly when successors are better prepared, when family relationships are based on trust and are cordial, and when there is proper strategic planning.

## **Chapter Three: Literature Review**

### **3.1 Introduction**

A number of factors can influence succession planning as suggested in the literature although the literature is highly fragmented and sometimes incoherent. The lack of coherence becomes problematic when it comes to understanding deeply the process of succession planning. Consultants and previous researchers have generated most of the literature including case studies, empirical research in this area has been limited. More quantitative study analysis should be conducted to provide empirical tests of relationships between key variables. Morris *et al* (1997) suggested that such a limitation can be traced back to the inherent measurement difficulties in the family business field.

In addition to the previous research areas covered in Table 1.2 and 1.3, it is of great significance for this study, that many of the family businesses investigated in the empirical studies undertaken by the aforementioned researchers can be classified as small businesses (e.g. Birley 1986; Bjuggren and Sund 2000, 2001; Daily and Dollinger 1992; Dumas 1990; Fiegener, *et al.*, 1994; Goldberg and Wooldridge 1993; Perricone, Earle & Taplin, 2001; Seymour 1993; Stavrou 1999).

### **3.2 Succession in Family Businesses**

Succession is considered to be one of the most important and critical issue in the family business. A proper succession planning process provides the family business with the opportunity to select the effective leaders who are able to take the business to a new level (Ibrahim, McGuire, Ismail, & Dumas, 1999). Succession in family firms includes the dynamics that precede and lead up to the actual transition, as well as the aftermath of the transition and its implications for the various involved parties. These parties can include family members both in and out of the firm, non-family employees, the founder owner, and so forth.

A study by (Ibrahim *et al.*, 2001) shows that the tension and conflict typically bring down family firms due to the absence of proper succession planning. Such unhealthy conflicts can be managed effectively in various ways. Ibrahim *et al.* (2001) describes the possible ways to resolve such issues in a way where family firms can establish clear guidelines and policies concerning family members' involvement in the business, which helps to minimize tension and conflict situations among family members. The predecessor

and successor can also effectively communicate through family councils and family meetings on the issue of succession (Suare and Santana-Martin, 2004).

It is very important to distinguish between the quality of the experience and the effectiveness of the succession (Handler, 1990, Kets de Vries, 1993). Quality being the reflection of how the involved family members personally experience the process and it is concerned with such issues as conflict, distrust, rivalry, resentment and stress. Effectiveness is more related to how others judge the outcome of the transition. It would seem logical that quality and effectiveness are related, although it is not clear in what way. For instance, there is some anecdotal evidence to suggest that some degree of conflict and rivalry may contribute to a more effective transition in terms of outcomes (Kepner, 1983; Kets de Vries, 1993).

Underlying determinants of successful transitions: A review of literature on the succession process suggests that determinants of successful transitions can be organized into three general categories as follows:

**Table 3.1 Underlying determinants of successful transitions**

Stages	Activities	References
Planning and control activities:	<ul style="list-style-type: none"> <li>➤ Succession planning;</li> <li>➤ Tax planning;</li> <li>➤ Use of outside board;</li> <li>➤ Use of family business consultants/advisors;</li> <li>➤ Creation of a family council.</li> </ul>	Danco, 1982; Kets de Vries, 1993; Ward, 1987; Ward and Aronoff, 1992; Williams, 1990; Venter, 2003; Murphy, <i>et al.</i> , 2005, Soreson, 2000; Welsch, 1993; Handler, 1992; Jaffe, 1992; Ward and Aronoff, 1993; Bjuggren and Sund, 2001, Dana, 2005, Lambrecht, 2005
Relationships among family and business members:	<ul style="list-style-type: none"> <li>➤ Communication;</li> <li>➤ Trust;</li> <li>➤ Commitment;</li> <li>➤ Loyalty;</li> <li>➤ Family turmoil;</li> <li>➤ Sibling rivalry;</li> <li>➤ Jealousy/resentment;</li> <li>➤ Conflict;</li> <li>➤ Shared values and traditions.</li> </ul>	Dickinson, 2000; Harvey and Evans, 1995; Barnes and Hershon, 1976; Brockaw, 1992; Kepner, 1983; Kets de Vries, 1993; Ward and Aronoff, 1992; Williams, 1990; Handler, 1991; Kaslow, 1993; Venter, 2003; Sharma and Rao, 2000, Dana, 2005, Perryer & Te, 2010, Lambrecht, 2005

Stages	Activities	References
Preparation level of heirs:	<ul style="list-style-type: none"> <li>➤ Formal education;</li> <li>➤ Training;</li> <li>➤ Work experience (outside firm);</li> <li>➤ Entry-level position;</li> <li>➤ Year working within firm (and/or industry);</li> <li>➤ Motivation to join firm;</li> <li>➤ Self-perception of preparation.</li> </ul>	Kottke and Pelletier, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Perryer & Te, 2010, Dana, 2005, Lambrecht, 2005

Source: Author

The category that receives the greatest amount of attention among researchers concerns planning and control activities. This category, receives extensive emphasis in the family business literature, (e.g. Danco, 1982; Kets de Vries, 1993; Ward, 1987; Ward and Aronoff, 1992; Williams, 1990; Venter, 2003; Murphy *et al*, 2005, Soreson, 2000; Welsch, 1993, Perryer and Te, 2010, Dana, 2005, Lambrecht, 2005).

Topics covered in this category include the structure and review of such plans, who should participate in their preparation, when they should be prepared and contingency issues in planning. Other issues in this general category include ways to avoid taxation liability, the structuring of wills, the use and constitution of boards of directors, the potential roles of family business consultants and the establishment of a family council (Handler, 1992; Jaffe, 1992; Ward and Aronoff, 1993; Bjuggren and Sund, 2001, Perryer and Te, 2010, Dana, 2005, Lambrecht, 2005).

The second category is concerned with personal relationships within the family and between family and non-family employees of the firm. The principal issue here concerns trust and communication among family members (Dickinson, 2000; Harvey and Evans, 1995; Barnes and Hershon, 1976; Brockaw, 1992; Kepner, 1983; Kets de Vries, 1993; Ward and Aronoff, 1992; Williams, 1990, Perryer & Te, 2010, Dana, 2005, Lambrecht, 2005). The potentially dysfunctional outcomes of sibling rivalries and/or failure to accommodate one another has also been highlighted (Barnes and Hershon, 1976; Handler, 1991; Kaslow, 1993; Kepner, 1983; Kets de Vries, 1993; Venter, 2003; Sharma and Rao, 2000;).

Refusal of the head of the family business to let go, or to share power in incrementally increasing degrees, as well as his/her resentments of heirs are related topics receiving focus (Handler, 1990, 1991; Keogh and Forbes, 1991; Kepner, 1983, Steier, 2001). The importance of shared values, agreement regarding what is

equitable, and common traditions across family generations has been emphasized as well (Dyer and Handler, 1994; Nelton, 1991). The nine dimensions of societal culture covered in this study impacts all three stages of the transition process.

The final category of issues involves the preparation level of heirs. Some of the issues addressed by researchers include among others; the extent to which heirs have the requisite business skills, managerial capabilities, knowledge of company operations, and attitudinal predisposition to handle the running of the business (Kottke and Pelletier, 2006; Doescher, 1993; Fenn, 1994; Osborne, 1991, Lambrecht, 2005). Previous researchers have also identified other factors such as; the heir's formal level of education and training, years of work experience in the firm and in other firms (within and outside the same industry as the family firm), entry-level position, number of different positions held (e.g. at different levels and in different functional areas within the firm), years employed by the firm, motivation for joining the firm, and self-perceptions of his/her preparation level at the time of actual succession.

These three categories seem to capture what the previous researchers' term as the key variables affecting succession and over which the family firm has some direct control. There are, of course, a number of external variables also influencing succession success, such as market demand conditions, the state of the economy, buy-out offers from potential suitors, and financial pressures from lenders and other resource suppliers. As an example the recessionary forces of 2008-2010 compelled some FOB's to shut their doors. It should also be noted that there are potential overlaps among the three proposed categories of variables. For instance, a good succession plan may result in heirs that are better prepared.

There is considerable evidence therefore to suggest that succession is a critical issue facing family businesses and that a well-orchestrated and planned succession is important to improve a family business's chances of survival, profitability and growth. The three broad categories mentioned above provide the framework for researchers to effectively address the process of succession planning for FOB's.

Desirable Successor Attributes: Chrisman, Chua, and Sharma (1998) identified an exhaustive list of 30 attributes that are considered desirable. They divided the attributes into six broad categories as summarized in table 3.2 below:



**Table 3.2: Desirable Successor Attributes**

Attribute	Explanation
1. Successor's relationship with the incumbent	A good personal relationship between the successor and incumbent leader is considered important in that it enhances the working relationship between the two individuals and aids in an effective leadership transition (Lansberg, 1988).
2. Relationships with family members	It refers to respect of actively involved family members, respect of actively involved family members, trust of family members, and ability to get along with family members (Chrisman, Chua, & Sharma, 1998). The better the relationships the minimal is the conflict and rivalry
3. Family standing	This refers to where the potential successor stands within the family. I.e. son, daughter, in-laws, etc. Varying cultures approach this attribute differently e.g. gender neutrality in the western cultures, etc. (Aronoff, 1998)
4. Competence	Chrisman, Chua, and Sharma (1998) consider competence of successor as an important attribute and use proxy variables of education, experience within the family business, experience outside the family business, and past performance to measure competence. Furthermore, they include different types of skills – financial skills, marketing/sales skills, strategic planning skills, technical skills, decision-making skills, and interpersonal skills in their list of desirable attributes.
5. Personality traits	Chrisman, Chua, and Sharma (1998) include in the list of desirable successor attributes seven personality characteristics – aggressiveness, creativity, independence, integrity, intelligence, self-confidence, and a willingness to take risk.
6. Current involvement with the family business	Chrisman, Chua, and Sharma (1998) include the two attributes current ownership share and commitment to business on their list of desirable successor attributes. This is based on the fact that succession is a process and potential successors are usually involved with the family business prior to taking over.

Source: Chrisman, Chua, and Sharma (1998)

Since FOB leaders remain closely tied psychologically and financially (in most instances) to their firms even after passing on its leadership to their successors (Drozdow & Carroll, 1997), it becomes critically important for them to feel comfortable with the attributes of their successors. Using the list of attributes, they can decide how they rank and value the attributes discussed and help to prepare the successors. It is important to highlight that the weight placed on these attributes will mostly likely vary across cultures.

Besides looking at attributes for successful successors, in contrary other authors prefer to look at prevalent obstacles to FOB succession planning. See in the table below a summary of some of the obstacles presented by Huber (1999)

**Table 3.3: Obstacles to FOB succession Planning**

<b>Obstacle</b>	<b>Explanation</b>
<b>Poor Expression of Feelings and Wants</b>	In many family businesses, the family members do not have the capability, experience, or confidence to express their feelings and wants
<b>Differences Are Seen as a Liability Rather Than an Asset</b>	Differences are really the key to an exciting and active life. Often, in family-owned businesses, differences are interpreted as “You don’t love me” and “You don’t care.”
<b>Indirect Communication</b>	Is one of the most insidious problems in FOB’s. When differences occur, as they often do in succession planning, it almost always creates a problem if people do not talk with each other directly. Family members involved in the business often talk indirectly with other family members who are not involved. This creates a triangle that destroys the quality of family relationships
<b>Entitlement</b>	Is often seen as a younger generation issue. Certainly that is true when younger generation people use their name as a way to achieve advantages over other people in the organization. When this occurs, it has a negative effect on morale.
<b>Scarcity</b>	Scarcity of resources and the lack of expression of appreciation, recognition, and love (emotional scarcity)
<b>History</b>	Soren Kierkegaard, the Danish philosopher, has been quoted as saying, “Life can only be understood backwards, but it must be lived forwards.” Therefore, the full celebration of history is essential for continued family business success.
<b>Other-Oriented Regarding Change.</b>	Change is one of the most difficult aspects of life for all of us. My experience has been that even when it is positive, it is difficult. In the context of family-owned businesses, it is not unusual for people to expect others to change so that something good can occur. This expectation is a formula for disaster.
<b>Control</b>	The issue of control, is the very thing that makes owner-entrepreneurs Successful but it has the potential to bring FOB’s down when it comes to the area of succession.
<b>Lack of Forgiveness</b>	When there has been a breakdown in family relationships, lack of forgiveness can get in the way. It is impossible to go through life and be involved in a family business without inadvertently stepping on each other’s toes. Families that don’t have the capacity to forgive each other for their transgressions clearly have a hard time being in business together.

Source: Huber (1999)

In Chapter 2, some of the theoretical considerations for succession planning were presented and explained.

Traditionally, the approach to understanding succession in family businesses has been to focus on the founder or owner manager and his emotional challenges in passing control and ownership to the successor (Goldberg, 1996; Swogger, 1991; Brown and Coverly, 1999) or the successor (Goldberg, 1991, Stavrou, 1999; Shepherd and Zacharis, 2000). However in this study succession was viewed from both perspectives just as in a few other studies by (Venter, 2003; Sharma, et al., 1997; Lansberg and Astrachan, 1994; Philips and McConaughy, 1999).

In Table 1.2 previous research areas on succession planning were presented and in Table 1.3: previous comparative research studies on succession planning were presented. For the purpose of this study, it is important to highlight the studies undertaken by: Brown and Coverley 1999; Chau 1991; Corbetta and Montemerlo 1998; Howorth and Assaraf Ali 2001; Keating and Little 1997; Laubscher 1993; Lee and Tan 2001; Malinen 2001; Santiago 2000; Sharma 1997; Sharma and Rao 2000; Papalexandris and Panayotopoulou 2004, Van Duijnet al., 2007, Maas & Diederichs, 2007 and Venter, 2004; which focused on succession from different cultural perspectives.

Sharma (1997) identified and empirically tested the relative importance of factors that influence a successful managerial transition from one family member to another. Sharma's study was the first attempt to understand the succession experience from multiple perspectives, namely successors, predecessors and other family members in the business, using a relatively large quantitative sample. The study by Sharma and other researchers listed above provided an insight into the complex subject of succession planning for FOB's and aided in the development of the research instrument, research objectives and research design for this study.

Concluding Remarks: After reviewing the literature on succession planning, and in light of the theoretical considerations presented in Chapter 2 this author highlights the following points. The 1st point is that succession is a process and not a one-time event, employment in the business for family members should be taken as a privilege and an option and not an obligation, whenever possible outside experience should be gained and outside mentors appointed, family meetings are crucial and a family council or advisory board should be appointed. Control is an issue and incumbent owners need to realize that the business can

actually prosper without them in the picture, job descriptions should be established and family members should be hired into existing positions, cross training is critical for the successor to have a big picture view of the business and the successor can be taught some complimentary skills that might be missing from the leadership structure. The successor should understand the history, strategic direction and culture of the FOB. Communication should be transparent and the reasons behind the succession process should be clearly explained. Last but not least, it's important to have target dates as that will help to measure progress in the succession process.

It is evident that succession planning is a critical issue confronting FOB's and that a well-considered and planned succession is important to improve a family business's chances of survival, profitability and growth. The focus of this study will be to look at the influence of societal cultural factors on the succession processes presented in this chapter.

The transition of a FOB from one generation to the next is one of the biggest potential challenges that both the business and the associated family will face. The lines among family, business and ownership are often blurred in a family business which makes transitions highly emotive and complicated on all levels and what is suggested in these models though ideal it might be very complex to implement on the ground. It is factual though that succession occurs more smoothly when successors are better prepared, when family relationships are based on trust and are cordial, and when there is proper strategic planning.

### **3.3 Societal Culture Dimensions**

In order for researchers to better understand how to conduct cross cultural research, it is necessary to understand the dimensions of culture and be able to define culture in measurable terms. In order to understand the dimensions of culture, it needs to be defined first.

This author is fully aware of the truth of Barley's (1995) assertion that culture is a notoriously difficult concept to define and pin down. Kroeber and Kluckhohn (1952) identified more than 164 definitions of the term culture by different anthropologists. According to Dimmock and Walker (2000), culture means the values, customs, traditions, and ways of living which distinguish one group of people from another. This definition aligns with that of Hofstede (1991), who defines culture as patterns of thinking, feeling, and

acting underpinning the collective programming of the mind which distinguishes the members of one group or category of people from another. Hofstede defined culture rather simplistically as the collective programming of the mind. In Hofstede's definition of culture, the collective programming of the mind refers to the shared beliefs, values, practices of a group of people, whether that group be a society, nation state, or organizations. The definition of culture used in this study is similar to the definition used by Papalexandris and Panayotopoulou (2004), and by House, *et al.*, (2007) in the GLOBE study who defined culture as; shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences of members of society which are transmitted across generations

In regard to the measurement of cultures, Hofstede (1991, 93) advocates the development of cultural dimensions as ways of describing, measuring, and comparing cultures. Culture dimensions are defined as core axes around which significant sets of values, beliefs, and practices cluster (Dimmock and Walker, 2000). Furthermore, Hofstede took the position that culture dimensions are constructs that should not be reified. Hofstede further states that dimensions which aids in measuring culture do not exist. Those dimensions are merely tools for analysis which may or may not clarify a situation. As a result, previous research does not provide a straight forward answer to the following question, "what cultural dimensions should researchers consider when conducting research on different cultures?" For this reason this author had to justify the reasons for selecting the nine societal culture dimensions used in this research. If not carefully selected and justified the confusions regarding cultural dimensions could easily lead to serious misconceptions in cross cultural studies.

While previous researchers have introduced various cultural dimensions, in this study the nine specific societal culture dimensions are considered to be particularly salient for understanding management practices in different cultures. These nine dimensions account for most of the conceptual variance across cultures and help researchers escape from the culture theory jungle—a proliferation of theories that needlessly forces researchers to choose whose side they are on prior to initiating a research project. The nine dimensions were identified and selected based on existing theoretical and empirical literature on measurement of culture. These are based on the works of Hofstede (1980), Hofstede and Bond (1988), House *et al.* (2007), Kluckhohn and Strodtbeck (1961), McClelland (1961, 1985), and Putnam (1993), among others.

Culture starts with leadership, is reinforced with the accumulated learning of the organizational members, and is a powerful set of forces that determine human behavior. Ways of looking at culture originally come out of anthropology (Aiman-Smith, 2004). Here are some aspects of culture:

Historical: Culture is social heritage, or tradition, that is passed on to future generations

Behavioral: Culture is shared, learned human behavior, a way of life

Normative: Culture is ideals, values, or rules for living

Functional: Culture is the way people solve problems of adapting to the environment and living together

Mental: Culture is a complex of ideas, or learned habits, for social control

Structural: Culture consists of patterned and interrelated ideas, symbols, or behaviors

Symbolic: Culture is based on arbitrarily assigned meanings that are shared by an organization

(Bodley, 1996)

Various researchers have developed models to characterize cultures, both qualitatively and quantitatively. Hofstede started it all, in his pioneering 1980 book, *Culture's Consequences* (reprinted afresh in 2001) which grew out of his research within IBM from 1973 to 1978. From that study he laid the foundation for other scholars to adapt his work and use it to study organizations. Hofstede's work identified five major cultural dimensions upon which country cultures differed: Power distance; uncertainty avoidance; collectivism/individualism; masculinity/ femininity and long term/short term orientation. Hofstede's cultural dimensions will be considered in this study.

According to Hofstede, societal culture and organizational culture are different in nature. His research indicates that societal culture mostly stems from consistency in values while organizational culture stems mostly from consistency in practices (Hofstede, 2001).

Organizational culture has been addressed by a number of researchers since the sixties (e.g., Blake & Mouton, 1964; Deal & Kennedy, 1982; Hofstede, Neuijen, Ohayv, & Sanders, 1990; Ott, 1989). Due to the intense international competition beginning in the late 1970's, interest in this topic gathered momentum and also due to Hofstede's (1980) seminal work on national cultures. Hofstede's definition of culture provides the means to draw a distinction between organizational and societal culture. Societal culture may be seen as the collective programming of the mind with the collective defined as a society, whereas

organizational culture may be defined as the collective programming of the mind, with the collective in this case being the organization (Dickson, Aditya & Chhokar, 2000).

Organizational culture clearly revolves around organizational issues and challenges, whereas societal culture does not (Dickson, Aditya & Chhokar, 2000). In light of this, this researcher focused on societal events and values central to and shared by members of the society in developing the surveys for this study. In the same manner it will be an appropriate approach to consider organizational events and values central to and shared by members of an organization for studies that focus on organizational culture.

Management researchers were quick to adapt Hofstede's work and begin to investigate cultures inside organizations. This study focuses on the influence of societal culture on the successful succession of FOB's. The justification for selecting the nine dimensions of societal culture was covered in chapter 1. The nine social culture dimensions under consideration are namely; uncertainty avoidance, power distance, in-group and institutional collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation and humane orientation.

In the literature one can find evidence that culture influences multiple aspects of the recruitment and selection processes, such as purpose, criteria, succession planning and others (Aycan, 2003). According to Papalexandris and Panayotopoulou (2004) there is a relationship between power distance and the use of formal career plans, as well as assertiveness and the use of succession plans. This finding agrees with Aycan (2003) who suggests that HR planning is centralized in high power distant cultures. Also, as assertiveness indicates confrontational and aggressive social relationships between individuals, it would be expected to favor the development of succession plans showing the promotion potential of candidates.

According to Papalexandris and Panayotopoulou (2004) there is a relationship between uncertainty avoidance and the use of both career and succession plans. The two authors argue that even uncertainty avoidance does not always have a positive impact on planning as expected, because as it has been noted that planning may involve personal risks if plans are not realized (Aycan, 2003).

Papalexandris and Panayotopoulou (2004) also argue that future orientated cultures tend to use formal career plans e.g. succession planning. According to Javidan and House (2001) countries with a strong future orientation, are associated with a higher propensity to save for the future and longer thinking and

decision-making time frames and conversely those with weak future orientation are associated with shorter thinking and planning horizons and greater emphasis on instant gratification.

According to Ward (1987), FOB's survival depends on their ability to enter new markets and revitalize existing operations in order to create new business. In other words owner managers and successors should have entrepreneurial qualities as a necessity for FOB succession. Entrepreneurial activities increase the distinctiveness of the family firms' products and therefore enhance their profitability and growth (Zahra, 2003). Thus, it is important that family firms are able to innovate and aggressively pursue entrepreneurial activities. One cross-cultural study found that moderate levels of individualism were most strongly associated with entrepreneurship (Morris, *et al.*, 1993).

Papalexandris and Panayotopoulou (2004), in their study argue that a strong relationship exists between humane orientation, collectivism and the use of career and succession plans. Their findings are in line with other research findings that show that performance and competence are not the only important criteria for promotion. Evans, (1993) and Schaubroeck and Lam, (2002) also argue that collectivistic cultures value, among other things, good relationships with superiors, similarity in personality, seniority and loyalty. Several researchers have argued that the successor's ability to lead the business or the performance by the successor is linked with positive succession outcomes (Barach and Gantisky, 1995; Barach, Gantisky, Carson, and Doochin, 1988).

There has been mixed evidence over the past thirty years of research as to whether men and women differ as leaders (Oshagbemi and Gill 2003, Eagly and Carli, 2003) but recent evidence has supported the existence of such differences (Booyesen 1999; Eagly and Carli 2003). There are mixed results regarding evidence of gender difference in leadership. The proponents against gender difference in leadership found that similarities between women and men tend to outweigh the differences (Booyesen and Nkomo , 2006). They argue that it should not really be surprising that there are more similarities than differences in male and female leadership styles because gender differences that are apparent in the general population tend to be less evident because of career self-selection and organizational selection.

Women in family-owned firms have often been invisible successors and previous research indicates that they are rarely considered serious contenders for succession (Dumas, 1989). Salganicoff (1990) also noted that gender bias in family culture can influence the decision-making process, including the choice of



successor. In a study of 91 women, Salganicoff discovered that only 27% expected to enter the family business. The reasons those 27% gave for wanting to join the business included helping the family, filling a position that no one wanted, and being dissatisfied at another job (Dumas 1998). Most frequently family businesses pass from father to son, or to another carefully chosen male relative. There is much precedence for this (Kaslow and Kaslow, 1992), and men are often groomed to assume control of the businesses as early as high school and continue through college and into the early phases of their careers.

It is commonly believed that female-owned businesses are less successful and fail more often than male-owned businesses (Aldrich, 1989; Cuba, Decenzo, and Anish, 1983) although recently there has been enough research evidence that women in general do not adhere to the masculine management stereotype anymore (Booyesen and Nkomo, 2006). In a study of nine families, Keating and Little (1997) identified gender as the most important factor that determined the successor. These authors discovered that there was an implicit rule that daughters could not be family business successors. Instead, they were encouraged to train for other careers, whereas sons were encouraged to join the family business for an apprenticeship. In a study of 30 next-generation family members, Dumas, *et al.*, (1995) discovered that more women than men sought training to work outside the family firm. These women did not believe they would take over the firm, even though more women than men pursued careers outside the family business.

In 1972, women owned less than 5% of U.S. businesses (Nelton, 1989). According to the Arthur Andersen/MassMutual American Family Business Survey in 1997 women ran about 5% of family firms, approximately the same percentage of women's ownership of all businesses as in 1972 (Arthur Andersen/MassMutual, 1997). According to Perricone, *et al.*, (2001) cases of succession by firstborn or oldest males were clearly in the majority (70%). In fact, a woman assumed the reins of leadership in slightly less than 1 in 10 cases (9%) and this normative pattern of succession occurred regardless of whether the enterprise was in continuous operation for two, three, or four generations. There is evidence to suggest that women are rarely considered as succession candidates (Martin, 2001; Dawley, *et al.*, 2004).

In contrast to the studies above, Booyesen and Nkomo (2006) in their study revealed that women have some advantages, being more transformational in their leadership style, but they do suffer some disadvantages from prejudicial evaluations of their competence as leaders, especially in masculine organizational contexts. They concluded in their study that in South Africa masculine management stereotype still exist, affirming previous research. However, their study also shows that the South African women do not adhere

to the masculine management stereotype anymore. This shift in management stereotypes towards valuing feminine leadership is possibly due to the considerable increase of women in management and as general role models in South Africa, the feminization of leadership and the recognition of a female advantage. Aronoff (1998) also suggested that some of the megatrends in FOB's is the expansion of women's roles from the widow, supportive wife, and "chief emotional officer" to a wider range of roles including sibling ownership and ownership teams.

It is evident that cultural factors have an impact on the successful succession of FOB's. The literature review made it possible to identify the cultural dimensions that were analyzed in both the qualitative and quantitative assessments for this study.

### **3.4.1 Stability/Instability of Cultural Dimensions in Times of Financial and Economic Crisis**

Kaar, Sehic and Szabo (2009) conducted a study which explored the potential stability/instability of cultural dimensions by comparing societal culture data collected in times of economic turbulences. Their study might have an implication on this study since the study conducted by this author was done during a time of worldwide economic turbulences. The dimensionalist approach to comparing cultures as presented above represents one of the main streams in the cross-cultural management field, with Geert Hofstede, Shalom Schwartz and Ronald Inglehart being labeled the "big three" representatives (Ester, Mohler & Braun, 2006). The dimensionalist approach has its obvious advantages when comparing cultures in a structured way and is therefore well suited for the purposes of this study.

This author is fully aware of the downside of the dimensionalist approach's as critics (e.g. McSweeney, 2002; Jacob, 2005; Earley, 2006) have pointed out serious disadvantages, such as methodological weaknesses, simplification, questionable meaning of the empirical results, as well as limited applicability for business practice.

When it comes to stability versus instability of culture, the literature reveals little consensus. Many theorists have argued that societal culture is a relatively stable phenomenon. Hofstede (2001) postulated that a period of 50 to 100 years is needed for a measurable change along his cultural dimensions to occur.

Consistent with this claim, several authors found Hofstede's country scores to be robust even decades after initial data collection (e.g. Sondergaard, 1994; Merritt, 2000).

In contrast to this stability assumption as presented above, other researchers have also discussed the possibility of culture change. For example, Ferraro (1994) argues that cultures are always experiencing continual change. The following factors (external and internal) have been discussed in the literature as potential triggers for culture change by Kaar, Sehic and Szabo (2009):

- i. Macro events, i.e. strong external forces like war (Barker, Halman & Vloet, 1992; Hofstede, 2001)
- ii. Major economic changes (Rotondo Fernandez *et al.*, 1997; Inglehart, 2008) having led for example to the transition of industrial to post-industrial societies within Europe (Inglehart, 2008; Deutsch, Welzel & Wucherpfennig, 2008)
- iii. Regime effects such as the influence of the communist regime on Central and Eastern European societies (Barker, Halman & Vloet, 1992)
- iv. Diffusion, i.e. borrowing from other cultures (Ferraro, 1994), and intercultural contact (Berry, 2008)
- v. Socio-demographic effects, in particular generational replacement (Barker, Halman & Vloet, 1992; Ester, Braun and Mohler, 2006)

Even though these factors are intuitively appealing, there also exist empirical studies suggesting that societies may preserve their cultures even in the presence of strong external forces (Kaar, Sehic and Szabo, 2009). As an example a study by, Adams (2003) found that despite intensive intercultural contact, Canadian values have not been significantly affected by the country's influential neighbor, the United States.

More drastically, Berry (2003) found that Estonian values did not change during the Soviet period, although up to 30% of the country's population at that time was of Russian origin. No matter what the triggering factor, cultures do not change overnight. There are several studies that have shown that the Indian Diaspora such as the Indian South Africans have strong ties to their mother culture. Williams (1979) argued that changes in the social environment do not necessarily result in the sudden abrogation of a particular value, but rather lead to a shift in emphasis in its orientation. Even though this study does not focus on the shift in cultural orientation, this author is fully aware that this study was conducted during a

time of global financial and economic crisis hence the arguments pro and contra the stability of culture could have some impact on the results. FOB's were not immune to the financial crisis which led to recession during the period of this study and its possible that some long established FOB's suffered causalities due to the recession.

### **3.4.2 Societal Culture Dimensions and the GLOBE Study**

GLOBE stand for Global Leadership and Organizational Behavior Effectiveness, the name of a cross-cultural research effort that exceeds all others (including Geert Hofstede's landmark 1980 study) in scope, depth, duration, and sophistication. Conceived in 1991 by Robert J. House of the Wharton School of the University of Pennsylvania, and led by Professor House, the GLOBE Project directly involved 170 country co-investigators based in 62 of the world's cultures as well as a 14-member group of coordinators and research associates. This international team collected data from 17,300 middle managers in 951 organizations, very robust.

The initial aim of the GLOBE research project was to develop societal and organizational measures of culture and leadership attributes that are appropriate to use across cultures. GLOBE was designed to investigate the existence of universally acceptable and universally unacceptable leadership attributes, and to identify those attributes that are culture specific. The theoretical base of this research program is grounded in the notion of implicit theory of leadership which argues that individuals have implicit theories about the attributes and behaviors that distinguish leaders from others, and effective leaders from ineffective ones (House *et al.*, 2007)

The 62 "societal cultures" assessed by GLOBE range from A to Z (Albania to Zimbabwe- excluding a few countries). They comprise all the business-oriented societies you might hope to find. These societal cultures are not referred to as "nations" because the researchers were admirably thinking as social anthropologists instead of political scientists. To help in the interpretation of findings, the researchers grouped the 62 societies into 10 "societal clusters" or simply "clusters." The clustering decisions were finalized before the research findings were collected, not as a result of the findings. The ten clusters are presented below.

**Table 3.4: The Ten "Societal Clusters"**

<b>Anglo</b>	Latin Europe
Nordic Europe	Germanic Europe
Eastern Europe	Latin America
Sub-Saharan Africa	Middle East
<b>Southern Asia</b>	Confucian Asia

Source: House, *et al.*, (2007)

This study is focusing on the Anglo (USA) as well as the Southern Asia (Indian) clusters and the justification for selecting these two clusters was explained in chapter 1 section 1.5.1. The GLOBE study was intended to gather data from 62 nations with the intention to characterize the culture as a whole in terms of typical practices and values. The GLOBE project thus joins a small list of studies (e.g., Inglehart and Baker, 2000; Leung and Bond, 2004; Schwartz, 1994) that assign scores to cultures with regard to beliefs and values. Hofstede's 1980 work heavily influenced the choice of variables in the GLOBE study and some of their nine societal dimensions are similar to Hofstede dimensions. This author is fully aware of the fact that there are different schools of thought on cultural studies and that the GLOBE study has its own critics and the most recent being Hofstede (2006) himself who argue that the GLOBE researchers had misinterpreted their own scales and had failed to represent his constructs adequately.

One major difference in methodology between GLOBE and Hofstede approaches concerned the phrasing of questions (McCrae, Terracciano, Realo, & Allik, 2008). Hofstede, like most other researchers in this field, asked respondents about their own beliefs, feelings, and values, and then aggregated these responses to characterize the culture. By contrast, GLOBE researchers used respondents as informants to report on the state of their cultures (Javidan, House, Dorfman, Hanges, & Sully de Luque, 2006). For example, respondents were asked if, in their culture, parents live with their adult children, and if people in their society are aggressive or nonaggressive. The former question relies on the informant's knowledge of local family customs, whereas the latter requires a judgment of typical personality traits (McCrae, *et al.*, 2008). Different schools of thought will always exist and it's a clear indication of the complexity of cultural studies.

The nine cultural dimensions used in the GLOBE study are presented below and they are the same dimensions used in this study.

**Table 3.5: The Nine Units of Measurement or "Cultural Dimensions"**

Performance Orientation	Uncertainty Avoidance	Humane Orientation
Institutional Collectivism	In-Group Collectivism	Assertiveness
Gender Egalitarianism	Future Orientation	Power Distance

Source: House, *et al.*, (2007)

### 3.4.3 The Southern Asia Cluster: The Nine Societal Culture Dimensions

Countries in the southern Asia cluster are India, Indonesia, Phillipines, Malaysia, Thailand, and Iran. Of the nine dimensions of societal practices; power distance, group collectivism and humane orientation rated high. Gender egalitarianism rated low with the other cultural dimensions in mid-range. According to Gupta, Hanges and Dorman, (2002) this cluster is distinguished as highly group oriented, humane oriented, masculine dominated, and hierarchical. On societal values, this cluster rates high on performance orientation, future orientation, group collectivism, and humane orientation. The cluster scored very low on power distance. According to the GLOBE study societal practices refers to “as things are” and societal values refers to “as things should be”.

Gupta *et al.*, (2002) compared the societal practices and values for this cluster and concluded that the managers from this cluster prefer their countries as a whole to be more performance and future oriented, and more assertive. “They desire a higher level of structure in their societies, but a lower level of male domination and power differentiation” (Gupta *et al.*, 2002:p 23). According to (Liddell, 2005) the preferences for these leaders are explained by this cluster’s high power distance and family-oriented culture that expect leaders to act as patriarchs while maintaining the team and family orientation of organizations.

### 3.4.4 The Anglo Cluster: The Nine Societal Culture Dimensions

The Anglo cluster comprises Australia, Canada, England, Ireland, New Zealand, South Africa (white sample), and the United States. The scores for this cluster on the nine cultural societal practices were at the mid-range for all dimensions except for a high score on power distance and a low score on gender egalitarianism. Concerning societal values this cluster scores high on performance orientation, humane orientation, family collectivism (collectivism II) and future orientation (Liddell, 2005). The managers gave

low scores to power distance and mid-range scores to all other dimensions. The GLOBE researchers observed that: An important conclusion for these results, and consistent with the culture findings, is that the countries in this cluster are relatively individualistic in cultural orientation, and all are democracies, people place great emphasis on their freedom and being able to have their say (Liddell, 2005). According to Ashkanasy *et al.*, (2002) it is therefore very important for a leader from these clusters to recognize this, to induce, all relevant parties in the decision making process, to delegate responsibility, and not to try to lead uncompromisingly from the top to bottom.

### **3.5 South African Indian FOB's**

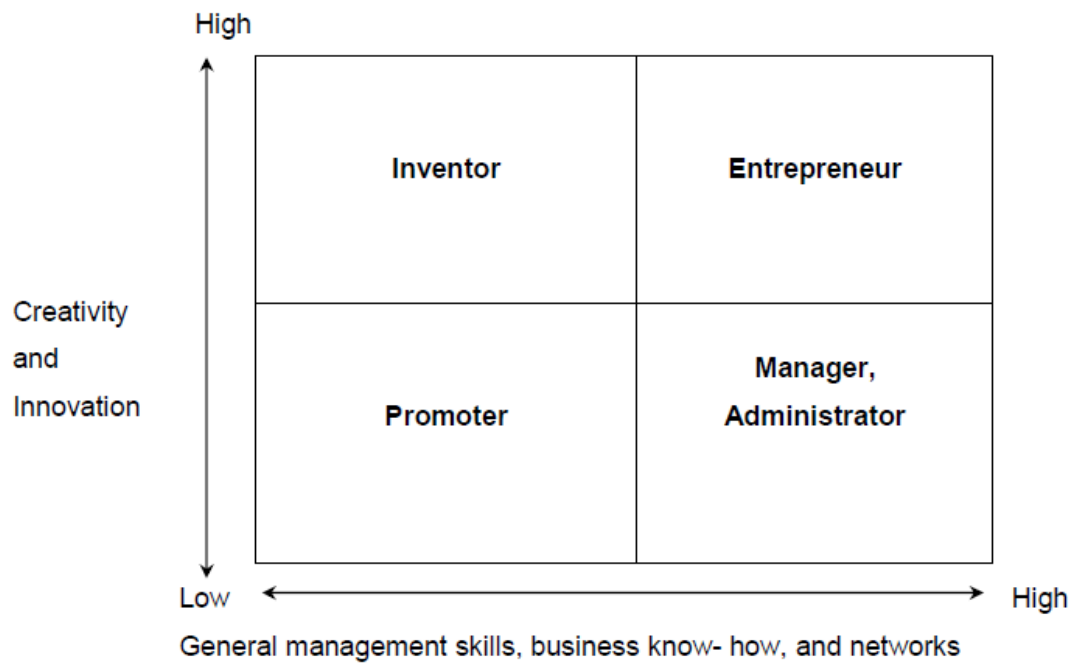
#### **3.5.1 Skills Required For Successful FOB's**

Among other factors, entrepreneurship has been classified as the key factor to FOB success. Usually entrepreneurs are born with some natural intelligence, a good taste of creativity, and gazillion energy but these talents by themselves are like unmolded clay, they have to be molded. A successful entrepreneur emerges by accumulating the relevant skills, know-how and contacts over a period of years and including deliberate efforts towards self-development. According to Rao (2000) the creative capacity to envision and then pursue an opportunity is a direct descendant of at least ten or more years of experience that lead to pattern recognition.

Timmons and Spinelli (2007) suggest that there is no evidence of an ideal or best entrepreneurial personality. A look at some of the greatest entrepreneurs shows that they are either gregarious or low key, analytical or intuitive, charismatic or boring, good or terrible, delegates or control freaks. Nieuwenhuizen, Le Roux and Jacobs (1998), conclude that the qualities of persistence, commitment, engagement, the willingness to take calculated risks, sound people skills, creativity and innovative ability and a positive attitude and approach are required in order to be a successful entrepreneur.

Timmons and Spinelli (2007) in the figure 3.1 below illustrate that entrepreneurs possess a combination of good creative skills, innovation and general management skills. These skills are opportunity driven more than anything else.

**Figure 3.1: Quality of Entrepreneurs**



Source: Timmons and Spinelli (2007)

Based on this study it is safe to conclude that successful entrepreneurs are driven by the quest for responsibility, achievement and positive results. They are driven by a sense of accomplishment and overcoming competitive forces, rather than a personal need for power expressed by dominating and controlling others. As they become accomplished entrepreneurs, they might be powerful and influential, but these are fruits of the entrepreneurial process rather than a driving force behind it.

According to Timmons and Spinelli (2007) anyone who possesses the intense commitment, perseverance and hardworking ethic is therefore capable of being an entrepreneur. Why this talk about entrepreneurs? Historically due to their long history, the Indian community in general and specifically Indian South African Family Business Owners have been good at transferring know-how and management skills from one generation to the next. In other words, family members of the business are naturally trained to be entrepreneurs. In addition the Indian Culture is very supportive of each other, thereby improving the networking platform. As indicated by the figure above, successful entrepreneurs possess good networking abilities.



### **3.5.2 Indian Family Owned Business Contextualized Within the South African Context**

As mentioned in the introduction, FOB's contribute significantly to businesses across the globe. As stated before, roughly 80% of businesses in South Africa, are family owned and, of the companies listed on the Johannesburg Stock Exchange (JSE), sixty percent are family owned. As examples among others, The Pick n' Pay Stores (Limited) in South Africa was founded and controlled by the Ackerman family, Anglo-American Plc, one of the world's largest diversified mining and natural resource groups was founded by the Oppenheimer's and Remgro Limited, founded by the Rupert family (Balshaw, 2004).

This study focuses on societal culture and more specifically whether there are any cultural values which have contributed to the success of Indian or USA FOB's. In South Africa, the policies of the apartheid regime negatively impacted on the growth of Indian FOB's as they were restricted with regards to the level of trade. The apartheid era brought to South African Indians limited business growth due to the many restrictions that were in place.

Post 1994, the restrictive boundaries collapsed and the South African Indians have been able to trade extensively and they are supported and encouraged by the government. As a result many of the problems that the South African business owners faced have been alleviated. (Brij Lal, 2006; HLCID, 2008).

Before discussing the current situation faced by South African Indians this author will highlight the historical aspects of this group. The History of the Indian South African is a fascinating saga of suffering and triumph (Brij Lal, 2006; HLCID, 2008).

### **3.5.3 History of South African Indian FOB's**

On November 16, 1860 the 1st Indians arrived in South Africa on board the S.S Truo as workers in the sugar, tea and wattle plantations of Natal. 342 man, women and children arrived at the port of Durban and they were the first of the 152, 184 person that were going to be shipped to South Africa over the next 51 years (Brij Lal, 2006; HLCID, 2008). The initial purpose of importing Indians had been to tend the sugar cane and sisal plantations of the British Settlers. These indentured laborers were bound by a contract for 5 years. This group suffered the most as slaves under some of the worst conditions, treated as mere "units of labor". According to the Wragg Commission of 1985, the Natal Colony experienced a great success because of the Indians (Brij Lal, 2006; HLCID, 2008). Whilst the initial recruitment had been for labor in

plantations, Indian labor later was distributed to railways, coal mines, municipal services and domestic work.

Ten years later another group of Indians (Passenger Indians) came to South Africa in search of trading opportunities. “Passengers” because they paid their fare on board a steamship bound for South Africa. These new immigrants were a community of traders, both Hindu and Muslim mainly from Gujarat. They became the 1st group of Indian FOB’s in South Africa, they set up retail shops and started to compete effectively with the much more expensive stores run by white settlers (Brij Lal, 2006; HLCID, 2008). Later teachers, accountants, priests, lawyers and other professionals arrived, also mostly from Gujarat. The success of the Indian FOB’s resulted in more recrimination and jealousy against the Indians (Brij Lal, 2006; HLCID, 2008).

The colonial administration enacted a number of discriminatory laws in an effort to stifle any economic progress by the Indians. In Transvaal for example, a law was enacted to require 25 rands for registration fees and that alone made it difficult for Indians to become license holders. Indians were required to carry passes, were not allowed to walk on pavements and their rights to own property was restricted. In 1895 the Orange Free State enacted a law to exclude them altogether (Brij Lal, 2006; HLCID, 2008; Ebr-Vally (2001). The Ghetto Act of 1946 and the Pegging act of 1943 became some of the worst laws to marginalize Indian FOB’s according to the report by HLCID, 2008. The Indian traders were restricted to clearly demarcated areas that were to serve their own community Ebr-Vally (2001). After the indentured labor system which saw the influx of Indian laborers into the South African economy ended, a few Indians returned to their India, whilst the majority elected to make South Africa their land of adoption.

The Indians mostly settled in Natal province now called Kwa-Zulu Natal (mainly Durban and Pietermaritzburg) but started to move to the Transvaal (now Gauteng) in the 19th century in search of greener pastures. The movement occurred after the discovery of gold in the 19th century. Gandhi who visited South Africa from 1893 to 1914 fought courageously against enterprise injustice and his efforts paved way for the expansion of Indian FOB trade (HLCID, 2008). With the end of apartheid by 1994 the situation of South African Indian FOB’s improved and they were able to trade more freely. According to HLCID, 2008 there were at least a million Indian South Africans by 2008 and 75% of them lived in Kwazulu Natal, Durban

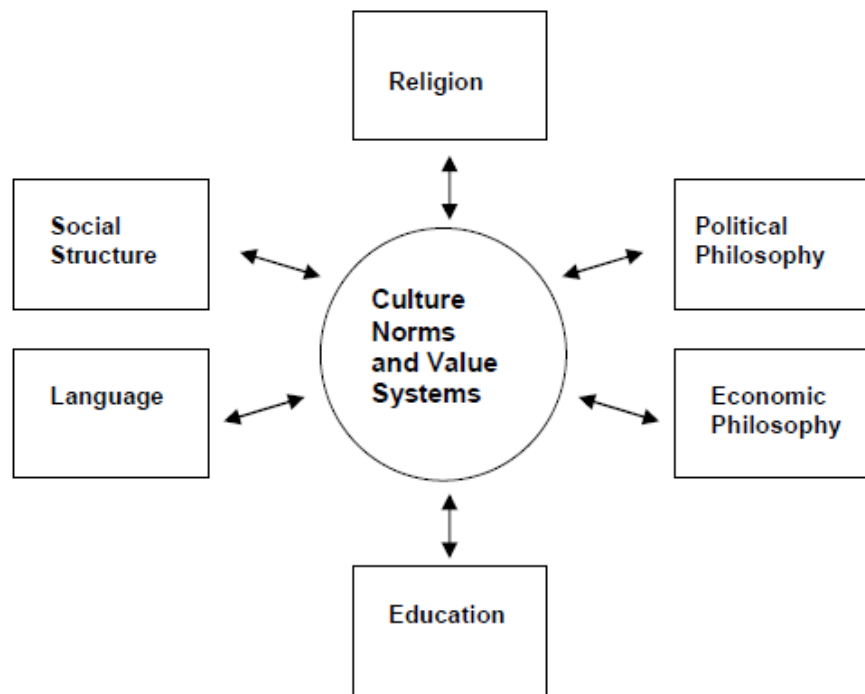
Indian FOB's in Natal and Transvaal became very successful and according to Bawa (2006) the advantages of the extended family system became noticeable. The success of the Indian FOB's was mainly attributed to the fact that they worked long hours and sold their goods at very competitive prices. According to Bawa (2006) the Indian FOB's survived and prospered due to their consistent creativity and determination despite the limited property rights and economic rights that were imposed on this group. The South African Indian FOB's are now faced with new challenges due to the political changes and policies such as the black economic empowerment and affirmative action programs. New businesses have emerged though for those in the business sectors that are politically connected with the new political dispensation according to Bawa (2006) and Southall (2004).

It is by no doubt that the pioneer Indians to South Africa had to overcome many challenges, initially submitting themselves to hard labor and servitude, suffering racial oppression during the apartheid era yet they were able to fight through and succeed (Brij Lal, 2006; HLCID, 2008). Despite the odds against which they had to operate over their long history, Indian entrepreneurs have entrenched their positions in South Africa's commercial landscape (Hiralal, 2001). It is against such a background that South African Indian FOB's have to thrive and succeed despite the ever changing political and economic environment.

#### **3.5.4 The Indian Culture**

According to Hill (2003), the values and norms of a culture do not emerge fully formed. They are the evolutionary product of a number of factors, including the prevailing political and economic philosophy, the social structure of a society, and the dominant religion, language and education. This is portrayed in figure 3.2 below.

**Figure 3.2: The Determinants of Culture**



Source: Hill (2003)

South Africa consists of various ethnic groups each with its own cultural norms and values. South African Indians are subdivided into various castes and religions, each comprising of its own specific culture hence providing a concise overview of the Indian Culture becomes a very difficult task. They represent a variety of Indian Characteristics, which is not surprising because of the miscellany of languages, religions, costumes, food habits, and other traits that they have inherited from their Indian ancestors who came from different regions and communities of India (HLCID, 2008). The basic values and systems of family life however remain similar (Hill, 2003). The Indian South Africans have a deep emotional bond with the culture of their “mother country”.

South Africa’s Indian population is composed of a number of different religious and cultural groups such as Hindu, Muslim, Christian, Buddhist, etc hence it is important to consider such differences when looking at succession of FOB’s. Sharma and Rao (2000) noted in one of their studies that Indian FOB’s place more importance on family relationships as compared to western FOB’s and they value mostly: trust between family members, harmony within the family, blood relations and the willingness to take some risks.

The Indian culture includes a combination of individualistic and collective cultural norms, but is said to be dominantly collective. In other words, the family members see themselves as part of a whole as opposed to an individual. In individualistic societies, for example USA, the ties between societies are loose and individual achievement and freedom is highly valued. Individualism by definition emphasizes that the interests of the individual should take precedence over the interests of the state. In societies where collectivism is emphasized, the ties between individuals were tight (Hill, 2003). Indian FOB's are different to western FOB's in that the collectivist tendencies prevail and complete surrender of individuality for the welfare of the family is more prevalent (Dutta, 1997).

Politeness is highly valued in the Indian culture, individuals respect each other and the respect for elders is very noticeable. The Indian culture is patriarchal whereby men are the dominant figures, the decision-makers and they hold positions of power and prestige, and have the power to define reality and common situations. The mothers take the role of care givers whilst the fathers are fearfully obeyed. In addition to this, it is custom to believe that there is wisdom in grey hair, elders are considered to be fountains of knowledge and wisdom. Indian parents stress loyalty to the family, obedience, religious beliefs and academic achievement (Brij, 2006, Desai, 2008, Dutta, 1997, Govinden, 2009, Sharma and Rao, 2000, Ward, 2000, HLCID, 2008).

The Indian culture encourages family interdependence and it discourages autonomy. Children are taught from early age to be hospitable to everyone who comes to their home, irrespective of their creed, caste, financial position or status. They help each other out and care for each other, sharing pain and sadness whilst multiplying and distributing joy with the goal of making the world a better place (Brij, 2006, Desai, 2008, Dutta, 1997, Govinden, 2009, Sharma and Rao, 2000, Ward, 2000, HLCID, 2008).

### **3.5.5 The Impact of the Indian Culture on Family Owned Businesses**

As stated above, the fathers are dominant decision makers and the sons especially the eldest son is groomed to be the automatic heir. The joint family (extended family) has been a cornerstone of Indian culture whereby extended members of the family like one's parents, children, the children's spouses and their offspring, etc, live together. The man or the eldest son becomes the dominant decision maker and their rule and guidance is followed (Brij, 2006, Desai, 2008, Dutta, 1997, Govinden, 2009, Sharma and Rao, 2000, Ward, 2000, HLCID, 2008).

The joint family system is an ancient Indian institution but as time passes its face is changing, bringing new challenges for the young and the old. An ideal joint family is a thing of the past in most cases but strong networks of kinship ties still exist through which economic assistance and other benefits are obtained (Brij, 2006, Desai, 2008, Dutta, 1997, Govinden, 2009, Sharma and Rao, 2000, Ward, 2000, HLCID, 2008). Indian FOB's benefit from this culture in the sense that the traditions, skills and values are passed on in the business from generation to generation. The work ethic of the founder is resembled in the family and this unique combination is not an often occurrence in the normal business environment.

Trust is another element that adds to the success of the Indian FOB's. This trust is built on a history of interaction and is seen to be reality and perception driven. As a result, loss of trust could easily mean closure of the business and for this reason, Indian FOB's tend to be successful as the members of a family have an inherent trust for one another (Chua, Chrisman & Sharma, 1998).

In contrast, research on USA FOB's showed that families choose their most competent member(s) to manage the business, disregarding age, gender or bloodline (Chua, Chrisman & Sharma, 1998). In this case there is clear separation of family hierarchy from organizational hierarchy.

### **3.5.6 Overview of the Indian Family Owned Businesses and Their Contribution to the South African Economy**

At a global scale Indian FOB's have successfully established themselves, with large companies such as the Tata Group which has companies operating in every major international market, Mittal Steel and the Reliance group being a few examples. In South Africa, companies such as Medal Paints, Oasis Asset Management, Afrifocus and Jumbo Cash, are of the larger South African Indian FOB's. Most South African Indian FOB's are however much smaller and regarded as a lifestyle business, which are set up and usually run by its founders primarily with the aim of sustaining a particular level of income and no more; or to provide a foundation from which to enjoy a particular lifestyle. It generally reflects the lifestyle of the individual entrepreneur. In contrast to lifestyle business are high potential businesses which require more commitment, are more demanding and they mainly focus on the bottom line.

According to research conducted by Global Entrepreneurship Monitor (GEM), in South Africa, Indians and Whites are more likely than Coloureds and Blacks to start a business, and these businesses are more likely to mature into established businesses (Von Broembsen and Wood, 2005). The same research by GEM has also revealed that Indian owned and managed firms employ an average of 5.8 people and firms owned by Whites employ an average 4.6 people. Furthermore, Indian entrepreneurs are almost twice as likely to employ more than 20 people or more. As seen on the Table 3.6 below, on average, the job creation potential of Indian FOB's is the highest.

**Table 3.6: Job Creation by Race**

	<b>Black</b> (% of firms)	<b>Coloured</b> (% of firms)	<b>Indian</b> (% of firms)	<b>White</b> (% of firms)
No employees	24.3	25.0	7.1	16.7
1-5 employees	71.0	68.8	78.6	63.0
6-19 employees	3.7	6.3	7.1	16.7
20+ employees	0.9	0.0	7.1	3.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mean employees per firm*	2.2	1.9	5.8	4.6~
Probability of new or established firm (%)	1.9	2.7	3.4~	4.0~
Mean employees per 100 people **	4.1	5.3	20.0	18.5

Source: Von Broembsen & Wood, 2005.

This is an estimate based on the following assumptions regarding the mean number of jobs in each employment category: 1-5 employee firms have a mean of 2, 6-19 employee firms have a mean of 9, and 20+ employee firms have a mean of 50.

\*\* this is the product of the probability of a new or established firm and the mean number of employees per firm.

~ indicates that the figure is significantly higher (5% level) than that for black category using the LSD test.

Above an insight into the Indian culture and how the Indians arrived in South Africa was provided. According to Dyer (1988), the culture of the family business plays an important role in determining

whether the firm continues successfully beyond the first generation. It is under this premise that this researcher is focusing on the influence of cultural factors on successful succession of FOB's and in particular the South African Indian FOB's and the USA FOB's.

### **3.6 Summary**

The purpose of the literature review as presented in this chapter was to establish a theoretical framework in the area of culture and family business succession. The literature review helped to establish how much work has been done in this area of study. Underlying determinants of successful succession transitions were presented, a review on cultural factors was presented and the history of the South African Indian Family Owned businesses was presented.

The literature review helped the author to establish the research objectives, to identify other studies that support this research, to help define the terminology used in this research and it shows how this research fits into the existing body of knowledge. Flaws in previous research studies were highlighted. This chapter builds the foundation for the next chapter which covers the research methodology.

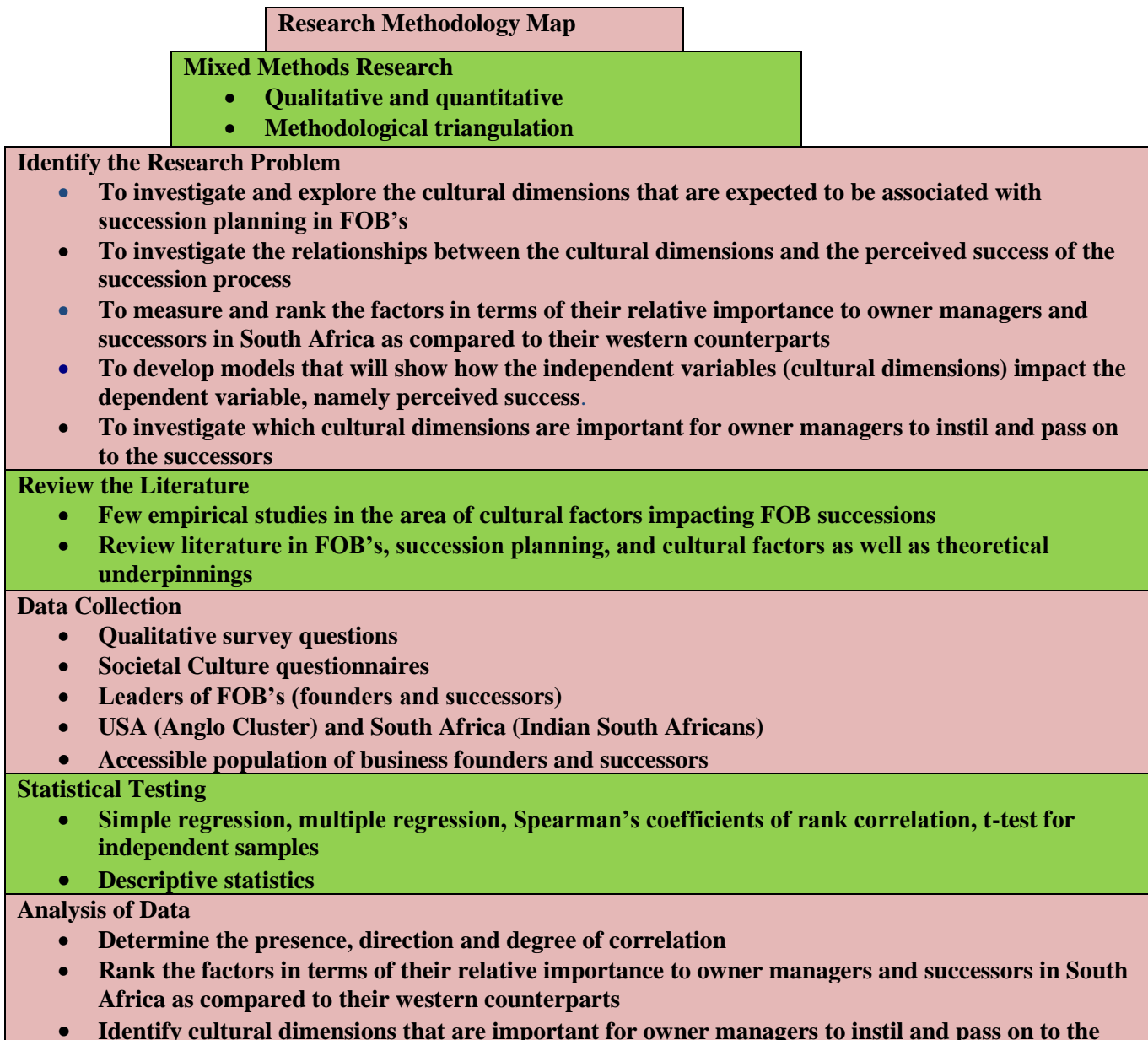


## Chapter Four: Research Design and Methodology

### 4.1 Introduction

This study identified the cultural factors that influence the success of FOB's by surveying those that inherently participate in their success, namely the founder (owner-manager), retiring owner-managers, retired owner managers and the successors. To achieve the objectives of this research, primary research (also called field research) involving the collection of data that does not already exist was conducted through face to face interviews, telephone interviews and questionnaires.

**Figure 4.1 Research Methodology Map**



**successors**

**Report and Evaluate the Research**

- **Report Findings**
- **Summary and Conclusions**
- **Recommendations for future research**

Source: Author

## **4.2 Mixed Methods Research**

As stated earlier, this study links qualitative and quantitative survey research methods. The use of both the qualitative and quantitative research methods in a methodological triangulation approach resulted in a more comprehensive understanding of cultural influences by allowing for triangulation of data and providing a deeper understanding of cultural influences on successful succession (Altrichter, *et al.*, 1996).

The quantitative method is generally designed to ensure objectivity, generalizability and reliability. Research participants are selected randomly from the study population in an unbiased manner, and statistical methods are used to test predetermined hypotheses regarding the relationships between specific variables. The researcher is considered external to the actual research, and results are expected to be replicable no matter who conducts the research (Steckler, McLeroy, Goodman, Bird, & McCormick, 1992; McConney. Rudd and Ayers, 2002; O'Donnell and Cummins, 1999; Hines, 2000).

The strengths of the quantitative paradigm are that its methods produce quantifiable, reliable data that are usually generalizable to some larger population. This paradigm breaks down when the phenomenon under study is difficult to measure or quantify. The greatest weakness of the quantitative approach is that it decontextualizes human behavior in a way that removes the event from its real world setting and ignores the effects of variables that have not been included in the model. That is why methodological triangulation was important for this study (Steckler, *et al.*, 1992; McConney, *et al.*, 2002; O'Donnell and Cummins, 1999; Hines, 2000).

On the other hand, the qualitative method is designed to provide the researcher with the perspective of target audience members through immersion in a culture or situation and direct interaction with the people

under study. Qualitative methods include observations, in-depth interviews and focus groups. The method is designed to help researchers understand the meanings people assign to social phenomena and to elucidate the mental processes underlying behaviors. Hypotheses are generated during data collection and analysis, and measurement tends to be subjective. In the qualitative paradigm, the researcher becomes the instrument of data collection, and results may vary greatly depending upon who conducts the research. (Steckler, *et al.*, 1992; McConney, *et al.*, 2002; O'Donnell and Cummins, 1999; Hines, 2000)

The advantage of using qualitative methods is that they generate rich, detailed data that leave the participants' perspectives intact and provide a context for health behavior. The focus upon processes and "reasons why" differs from that of quantitative research, which addresses correlations between variables. A disadvantage is that data collection and analysis may be labor intensive and time-consuming (Steckler, *et al.*, 1992; McConney, *et al.*, 2002; O'Donnell and Cummins, 1999; Hines, 2000). The table below summarizes the major differences between the qualitative and the quantitative approaches (Corner, 1991).

**Table 4.1: Qualitative vs Quantitative**

Qualitative	Quantitative
Focus complex and broad	Focus concise and narrow
Reasoning dialectic, inductive	Reasoning logistic, deductive
Soft Science	Hard Science
Basis of knowing meaning, discovery	Basis of knowing cause and effect , relationships
Communication and observation	Instruments
Basis element of analysis words	Basis elements of analysis numbers
Uniqueness	Generalization
Individual interpretation	Statistical analysis
Shared interpretation	Control
Develops theory	Tests theory
Subjective	Objective
Holistic	Reductionistic

Source: Corner, 1991

Debating the appropriateness of Mixed Method Research : The methodological debate might be broadly defined as a debate between a positivist paradigm versus a constructivist paradigm and their different views on the nature of knowledge (Hedrick, 1994). The positivist paradigm is based on research methods that are focused on obtaining information on objective and measurable social reality (quantitative analysis), the

constructivist paradigm is based on research methods that allow a broad analysis of subjective and unmeasurable social reality (qualitative analysis) (Datta, 1994). The two sides based on Table 4.1 are on opposing sides. The antagonism from both sides has prevented the acknowledgement of the potential benefits to be gained from combining both research techniques within a single study (Sieber, 1973).

Pérez-Díaz (2003) emphasizes the importance of combining quantitative and qualitative methods in social research. Responses of individuals to survey questionnaires, Pérez-Díaz argues, might only reflect generalized opinions. In order to obtain a richer understanding of a phenomenon the researcher should also consider the observation of people's behavior, their values and norms, and the use of interviews where people's deep attitudes towards such a phenomenon are recorded and later narrated.

Using both the quantitative and the qualitative approach in a single study is in line with the so called 'mixed-method research' (Tashakkori and Teddlie, 1998), also known as 'multimethod' research (Brewer & Hunter, 1989) and 'triangulation' (Perlesz and Lindsay, 2003). This researcher will use the term mixed method research in this study. Green, Caracelli and Graham (1989) defined mixed method designs as a method that includes at least one quantitative method (designed to collect numbers) and one qualitative method (designed to collect words). Tashakkori and Teddlie (1998) defined mixed-method studies as those that combine the qualitative and quantitative approaches into the research methodology of a single study or multiphased study.

This researcher agrees with the notion that the use of mixed-method research appear to be a necessary step, not only for overcoming the quantitative-qualitative methodological differences (Dunning, Williams, Abonyi & Crooks, 2008), but also for developing new and more comprehensive and explanatory models of assessment and interpretation of data. By doing so, the new strategies will increase the confidence in the data and the findings, help review existing theories, and broaden the knowledge of the phenomena under analysis (Dunning *et al.*, 2008).

Qualitative results can provide new dimensions of the explored concepts that are not found in quantitative measures/analyses of the concepts, and vice-versa, thus advancing the understanding of the concepts themselves and allowing us to create more accurate measures (Nicotera, 2008). As Reichardt and Rallis (1994) suggested that combining the two methods can be better than one.

The number of studies that have successfully employed mixed-method research in their data gathering and interpretation are on the rise and mixed methods has emerged in the last few years as a research approach popular in many disciplines. With its rise, critics have also emerged over the years. The critics have come from both within (e.g., Greene, 2008; Morse, 2005; Creswell, Plano Clark, & Garrett, 2008) and outside (Denzin and Lincoln, 2005; Howe, 2004) the mixed methods community.

Concerns about mixed methods have been voiced in recent respected journal articles (Giddings, 2006; Howe, 2004) and recent books (Denzin and Lincoln, 2005), in conference presentations (Holmes, 2006), and in articles published in the *Journal of Mixed Methods Research*. In the table below, Creswell (2007, 2008, 2010) presents some key controversies to mixed research methods.

**Table 4.2: Key Controversies and Questions Being Raised in Mixed Methods Research**

<b>Controversies</b>	<b>Questions Being Raised</b>
The changing and expanding definitions of mixed methods research	What is mixed methods research? How should it be defined? What shifts are being seen in its definition?
The questionable use of qualitative and quantitative descriptors	Are the terms “qualitative” and “quantitative” useful descriptors? What inferences are made when these terms are used? Is there a binary distinction being made that does not hold in practice?
Is mixed methods a “new” approach to research?	When did the conceptualization of mixed methods begin? Does mixed methods predate the period often associated with its beginning? What initiatives began prior to the late 1980s?
What drives the interest in mixed methods?	How has interest grown in mixed methods? What is the role of funding agencies in its development?
Is the paradigm debate still being discussed?	Can paradigms be mixed? What stances on paradigm use in mixed methods have developed? Should the paradigm for mixed methods be based on scholarly communities?

<b>Controversies</b>	<b>Questions Being Raised</b>
Does mixed methods privilege postpositivism?	In the privileging of postpositivism in mixed methods, does it marginalize qualitative, interpretive approaches and relegate them to secondary status?
Is there a fixed discourse in mixed methods?	Who controls the discourse about mixed methods? Is mixed methods nearing a “metanarrative?”
Should mixed methods adopt a bilingual language for its terms?	What is the language of mixed methods research? Should the language be bilingual or reflect quantitative and qualitative terms?
Are there too many confusing design possibilities for mixed methods procedures?	What designs should mixed methods researchers use? Are the present designs complex enough to reflect practice? Should entirely new ways of thinking about designs be adopted?
Is mixed methods research misappropriating designs and procedures from other approaches to research?	Are the claims of mixed methods overstated (because of misappropriation of other approaches to research)? Can mixed methods be seen as an approach lodged within a larger framework (e.g., ethnography)?
What value is added by mixed methods beyond the value gained through quantitative or qualitative research?	Does mixed methods provide a better understanding of a research problem than either quantitative or qualitative research alone? How can the value of mixed methods research be substantiated through scholarly inquiry?

Source: Creswell, 2007, 2008, 2010

Creswell did a good job addressing the controversies listed in the table above. Tashakkori and Teddlie (2003) argue that mixed methods designs evolved from the notion of ‘triangulating’ the information from different data sources. They argue that mixed methodology evolved as a third methodological movement originated from the “paradigm wars,” in which each camp (positivist paradigm versus a constructivist paradigm) was criticizing the other’s methods of study, rigor of its procedures and the validity of its outcomes.

Teddlie and Tashakkori (2003) and Creswell and Plano Clark (2006) argue that there are some essential theoretical assumptions that should be taken into consideration and adhered to when conducting a mixed methods study. These are the pragmatist philosophy, compatibility thesis and fundamental principle of mixed methods research (Teddlie and Tashakkori, 2003; Creswell and Plano Clark, 2006).

The pragmatist philosophy keeps the researchers away from pointless philosophical arguments and enables them to mix the research components in the way they believe to work for the given research problem and context. According to Creswell and Plano Clark (2006), the fundamental principle of mixed methods research, expresses that the methods should be mixed in a way that has complementary strengths and non-overlapping weaknesses. The compatibility thesis refers to the assumption that quantitative and qualitative methods are compatible and can be mixed (Teddlie & Tashakkori, 2003; Creswell & Plano Clark, 2006). It would be impossible for any researcher to even propose such a study, if this thesis were not assumed.

Also to be taken into consideration are four assumptions according to Creswell (2003),

1. Is data collected sequentially or simultaneously
2. Which method, either quantitative or qualitative or both, is given more priority, weight and attention in the study
3. Stage of integration, which stands for the phase in the research process where the mixing or connecting of the quantitative and qualitative data occurs. It might occur in different phases of the study, e.g. problem description, research questions, research methods, data collection and analysis, and inference processes (Creswell, Plano Clark, Gutmann & Hanson, 2003; Teddlie and Tashakkori, 2003).
4. Theoretical perspectives is used by Creswell *et al.* (2003) to refer to researchers' personal stances toward the topics they are studying based on their personal history, gender, experience, culture and class.

Based on these criteria Creswell *et al* (2003) specify six different types of major mixed methods research: sequential explanatory, sequential exploratory, sequential transformative, concurrent triangulation, concurrent nested, and concurrent transformative. Tashakkori and Teddlie (2003) even goes deeper than Creswell in categorizing types of mixed methods research.

Despite all the points supporting Mixed Method research, there are still questions about whether it might qualify as a “rigorous methodology,” since mixed methods is still suffering one fundamental criticism. It is criticized on the basis of “incompatibility thesis,” which argues that quantitative and qualitative research paradigms should not be mixed and that multimethodology is inherently wrong (Onwuegbuzie and Leech, 2005). Contrary, (Bullock, 1993; Firestone, 1987; Henderson, 1991; Merriam, 1988; Patton, 1990) have articulated less rigid views arguing that qualitative and quantitative methods are not mutually exclusive research strategies and hence, the appropriateness of combining them). Concurring with this stance, Kidder and Fine (1987: p 72) stated, "There is nothing mysterious about combining quantitative and qualitative measures. This is, in fact, a form of triangulation that enhances the validity and reliability of one's study"

Mixed method research has been advanced as particularly strong when the intention is to (a) seek convergent results (triangulation); (b) explore interconnected and/or distinct aspects of a phenomenon (complementarity); (c) examine similarities, contradictions, and new perspectives (initiation); (d) use methods in a ways that complement one another (e.g., interviews used to inform the development of a survey instrument); and (e) add breadth and scope to a project (Green, Caracelli, & Graham, 1989)

In table 4.3 below some strengths and weaknesses about the mixed method research are presented

**Table 4.3: Strengths and Weaknesses of Mixed Method Research**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Words, pictures, and narrative can be used to add meaning to numbers</li> <li>• Numbers can be used to add precision to words, pictures, and narrative</li> <li>• Can provide quantitative and qualitative research strengths</li> <li>• Researcher can generate and test a grounded theory</li> <li>• Can answer a broader and more</li> </ul>	<ul style="list-style-type: none"> <li>• Can be difficult for a single researcher to carry out both qualitative and quantitative research, especially if two or more approaches are expected to be used concurrently; it may require a research team.</li> <li>• Researcher has to learn about multiple methods and approaches and understand how to mix them</li> </ul>



<p>complete range of research questions because the researcher is not confined to a single method or approach</p> <ul style="list-style-type: none"> <li>• A researcher can use the strengths of an additional method to overcome the weaknesses in another method by using both in a research study.</li> <li>• Can provide stronger evidence for a conclusion through convergence and corroboration of findings.</li> <li>• Can add insights and understanding that might be missed when only a single method is used.</li> <li>• Can be used to increase the generalizability of the results.</li> <li>• Qualitative and quantitative research used together produce more complete knowledge necessary to inform theory and practice.</li> </ul>	<p>appropriately.</p> <ul style="list-style-type: none"> <li>• Methodological purists contend that one should always work within either a qualitative or a quantitative paradigm</li> <li>• More expensive.</li> <li>• More time consuming</li> <li>• Some of the details of mixed research remain to be worked out fully by research methodologists (e.g., problems of paradigm mixing, how to qualitatively analyze quantitative data, how to interpret conflicting results).</li> </ul>
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Source: Johnson and Onwuegbuzie (2004)

This researcher therefore takes the same stance as Onwuegbuzie and Leech (2004) and other researchers (Dunning *et al.*, 2008; Nicotera, 2008; Reichardt and Rallis, 1994) who argues that mixed methods research as the third research paradigm can help bridge the schism between quantitative and qualitative research. Narrow views can be misleading and approaching a subject from different angles may help provide that holistic/complete view. It has been observed that many existing practices already combine quantitative and qualitative methods but they have not been sufficiently theorized. The use of both the qualitative (interviews) and quantitative (survey) methods in this study thus helped to overcome weaknesses or intrinsic biases and the problems that come from a single method (Greene, *et al.*, 1989). The

qualitative method was used for better exploring, understanding, and uncovering, while the quantitative survey method was used for confirming and clarifying

In this study a large scale quantitative survey was conducted followed by series of semi-structured interviews with a small number of FOBS' (from USA and from South Africa). Qualitative assessments of the cultural factors at the companies were obtained through interviews with owner managers/founders and successors. The quantitative assessments allow one to do certain statistical calculations showing trends, correlations, etc.

### **4.3 Quantitative Analysis**

The methods used to investigate the importance of cultural factors to succession planning in the success of family owned businesses (FOBs) in USA and South Africa are discussed. The research design is outlined, the variables are specified, and the hypotheses are defined. The response rate is considered. The use of descriptive statistics, reliability analysis, t tests and Mann-Whitney U tests, correlation analysis, and regression analyses are described.

### **4.4 Research Design and Sampling Method**

The target populations consisted of owner managers and successors of FOBs located in two countries: USA and South Africa. The quantitative research methodology was based on a cross-sectional survey. The research design was correlational, defined by Fraenkel and Wallen (2007: p G-2) as “research that involved collecting data in order to determine the degree to which relationships exists between two or more variables”. The limitation of the research design was that correlative relationships extracted by statistical analysis from cross-sectional survey data do not necessarily imply cause and effect relationships. An empirically observed statistical correlation between two or more variables is an essential, but insufficient, condition to conclude causality. Causation requires more than statistical analysis, it requires knowledge and understanding of factual inter-dependence. Nevertheless, if statistically significant correlative relationships can be identified between variables, then it can be inferred intuitively that causal relationships may be operative (Holland, 1986).

Quantitative data was collected using a measuring instrument that consisted of reliable and valid items sourced from tested measuring instruments used in similar research such as the GLOBE study (House, *et*

*al.*, 2007), GRANET Study (Papalexandris and Panayotopoulou, 2004) and other cross cultural studies by (Venter, 2003; Hofstede, 1980, 2001; Papalexandris and Panayotopoulou, 2004; as well as some self-generated items based on the literature. The declarative statements were phrased using a five point Likert-type scale.

A Likert scale is a psychometric scale commonly used in questionnaires, and is the most widely used scale in survey research. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement (Likert, 1932). The scale is named after its inventor, psychologist Rensis Likert.

A Likert item is simply a statement which the respondent is asked to evaluate according to any kind of subjective or objective criteria; generally the level of agreement or disagreement is measured. Often five ordered response levels are used, although many psychometricians advocate using seven or nine levels; a recent empirical study found that data from 5-level, 7-level and 10-level items showed very similar characteristics in terms of mean, variance, skewness and kurtosis after a simple transformation was applied (Babbie, 2005; Meyers, Guarino & Gamst, 2005; Dawes, 2008)

Critics of the Likert scale approach argue that Likert Scales may be subject to distortion from several causes. Respondents may avoid using extreme response categories (central tendency bias); agree with statements as presented (acquiescence bias); or try to portray themselves or their organization in a more favorable light (social desirability bias). Designing a scale with balanced keying (an equal number of positive and negative statements) can obviate the problem of acquiescence bias, since acquiescence on positively keyed items will balance acquiescence on negatively keyed items, but central tendency and social desirability are somewhat more problematic (Babbie, 2005; Meyers, *et al.*, 2005; Dawes, 2008). For this study the questionnaire had a good balance of negative and positive items to obviate the problem of acquiescence bias.

In this study a five point Likert scale was used even though most of the questions in the research instrument were adopted from the GLOBE study and the GLOBE study questionnaires used a seven point Likert scale. As mentioned above recent empirical studies found that data from 5-level, 7-level and 10-level items showed very similar characteristics in terms of mean, variance, skewness and kurtosis after a simple transformation was applied therefore a five point Likert Scale was used. Studies on the use of Likert scales show that more than seven points on a scale are too much (Matell and Jacoby 1972; Dawes, 2008).

People generally have a difficult time placing their point of view on a scale greater than seven, another reason why this study used the five point scale. Is there a perfect number though? Studies are not conclusive on this, most commonly mentioned are five, four or three point scales (Dawes, 2008).

**Sampling Method:** Sampling is the process of defining a representative subpopulation to study and there are two main categories of sampling i.e. probability and non-probability sampling (Lunsford and Lunsford, 1995).

The first potential problem in any system of selection is bias. Bias can occur easily and to avoid selection bias it is important to guarantee that each of the candidates for inclusion in the study has an equal opportunity for selection, and that guarantee requires subjects to be selected at random, or that randomization be employed. Randomization is important for two basic reasons: first, it provides a sample that is not biased, and second, it meets the requirements for statistical validity (Portney, 1993; Ader, Mellenbergh, & Hand, 2008). Several methods exist that can be used to randomly select subjects which include among others; simple random sampling, systemic random sampling, stratified sampling and cluster sampling (Portney, 1993; Ader *et al.*, 2008)

#### **Figure 4.2 Probability Sampling Methods**

Simple Random Sampling	<ul style="list-style-type: none"> <li>•It's the most basic type of random sampling.</li> <li>•everyone in the sampling frame has an equal chance of being in the final sample</li> </ul>
Systematic Sampling	<ul style="list-style-type: none"> <li>•It is a method frequently chosen for its simplicity because it is a periodic process .This method could be carried out by selecting the first subject randomly as described above and then selecting every second or third subject who comes to the office and meets the inclusion/exclusion criteria. This method,can however be problematic due to periodicity. There is no advantage to this method over simple random sampling.</li> </ul>
Stratified Random Sampling	<ul style="list-style-type: none"> <li>•It is a method by which subjects are grouped according to strata such as age, gender or diagnosis (left hemi vs. right hemi), etc. Using this method, subgroups of interest can be defined and equal numbers of subjects sampled for each group.</li> </ul>
Cluster Random Sampling	<ul style="list-style-type: none"> <li>•It is a method used to enable random sampling to occur while limiting the time and costs that would otherwise be required to sample from either a very large population or one that is geographically diverse . Thus clusters (e.g., a school, a classroom, a team) are randomly selected rather than individual type units in the first stage of sampling.</li> </ul>

Source: (Lunsford and Lunsford, 1995)

Sometimes in research true random sampling is very difficult to achieve, mainly due to time, cost and ethical considerations. It therefore becomes necessary to use other sampling techniques and such techniques produce non-probability samples in that the sampling technique is not random (Portney, 1993; Currier, 1984, Lunsford and Lunsford, 1995, Ader *et al.*, 2008).

With non-probability sampling the members of the population do not have an equal chance of being selected hence it is unlikely that the population selected will have the correct proportions. Therefore, it may not be assumed that the sample fully represents the target, and any statement generalizing the results

beyond the actual sample tested must be stated with qualification (Portney, 1993; Currier, 1984; Heckathorn, 2002, Lunsford and Lunsford, 1995, Ader *et al.*, 2008).

For the USA population cluster sampling was used to select the respondents. The population of FOB's in USA is extremely large and geographically diverse thus a cluster of FOB's from Northern Indiana was targeted for the study. Information on businesses in the USA is readily available to the public through a database hosted by [www.referenceusa.com](http://www.referenceusa.com). The researcher was able to search and select all FOB's in the retail/general merchandize sector in Northern Indiana.

The final questionnaire (see Appendix A2) was mailed to 595 FOB's identified through the cluster sampling. Each questionnaire was sent with a cover letter to guarantee the anonymity of the respondents. A return-paid envelope was included in order to make it as easy for respondents to take part in the research.

The validity of statistical testing methods is based on random selection of subjects, thus it becomes critical when using non-probability sampling that random techniques be employed to the maximum extent possible. Several non-probability sampling techniques have evolved over time and they include among others: convenience sampling, consecutive sampling, judgmental sampling, quota sampling and snowball sampling (Portney, 1993; Currier, 1984; Heckathorn, 2002, Lunsford and Lunsford, 1995, Ader *et al.*, 2008).

#### **Figure 4.3 Non- Probability Sampling Methods**

Convenience sampling	<ul style="list-style-type: none"> <li>•With this method, subjects are selected because of their convenient accessibility to the researcher. These subjects are chosen simply because they are the easiest to obtain for the study. This technique is easy, fast and usually the least expensive and troublesome in that bias is introduced into the sample because the sample may not be representative of the larger overall population.</li> </ul>
Consecutive sampling	<ul style="list-style-type: none"> <li>•This is a strict version of convenience sampling where every available subject is selected, i.e., the complete accessible population is studied. This is the best choice of the nonprobability sampling techniques since by studying everybody available, a good representation of the overall population is possible in a reasonable period of time</li> </ul>
Judgmental sampling	<ul style="list-style-type: none"> <li>•This method is also called purposive sampling, it is another form of convenience sampling where subjects are handpicked from the accessible population. This technique leaves much to be desired because of its inherent bias. Subjects usually are selected using judgmental sampling because the researcher believes that certain subjects are likely to benefit or be more compliant.</li> </ul>
Quota sampling	<ul style="list-style-type: none"> <li>•It is a non-probability technique used to ensure equal representation of subjects in each layer of a stratified sample grouping.</li> </ul>

Source: (Lunsford and Lunsford, 1995)

A question maybe asked, does it mean that non-probability samples aren't representative of the population at all? Not necessarily. It does mean that non-probability samples cannot depend upon the rationale of probability theory. At least with a probabilistic sample, the odds are known or probability that the population is well represented is known (Salant and Dillman, 1994; Yamane, 1967; Salganik and Heckathorn, 2004). It is possible to estimate confidence intervals for the statistic. With non-probability samples, the population may or may not be represented objectively, and it will often be hard for us to know how well we've done so (Salant and Dillman, 1994; Yamane, 1967; Salganik and Heckathorn, 2004). In general, researchers prefer probabilistic or random sampling methods over non-probabilistic ones, and consider them to be more accurate and rigorous (Portney, 1993, Ader *et al.*, 2008). However, there may be

circumstances like for this study for the Indian South African population where it was not feasible or practical to do random sampling. Hence the technique of snowball sampling (also referred to as chain referral sampling) was used to select the Indian South African Sample.

Several attempts were made to secure a mailing list of respondents in small and medium-sized Indian family owned businesses in the retail/general merchandize sector in South Africa but to no avail. Organizations such as the better business bureau and the local chamber of commerce keep records of such businesses but due to privacy issues they cannot release contact details. Also larger organizations with family businesses as clients (banks, insurance companies, etc) would not release information about their clients because such information is considered to be a competitive advantage. Hence, in order to ensure that sufficient responses are obtained to support the statistical analysis of the data, a snowball sampling technique was employed for the Indian South African population, which is a technique for developing a research sample where existing study subjects recruit future subjects from among their acquaintances (Salganik and Heckathorn, 2004; Goodman, 1961). Hence snowball sampling relies on referrals from initial subjects to generate additional subjects. Thus the sample group appears to grow like a rolling snowball. As the sample builds up, enough data is gathered to be useful for research (Wegner, 2000; Heckathorn, 1997, 2002).

For this study the referrals were subsequently contacted by telephone by the researcher and an assistant to confirm their contact details and to test their willingness to participate in the study. The chain referral system was the most effective approach to yielding the majority of the potential respondents.

There are many different kinds of sampling, each with their own advantages and disadvantages and snowball sampling has its own advantages as opposed to other sampling methods. It makes it possible for the researcher to include people in the survey that they would not have known. It is also very good for locating people of a specific population if they are difficult to locate (Wegner, 2000; Heckathorn, 1997, 2002). Snowball sampling is often used in hidden populations which are difficult for researchers to access or in cases where a sampling frame is hard to establish (since no convenient and exhaustive lists are generally available). Snowball sampling can dramatically lower search costs, but it comes at the expense of introducing bias because the sample members are not selected from a sampling frame. The technique therefore reduces the likelihood that the sample will represent a good cross section from the population



(Wegner, 2000; Heckathorn, 1997, 2002). For example, respondents who have many links are more likely to be recruited into the sample.

Critics of snowball sampling argue that the process has limitations which include among others the fact that it might introduce bias into the statistical findings and that the sampling error cannot be validly measured from data that is drawn from a non –probability based sample (Black, 1999; Portney, 1993; Salganik and Heckathorn, 2004; Goodman, 1961; Wegner, 2000; Heckathorn, 1997, 2002; Ader *et al.*, 2008). They argue that the method is heavily reliant on the skill of the individual conducting the actual sampling, and that individual’s ability to vertically network and find an appropriate sample. To be successful the process requires previous contacts within the target areas, and the ability to keep the information flow going throughout the target group. Critics argue that identifying the appropriate person to conduct the sampling, as well as locating the correct targets is a time consuming process which renders the benefits only slightly outweighing the costs ( Black, 1999; Portney, 1993; Salganik and Heckathorn, 2004; Goodman, 1961; Wegner, 2000; Heckathorn, 1997, 2002; Ader *et al.*, 2008). They argue that snowball sampling results in the lack of definite knowledge as to whether or not the sample is an accurate reading of the target population. By targeting only a few select people, it is not always indicative of the actual trends within the result group. To help mitigate these risks, everything possible should be done to make sure that the sampling is controlled. Also, it is imperative that the correct personnel are used to execute the actual sampling, because one missed opportunity could skew the results (Black, 1999; Portney, 1993; Salganik and Heckathorn, 2004; Goodman, 1961; Wegner, 2000; Heckathorn, 1997, 2002; Ader *et al.*, 2008).

Even though it’s still possible to perform statistical analyses on non-probabilistic samples, one has to be careful about extending the findings beyond the sample hence for this study any statement generalizing the results beyond the actual sample tested are stated with qualification.

See below a summary of advantages and disadvantages of different sampling techniques

**Table: 4.4 Sampling techniques: Advantages and disadvantages**

Technique	Descriptions	Advantages	Disadvantages
Simple random	Random sample from whole population	Highly representative if all subjects participate; the ideal	Not possible without complete list of population members; potentially uneconomical to achieve; can be disruptive to isolate members from a group; time-scale may be too long, data/sample could change

<b>Technique</b>	<b>Descriptions</b>	<b>Advantages</b>	<b>Disadvantages</b>
Stratified random	Random sample from identifiable groups (strata), subgroups, etc.	Can ensure that specific groups are represented, even proportionally, in the sample(s) (e.g., by gender), by selecting individuals from strata list	More complex, requires greater effort than simple random; strata must be carefully defined
Cluster	Random samples of successive clusters of subjects (e.g., by institution) until small groups are chosen as units	Possible to select randomly when no single list of population members exists, but local lists do; data collected on groups may avoid introduction of confounding by isolating members	Clusters in a level must be equivalent and some natural ones are not for essential characteristics (e.g., geographic: numbers equal, but unemployment rates differ)
Stage	Combination of cluster (randomly selecting clusters) and random or stratified random sampling of individuals	Can make up probability sample by random at stages and within groups; possible to select random sample when population lists are very localized	Complex, combines limitations of cluster and stratified random sampling
Purposive	Hand-pick subjects on the basis of specific characteristics	Ensures balance of group sizes when multiple groups are to be selected	Samples are not easily defensible as being representative of populations due to potential subjectivity of researcher
Quota	Select individuals as they come to fill a quota by characteristics proportional to populations	Ensures selection of adequate numbers of subjects with appropriate characteristics	Not possible to prove that the sample is representative of designated population
Snowball	Subjects with desired traits or characteristics give names of further appropriate subjects	Possible to include members of groups where no lists or identifiable clusters even exist (e.g., drug abusers, criminals)	It may not be assumed that the sample fully represents the target, and any statement generalizing the results beyond the actual sample tested must be stated with qualification
Volunteer, accidental, convenience	Either asking for volunteers, or the consequence of not all those selected finally participating, or a set of subjects who just happen to be available	Inexpensive way of ensuring sufficient numbers of a study	Can be highly unrepresentative

Source: Black, 1999; Portney, 1993; Salganik and Heckathorn, 2004; Goodman, 1961; Wegner, 2000; Heckathorn, 1997, 2002; Ader *et al.*, 2008

In this study snowball sampling was chosen because of the limited ability to establish a sampling frame hence the process increased the efficiency of the study. It was possible to conduct the study in a timely manner and it helped the researcher to obtain a sizeable sample (bias plays a major role within every study, and increasing the amount of participants will only help the accuracy of the information). The South African Indian population was hard to reach and there was no obvious list of the population. Snowball sampling was the only viable choice of sampling strategy.

The final questionnaire (Appendix A1) was mailed/faxed/delivered to 315 respondents of the Indian South African family businesses identified via the snowball sampling technique described above. Each questionnaire was sent with a cover letter to guarantee the anonymity of the respondents.

Survey response rates are notoriously low for such study groups and to maximize the response rate the researcher was able to use among others incentives to elicit response, such as:

- a. Offering to share the survey's findings
- b. E-mails announcing upcoming survey
- c. A stamped return envelope was included
- d. Reminders to those that failed to respond
- e. Using a very large sample for the quantitative assessment
- f. Establishing legitimacy by telling potential respondents about who is conducting the survey and what credentials they hold.

#### **4.5 Research Variables**

The independent variables (Table 4.5) included nine cultural dimensions of the target populations measured using a dedicated survey instrument (Appendix A1 & A2). The dependent variable (Perceived Success) was the relative success of each participant in the target population, with respect to his/her alleged levels of accomplishment in the succession processes (Table 4.5).

**Table 4.5: Dependent and independent variables**

Level of Measurement	Dependent variable	Independent variable
Scale/Interval	SUC = Perceived Success	UA = Uncertainty Avoidance FO = Future Orientation PD = Power Distance CI = Institutional Collectivism HO = Humane Orientation PO = Performance Orientation CII = In-group Collectivism GE = Gender Egalitarianism AS = Assertiveness

**Table 4.6: Demographic characteristics**

Level of Measurement	Demographic characteristic	Category	Dummy variable
Nominal	Sex	Female Male	0 1
	Ownership	Founder/Owner Successor/Manager/New owner	0 1
	Population	USA Indian South African	0 1
Ordinal	Age	Under 20 20-24 25-29 30-34 35-39 40-49 50-59 60 or over	1 2 3 4 5 6 7 8
	Education	High School /Grade 12 or less Certificate Diploma Degree Post-graduate degree	1 2 3 4 5
Scale/Interval	Number of Employees		
	Years in Business		

The 40 items used to measure each of the independent and dependent variables were based on Likert scales, with scores ranging from 1 to 5. The item scores, which some statisticians consider to be ordinal, were analyzed as if they were measured at the scale/interval level. This was justified since the intervals between the responses (e.g. 1 = *Strongly agree*, 2 = *Agree*, 3 = *Undecided*, 4 = *Disagree*, and 5 = *Strongly Disagree*) are generally assumed by social scientists to be approximately equal for purposes of statistical analysis (Tabachnik and Fidell, 2007). The demographic characteristics of the owner managers and successors (Table 4.6) were collected at the same time as the dependent and independent variables. The categorical demographic characteristics measured at the nominal or ordinal level were coded with integers

(dummy variables) for purposes of statistical analysis. All the variables were initially entered and stored in Excel spreadsheets, but were imported into the SPSS data editor in order to perform statistical analysis.

According to a recent study Venter *et al.* (2005: p 283) on “The Influence of successor related factors on succession process in small and medium sized family businesses”, they made a recommendation for future research as follows, “given the homogeneous nature of demographic characteristics of the respondents in this study, particularly with regard to gender and ethnicity, the impact of demographic factors on both the perceived success of the succession process and those factors that influence the process should be further investigated” (Venter *et al.*, 2005: p 283). It made sense therefore for this researcher to look at the demographic variables and to investigate if such variables could be moderators of the cultural dimensions in the USA and Indian South African groups.

#### **4.6 Hypotheses**

Inferential statistical analysis is conventionally based on the testing of null hypotheses, i.e., statements indicating that no differences or relationships exist between the variables of interest. A null hypothesis predicts that the results of an inferential test are not significant, implying that the result happened only by chance, as a result of random variation. The alternative hypothesis is the opposite, implying that the result did not happen by chance. The decision rule is to reject a null hypothesis if the probability (p value) of the appropriate inferential test statistic is less than a prescribed significance level. The conventional significance level prescribed by most researchers = .05. If  $p \leq .05$  then the results are interpreted as statistically significant, whereas if  $p > .05$  the results are interpreted as not statistically significant. The use of .05 as a significance level implies a 1 in 20 chance of making a Type I error, i.e. falsely rejecting the null hypothesis when it is in fact true (Field, 2009). A significance level of .05 was applied to test the null hypotheses in this study.

Some researchers have suggested that the concept of testing a null hypothesis is bizarre, confusing, convoluted and illogical and its use should be banned, especially in the social sciences (e.g., Loftus, 1991; Hunter 1997). Nevertheless, the testing null of hypotheses remains a widely used approach, and so null hypotheses were formulated for the purposes of this study, and appropriate statistical methods were chosen to test them (Table 4.7). The statistical analyses were performed using SPSS version 17.0 following the instructions in Field (2009).

**Table 4.7: Null and Alternative Hypotheses**

<b>Null hypothesis</b>	<b>Alternative hypothesis</b>	<b>Statistical method</b>
H <sub>0</sub> 1 The Perceived Success in the USA population is not different to the Perceived Success in the Indian South African population	H <sub>A</sub> 1: The Perceived Success in the USA population is different to the Perceived Success in the Indian South African population	Parametric Independent samples t test or non-parametric Mann-Whitney U test
H <sub>0</sub> 2 The cultural dimension in the USA population is not different to the cultural dimension in the Indian South African population	H <sub>A</sub> 2: The cultural dimension in the USA population is different to the cultural dimension in the Indian South African population	Parametric Independent samples t test or non-parametric Mann-Whitney U test
H <sub>0</sub> 3: Perceived Success, the nine cultural dimensions, and the demographic characteristics of the participants are not correlated	H <sub>A</sub> 3: Perceived success, the nine cultural dimensions, and the demographic characteristics of the participants are correlated	Pearson's parametric or Spearman's rank non-parametric Correlation Analysis
H <sub>0</sub> 4: Perceived Success cannot be predicted using cultural dimensions	H <sub>A</sub> 4: Perceived success can be predicted using cultural dimensions	Multiple Linear Regression Analysis
H <sub>0</sub> 5: The predictive relationship between Perceived Success and cultural dimensions is not moderated by the demographic characteristics of the participants	H <sub>A</sub> 5: The predictive relationship between Perceived Success and cultural dimensions is moderated by the demographic characteristics of the participants	Multiple Linear Regression Analysis

#### 4.7 Descriptive Statistics

Frequency tables were constructed to display the distributions of the participants with respect to their demographic characteristics. Histograms were used to display the frequency distributions of the dependent and independent variables. The median, mean and standard deviation of each of the dependent and independent variables were computed.

The justification for using parametric statistics to analyze the perceived success scores: Variables are conventionally classified into nominal, ordinal, or interval but these are not fixed entities. A controversy exists in the literature about the merits of classifying variables into nominal, ordinal, or interval (see for example, Doering and Hubbard, 1979; Knapp, 1990; Michell, 1986; Narens, 1981; Velleman, Paul, Wilkinson and Leland, 1993). Most elementary statistical text books and inexperienced statisticians adopt the conventional classification scheme, which is also supported by statistical software such as SPSS/PASW to ensure that users do not inadvertently compute meaningless statistics (for example, the means and standard deviations of numerically coded categorical variables such as gender and ethnicity, measured at

the nominal level); however, the conventional distinction between ordinal and interval level variables is not universally accepted by many experienced statisticians (Tabachnik and Fidell, 2007).

This controversy also extends to whether or not parametric statistics can be applied to ordinal level measurements. The ordinal-interval level controversy contrasts the purists, who oppose application of parametric statistics to ordinal-level data, and the pragmatists, who advocate such application according to Doering and Hubbard (1979). The purists believe that once a variable has been assigned to the ordinal level of measurement, then the statistician is axiomatically restricted to non-parametric inferences concerning medians, modes, and ranks (e.g. Spearman's correlations, Mann-Whitney U tests, Kruskal-Wallis tests, and Wilcoxon's tests) accepting that such tests have relatively low power to reject null hypotheses. The pragmatists perceive that there is nothing wrong with using parametric procedures (e.g. Pearson's correlations, t tests, ANOVA, and regression analysis) for ordinal scales, claiming that the scale type is not one of the theoretical assumptions for the validity of parametric tests, and that greater power to reject null hypotheses is achieved.

Consequently, the pragmatists routinely apply parametric statistics to measures collected using an instrument based on numerically scaled responses, whilst the purists do not. The pragmatist's approach is justifiable for the purposes of this study on the grounds that the measures of perceived success are not absolutely ordinal (i.e., a well ordered hierarchy of discrete ranks). The scores (i.e., 1 = Strongly agree, 2 = Agree, 3 = Undecided, 4 = Disagree, and 5 = Strongly Disagree) used to measure perceived relative success are somewhere in between ordinal and interval.

Although the interval differences between the successive scores are not absolutely constant, they are perceived by many professional statisticians to be of a similar order of magnitude, so that interval scale parametric statistics can meaningfully be applied. Consequently, it was decided in this study to adopt the pragmatist's measurement perspective recommended by Michell (1986) and Tabachnik and Fidell (2007) and support the view that the ordinal-interval level controversy is largely irrelevant, implying that parametric statistics such as regression analysis could be applied to analyze the perceived success scores.

## **4.8 Validity And Reliability**

### **4.8.1 Ethical Issues**

According to Lee (1995) researchers in cross cultural studies need to be aware of the fact that there can be incongruence between their own views or theoretical frameworks and those of the group or culture in the research sample. Where differences exist between researcher and participant, they must be respected, and care must be exercised to not project one's own values onto the research process, nor judge a participant's behavior that varies from one's own culturally sanctioned standards (Lee, 1995). According to (Remenyi, Williams, Money & Swart, 1998) there are many ethical matters that do not have clear boundaries. The definition for ethics utilized for this study is adopted from Cooper and Schindler (2003) which refers to ethics as moral principles, norms or standards of behavior that guides moral choices about behavior and our relationships with other.

Saunders and Thornhill (2007) concluded that research ethics relates to, gaining access, collecting data, processing and data storage, analyzing data and writing up the research findings in a moral and responsible way. This means that the design and method is both methodologically sound and morally defensible to all those who are involved.

It is very critical to comply with the stringent ethical considerations and any deviations from ethical standards therefore needs to be thought through and justified very carefully, thus making ethical considerations a fundamental element to the credibility, validity and reliability of this research.

The researcher identified potential ethical issues for this study and the application and overcoming of the ethical considerations as discussed in Table 4.8 below (Creswell, 2003; Saunders and Thornhill, 2007; Remenyi *et al*, 1998,)



**Table 4.8: Overview of Ethical Considerations**

Ethical Consideration	Main Consideration Elements	Application and overcoming of ethical consideration
Ethical issues during research design and gaining access to respondents	<ul style="list-style-type: none"> <li>· Concept to participate in a research project is not an obvious matter.</li> <li>· The way data is collected does not always imply consent about the way in which the data provided is subsequently used</li> <li>· Informed consent from respondents</li> <li>· Physical access to respondents for the qualitative interviews</li> <li>· Access to possible participants through snowball sampling method</li> <li>· Gaining cognitive access</li> <li>· Providing anonymity and confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>· Researcher provided a very clear articulated cover letter that explained the research project (Appendix C1, C2 &amp; C3)</li> <li>· A clear explanation was provided in the cover letter on how the data is going to be used after the research</li> <li>· Researcher obtained consent during the interviews</li> <li>· Use of questionnaires</li> <li>· Provided assurances of confidentiality and anonymity</li> </ul>
Ethical issues during the data collection	<ul style="list-style-type: none"> <li>· The research participants can withdraw and or decline to participate at any time, it's their right</li> <li>· Participation should be limited to the scope of access agreed upon, anything that will cause harm or intrude on the privacy of participants is not acceptable</li> <li>· Maintenance of research objectivity is required</li> </ul>	<ul style="list-style-type: none"> <li>· Researcher remained within the agreed upon scope of participation</li> <li>· Maintenance of confidentiality and anonymity</li> <li>· Maintenance of research objectivity</li> </ul>
Ethical issues associated with storage of data and the processing of the data	Ethical and legal consideration to data Protection according to professional standards as well as legal requirements	<ul style="list-style-type: none"> <li>· In cases where personal data was divulged permission was obtained and the researcher ensured compliance with the handling of such personal and or sensitive data</li> </ul>
Ethical issues in relation to data reporting and analysis	<ul style="list-style-type: none"> <li>· Selective use of data and misrepresentation of the statistical accuracy.</li> <li>· Potential for falsifying or inventing findings to meet a researcher's or audience's needs</li> </ul>	<ul style="list-style-type: none"> <li>· Used all data collected</li> <li>· Data will be maintained for a reasonable time (Sieber, 1998) recommends 5-10 years</li> <li>· Researcher investigated family businesses in which the researcher had no personal interest</li> <li>· Researcher provided an accurate account of the information.</li> <li>· Researcher releases the details of the research with the study design so that readers can determine for themselves the credibility of the study</li> </ul>

Source: Creswell, 2003; Saunders and Thornhill, 2007; Remenyi et al, 1998

#### 4.8.2 Validity of the Instrument

Questionnaires are the most widely used data collection methods in evaluation research. To minimize measurement errors it is necessary to have systematic development of a valid and reliable measurement instrument. Measurement error according to Groves (1987) is referred to as the discrepancy between

respondents attributes and their survey responses. Testing the instruments will enhance data quality and utilization of research.

As stated earlier, the measuring instrument consists of reliable and valid items sourced from tested measuring instruments used in similar research such as the GLOBE study (House, et al., 2007), GRANET Study (Papalexandris and Panayotopoulou, 2004) and other cross cultural studies by (Venter, 2003; Hofstede, 1980, 2001; Papalexandris and Panayotopoulou, 2004) as well as some self-generated items based on the literature.

Reliability estimates the consistency of the measurement, or more simply the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Validity, on the other hand, involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement. The results of a research study are only useful to the extent that they can be accurately and confidently interpreted. The issue of accuracy and confident interpretation of results is at the center of any discussion of validity.

#### **4.8.3 Internal and External Validity**

Validity is defined as the strength of our conclusions, inferences or propositions. According to Cook and Campbell (1979) validity is defined as, “best available approximation to the truth or falsity of a given inference, proposition or conclusion”. In short, were we right? Validity is derived from the Latin word *validus*, meaning “strong,” refers to the degree with which correct inferences can be made from the results of a research study. Establishing validity within a research study is an important component with multiple considerations. The idea of validity in a research study involves two concepts at the same time. (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider, Carnoy, Kilpatrick, Schmidt & Shavelson, 2007; Briggs, 2008)

A researcher wants to have confidence that the outcomes observed in a research study are a function of the conditions observed, measured, and/or manipulated in the study and not due to some other factors that were not addressed in the study. Such confidence reflects the internal validity of a study. Usually researchers want to use the results of a research study to make a claim not just about the participants in the study but also about a larger population of which the participants are a sample. The ability to make such claims, or

generalization, depends on the external validity of the study. These two aspects of research validity as well as factors that threaten research validity will be discussed in the following sections (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

For this study confidence in the results as valid was ensured by reducing the internal and external issues that may influence the outcome of the study. This section provides discussion about the internal and external validity issues that can arise and describes the efforts to mitigate the potential problems within this study.

#### **4.8.4 Internal Validity**

Addressing the issues of internal validity is an attempt to ensure that the number of intervening variables in the context of the study are reduced or eliminated. Internal validity refers to the extent to which the results obtained in a research study are a function of the variables that were systematically manipulated, measured, and/or observed in the study. Internal validity addresses the "true" causes of the outcomes that are observed in a study. Strong internal validity means reliable measures of independent and dependent variables are in place and also that a strong justification that causally links the independent variables to the dependent variables. At the same time, extraneous variables, or alternative, often unanticipated, causes for the dependent variables are ruled out (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

A number of common areas for consideration with internal validity (Creswell, 2002, 2003) present the framework for this section and provides strategies for how this study attempts to address the potential issues as a means to ensure validity of the study. The areas for consideration are history, maturation, testing, instrumentation, statistical regression, selection, mortality, selection-maturation, and research bias.

To maximize the internal validity, steps should be taken by the researcher to minimize the potential threats to internal validity. Fraenkel and Wallen (1993) suggest four general procedures in which these threats can be minimized:

1. Standardization of the conditions under which the research study is carried out will help minimize threats to internal validity from history and instrumentation.

2. Obtaining as much information as possible about the participants in the research study aids in minimizing threats to internal validity from mortality and selection.
3. Obtaining as much information as possible about the procedural details of the research study, for example, where and when the study occurs, minimizes threats to internal validity from history and instrumentation.
4. Choosing an appropriate research design can help control most other threats to internal validity.

The following are some specific suggestions for minimizing the potential threat to internal validity.

**History:** Described as an internal threat to validity, history refers to the outside events that may influence the subjects during the course of the research or between repeated measures of the variables (Creswell, 2002). In the case of this study, the single questionnaire intervention eliminated the potential for time to influence the results of the study and efforts were incorporated to provide a small window of opportunity for engagement in the study questionnaire to eliminate any potential of change in perceptions from the original responders to the later participants (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

**Maturation:** The role of maturation as an internal threat to validity refers to the changes of the participants over the span of the study. Some of these changes are permanent (e.g., biological growth), while others are temporary (e.g., fatigue). It was the intention of this study to not allow for maturation, in the context of this definition, to occur because of the single survey. All data was collected at one point in time and maturation would not be involved in this study. The earlier experience and maturation of participants may influence the perspectives provided in the survey, but that could be accounted for using the demographic data (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

**Testing:** The prior measurement or surveys of the population may influence the types of responses provided in subsequent measurements is what is deemed as the testing internal validity threat. Control of outside surveys and information gathering mechanisms are not possible, but the type of information and engagement conducted in this particular study were unique and a single survey should have eliminated the

testing threat (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

**Instrumentation:** A focus on the reliability of the instrument used to gauge the dependent variable may change in the course of an experiment. Examples include changes in the actual measuring device used or the proficiency of a human observer or interviewer as the study progresses. The use of single survey event eliminates the threat for changes in the instrumentation over time. Aspects of the instrument's reliability were addressed through the process of the pilot study and the use of statistical validation described later in this chapter (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

**Statistical regression:** The problem of statistical regression within a study focuses on the potential of the subjects with extreme scores on a first measure of the dependent variable trending to have scores closer to the mean on a second measure. Engel and Schutt (2005:p 189) indicated, "a high score obtained from a measurement may be lower in a second measurement because of statistical regression or because of the respondent's acclimation to the measurement process". The use of single survey instrument eliminates the validity issues associated with statistical regression, as the participants did not have an opportunity to adjust or change the perceptions or perspectives (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

**Selection:** The internal validity of selection focuses on the uneven engagement of the sample group whereby subjects bring into the investigation unique characteristics, some learned and some inherent. Examples include gender, attitude, personality and mental ability. The threat to internal validity was addressed by using all of the potential participants for purposes of this study (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

**Experimental mortality:** The internal validity of mortality focuses on the engagement of the participants throughout the study. Mortality occurs when during the process of the study; some subjects may drop out before it is completed. The use of the single event survey eliminated the majority of the internal validity threat of mortality. In addition, consideration of the length, ease, and timing of the instrument reduced the number of participants that do not complete the survey (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

Selection-maturation interaction: The primary element of this validity threat focuses on the interaction of time related variables and the potential interaction with the participants of the study. Because the proposed survey is a one-time event, the significance of selection-maturation threat is reduced to the time available for interaction with the survey. The window available for participating in the survey was limited to reduce any potential of the selection-maturation interaction threat (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

Experimenter bias: The role of bias as a result of the experimenter where the outcomes of the study are significantly influenced by the person conducting the experiment is the basis of experimenter bias as a validity issue. The use of the pilot study to bring out issues with the questions and instrument that might have been identified as bias within the study occurred to reduce the influence of experimenter bias (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008).

#### **4.8.5 External Validity**

External validity threats focus on the question as to what populations, settings, or measurement variables involved in the study provide an inability to generalize to a larger population. It addresses the ability to generalize the study to other people and other situations. To have strong external validity (ideally), one needs a probability sample of subjects or respondents drawn using "chance methods" from a clearly defined population. When there is strong external validity, one can generalize to other people and situations with confidence. There are three major threats to external validity i.e. unusual people, unusual places or unusual times (Bracht and Glass, 1968; Cook and Campbell, 1979, 2002; Shadish, Cook and Campbell, 2002; Schneider *et al.*, 2007; Briggs, 2008). For the purpose of this study the people were not unusual, the places were not unusual and the time was not unusual.

Using cluster sampling for the USA population increased the opportunity for the population to participate in the survey. The snowball sampling used for the South African Indian population is non-probability based sample hence one has to be careful about extending the findings beyond that sample and any statement generalizing the results beyond the actual sample that was tested are stated with qualification. An appropriate sample size helped to mitigate against the threat of external validity and it helped to improve

the potential generalizability of the study. In addition, the instrument demonstrates reliability hence the potential application for generalizability may exist, but was not guaranteed nor assumed in this study.

A brief review of literature on the subject of validity brings to light a very important question. What is more important internal validity or external validity? That has been a controversial topic in the research community. Campbell and Stanley (1963) argued that ideally speaking a good study should be strong in both types of validity, but they state that internal validity is indispensable and essential while the question of external validity is never completely answerable. They present an argument that external validity is concerned with whether the same result of a given study can be observed in other situations and like inductive inference, this question will never be conclusive. In other words, no matter how many new cases concur with the previous finding, it takes just one counter-example to weaken the external validity of the study. Campbell and Stanley's statement implies that internal validity is more important than external validity.

Cronbach (1982) disagrees with this notion. Cronbach argues that if a study is expected to be relevant to a broader context, the causal inference must go beyond the specific conditions. If the study lacks generalizability, then the so-called internally valid causal effect is useless to decision makers. Briggs (2008) also supports Cronbach's statement by asserting that although statistical conclusion validity and internal validity together affirms a causal effect, external validity are still necessary for generalizing a causal conclusion to other settings.

#### **4.8.6 Reliability Analysis**

The inferential statistical analyses applied in this study assumed that the variables were reliably measured i.e., that the item scores used to measure each construct or dimension are inter-correlated with each other. Statisticians recommend that reliability must be evaluated empirically using data collected in a specific study, and not by referring to original estimates provided by the developer of an instrument (Thompson, 2003). Accordingly, reliability analysis using Cronbach's alpha was applied in this study. The use of Cronbach's alpha was justified, since this statistic is widely employed to evaluate the internal consistency reliability of item scales used in instruments for educational, behavioral, psychological, clinical, and business assessments (Hogan, 2000; Cronbach and Shavelson, 2004). Reliability analysis was performed on the group of 6 items which comprised Perceived Success in Table 4.9 and the groups of 3 to 5 items

which comprised each of the 9 cultural dimensions in Table 4.10. Table 4.11 provides the estimates of Cronbach's alpha

**Table 4.9: The Items Used to Measure Perceived Success**

Item	Code
29. The family business has performed as well or better since I took over the management/ leadership of the family business	SUC1
30. I improved/increased the revenues and profits of the family business after taking over the management/leadership	SUC2
31. The relationships among family members are positive since I took over the management/ leadership of the family business	SUC3
32. All family members involved in the family business are satisfied with the succession process	SUC4
33. I am satisfied with the succession process	SUC5
34. (If applicable ) The retired owner-manager is satisfied with the succession process	SUC6

**Table 4.10: The Items Used to Measure the Cultural Dimensions**

Cultural dimension	Item	Code
Uncertainty Avoidance	1. Family members often discuss family and business goals	UA 1
	2. The family often discusses the future role of the family in the business after the succession	UA 2
	3. The family business has rules or laws, instructions, guidelines to cover almost all situations	UA 3
	4. A periodical analysis takes place regarding the future role of the family and the family business	UA 4
Future Orientation	5. In this organization to be successful we have to plan ahead	FO1
	6. Explicit succession criteria is in place or was developed for identifying the best successor	FO2
	7. Efforts were made or are in place to train potential successors for their future role in the business	FO3
	37. In this family business most emphasis is placed on ....planning for the future	FO4
Power Distance	8. Family members freely express their opinions about the business	PD 1
	35. The leader/owner/ manager has to be followed without question	PD 2
	36. Power is shared at the top and not throughout the organization	PD 3
Institutional Collectivism	9. Family loyalty is encouraged even if individual goals suffer	CI1
	10. Acceptance by other family members is very important	CI2
	38. The family business is structured to maximize (...collective interests)	CI3
	39. In this family business (...individualism is valued more than family cohesion)	CI4
Humane Orientation	11. Family members are generally more concerned about others	HO 1
	12. Family members are generally very sensitive toward others	HO 2
	13. Family members are generally very friendly	HO 3
	14. Family members are generally very tolerant of mistakes	HO 4
	15. Family members are generally very generous	HO 5



Cultural dimension	Item	Code
Performance Orientation	16. Family members are strongly encouraged to strive for continuously improved performance	PO 1
	17. Family members encourage each other to produce their best efforts in the business	PO 2
	18. Family members acknowledge each others' achievements in the family business	PO 3
In-group Collectivism	19. Children take pride in the individual accomplishments of parents	CII 1
	20. Parents take pride in the individual accomplishments of Children	CII 2
	21. It is the leader's obligation to take care of parents and/or siblings	CII 3
	22. Ageing parents generally live at home with their children or are financially supported by children	CII 4
Gender Egalitarianism	23. Men are encouraged more than women to be successors in the business	GE 1
	24. There is more emphasis for successor grooming on men than women	GE 2
	25. It's worse for women to fail in business than men	GE 3
	40. In this family business who is likely to serve in the position of high office (...women)	GE4
Assertiveness	26. As a leader I avoid dealing with situations involving confrontation	AS 1
	27. As a leader I express my opinions even if others in the family disagree with me	AS 2
	28. As a leader I feel comfortable saying "No"	AS 3

**Table 4.11: Reliability Analysis**

Variable	Item	Code	Cronbach's alpha		
			USA	South Africa	Combined USA and South Africa
Perceived Success	29	SUC1	.830	.824	.818
	30	SUC2			
	31	SUC3			
	32	SUC4			
	33	SUC5			
	34	SUC6			
Uncertainty Avoidance	1	UA1	.814	.704	.805
	2	UA2			
	3	UA3			
	4	UA4			
	4	UA4			
Future orientation	5	FO1	.667	.684	.712
	6	FO2			
	7	FO3			
	37 (reversed)	FO4			
Power distance	8	PD1	.451	.341	.440
	35	PD2			
	36	PD3			
Institutional Collectivism	9	CI1	.456	.362	.423
	10	CI2			
	38	CI3			
	39	CI4			
In-group collectivism	19	CII 1	.383	.448	.484
	20	CII 2			
	21	CII 3			
	22	CII 4			

Humane Orientation	11	HO 1	.785	.740	.771
	12	HO 2			
	13	HO 3			
	14	HO 4			
	15	HO 5			
Performance Orientation	16	PO 1	.791	.764	.793
	17	PO 2			
	18	PO 3			
In-group collectivism	19	CII 1	.383	.448	.484
	20	CII 2			
	21	CII 3			
	22	CII 4			
Gender Egalitarianism	23	GE 1	.697	.732	.727
	24	GE 2			
	25	GE 3			
	40	GE4			
Assertiveness	26 (reversed)	AS 1	.084	.178	.146
	27	AS 2			
	28	AS 3			
	Excluding AS1		.722	.400	.579

The un-standardized values of Cronbach's alpha were used since each item was measured using an identical scale (Field, 2009). The values of Cronbach's alpha increased with respect to the average correlations between the item scores, such that a high value of alpha was generated by a homogeneous group of items with correlations of similar magnitude. Valid values of Cronbach's alpha can range from 0 (zero reliability) to 1 (perfect reliability) but usually range from about .4 to about .8 (Allen and Yen, 2002). Values < .4 indicate that the items are not strongly inter-correlated, so reliability is poor e.g., for Items 26, 27, and 28 measuring Assertiveness (Table 4.11). Values of alpha between about .4 and .6 imply a moderate level of reliability, e.g., for the items measuring Power Distance, Institutional Collectivism, and In-group Collectivism (Table 4.11). Reliability is good if  $\alpha \geq .7$  e.g., for the items measuring Perceived Success, Uncertainty Avoidance, Future Orientation, Human Orientation, Performance Orientation, and Gender Egalitarianism (Table 4.11).

Very low or negative values of alpha are computed if a group of item scores measure a construct or dimension in both positive and negative directions simultaneously e.g., Item 26 (As a leader I avoid dealing with situations involving confrontation) and Item 27 (As a leader I express my opinions even if others in the family disagree with me). These two items reflect both negative and positive views of Assertiveness. In order for a construct or dimension to be reliably measured, the scores for the negative items must be either reversed or eliminated, so that all the item scores flow in one logical direction, (Field, 2009). The scores for Item 37 were reversed for this reason (e.g. 5 was reversed to 1, and 4 was reversed to 2, etc.) Reversal of

the scores for Item 26 failed to improve the reliability of the Assertiveness dimension, but reliability was improved when Item 26 was excluded (Table 4.11).

When a group of items is considered to be reliably measured, then the items scores can reasonably be aggregated to create a composite scale to represent a named construct or dimension which can be used to construct statistical models (Allen and Yen, 2002). Accordingly, in this study, the scores for the group of 6 items that reliably measured the construct of Perceived Success (Table 4.9) and the scores for the items that reliably measured the nine cultural dimensions (Table 4.10) were summated to formulate composite variables for purposes of correlation and regression analysis. The summation of a group of item scores is beneficial because it reinforces the consistent or systematic components of a construct or dimension, i.e., the unifying theme that it aims to measure, whilst cancelling out the inconsistent or non-systematic components i.e., the sampling error (Allen and Yen, 2002).

## **4.9 Statistical Analyses**

**Independent Samples T Test and Mann-Whitney U test:** An independent samples t test can be used to compare two mean values when a normally distributed variable measured at the scale/interval level is collected from two populations. The non-parametric alternative is the Mann-Whitney U test, which can be used to compare two medians when the variable collected from two populations is not normally distributed (Field, 2009). The null hypothesis is tested that the mean or median is not different in the two populations. The choice of which test should be used to compare the variables collected from the USA and the Indian South African populations in this study depended on whether the variables were normally distributed. The null hypothesis was rejected if  $p \leq .05$  for the t test or Mann-Whitney U statistic.

### **4.9.1 Correlation Analysis**

Correlation coefficients were computed to measure the strengths of the linear relationships between the nine cultural dimensions, the perceived success, and the ordinal demographic variables in Tables 4.5 and 4.6. Pearson's parametric ( $r$ ) coefficients were appropriate to estimate correlations between normally distributed variables measured at the scale/interval level. Spearman's rank non-parametric ( $\rho$ ) coefficients were appropriate to estimate correlations between variables measured at the ordinal level, or for variables that deviated from normality (Field, 2009). Correlation was estimated on a scale ranging from  $-1$  through  $0$  to  $+1$  where  $-1$  = perfect negative correlation (downward sloping trend),  $0$  = no correlation

(no linear trend), and 1 = perfect positive correlation (upward sloping trend). The null hypothesis of no correlation was rejected if  $p \leq .05$  for the correlation coefficient.

#### 4.9.2 Multiple Linear Regression Analysis

Predictive relationships between the dependent variables (Table 4.5) the independent variables (Table 4.5) and the demographic characteristics of the participants (Table 4.6) were computed using multiple linear regression analysis (MLR). The aim of MLR was to formulate an equation of the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n$$

Where  $Y$  = the predicted value of the dependent variable,  $\beta_0$  = the intercept (the predicted value of  $Y$  when all the independent variables are zero),  $n$  = the number of independent variables,  $X_1$  to  $X_n$  = the predictor variables,  $\beta_1$  to  $\beta_n$  = the partial regression coefficients corresponding to predictor variables  $X_1$  to  $X_n$  respectively (Chatterjee *et al.*, 2007).

The null hypotheses were tested that there were no significant linear relationships between the dependent variable and each of the predictor variables. Each null hypothesis assumed that each partial regression coefficient ( $\beta_1$  to  $\beta_n$ ) was zero. The decision rule was to reject each null hypothesis if  $p < .05$  for the  $t$  test statistic computed for each regression coefficient. These null hypothesis tests enabled the researcher to determine which, if any, of the predictor variables were significant predictors of Perceived Success. The magnitude of each standardized coefficient provided an indication of its relative importance as a predictor.

The adjusted  $R^2$  statistic (the proportion of the variability in the dependent variable explained by the variability in the independent variables) was recorded. The decision rule was to reject the null hypothesis that  $R^2$  did not explain a significant proportion of the variability if  $p < .05$  for the  $F$  test statistic. The effect of the predictor variables on the dependent variable was indicated by the  $R^2$  value. The model was considered to be invalid if  $R^2 < .02$ . The effect was small if  $R^2 = .02$  to  $.18$ , medium if  $R^2 = .19$  to  $.54$ , and large if  $R^2 \geq .55$  (Cohen, 1992).

The main problem experienced using MLR is that that the analysis is subject to many theoretical assumptions, which must not be violated, otherwise the predictive accuracy of the model is compromised (Tabachnik and Fidell, 2007). The dependent variable must be quantitative, measured at the scale/interval level, and it cannot be disaggregated into categories. The predictor variables can be measured at the scale/interval, or may be ranked into ordinal groups. Nominal categories must be specified in the form of

binary dummy variables, usually 0 and 1. The variables used to construct the MLR model in this study (Tables 4.5 and 4.6) complied with these rules.

An MLR model assumes linearity between the dependent variable and each of the predictor variables. Correlation coefficients were used to test this assumption. Linearity implies that the average change in the dependent variable associated with a unit change in a predictor variable is constant. If the empirical values of the dependent and predictor variables were not linearly related, then transformations (e.g. logarithms, roots, or powers) were used to linearize the relationships.

A correlation coefficient between a dependent and a predictor variable does not automatically imply a meaningful relationship. The reason why two variables are significantly correlated may be due to the confounding influence of a third variable, known as a control variable. The control variable is the common cause of a correlation between two other variables. A relationship involving a control variable, that jointly causes the correlation between two other variables, is termed partial correlation. Partial correlation analysis is the most appropriate method to detect spurious zero order correlations between variables due to the influence of a control variable (Tabachnik and Fidell, 2007). The partial correlation coefficient measures the strength of the relationship between two variables when the confounding influence of the control variable has been removed. If the partial correlation coefficient declines significantly relative to the zero-order correlation coefficient, then it can be concluded that the proposed control variable is influential. Partial correlation analysis was performed as part of the MLR procedure in this study to determine if any of the relationships were confounded by control variables.

The residuals in a multiple regression model (i.e., the differences between the predicted and observed values of the dependent variable) must be independent, normally distributed, and have a mean of zero. If they are not, then the regression coefficients are inaccurate. Transformations (e.g., logarithms, roots, powers, or weights) were used to normalize the residuals if necessary. Residual normality was checked in this study using the Kolmogorov-Smirnov test. Transformations were used to correct for deviations from residual normality if necessary.

The variance in the dependent variable of an MLR model is assumed to be homogeneous i.e., the same variance across all the independent variables. If heteroskedacity or non-homogeneity of variance occurs, then the standard errors are inaccurate, so that the test statistics are invalid. Homogeneity of variance was

checked visually by observing the distributions patterns of the residuals, and transformations (e.g. logarithms, roots, powers, or weights) were used if necessary to correct for any violations.

Multiple regression analysis is very sensitive to outliers (i.e., extreme values representing unusual or unrepresentative responses). Outliers are a serious problem since they bias the regression coefficients and the results of hypothesis tests to such an extent that the results may be invalid. Outliers are commonly eliminated by researchers in order to improve the accuracy and precision of MLR models (Tabachnik and Fidell, 2007). Multivariate outliers were identified using Mahalanobis  $D^2$  statistics, and consideration was given to excluding them if necessary.

The predictor variables in an MLR model must not be colinear. Colinearity refers to excessive inter-correlation between the predictor variables. When inter-correlation is excessive, the standard errors are inflated, influencing the magnitudes, signs, and significance levels of the regression coefficients. Colinearity is a problem when the research purpose includes causal modeling because it is difficult or impossible to evaluate the relative importance of collinear predictor variables. There is no irrefutable objective test to determine the extent to which colinearity is deleterious. One way to assess colinearity is if the correlation coefficient matrix between the predictor variables includes correlations  $\geq .7$ , although some researchers suggest that correlation coefficients should be at least .8 before colinearity is indicated (Chatterjee, Hadi & Price, 2007). The Variance Inflation Factor (VIF) is the most commonly used measure of colinearity when performing MLR using SPSS (Field, 2009). The criterion used in this study was that colinearity was a problem if  $VIF \geq 2.5$  (Alison, 1998). Other researchers suggest more lenient VIF cut-offs of 4.0, 5.0, 10.0 or even higher to signal colinearity. It is up to the researcher to decide the VIF criteria, depending upon how rigorous he/she wants to be, and the purpose of the model (O' Brien 2007).

Two methods are available to select an optimum set of predictor variables in SPSS: personal choice and stepwise regression. A personal choice of predictor variables permits the investigator to test his/her own hypotheses, without being constrained by the automatic variable selection procedures incorporated in SPSS; however personal choice was not useful in this investigation, because many non-significant MLR models could be constructed using the 17 variables in Tables 4.5 and 4.6, which would be rejected, because they were not a good fit to the data, and/or because they violated the assumptions of MLR. Stepwise Multiple Linear Regression was therefore performed, using the "Method: Stepwise" option available in SPSS (Field, 2009). Each potential predictor variable was systematically added to, or excluded from the

regression model, and decisions were made, using objective statistical criteria, as to whether to select or exclude each variable. Predictor variables were selected or excluded on the basis of prescribed tolerance levels including the values of the correlation coefficients, the values of the coefficients of determination ( $R^2$ ) the t test and F test statistics, and the VIF (variance inflation factor) statistics. All non significant predictor variables were rejected, and only significant variables were retained. The models generated by this analysis were therefore considered to be the most conservative, and the best possible fits that could be extracted from the available data.

The outcome of the MLR analysis was the construction of five models. Model USA1 predicted Perceived Success in the USA population using only cultural dimensions as predictor variables. Model SA1 predicted Perceived Success in the Indian South African population using only cultural dimensions as predictor variables. Model USA2 predicted Perceived Success in the USA population using cultural dimensions and demographic variables as predictors. Model SA2 predicted Perceived Success in the Indian South African population using cultural dimensions and demographic variables as predictors. Model SAUSA1 predicted Perceived Success using the combined data from both the USA and South Africa populations. This analysis facilitated the comparison of the most important variables that predicted Perceived Success in the USA and Indian South African populations.

#### **4.10 Qualitative Analysis**

The research method used in this study is a qualitative descriptive exploratory (McMillan and Schumacher, 2001) study of the cultural influences on the succession process in USA FOB's and Indian South African FOB's. These companies were used as a collective study (Stake, 1995) for examining how cultural factors impact the succession process.

A descriptive exploratory study reports the way things are or were, and according to McMillan and Schumacher (2001) they add to the literature by building rich descriptions of complex situations and by giving directions for future research. Through descriptive exploratory research, a study was conducted with 10 companies, 5 located in South Africa and 5 located in USA. In this study a series of semi-structured interviews were conducted after a large-scale quantitative survey. Qualitative assessments of the cultural factors at the companies were obtained through interviews with owner managers/founders and successors.

Qualitative data collected was based on interview questions sourced from similar research such as the GLOBE study (House, *et al.*, 2007), GRANET Study (Papalexandris and Panayotopoulou, 2004) and other cross cultural studies by (Venter, 2003; Hofstede, 1980, 2001; Papalexandris and Panayotopoulou, 2004; as well as some self-generated items based on the literature.

In-depth interviews (see Appendix B) were conducted to generate rich, detailed data that leave the participants' perspectives intact and provide a context for how cultural values impact the succession process. The focus of the questions is on the "reasons why" and the data collected from the interviews helped to complement the data from the quantitative data collected via the questionnaires in Appendix A1 & A2.

The interview questions were sent in advance after appointments were made and that helped to ensure that the respondents were better prepared mentally and psychologically for the interview. The interview questions were adjusted along the process as the researcher learned something new or picked up new themes during the interviews. In qualitative research, there are several possible methods of data collection which include among others; naturalistic observation, in-depth interviewing, historical analysis, participant observation, focus group, recordings, unconstructive techniques, quality circles and nominal group processes. In-depth interviews were appropriate for this study because it allowed the researcher to elicit information hence holistic understanding of the interviewee's point of view or situation was achieved and it was also used to explore interesting areas for further investigation.

Informants were asked open-ended questions, and probing was done wherever necessary to obtain data deemed useful by the researcher. Patton (1987) suggests three basic approaches to conducting qualitative (in-depth) interviewing:

- (i) The informal conversational interview which resembles a chat and most of the questions asked will flow from the immediate context. Informal conversational interviews are useful for exploring interesting topic/s for investigation and are typical of 'ongoing' participant observation fieldwork.
- (ii) The general interview guide approach (commonly called guided interview) in which a basic checklist is prepared to make sure that all relevant topics are covered. The interviewer is still free to explore, probe and ask questions deemed interesting to the researcher. This type of interview approach is useful for eliciting



information about specific topics. Wenden (1982) considers that the general interview guide approach is useful as it ‘allows for in-depth probing while permitting the interviewer to keep the interview within the parameters traced out by the aim of the study.

(iii) The standardized open-ended interview in which researchers prepares a set of open-ended questions which are carefully worded and arranged for the purpose of minimizing variation in the questions posed to the interviewees. In view of this, this method is often preferred for collecting interviewing data when two or more researchers are involved in the data collecting process. Although this method provides less flexibility for questions than the other two mentioned previously, probing is still possible, depending on the nature of the interview and the skills of the interviewers (Patton, 1987).

In this study the guided interview approach was used for the reason explained above.

**Study Site:** The study site for the qualitative interviews for this research is the Midwest region of USA mainly the state of Indiana and mainly the Kwa-Zulu Natal and Gauteng provinces in South Africa. The study population was composed of the owner managers/founders and successors of the FOB’s in the selected South African Indian companies and American companies. The companies ranged from FOB’s with approximately 2 or 3 employees to larger FOB’s with over 200 employees. The ten companies were all in the general merchandize sector.

#### **4.10.1 Data Collection: Procedure for Interviews**

In the interview aspect of this study, the selected participants were a convenience sample (due to convenient accessibility and proximity to the researcher) of owner managers/founders and successors from the companies.

1. Following the quantitative surveys a convenient sample of 16 companies was selected and identified for the qualitative/in-depth interviews.
2. The researcher (and an assistant in Kwa-Zulu Natal and Gauteng provinces) placed calls to set up interview appointments for March-April 2010 with 5 USA and 5 Indian South African companies out of the 16.
3. The researcher sent the Interview Guide (Appendix B) via email or fax to all the 10 participants
4. The researcher conducted 45 minute in-depth interviews with each participant. In USA the interviews were face to face and in South Africa the researcher conducted the interviews

telephonically. All interviews were recorded on a digital recorder and stored electronically for transcription

5. The researcher ended the interview by thanking each participant for their time.

During the initial stages of the interviews, the researcher concentrated on establishing a positive climate for communication by discussing general occurrences regarding the company. Quality of communication between the interviewer and the interviewee is a critical factor to the success of the interview. The interviewer practised good listening skills, openly communicated and listened in a non-judgmental way. A digital recorder was used to record all interviews and that helped the interviewer to gather all the information as it was presented. The order of opening questions for the interview was chosen to give the interviewee an opportunity to respond confidently and comfortably. The interviewees were informed that their company names and their names will be kept confidential in order to protect the privacy of the participants. The interviewees were more comfortable, confident and willing to provide answers to the questions because of the guarantee for privacy.

#### **4.10.2 Data Analysis**

The data analysis of the ten FOB's was conducted according to the following format:

First, the responses of the interviewed leaders were examined and analyzed within the framework constructed in the literature review of both South African Indian and American business practices.

Second, differences and similarities in the data were illuminated, and recommendations were offered regarding the influence of cultural factors on successful succession. Results were compared to the model and to the results obtained from the quantitative/survey study.

#### **4.10.3 Validity and Reliability**

The interviews were conducted in English with the use of vocabulary that was familiar to the participants. This increased both the content validity and the reliability of the findings. The interview questions were based on questions sourced from similar research such as the GLOBE study (House, *et al.*, 2007), GRANET Study (Papalexandris and Panayotopoulou, 2004) and other cross cultural studies by (Venter, 2003; Hofstede, 1980, 2001; Papalexandris and Panayotopoulou, 2004; as well as some self-generated items based on the literature.

The interview instrument was tested in pilot review with several owners and managers in USA and RSA for both face validity and content validity. Verbatim accounts of conversations, transcripts, and direct quotes from the interview were highly valued as data. The results presented direct quotations from the data to illuminate participant's meanings (McMillan and Schumacher, 2001) and to strengthen the analytical validity to the findings of the study. Triangulation of data sources (owner managers/founders and successors) also added reliability to the findings.

Linking Research Objectives to the Research Instruments: the table below shows how the research objectives have been linked to the research instrument

**Table 4.12 Linking Research Objectives to the Research Instrument**

<b>Research Objective</b>	<b>Research Instrument link to the Research Objective</b>
<b>To investigate and explore the cultural dimensions that are expected to be associated with succession planning in FOB's</b>	Covered in the questionnaire under independent variables and should flow from the data
<b>To investigate the relationships between the cultural dimensions and the perceived success of the succession process</b>	Covered in the questionnaire under the independent and dependent variables and should flow from the data.
<b>To measure and rank the factors in terms of their relative importance to owner managers and successors in South Africa as compared to their western counterparts</b>	Covered in the interview questions and also covered in the questionnaire under independent variables and should flow from the data (correlation analysis)
<b>To develop models that will show how the independent variables (cultural dimensions) impact the dependent variable, namely perceived success</b>	Covered in the questionnaire under the independent and dependent variables and should flow from the data.
<b>To investigate which cultural dimensions are important for owner managers to instill and pass on to the successors</b>	Covered in the interview questions and also covered in the questionnaire under independent and dependent variables and should flow from the data (correlation analysis)
<b>To compare and contrast the above mentioned objectives between USA and South African FOB's</b>	Will come from the data, when comparing the two clusters

#### 4.4 Summary

In chapter 4 the research methodology was presented explaining how the survey research design and the interview/qualitative design are linked. The sampling method was discussed, hypotheses were established, regression analysis for this study is explained and validity and reliability analysis of the instrument was presented.

In addition, the procedure for the qualitative interviews was presented and an explanation of the link between the research objectives and the research instruments was presented.

In the next chapter the results for the survey research and the interview results are presented. Distribution frequencies were generated for the survey data which led to correlation analysis and development of predictive models. Also presented in the next chapter is the description of the cases for the FOB interviews including verbatim accounts and direct quotes from the interviews. In the next chapter the results from the surveys and the interviews are presented.

## **Chapter Five: Results**

### **5.1 Introduction**

In this chapter the responses to the interview questions are presented. Verbatim accounts and direct quotes from the interviews are included so as to better illustrate participants meanings. For each variable the interview responses are presented separately, differences and similarities in the data are illuminated, and results are compared to the model and to the results obtained from the quantitative survey study. The presentation of these interviews provide a detailed look into how the cultural dimensions impact the succession process.

The results to the survey are also presented in this chapter. Frequency distributions of the variables are presented, descriptive statistics for the variables are presented, correlation analysis (including multiple linear regression analysis) results are presented, predictive models are presented and hypothesis testing results are presented.

### **5.2 Quantitative Analysis: Results**

**Response Rate:** Responses to the research instrument (Appendix A1& A2) were received from a total of 101 participants in South Africa but only  $N = 77$  responses were complete and the other 24 were either spoilt or incomplete. A total of 135 responses were received in USA and only  $N = 101$  responses were complete and the other 34 were either spoilt or incomplete. The total number of cases (rows) in the SPSS data editor was therefore  $N = 178$ . The responses to Items 1 to 40 (excluding Item 34, for which the responses were optional) were screened for missing values (i.e., null responses) prior to the statistical analysis. The total possible number of valid responses was  $178 \times 40 = 7120$ . The total number of missing values = 40, representing a null response rate of 0.6% and a valid response rate of 96.4%. The missing values were imputed using the mean as the replacement method (i.e., the mean score for the item, calculated using the scores of the other respondents who provided valid responses). The mean is considered to be the most conservative method of imputing missing values in questionnaires, and so long as the number of replacements is relatively small, it does not bias the results (Homecillo, 2004).

Demographic Characteristics of the Participants: About 75% of the participants were male and about 25% were female in both the USA and Indian South African populations (Table 5.1). Over 50% of the participants in both populations were over the age of 40 (Table 5.2).

**Table 5.1: Distribution of the Participants with Respect to Gender**

<u>Population</u>	<u>Gender</u>	<u>Frequency</u>	<u>Percent</u>
USA	Female	23	22.8
	Male	78	77.2
	<u>Total</u>	<u>101</u>	<u>100.0%</u>
South Africa	Female	21	27.3
	Male	56	72.7
	<u>Total</u>	<u>77</u>	<u>100.0%</u>

**Table 5.2: Distribution of the Participants with Respect to Age**

<u>Population</u>	<u>Age-group</u>	<u>Frequency</u>	<u>Percent</u>
USA	25-29	1	1.0
	30-34	3	3.0
	35-39	5	5.0
	40-49	23	22.8
	50-59	31	30.7
	60 or over	38	37.6
	<u>Total</u>	<u>101</u>	<u>100.0%</u>
South Africa	20-24	1	1.3
	25-29	6	7.8
	30-34	5	6.5
	35-39	20	26.0
	40-49	23	29.9
	50-59	11	14.3
	60 or over	9	11.7
	Missing values	2	2.6
	<u>Total</u>	<u>77</u>	<u>100.0%</u>

About one third of the USA population was educated to High School level, compared to over 50% in Grade 12 or less (equivalent to High School) in the South Africa population. Over half of the USA population had been awarded a Degree or Post-Graduate degree compared to only about a quarter of the Indian South African population (Table 5.3).

**Table 5.3: Distribution of the Participants with Respect to Education**

Population		Frequency	Percent
USA	High School	35	34.7
	Certificate	3	3.0
	Diploma	6	5.9
	Degree	50	49.5
	Post-graduate Degree	7	6.9
	Total	101	100.0%
Indian South African	Grade 12 or less	40	51.9
	Certificate	4	5.2
	Diploma	15	19.5
	Degree	16	20.8
	Post-graduate Degree	2	2.6
	Total	77	100.0%

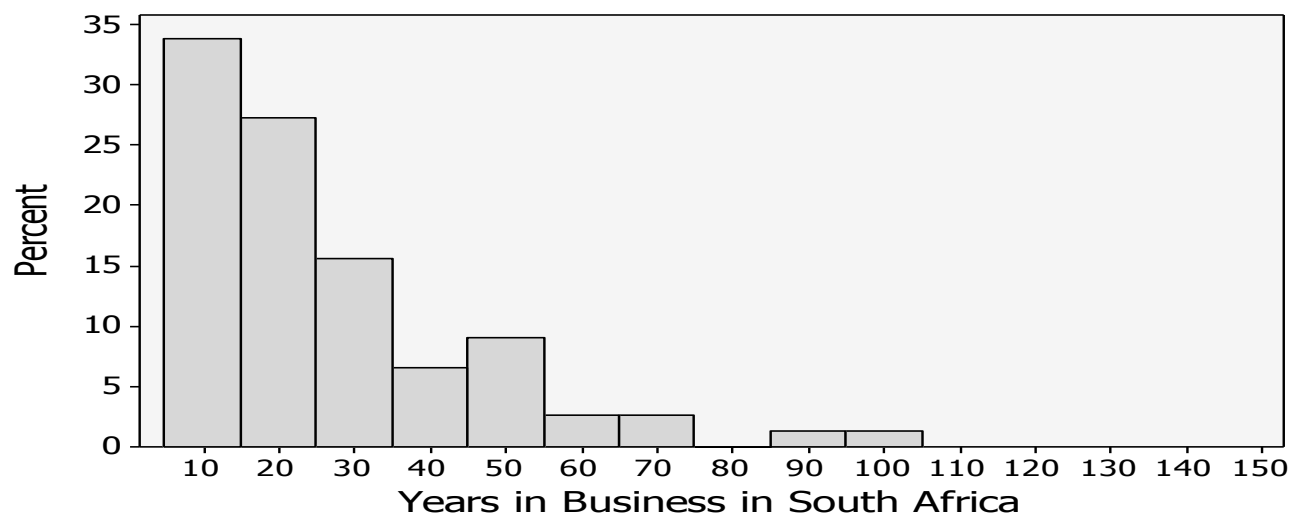
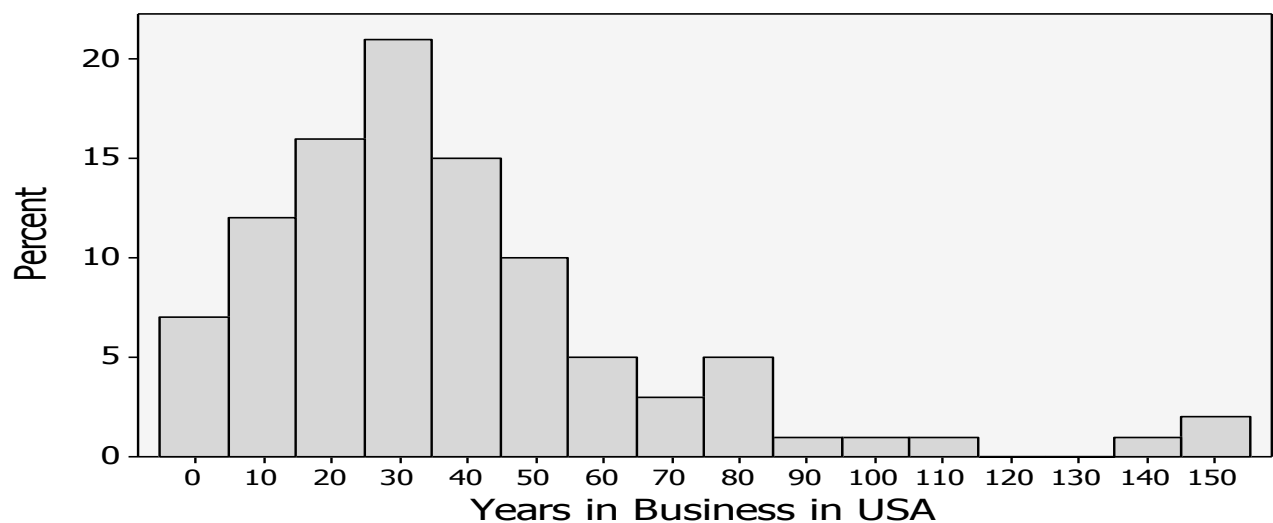
In both the USA and Indian South African populations the type of ownership was divided relatively equally between founder/owners and successor/manager/new owners (Table 5.4).

**Table 5.4: Distribution of the Participants with respect to Ownership**

Population	Ownership	Frequency	Percent
USA	Founder/Owner	56	55.4
	Successor/Manager/New Owner	45	44.6
	Total	101	100.0
Indian South African	Founder/Owner	38	49.4
	Successor/Manager/New Owner	39	50.6
	Total	77	100.0%

The distribution of the years in business of the USA population was different to the Indian South African population (Figure 5.1). In the USA population, the years in business of each participant's organization ranged from 3 to 154 years with mean of 38 years and a median of 31 years. In the Indian South African population, the years in business of each participant's organization ranged from 6 to 105 years with mean of 26 years and a median of 20 years. The USA population therefore included a greater proportion of older organizations than the Indian South African population.

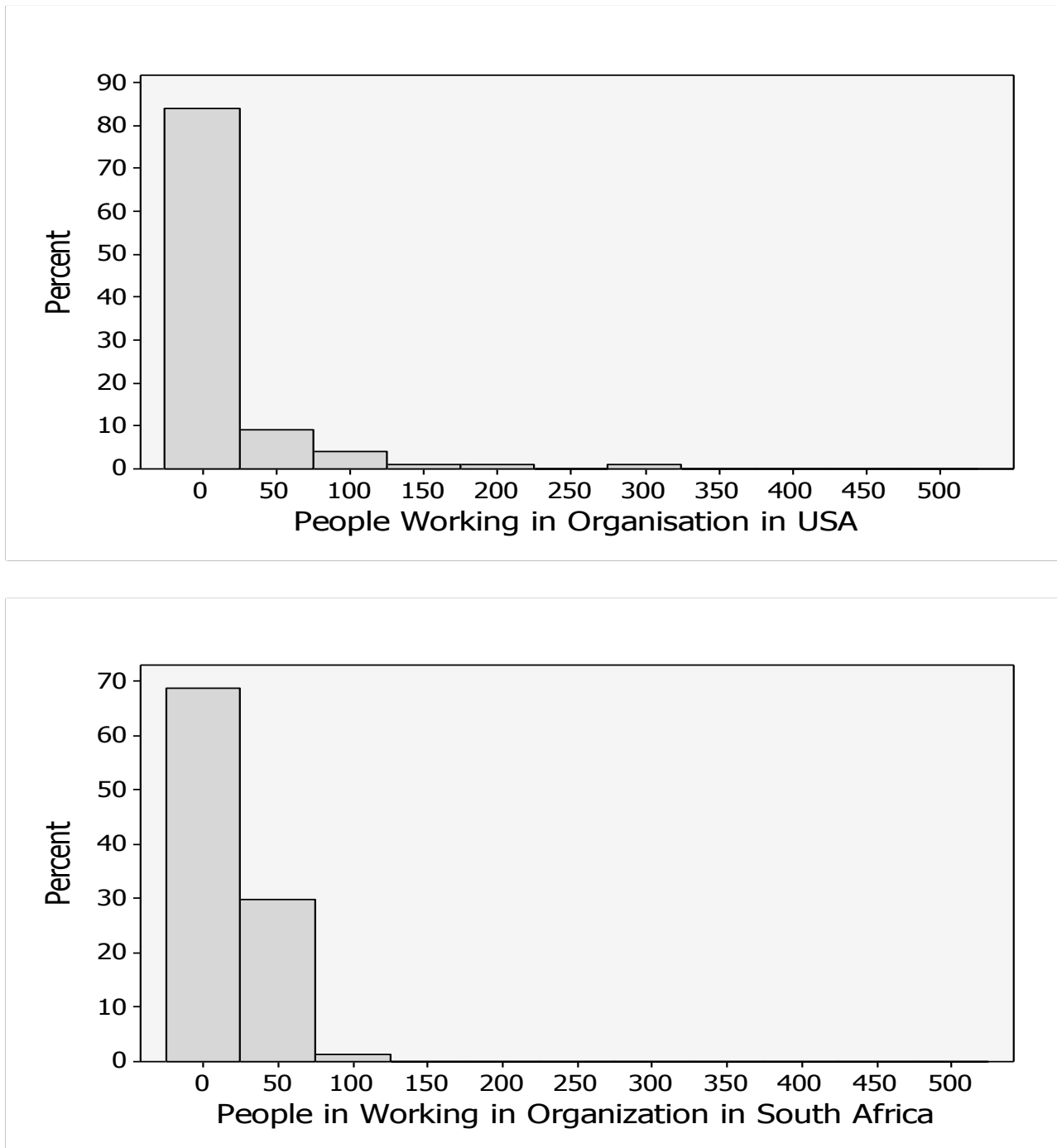
**Figure 5.1 Distribution of the Participants with respect to Years in Business**



The distribution of the number of people working in the organisations of the USA population was different to the Indian South African population (Figure 5.2). In the USA population, the numbers of people per organization ranged from 1 to 500, with a mean of 104 and a median of 9. In the Indian South African population the numbers of people per organization ranged from 2 to 80 with a mean of 18 and a median of 10. The USA population therefore included more organizations with a larger number of people than the Indian South African population.



**Figure 5.2 Distribution of the Participants with Respect People in the Organization**



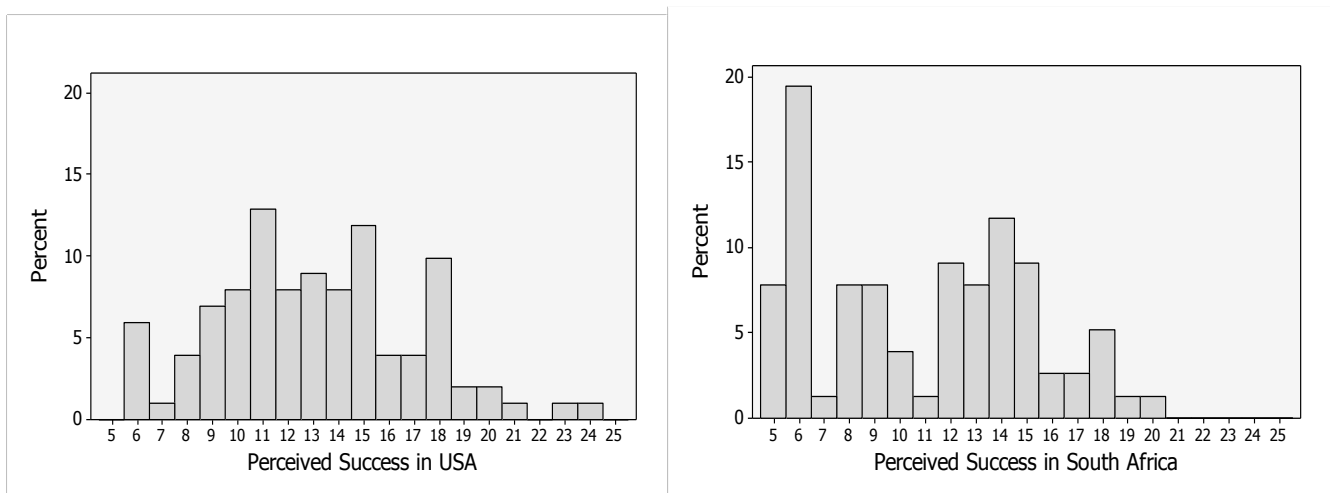
Perceived Success: A composite scale was constructed, based on 5 items, ranging from 5 (strongest agreement with the items, reflecting the maximum perceived success) to 25 (strongest disagreement with the items, reflecting the minimum perceived success). Due to this convoluted scoring system, the highest levels of success were reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.3. Clear differences are apparent between the dome-shaped and

approximately normally distributed measures of Perceived Success in USA and the L-shaped right-skewed measures of Perceived Success in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.3) is to determine if the Perceived Success variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Perceived Success variable measured at the scale/interval level deviated from normality (Figures 5.3) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4.

**Figure 5.3 Distribution of Perceived Success**

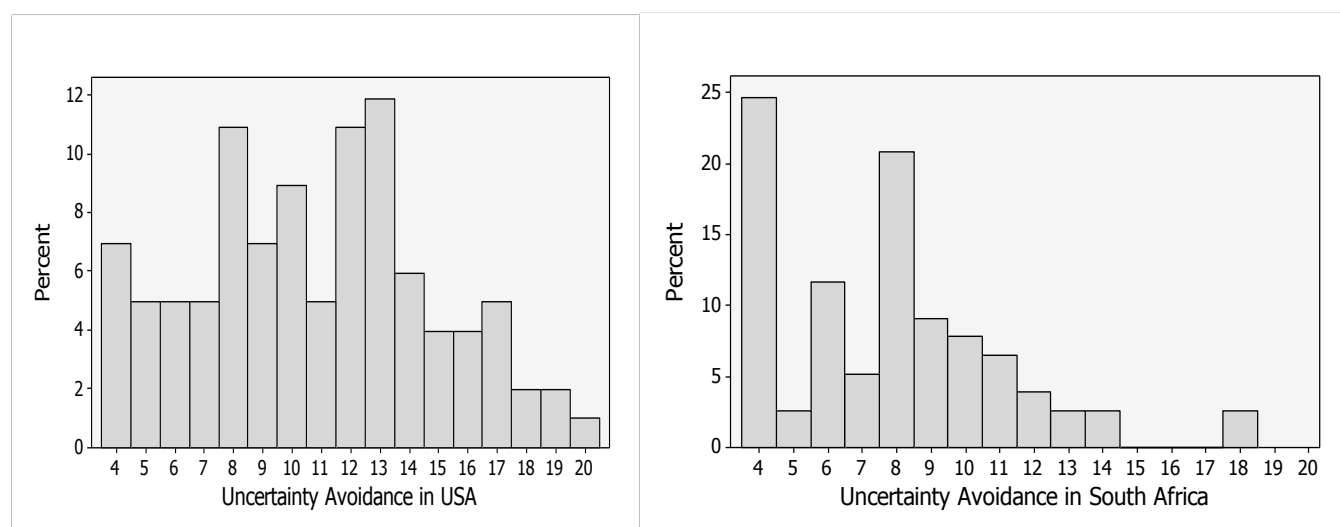


Uncertainty Avoidance: A composite scale was constructed, based on 4 items, ranging from 4 (strongest agreement with the items, reflecting the maximum Uncertainty Avoidance) to 20 (strongest disagreement with the items, reflecting the minimum Uncertainty Avoidance). The highest levels of Uncertainty Avoidance were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.4. Clear differences are apparent between the dome-shaped and approximately normally distributed measures of Uncertainty Avoidance in USA and the bimodal L-shaped right-skewed measures of Uncertainty Avoidance in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.4) is to determine if the uncertainty avoidance variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the uncertainty avoidance variable measured at the scale/interval level deviated from normality (Figures 5.4) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4.

**Figure 5.4 Distribution of Uncertainty Avoidance**

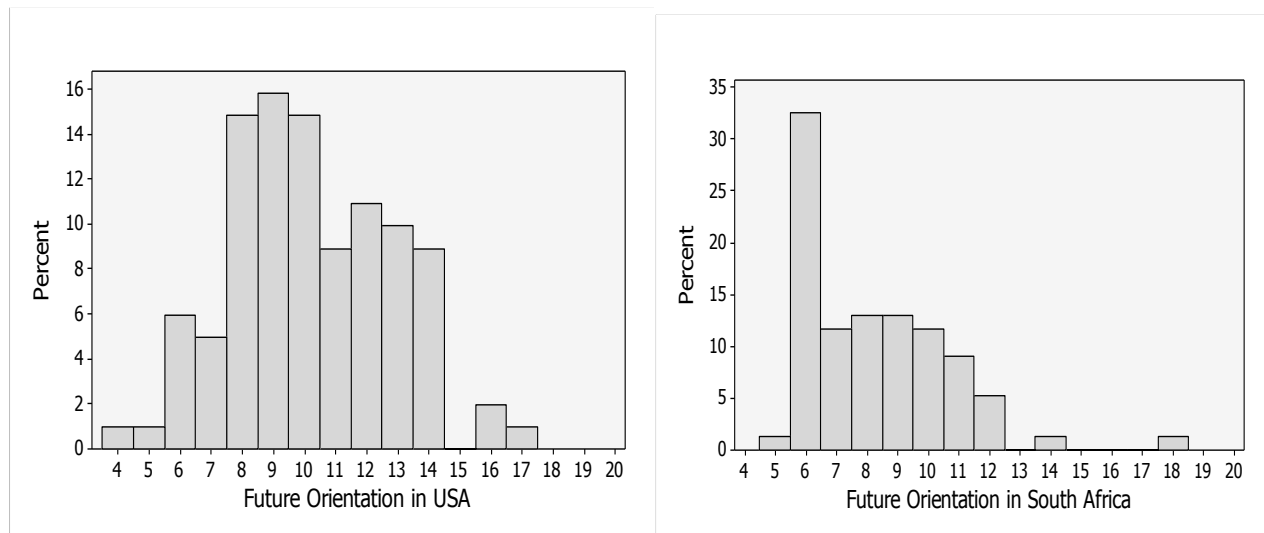


Future Orientation: A composite scale was constructed, based on 4 items, ranging from 4 (strongest agreement with the items, reflecting the maximum Future Orientation) to 20 (strongest disagreement with the items, reflecting the minimum Future Orientation). The highest levels of Future Orientation were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.5. Clear differences are apparent between the dome-shaped and approximately normally distributed measures of Future Orientation in USA and the L-shaped right-skewed measures of Future Orientation in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.5) is to determine if the Future Orientation variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Future Orientation variable measured at the scale/interval level deviated from normality (Figures 5.5) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson’s parametric as explained in Section 5.4.

**Figure 5.5 Distribution of Future Orientation**

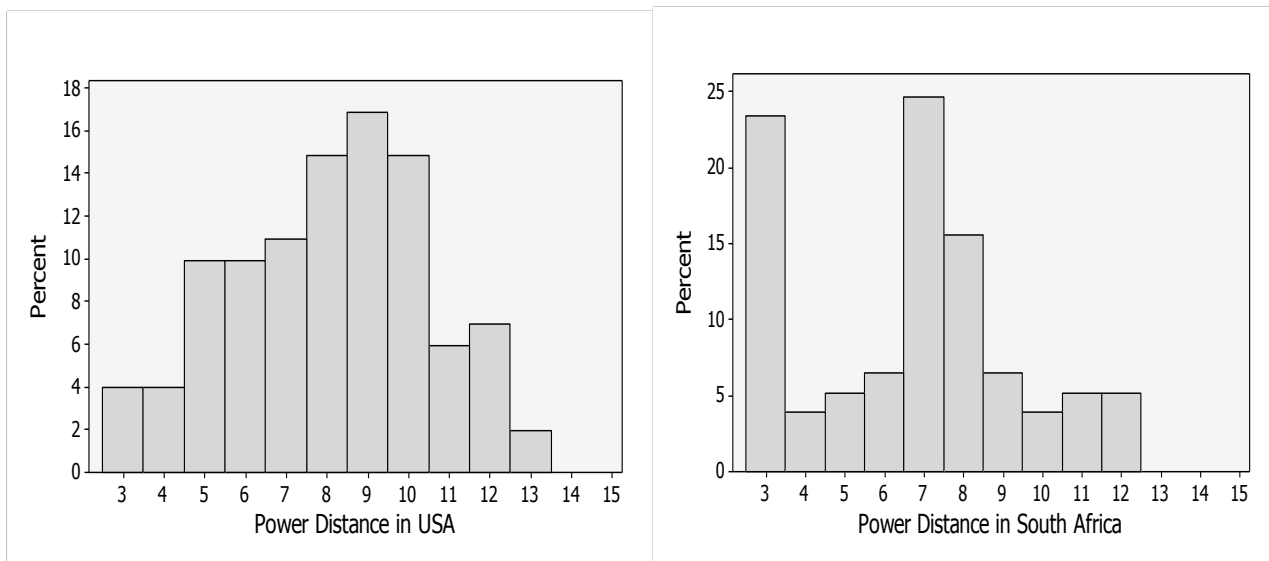


Power Distance: A composite scale was constructed, based on 3 items, ranging from 3 (strongest agreement with the items, reflecting the maximum Power Distance) to 15 (strongest disagreement with the items, reflecting the minimum Power Distance). The highest levels of Power Distance were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.6. Clear differences are apparent between the left skewed measures of Power Distance in USA and the bimodal distribution of the measures of Power Distance in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.6) is to determine if the Power Distance variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Power Distance variable measured at the scale/interval level deviated from normality (Figures 5.6) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson’s parametric as explained in Section 5.4.

**Figure 5.6 Distribution of Power Distance**

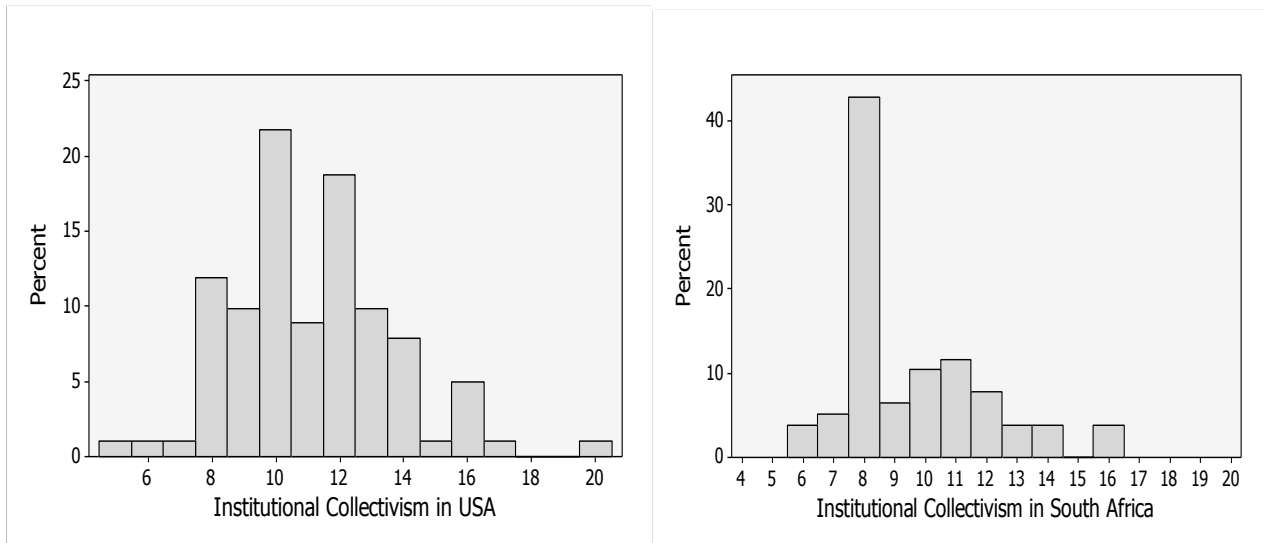


Institutional Collectivism: A composite scale was constructed, based on 4 items, ranging from 4 (strongest agreement with the items, reflecting the maximum Institutional Collectivism) to 20 (strongest disagreement with the items, reflecting the minimum Institutional Collectivism). The highest levels of Institutional Collectivism were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.7. Clear differences are apparent between the dome-shaped distribution of Institutional Collectivism in USA and the L- shaped right skewed distribution of the measures of Institutional Collectivism in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.7) is to determine if the Institutional Collectivism variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Institutional Collectivism variable measured at the scale/interval level deviated from normality (Figures 5.7) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4

**Figure 5.7 Distribution of Institutional Collectivism**

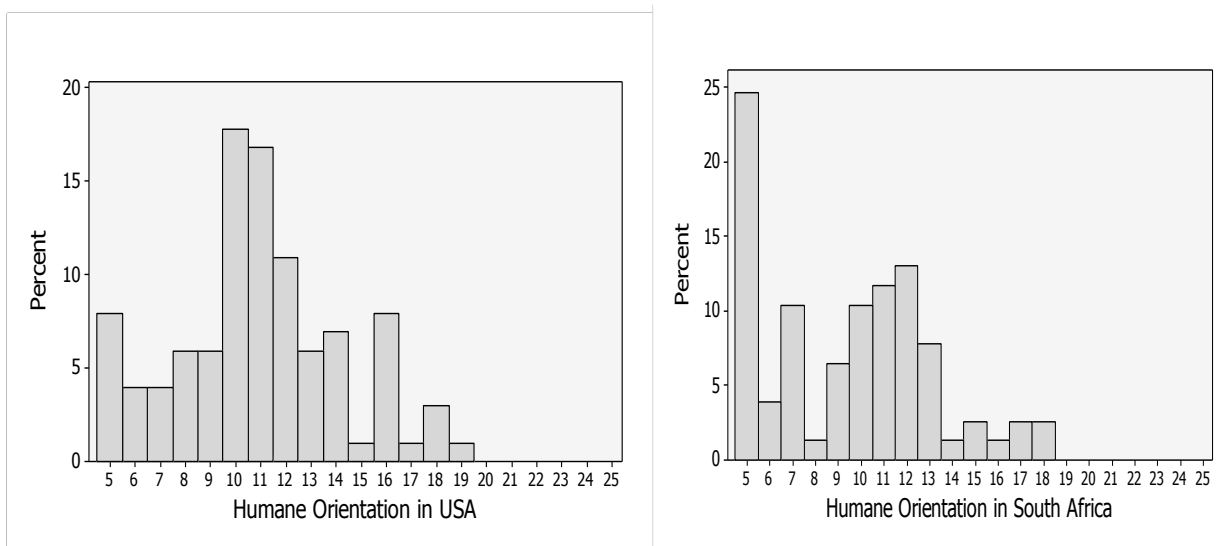


Humane Orientation: A composite scale was constructed, based on 5 items, ranging from 5 (strongest agreement with the items, reflecting the maximum Humane Orientation) to 25 (strongest disagreement with the items, reflecting the minimum Humane Orientation). The highest levels of Humane Orientation were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.8. Clear differences are apparent between the dome-shaped measures of Humane Orientation in USA and the L- shaped right-skewed distribution of the measures of Humane Orientation in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.8) is to determine if the Humane Orientation variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Humane Orientation variable measured at the scale/interval level deviated from normality (Figures 5.8) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4.

**Figure 5.8 Distribution of Humane Orientation**

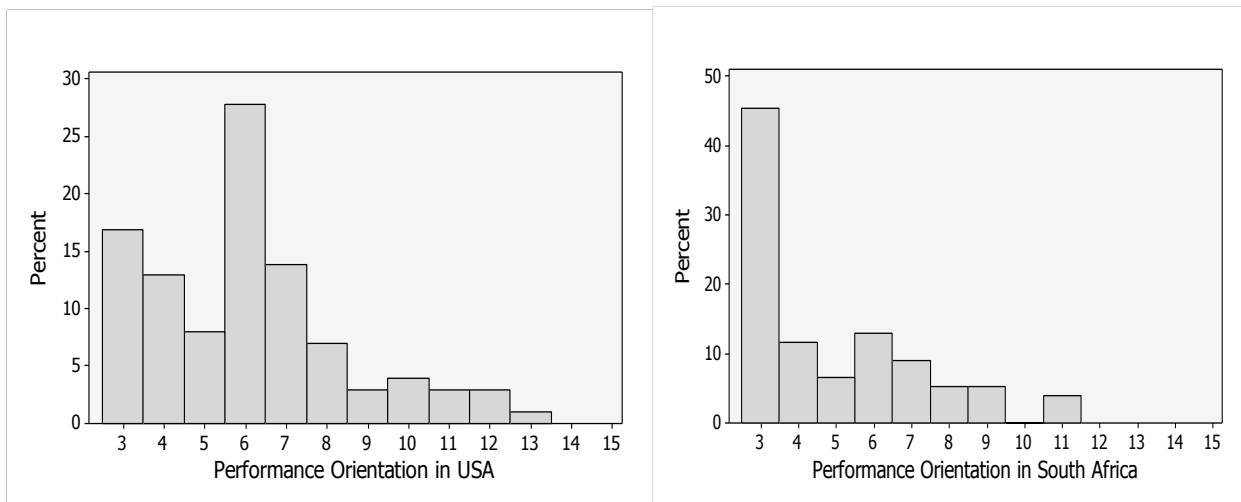


Performance Orientation: A composite scale was constructed, based on 3 items, ranging from 3 (strongest agreement with the items, reflecting the maximum Performance Orientation) to 15 (strongest disagreement with the items, reflecting the minimum Performance Orientation). The highest levels of Performance Orientation were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.9. Clear differences are apparent between the slightly right-skewed measures of Performance Orientation in USA and the strongly right-skewed L-shaped distribution of the measures of Performance Orientation in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.9) is to determine if the Performance Orientation variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Performance Orientation variable measured at the scale/interval level deviated from normality (Figures 5.9) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4

**Figure 5.9 Distribution of Performance Orientation**



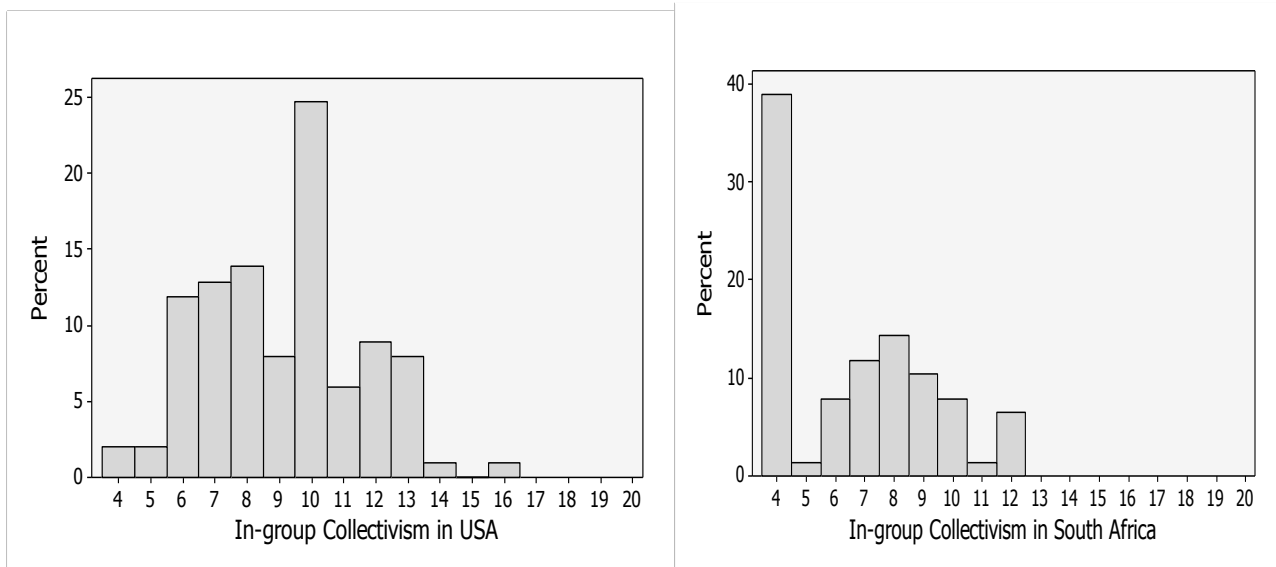
In-group Collectivism: A composite scale was constructed, based on 4 items, ranging from 4 (strongest agreement with the items, reflecting the maximum In-group Collectivism) to 20 (strongest disagreement with the items, reflecting the minimum In-group Collectivism). The highest levels of In-group Collectivism were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.10. Clear differences are apparent between the left-skewed measures of In-group Collectivism in USA and the L- shaped right-skewed distribution of the measures of In-group Collectivism in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.10) is to determine if the In-group Collectivism variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the In-group Collectivism variable measured at the scale/interval level deviated from normality (Figures 5.10) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4.



**Figure 5.10 Distribution of In-group Collectivism**

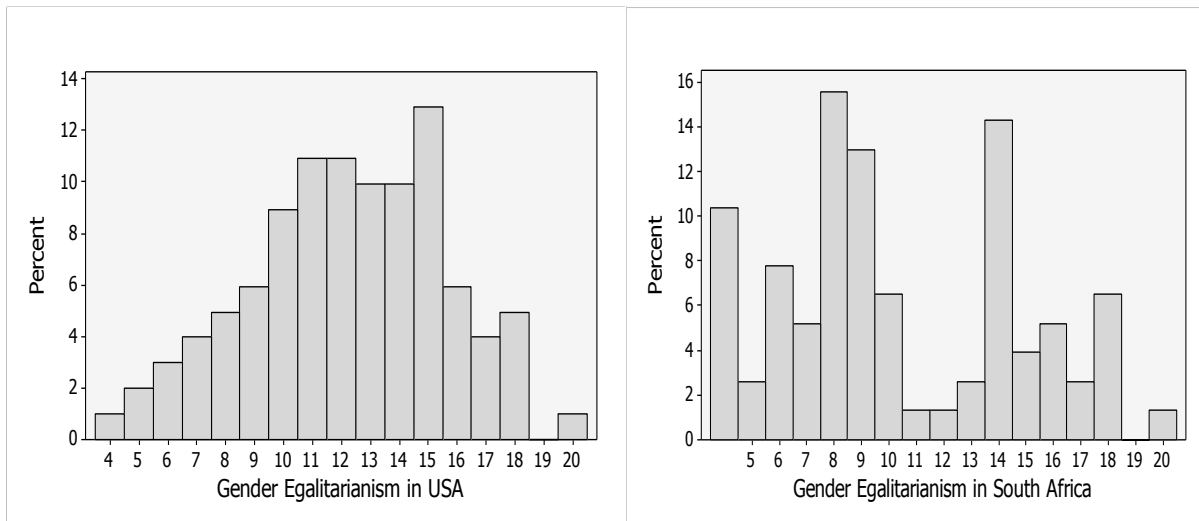


Gender Egalitarianism: A composite scale was constructed, based on 4 items, ranging from 4 (strongest agreement with the items, reflecting the maximum Gender Egalitarianism) to 20 (strongest disagreement with the items, reflecting the minimum Gender Egalitarianism). The highest levels of Gender Egalitarianism were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.11. Clear differences are apparent between the dome-shaped and approximately normally distributed measures of Gender Egalitarianism in USA and the multi-modal distribution of the measures of Gender Egalitarianism in South Africa.

The only reason for looking at the frequency distribution histograms (Figure 5.11) is to determine if the Gender Egalitarianism variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Gender Egalitarianism variable measured at the scale/interval level deviated from normality (Figures 5.11) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4.

**Figure 5.11 Distribution of Gender Egalitarianism**

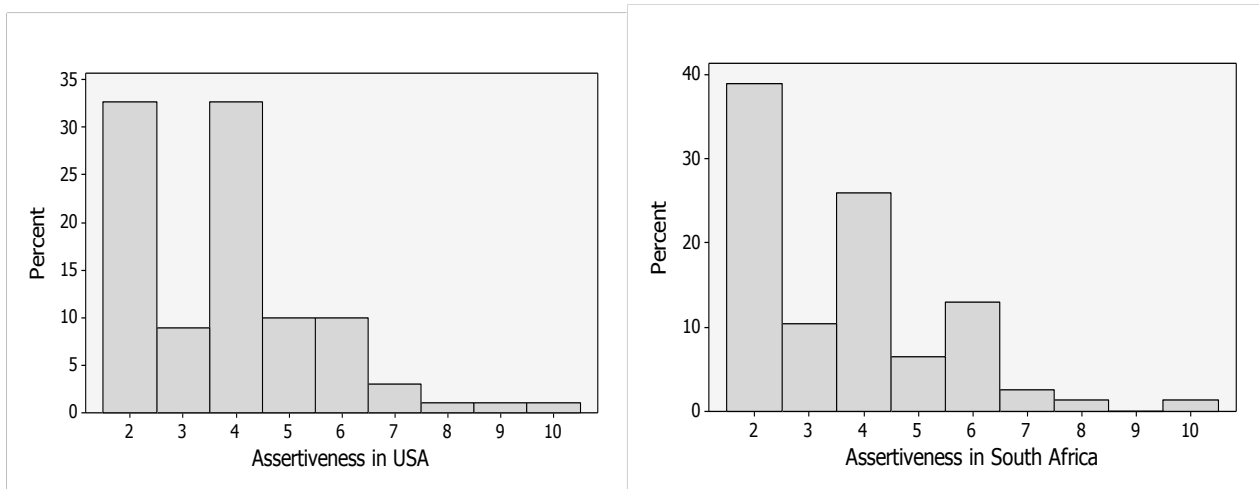


Assertiveness: A composite scale was constructed, based on 2 items, ranging from 2 (strongest agreement with the items, reflecting the maximum Assertiveness) to 10 (strongest disagreement with the items, reflecting the minimum Assertiveness). The highest levels of Assertiveness were therefore reflected by the lowest scores. The frequency distributions of the composite scores are compared visually in Figure 5.12. Similarly shaped right-skewed measures of Assertiveness in USA in South Africa are observed.

The only reason for looking at the frequency distribution histograms (Figure 5.12) is to determine if the Assertiveness variable is normally distributed. No other interpretation is required. Correlation and regression assume that the variables are normally distributed i.e. symmetrical bell-shaped curves. If the variables are not normally distributed then the results of the correlation and regression may be incorrect.

Since the frequency distribution of the Assertiveness variable measured at the scale/interval level deviated from normality (Figures 5.12) logarithmic ( $\log_{10}$ ) transformations were necessary to help normalize the variable prior to correlation analysis using Pearson's parametric as explained in Section 5.4.

**Figure 5.12 Distribution of Assertiveness**



### 5.3 Descriptive statistics

The descriptive statistics for Perceived Success and the nine cultural dimensions are presented in Table 5.5. With the exception of Assertiveness, the mean and median scores for the USA population were consistently higher than those for the Indian South African population. Non-parametric Mann-Whitney U tests confirmed that the median scores for the USA population were significantly greater than the median scores for the Indian South African populations at  $p < .05$  for all the variables in Table 4a.5 with the exception of Assertiveness. The levels of Perceived Success, Uncertainty Avoidance, Future Orientation, Power Distance, Institutional Collectivism, Human Orientation, Performance Orientation, In-group Collectivism, and Gender Egalitarianism were higher in the Indian South African population than they were in USA.

**Table 5.5 Descriptive statistics**

Variable	Population	Mean	SD	Median	Mann-Whitney U statistic	p
Perceived Success	USA	13.11	3.916	13.0	2799.0	.001*
	Indian South African	10.9	4.252	12.0		
Uncertainty Avoidance	USA	10.78	4.029	11.0	2188.5	.000*
	Indian South African	7.79	3.254	8.0		
Future Orientation	USA	10.19	2.612	10.0	2182.5	.000*
	Indian South African	8.25	2.357	8.0		
Power Distance	USA	8.06	2.445	8.0	2701.5	.000*
	Indian South African	6.65	2.689	7.0		

Variable	Population	Mean	SD	Median	Mann-Whitney U statistic	p
<b>Institutional Collectivism</b>	USA	11.14	2.518	11.0	2352.0	.000*
	Indian South African	9.55	2.354	8.0		
<b>Humane Orientation</b>	USA	10.91	3.329	11.0	3036.0	.000*
	Indian South African	9.47	3.651	10.0		
<b>Performance Orientation</b>	USA	6.08	2.403	6.0	2684.5	.000
	Indian South African	4.88	2.277	4.0		
<b>In-group Collectivism</b>	USA	9.14	2.421	9.0	1960.0	.000*
	Indian South African	6.69	2.592	7.0		
<b>Gender Egalitarianism</b>	USA	12.22	3.443	12.0	2845.0	.000*
	Indian South African	10.39	4.371	9.0		
<b>Assertiveness</b>	USA	3.79	1.705	4.0	3657.0	.480
	Indian South African	3.65	1.753	4.0		

\* Significant at  $p < .05$

## 5.4 Correlation Analysis

Since many of the frequency distributions of the variables measured at the scale/interval level deviated from normality (Figures 5.1 to 5.12) logarithmic ( $\log_{10}$ ) transformations were used to normalize the variables prior to correlation analysis using Pearson's parametric ( $r$ ) coefficients

The correlation coefficients in Table 5.6 (a) indicated that Perceived Success was positively correlated at  $p < .05$  with eight of the nine cultural dimensions in the USA population. The only cultural dimension that was not significantly correlated with Perceived Success in the USA population at  $p < .05$  was Gender Egalitarianism. The four cultural dimensions most highly correlated with Perceived Success in the USA population were Performance Orientation ( $r = .562$ ), Uncertainty Avoidance ( $r = .488$ ), In-group Collectivism ( $r = .438$ ) and Assertiveness ( $r = .418$ ).

**Table 5.6 (a): Matrix of Pearson's Correlation ( $r$ ) Coefficients between Perceived Success and Cultural Dimensions in the USA population**

	Log Perceived Success	Log Assertiveness	Log Future Orientation	Log Human Orientation	Log In-group Collectivism	Log Institutional Collectivism	Log Performance Orientation	Log Power Distance	Log Uncertainty Avoidance
Log Assertiveness	.418*								
Log Future Orientation	.521*	.353*							
Log Human Orientation	.353*	.242*	.299*						
Log In-group Collectivism	.438*	.229*	.455*	.364*					

	Log Perceived Success	Log Assertiveness	Log Future Orientation	Log Human Orientation	Log In-group Collectivism	Log Institutional Collectivism	Log Performance Orientation	Log Power Distance	Log Uncertainty Avoidance
Log Institutional Collectivism	.242*	.218*	.245*	.218*	.124				
Log Performance Orientation	.562*	.336*	.595*	.523*	.336*	.145			
Log Power Distance	.254*	.251*	.385*	.107	.056	.254*	.277*		
Log Uncertainty Avoidance	.488*	.238*	.638*	.371*	.223*	.277*	.613*	.424*	
Log Gender Egalitarianism	-.082	-.039	-.081	-.320*	-.024	.176	-.273*	.056	-.186

\* Significant at  $p < .05$

The correlation coefficients in Table 5.6 (b) indicated that Perceived Success was positively correlated at  $p < .05$  with seven of the nine cultural dimensions in the South Africa population. The two cultural dimensions that were not significantly correlated with Perceived Success in the South Africa population at  $p < .05$  were Gender Egalitarianism and Institutional Collectivism. The four cultural dimensions most highly correlated with Perceived Success in the South Africa population were Uncertainty Avoidance ( $r = .605$ ), Future Orientation ( $r = .538$ ), Human Orientation ( $r = .530$ ) and Performance Orientation ( $r = .522$ ).

**Table 5.6 (b): Matrix of Pearson's Correlation (r) Coefficients between Perceived Success and Cultural Dimensions in the Indian South Africa population**

	Log Perceived Success	Log Assertiveness	Log Future Orientation	Log Human Orientation	Log In-group Collectivism	Log Institutional Collectivism	Log Performance Orientation	Log Power Distance	Log Uncertainty Avoidance
Log Assertiveness	.283*								
Log Future Orientation	.538*	.349*							
Log Human Orientation	.530*	.376*	.411*						
Log In-group Collectivism	.518*	.259*	.342*	.546*					
Log Institutional Collectivism	.179	.173	.438*	.288*	.339*				

	Log Perceived Success	Log Assertiveness	Log Future Orientation	Log Human Orientation	Log In-group Collectivism	Log Institutional Collectivism	Log Performance Orientation	Log Power Distance	Log Uncertainty Avoidance
Log Performance Orientation	.522*	.242*	.386*	.699*	.551*	.247*			
Log Power Distance	.356*	.537*	.368*	.391*	.220	.130	.367*		
Log Uncertainty Avoidance	.605*	.322*	.584*	.535*	.444*	.231*	.444*	.381*	
Log Gender Egalitarianism	.119	.115	.252*	.053	.150	.230*	-.042	.286*	.170

\* Significant at  $p < .05$

The correlation coefficients in Table 5.6 (c) indicated that Perceived Success was positively correlated at  $p < .05$  with eight of the nine cultural dimensions in the combined USA and South Africa populations. The only cultural dimension that was not significantly correlated with Perceived Success in the combined populations at  $p < .05$  was Gender Egalitarianism. The four cultural dimensions most highly correlated with Perceived Success in the combined populations were Performance Orientation ( $r = .575$ ), Uncertainty Avoidance ( $r = .587$ ), In-group Collectivism ( $r = .544$ ) and Human Orientation ( $r = .485$ ).

**Table 5.6 (c): Matrix of Pearson's Correlation (r) Coefficients between Perceived Success and Cultural Dimensions in the USA and Indian South Africa populations**

	Log Perceived Success	Log Assertiveness	Log Future Orientation	Log Human Orientation	Log In-group Collectivism	Log Institutional Collectivism	Log Performance Orientation	Log Power Distance	Log Uncertainty Avoidance
Log Assertiveness	.347*								
Log Future Orientation	.572*	.345*							
Log Human Orientation	.485*	.310*	.400*						
Log In-group Collectivism	.544*	.239*	.494*	.506*					
Log Institutional Collectivism	.281*	.204*	.407*	.303*	.344*				
Log Performance Orientation	.575*	.296*	.550*	.633*	.509*	.263*			

	Log Perceived Success	Log Assertiveness	Log Future Orientation	Log Human Orientation	Log In-group Collectivism	Log Institutional Collectivism	Log Performance Orientation	Log Power Distance	Log Uncertainty Avoidance
Log Power Distance	.367*	.392*	.436*	.309*	.259*	.263*	.374*		
Log Uncertainty Avoidance	.587*	.275*	.667*	.487*	.443*	.344*	.582*	.458*	
Log Gender Egalitarianism	.106	.053	.173*	-.047	.188*	.267*	-.068	.247*	.090

\* Significant at  $p < .05$

The results in Table 5.6 (a), 5.6(b) and 5.6(c) have a lot of significance in light of the research objectives. The results show that there is relationship between the cultural dimensions and the perceived success of the succession process. Managerial recommendations will be presented in Chapter 6 based on these relationships revealed above. Uncertainty avoidance and performance orientation are the two cultural dimensions that show up as related to perceived success in both study groups.

It is a reflection of how the two study groups encourages and rewards group members for performance improvement and excellence. It is also a reflection of how the two study groups strives to avoid uncertainty by reliance on social norms, rituals and bureaucratic practises to alleviate the unpredictability of future events such as loss of the owner, etc. A look at the qualitative results later in this chapter reveals the social norms, rituals and bureaucratic practises that are actually in place. Examples include family council meetings and periodical discussion about the future of the business and the role of family in the business. The qualitative results also reveal the performance orientation as exemplified by the formal and informal systems in place to reward and value good performance by members.

These results confirm the findings by Papalexandris and Panayotopoulou (2004) who concluded that there is a relationship between uncertainty avoidance and succession plans. The only cultural dimension that was not significantly correlated with Perceived Success in both study groups was Gender Egalitarianism. The qualitative results presented later in this chapter provide deeper insight as to why there is no relationship between gender and perceived success of the succession process. The qualitative results clearly show how these two study groups welcome both sexes equally in the business and how successor opportunities such as grooming, training and promotion are considered equally for both woman and man in the FOB's. The qualitative results also provide deeper explanations as to why the USA group showed a relationship between assertiveness/in-group collectivism and perceived success of the succession process. Family pride

is highly cherished and assertiveness is highly valued by the USA FOB's (they are not afraid to say "NO" to family members). Refer to Table 5.27 and 5.31 for the complete qualitative results.

The qualitative results (Table 5.18 and 5.24) also clearly reflect how the Indian South African group is high on humane orientation and how they are future oriented. The results also confirm what has been revealed in the literature review when Papalexandris and Panayotopoulou (2004) and Javidan and House (2001) argued that future oriented cultures tend to use career plans i.e. succession plans.

The link between the qualitative and quantitative results confirms the views by other researchers (Bullock, 1993; Firestone, 1987; Henderson, 1991; Merriam, 1988; Patton, 1990) who have argued that qualitative and quantitative methods are not mutually exclusive research strategies and hence, the appropriateness of combining them. Concurring with the same stance, Kidder and Fine (1987) stated that there is nothing mysterious about combining quantitative and qualitative measures, rather it is a form of triangulation that enhances the validity and reliability of one's study.

Pearson's correlation coefficients (Table 5.7) identified no significant correlations between Perceived Success and the demographic characteristics of the participants measured at the scale/interval level (i.e. the number of people in the organisation, and the number of years in business).

**Table 5.7 Matrix of Pearson's Correlation (r) Coefficients between Perceived Success and Demographic characteristics**

Population		Log Perceived Success	Log People in Organisation
USA	Log People in Organisation	-.156	
	Log Years in Business	.027	.126
Indian South African	Log People in Organisation	-.086	
	Log Years in Business	.136	-.017

Spearman's rank non-parametric correlation analysis indicated that the ranked age and the ranked education (ordinal groups) of the participants were significantly correlated with the ranked Perceived Success in the Indian South African population, but the correlation coefficients were low. Colinearity between the demographic variables was negligible



**Table 5.8 Matrix of Spearman's Rank Correlation Coefficients (rho) between Perceived Success and Demographic Characteristics**

Population		Perceived Success	Age
USA	Age	-.102	
	Education	-.014	-.110
Indian South African	Age	-.321*	
	Education	.253*	-.132

Note: \* Significant at  $p < .05$

The Greiner Curve phenomenon can be useful in explaining these results. The "Greiner Curve" (Figure 6.1) is a useful way of thinking about the turning points that organizations experience as they grow. Each growth phase is made up of a period of relatively stable growth, followed by a "crisis/turning point" when major organizational change is needed if the company is to carry on growing (Greiner 1972, 1998).

It is possible therefore given Greiner considerations on company growth that the USA and Indian South Africa FOB's are at distinctively different growth stages thus exposed to different potential crises/turning point. According to Greiner (1972, 1998) a company's challenges and solutions tend to change markedly as the number of employees and sales volume increase and as time elapses. Greiner argues that the same organization practices are not maintained throughout a long time span. This makes a most basic point that management problems and principles (including the succession planning problems) are rooted in time. The Greiner phenomenon is explained further in the discussion of results section of chapter 6.

### 5.5 Multiple Linear Regression Analysis

The MLR was performed in three stages. The first stage was to construct two regression models, named USA1 (for the USA population) and SA1 (for the Indian South African population) to predict Perceived Success using only the cultural dimensions of the populations as predictors. The second stage was to determine if the predictions of perceived success by USA1 and SA1 using cultural dimensions were moderated by the addition of the demographic characteristics of the populations (gender, age, education, ownership, years in business, and people in organization). The third stage was to construct Model USASA1 using the combined variables collected from both the USA and Indian South African populations as predictors.

### 5.5.1 Model USA1

The logarithmically transformed dependent variable (Perceived Success) and the nine logarithmically transformed independent variables (cultural dimensions) listed in Table 4.5 were entered into the “Method: Stepwise” MLR procedure in SPSS. The optional default Stepping Method Criteria was: “Entry:  $p = .05$  and Removal  $p = .10$ ”. The options to save the Mahalanobis Distances, the Unstandardized Predicted Values, and the Standardized Residuals in the SPSS data editor were selected. The Linear Regression statistics chosen were Regression Coefficient Estimates, Model Fit, Part and Partial Correlations, and Colinearity Diagnostics. The variable selection procedure was completely automatic with no intervention.

Four of the independent variables (Performance Orientation, In-group Collectivism, Assertiveness and Uncertainty Avoidance) were automatically selected by the stepwise procedure as significant predictors of Predicted Success. The other five cultural dimensions were excluded because they did not meet the statistical criteria for inclusion in the model. For example, although Future Orientation was significantly positively correlated with Perceived Success, indicated by a correlation coefficient of .521, Future Orientation was excluded from the model due to (a) its partial regression coefficient, which declined to .066 (almost zero) and (b) its colinearity with other independent variables ( $VIF = 2.521$ ).

The regression statistics output by SPSS for Model USA1 are presented in Table 5.9. The adjusted  $R^2$  value indicated that 43.6% of the variability in Perceived Success was explained by four independent variables. The F statistic indicated that  $R^2$  was statistically significant at  $p < .05$ . The partial correlation coefficients did not decline to zero relative to the zero order coefficients, indicating that the model was not confounded by control variables. The VIF statistics were  $\leq 1.8$  indicating little or no colinearity (Table 5.9).

**Table 5.9 Model USA1 to predict Perceived Success using Cultural Dimensions in the USA population**

(a) R Square and Standard Error

R	R Square	Adjusted R Square	Standard Error
.677	.458	.436	.104

(b) ANOVA statistics

Source of Variance	Sum of Squares	Degrees of Freedom	Mean Square	F statistic	p value
Regression	.871	4	.218	20.309	.000*
Residual	1.029	96	.011		
Total	1.899	100			

(c) Regression Statistics

Variables	Unstandardized Coefficients		Standardized Coefficients	t statistic	p value
	$\beta$	Standard Error	$\beta$ weight		
Intercept	.421	.091		4.652	.000*
Log Performance Orientation	.220	.080	.275	2.729	.008*
Log Institutional Collectivism	.282	.091	.249	3.089	.003*
Log Assertiveness	.158	.058	.219	2.720	.008*
Log Uncertainty Avoidance	.160	.072	.212	2.227	.028*

(d) Correlation and Colinearity Statistics

Variables	Correlations		Colinearity
	Zero-order	Partial	VIF
Log Performance Orientation	.562	.268	1.797
Log Institutional Collectivism	.438	.301	1.147
Log Assertiveness	.418	.267	1.148
Log Uncertainty Avoidance	.488	.222	1.606

\* Significant at  $p < .05$

The t statistics  $> 2.2$  indicated that the intercept and all the partial regression coefficients were significantly different from zero at  $p < .05$  (Table 5.9a). The predictive model, using standardized regression coefficients ( $\beta$  weights) was:

$$\text{Log SUC} = .421 + .275 \text{ Log PO} + .249 \text{ Log CII} + .219 \text{ Log AS} + .212 \text{ Log UA}$$

Where SUC = Perceived Success, PO = Performance Orientation, CII = In-group Collectivism, AS = Assertiveness, UA = Uncertainty Avoidance.

The unstandardized regression coefficients could not easily be interpreted, because the dependent and independent variables were measured using different scales. The standardized regression coefficients ( $\beta$  weights) were interpreted, because they took into account the different scales used to measure each variable, and they provided an indication of the relative importance of each predictor. The  $\beta$  weight of a regression coefficient  $\beta = SX / SY$  where  $SX$  = standard deviation of X;  $SY$  = standard deviation of Y (Chatterjee *et al.*, 2007)

An increase or decrease in PO, CII, AS, and UA caused a corresponding increase or decrease in SUC. Thus high levels of Perceived Success were predicted high levels of PO, CII, AS, and UA. Low levels of Perceived Success were predicted by low levels of PO, CII, AS, and UA. The most important predictor was PO, followed in rank order by CII, AS, and UA. SUC changed by .275 for every unit change in PO. SUC changed by .249 for every standardized unit change in CII. SUC changed by .219 for every standardized unit change in AS. SUC changed by .212 for every standardized unit change in UA.

Model USA1 did not violate the assumptions of equality of variance or residual normality. The standardized residuals are seen to be relatively evenly distributed around their mean (zero) value (Figure 5.13). The dome-shaped histogram (Figure 5.14) indicated that the residuals were approximately normally distributed.

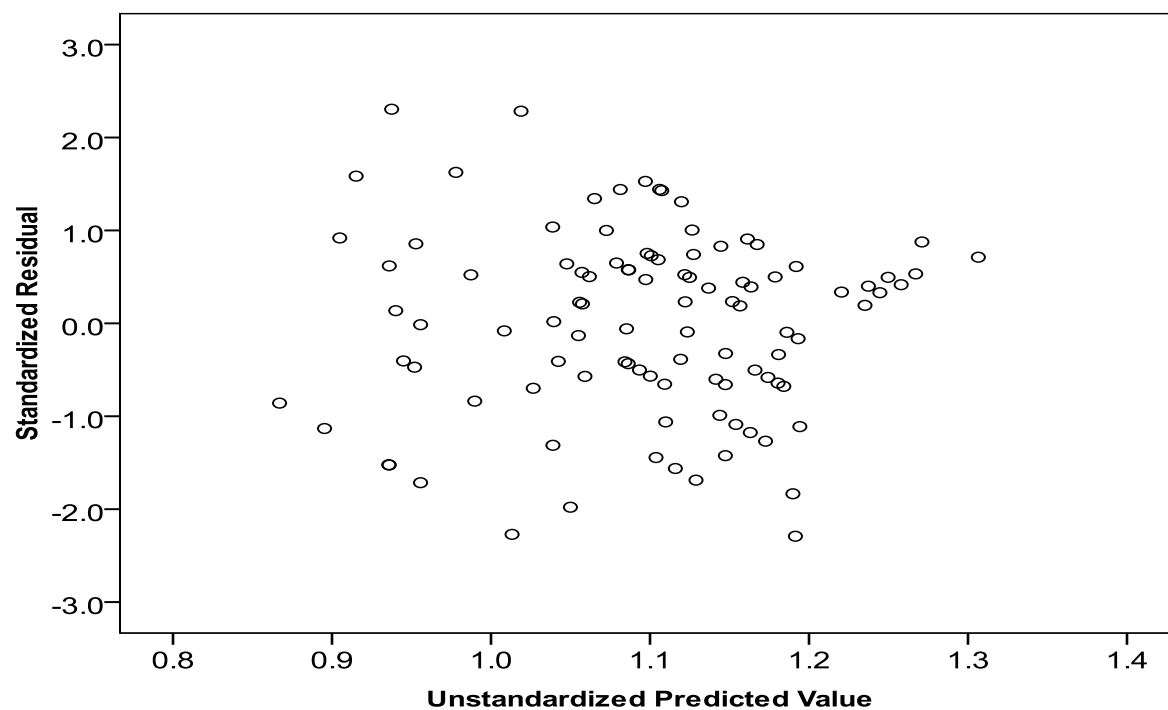
The standardized residuals were within the limits of  $\pm 3$  expected for a normal distribution with no obvious outliers at the extreme left or right hand tails of the distribution (Figure 5.14). The Mahalanobis Distances indicated no multivariate outliers at  $p < .001$ .

It is concluded that Model USA1 was a good fit to the data.  $R^2 = 43.6\%$  indicated that the variability in Performance Orientation, In-group Collectivism, Assertiveness, and Uncertainty Avoidance had a moderately large effect on Perceived Success.

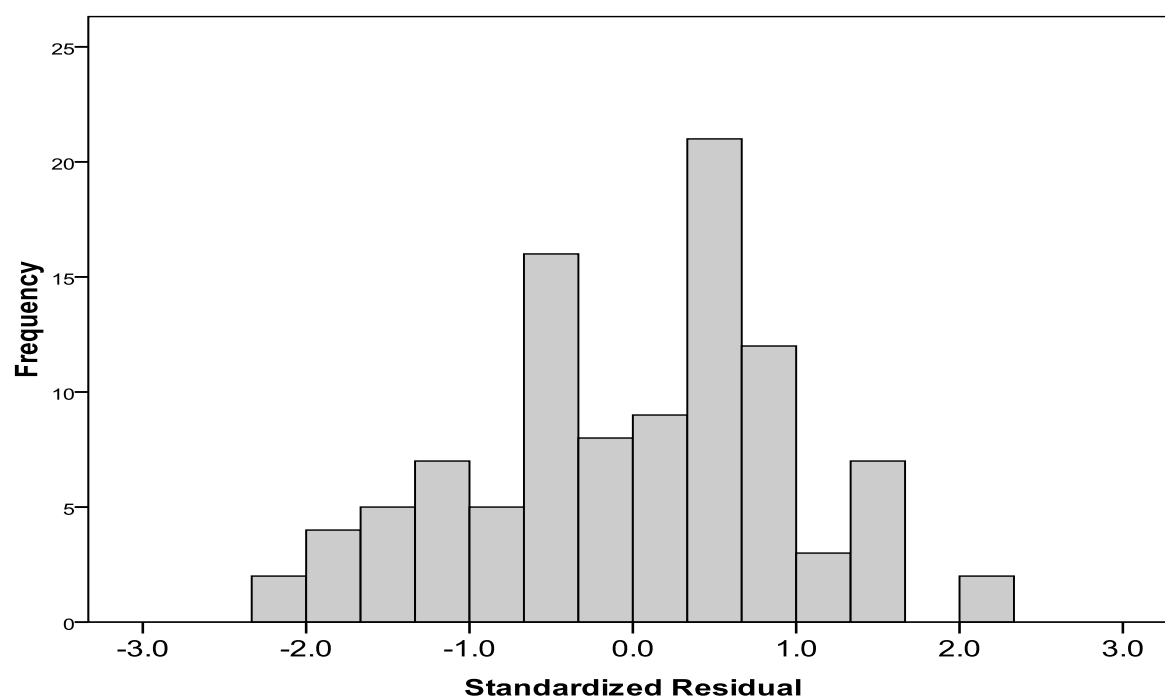
The secondary research objectives (1 through 5) identified in Section 1.7.1 have been met for the USA study group. In particular Model USA1 was developed to show how the dependent variables (nine cultural dimensions) impact the independent variable (perceived success), the dependent variables have been ranked and the relationship between the dependent variables and the independent variable has been established.

Business practitioners can gain insight from these results to help address the dilemma of succession planning. These results reveal which cultural dimensions might be crucial for family business owners to instill and pass on to future generations. These results confirm the opinions by other researchers (Goffee, 1996, Brown and Coverley 1999; Chau 1991; Corbetta and Montemerlo 1998; Howorth and Assaraf Ali 2001; Keating and Little 1997; Laubscher 1993; Lee and Tan 2001; Malinen 2001; Santiago 2000; Sharma 1997; Sharma, *et al.*, 2000; Sharma and Rao 2000; Papalexandris and Panayotopoulou 2004, Van Duijnet al., 2007, Maas and Diederichs, 2007 and Venter, 2004).who argued that cultural factors might play an influential role in the successful succession of FOB's.

**Figure 5.13 Distribution of Standardized Residuals versus Predicted Values for Model USA1**



**Figure 5.14 Histogram of Standardized Residuals for Model USA1**



### 5.5.2 Model SA1

The same Stepwise MLR procedure used to construct Model USA1, based on variables collected from the USA population was also applied for Model SA1, based on variables collected from the Indian South African population in Table 4.5 the regression statistics for Model SA1 are presented in Table 5.10.

The adjusted  $R^2$  value indicated that 45.8% of the variability in Perceived Success was explained by the three independent variables, a moderate effect size. The F statistic indicated that  $R^2$  was statistically significant at  $p < .05$ . The partial correlation coefficients did not decline to zero relative to the zero-order coefficients, indicating that the model was not confounded by control variables. The VIF statistics were  $\leq 1.7$  indicating little or no collinearity. The t statistic  $< 2$  with  $p > .05$  indicated that the intercept was not significantly different from zero. The t statistics  $> 2$  indicated that all the partial regression coefficients were significantly different from zero at  $p < .05$  (Table 5.10).

**Table 5.10 Model SA1 to predict Perceived Success using Cultural Dimensions in the Indian South African Population**

(a) R Square and Standard Error

R	R Square	Adjusted R Square	Standard Error
.692	.479	.458	.134

(b) ANOVA statistics

Source of Variance	Sum of Squares	Degrees of Freedom	Mean Square	F statistic	p value
Regression	1.210	3	.403	22.391	.000*
Residual	1.315	73	.018		
Total	2.526	76			

(c) Regression Statistics

Variables	Unstandardized Coefficients		Standardized Coefficients	t statistic	p value
	$\beta$	Standard Error	$\beta$ weight		
Intercept	.202	.121		1.662	.101
Log Uncertainty Avoidance	.351	.109	.349	3.208	.002*
Log Performance Orientation	.277	.094	.280	2.930	.005*
Log Future Orientation	.357	.167	.226	2.139	.036*

(d) Correlation and Colinearity Statistics

Variables	Correlations		Colinearity
	Zero-order	Partial	VIF
Log Uncertainty Avoidance	.605	.351	1.658
Log Performance Orientation	.522	.324	1.284
Log Future Orientation	.538	.243	1.564

\* Significant at  $p < .05$

The predictive model, using standardized regression coefficients ( $\beta$  weights) was:

$$\text{Log SUC} = .202 + .349 \text{ Log UA} + .280 \text{ Log PO} + .226 \text{ Log FO}$$

Where SUC = Perceived Success, UA = Uncertainty Avoidance, PO = Performance Orientation, FO = Future Orientation. An increase or decrease in PO, FO and UA caused a corresponding increase or decrease in SUC. Thus high levels of Perceived Success were predicted by high levels of UA, PO, and FO. Low levels of Perceived Success were predicted by low levels of UA, PO, and FO. The magnitudes of the standardized regression coefficients provided an indication of the relative importance of each predictor. The most important predictor was UA, followed in rank order by PO and FO. SUC changed by .349 for every standardized unit change in UA. SUC changed by .280 for every standardized unit change in PO. SUC changed by .226 for every standardized unit change in FO.

Model SA1 did not seriously violate the assumptions of equality of variance or residual normality. The standardized residuals were relatively evenly distributed around their mean (zero) value; however, there was some indication of heteroskedacity, reflected by the wedge shaped pattern in the distribution of residuals (Figure 5.15). The variance (indicated by the wide spread of the points on the left hand side of the plot) was slightly higher for lower predicted values than it was for higher predicted values (indicated by the narrower spread of points on the right hand side of the plot). The dome-shaped histogram (Figure 5.16) indicated that the residuals were approximately normally distributed. All of the standardized residuals were within the limits of  $\pm 3$  expected for a normal distribution with no obvious outliers. The Mahalanobis Distances indicated no multivariate outliers at  $p < .001$ .

It is concluded that Model SA1 was a reasonably good fit to the data.  $R^2 = 45.8\%$  indicated that the variability in Uncertainty Avoidance, Performance Orientation, and Future Orientation had a moderately large effect on Perceived Success. It is also concluded that the group of cultural dimensions which had the most significant impact on Perceived Success in the USA population (Performance Orientation, In-Group

Collectivism, Assertiveness, and Uncertainty Avoidance) were different to the cultural dimensions that had the most significant impact on Perceived Success in the Indian South African population.

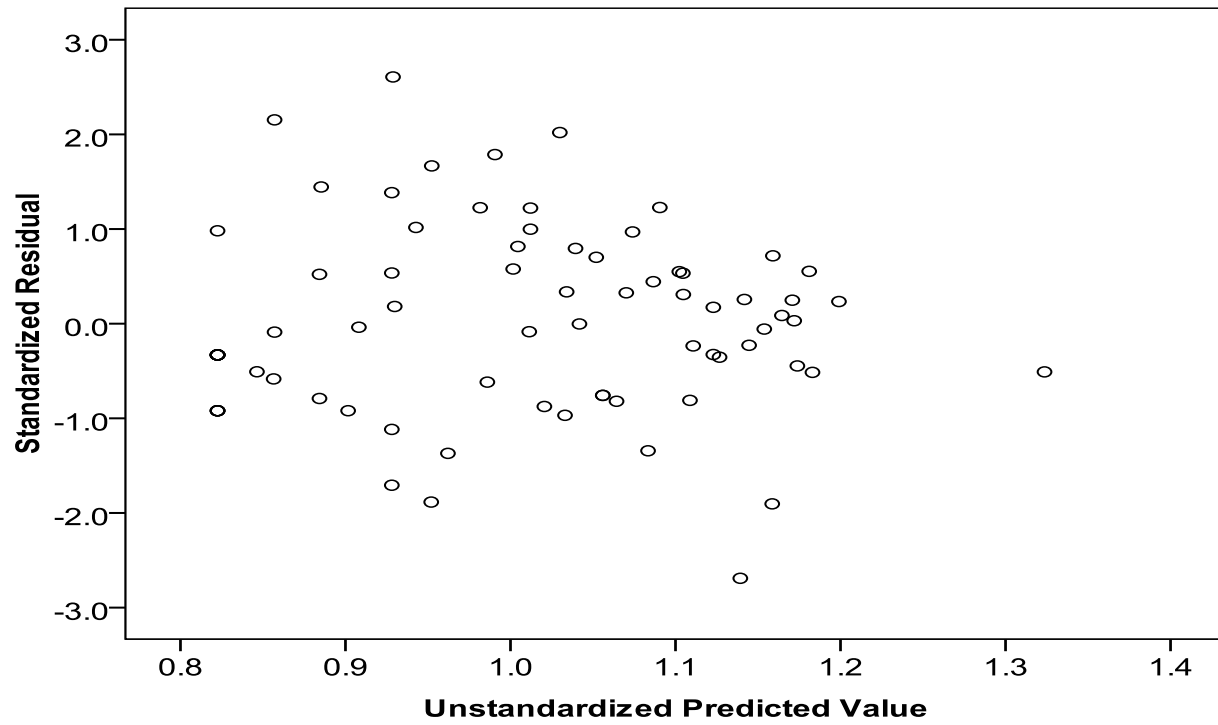
The secondary research objectives (1 through 5) identified in Section 1.7.1 have been met for the USA study group. In particular Model SA1 was developed to show how the dependent variables (nine cultural dimensions) impact the independent variable (perceived success), the dependent variables have been ranked and the relationship between the dependent variables and the independent variable has been established.

Business practitioners can gain insight from these results to help address the dilemma of succession planning. These results reveal which cultural dimensions might be crucial for family business owners to instill and pass on to future generations. These results confirm the opinions by other researchers (Goffee, 1996, Brown and Coverley 1999; Chau 1991; Corbetta and Montemerlo 1998; Howorth and Assaraf Ali 2001; Keating and Little 1997; Laubscher 1993; Lee and Tan 2001; Malinen 2001; Santiago 2000; Sharma 1997; Sharma, et al., 2000; Sharma and Rao 2000; Papalexandris and Panayotopoulou 2004, Van Duijnet al., 2007, Maas and Diederichs, 2007 and Venter, 2004) who argued that cultural factors might play an influential role in the successful succession of FOB's.

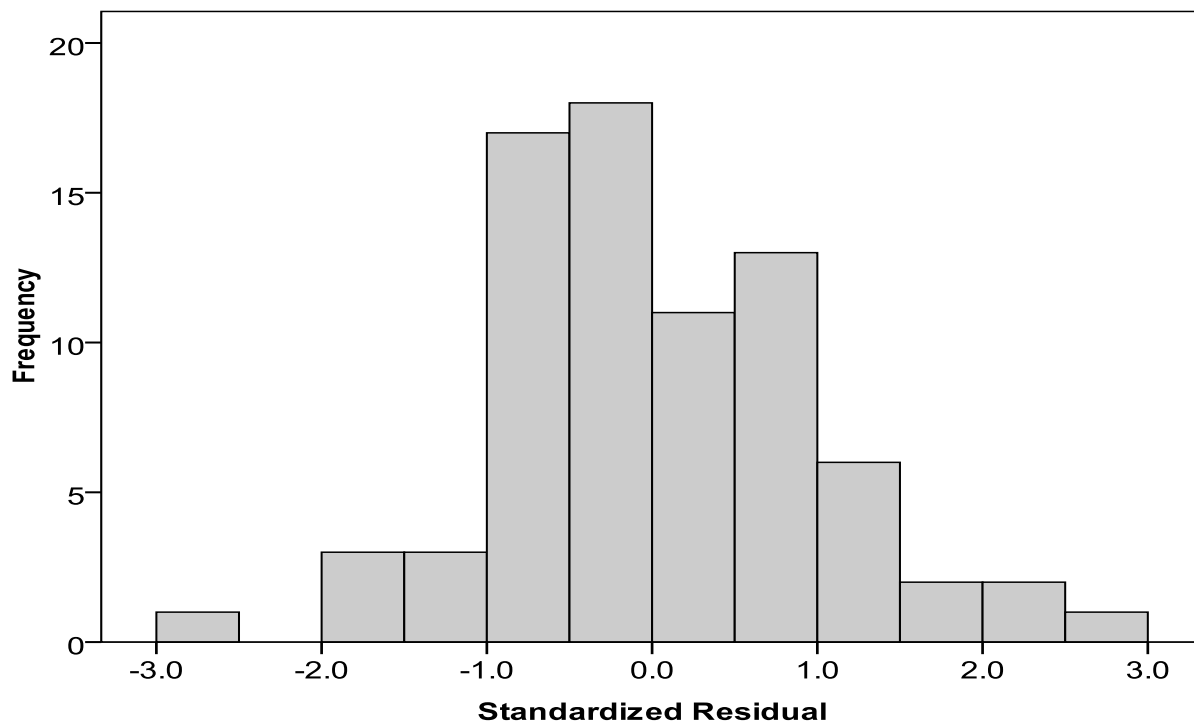
Comparing the two Models USA1 and SA1, it is clear that the group of cultural dimensions which had the most significant impact on Perceived Success in the USA population (Performance Orientation, In-Group Collectivism, Assertiveness, and Uncertainty Avoidance) were different to the cultural dimensions that had the most significant impact on Perceived Success in the Indian South African population (Uncertainty Avoidance, Performance Orientation, and Future Orientation).

#### **Figure 5.15 Distribution of Standardized Residuals for Model SA1**





**Figure 5.16 Histogram of Standardized Residuals for Model SA1**



### 5.5.3 Model USA2

The same Stepwise MLR procedure used to construct Model USA1 was carried out, based on the Perceived Success and cultural dimensions (Table 4.5) and the demographic variables (Table 4.6) collected from the USA population. When MLR was repeated with the addition of the demographic variables, Model USA1 did not change. The regression statistics remained exactly the same. Consequently it is inferred that gender, age, education, ownership, years in business, and the number of people in the organization had no significant effects on the relationship between Predicted Success and the cultural dimensions of the USA population. No demographic variables were identified as significant predictors of Predicted Success or moderators of the cultural dimensions in the USA population.

### 5.5.4 Model SA2

When MLR was repeated with the addition of the demographic variables (Table 4.6) Model SA1 changed significantly (Table 5.11). The regression statistics for Model SA1 are presented in Table 5.11. The adjusted  $R^2$  value increased from 45.8% in model SA1 (Table 5.11) to 51.9% indicating that Model SA2 was a better fit to the data than Model SA1. The partial correlation coefficients did not decline to zero relative to the zero order coefficients, indicating that the model was not confounded by control variables. The VIF statistics were  $\leq 1.7$  indicating little or no collinearity. The t statistics indicated that the intercept and all the partial regression coefficients were significantly different from zero at  $p < .05$ . The predictive model, using standardized regression coefficients ( $\beta$  weights) was:

$$\text{Log SUC} = .202 + .329 \text{ Log UA} + .297 \text{ Log PO} + .217 \text{ Log FO} - .227 \text{ AGE} - .198 \text{ Log PPL}$$

Where SUC = Perceived Success, UA = Uncertainty Avoidance, PO = Performance Orientation, FO = Future Orientation, AGE = Age of participant (expressed in units of 1 = Under 20, 2 = 20-24, 3 = 25-29, 4 = 30-34, 5 = 35-39, 6 = 40-49, 7 = 50-59, 8 = 60 or over) and PPL = People working in the organization.

Model SA2 predicted that an increase or decrease in UA, PO, and FO caused a corresponding increase or decrease in SUC, similar to model SA1. However, the relationship between Predicted Success and the cultural dimensions was moderated by the age of the participants and the numbers of people who worked in their organization.

**Table 5.11 Model SA2 to predict Log Perceived Success in the Indian South African population including Demographic Variables**

(a) R Square and Standard Error

R	R Square	Adjusted R Square	Standard Error
.743	.551	.519	.127

(b) ANOVA statistics

Source of Variance	Sum of Squares	Degrees of Freedom	Mean Square	F statistic	p value
Regression	1.362	5	.272	16.966	.000*
Residual	1.108	69	.016		
Total	2.469	74			

(c) Regression Statistics

Variables	Unstandardized Coefficients		Standardized Coefficients	t statistic	p value
	$\beta$	Standard Error	$\beta$ weight		
Intercept	.484	.145		3.343	.001*
Log Uncertainty Avoidance	.331	.107	.329	3.108	.003*
Log Performance Orientation	.293	.091	.297	3.226	.002*
Age	-.029	.011	-.227	-2.747	.008*
Log People in Organization	-.092	.038	-.198	-2.407	.019*
Log Future Orientation	.344	.168	.217	2.054	.044*

(d) Correlation and Colinearity Statistics

Variables	Correlations		Colinearity
	Zero-order	Partial	VIF
Log Uncertainty Avoidance	.597	.350	1.723
Log Performance Orientation	.524	.362	1.306
Age	-.279	-.314	1.408
Log People in Organization	-.071	-.278	1.045
Log Future Orientation	.560	.240	1.721

\* Significant at  $p < .05$

According to the convoluted method of scoring used in the instrument (where a low score = high success and a high score = low success) a decrease in the predicted value of SUC corresponded to an increase in Perceived Success. Consequently, the negative regression coefficient for AGE = - .227 predicted that for every standardized unit increase in age, SUC declined by .227. This implied that the older members of the Indian South African population achieved a higher level of Perceived Success than younger members. The negative regression coefficient for PPL = - .198 predicted that for every standardized unit increase in the number of people in the organization, SUC declined by .198. This implied that participants in organizations with a large number of people in the Indian South African population achieved a higher level of Perceived Success than participants in organizations with a low number of people.

The magnitudes of the standardized regression coefficients provided an indication of the relative importance of each predictor. The most important predictor was UA, followed in rank order by PO, AGE, FO, and PPL.

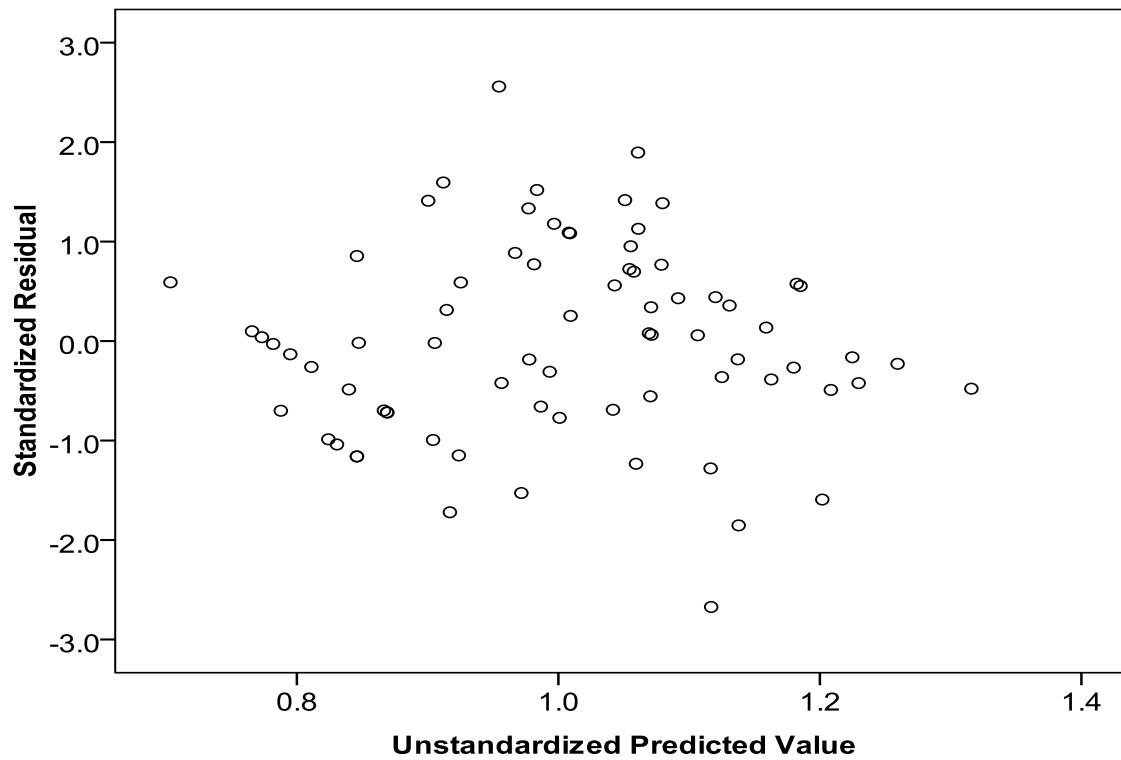
Model SA2 did not seriously violate the assumptions of equality of variance or residual normality. The standardized residuals were relatively evenly distributed around their mean (zero) value; however, there was an indication of heteroskedacity, reflected by the diamond shaped distribution of residuals (Figure 5.17). The variance (indicated by a wide scatter of points) was higher for the predicted values at the center of the plot but narrower for the lower and higher predicted values at the left and right -hand edges of the plot (indicated by a narrow scatter of points). The dome-shaped histogram (Figure 5.18) indicated that the residuals were approximately normally distributed. The standardized residuals were within the limits of  $\pm 3$  expected for a normal distribution and the Mahalanobis Distances indicated no outliers.

It is concluded that Model SA2 was a reasonably good fit to the data.  $R^2 = 51.9\%$  indicated that the variability in Performance Orientation, Age, Future Orientation, and People in the organization had a moderately large effect on Perceived Success. The addition of the demographic variables improved the model by increasing the  $R^2$  from 45.8% to 51.9%. It is also concluded that the demographic variables (Age and People in the organization) which had a significant impact on Perceived Success in the Indian South African population did not have a significant impact on Perceived Success in the USA population.

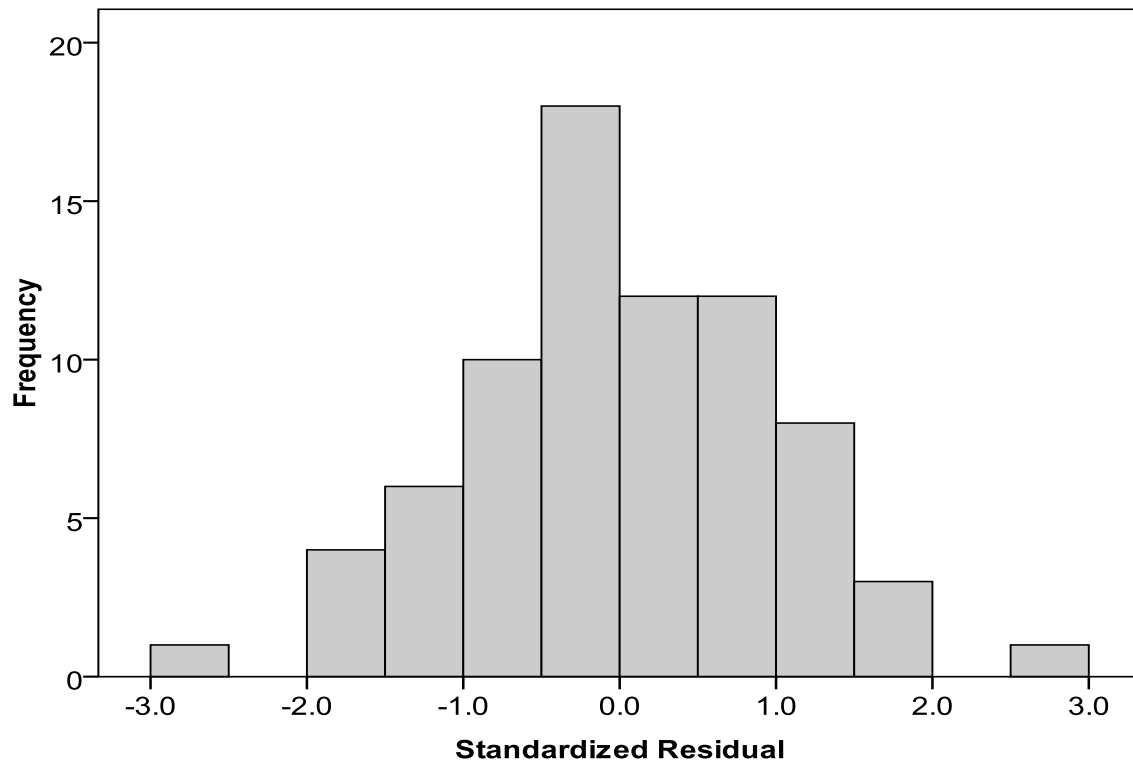
The Greiner phenomenon (see Figure 6.1) can be useful in understanding the impact of business size and age on business practices such as succession planning. This author suggests that with age comes experience and with experience comes wisdom and with wisdom better business decisions are made which might lead to the longevity of the FOB. The preliminary results of this study show that the age of owners and the

number of people working in the business had a significant impact on perceived success for the Indian South African group and this author recommends that more empirical research can be conducted to find out the impact of the age of owners and the number of people working in the organization on succession planning in general.

**Figure 5.17 Distribution of Standardized Residuals for Model SA2**



**Figure 5.18 Histogram of Standardized Residuals for Model SA2**



#### 5.5.5 Model USASA1

The Stepwise MLR procedure based on variables collected from both the USA and SA populations was applied to construct model USASA1. Four of the independent variables (Performance Orientation, In-group Collectivism, Uncertainty Avoidance, and Assertiveness) were selected by the stepwise procedure as significant predictors of Predicted Success. All other variables were excluded because they did not meet the statistical criteria to be included in the model.

The regression statistics output by SPSS for Model USASA1 are presented in Table 5.12. The adjusted  $R^2$  value indicated that 48.5% of the variability in Perceived Success was explained by four independent variables. The F statistic indicated that  $R^2$  was statistically significant at  $p < .05$ . The partial correlation coefficients did not decline to zero relative to the zero order coefficients, indicating that the model was not confounded by control variables. The VIF statistics were  $\leq 1.7$  indicating little or no colinearity (Table 5.12).

The t statistics  $> 2.3$  indicated that the intercept and all the partial regression coefficients were significantly different from zero at  $p < .05$  (Table 5.12). The predictive model, using standardized regression coefficients ( $\beta$  weights) was:

$$\text{Log SUC} = .379 + .225 \text{ Log PO} + .263 \text{ Log CII} + .134 \text{ Log AS} + .302 \text{ Log UA}$$

Where SUC = Perceived Success, PO = Performance Orientation, CII = In-group Collectivism, AS = Assertiveness, UA = Uncertainty Avoidance.

Interpreting the magnitudes of the standardized regression coefficients, the most important predictor was UA, followed in rank order by CII, PO, and AS. SUC changed by .302 for every standardized unit change in UA. SUC changed by .263 for every standardized unit change in CII. SUC changed by .225 for every unit change in PO. SUC changed by .134 for every standardized unit change in AS.

Model USASA1 did not violate the assumptions of equality of variance or residual normality. The standardized residuals are seen to be relatively evenly distributed around their mean (zero) value (Figure 5.19). The dome-shaped histogram (Figure 5.20) indicated that the residuals were approximately normally distributed. The standardized residuals were within the limits of  $\pm 3$  expected for a normal distribution with no obvious outliers at the extreme left or right hand tails of the distribution (Figure 5.19). The Mahalanobis Distances indicated no multivariate outliers at  $p < .001$ . It is concluded that Model USASA1 was a good fit to the data.  $R^2 = 48.5\%$  indicated that the variability in Performance Orientation, In-group Collectivism, Assertiveness, and Uncertainty Avoidance had a moderately large effect on Perceived Success.

**Table 5.12 Model USASA1 to predict Perceived Success using the Cultural Dimensions and Demographic Variables of the USA and SA populations**

(a) R Square and Standard Error

R	R Square	Adjusted R Square	Standard Error
.705	.497	.485	.118

(b) ANOVA statistics

Source of Variance	Sum of Squares	Degrees of Freedom	Mean Square	F statistic	p value
Regression	2.395	4	.599	47.729	.000*
Residual	2.425	173	.014		
Total	4.820	177			

(c) Regression Statistics

Variables	Unstandardized Coefficients		Standardized Coefficients	t statistic	p value
	$\beta$	Standard Error	$\beta$ weight		
Intercept	.379	.055		6.878	.000*
Log Uncertainty Avoidance	.256	.058	.302	4.431	.000*
Log In-group Collectivism	.267	.065	.263	4.097	.000*
Log Performance Orientation	.202	.064	.225	3.164	.002*
Log Assertiveness	.114	.049	.134	2.348	.020*

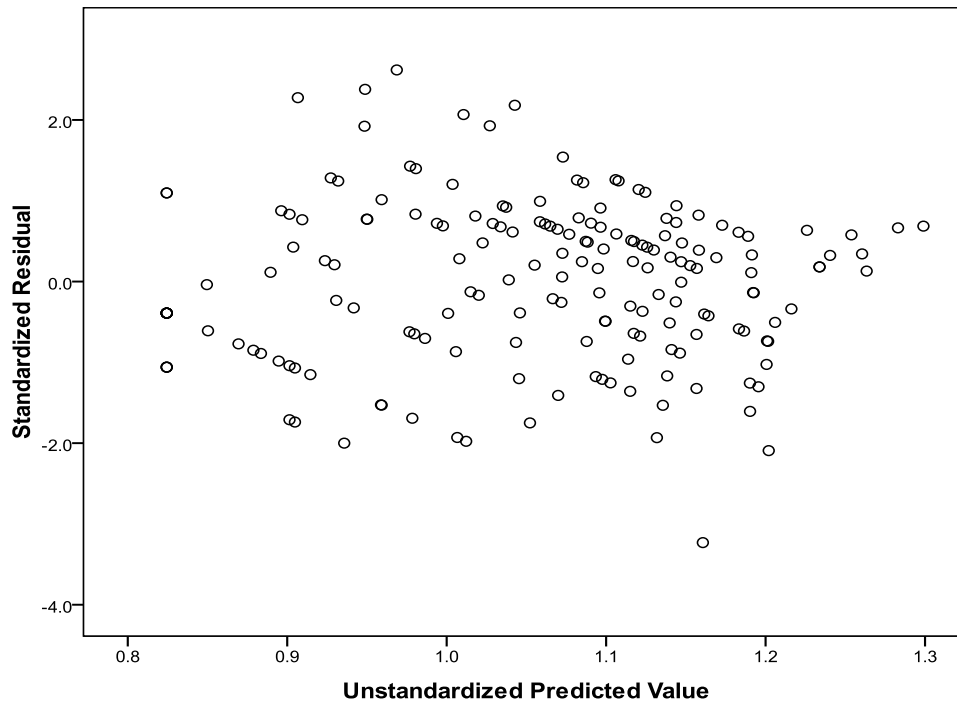
(d) Correlation and Colinearity Statistics

Variables	Correlations		Colinearity
	Zero-order	Partial	VIF
Log Uncertainty Avoidance	.587	.319	1.601
Log In-group Collectivism	.544	.297	1.421
Log Performance Orientation	.575	.234	1.747
Log Assertiveness	.347	.176	1.123

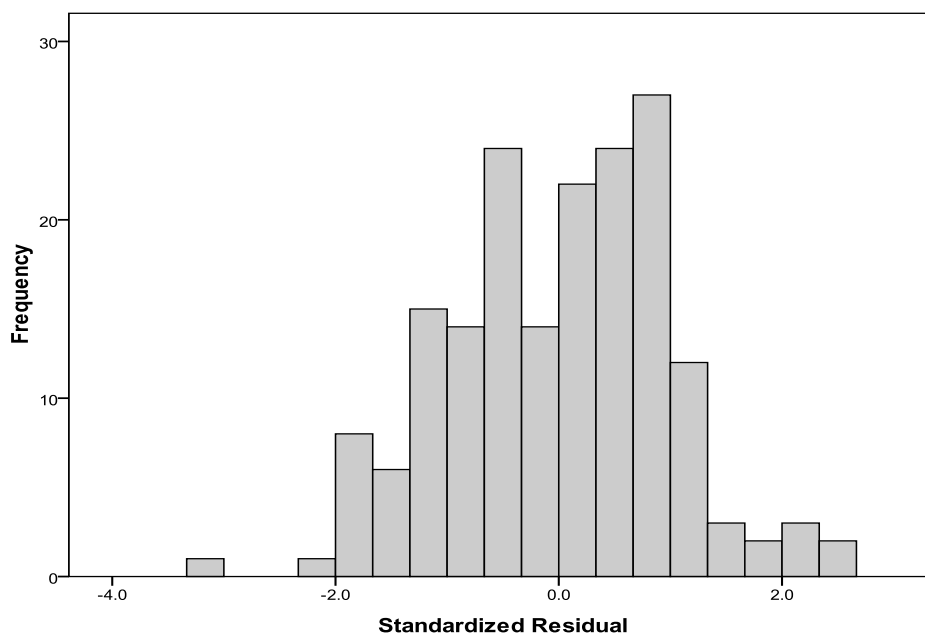
\* Significant at  $p < .05$

**Figure 5.19 Distribution of Standardized Residuals for Model USASA1**





**Figure 5.20 Histogram of Standardized Residuals for Model USASA1**



Looking at the five models (USA1, USA2, SA1, SA2 and USSSA1) the two variables Performance Orientation and Uncertainty Avoidance are common as predictors of perceived success. This author is of the opinion that these two variables are the variables that every business owner should value and attempt to instill and pass on to future generations.

## 5.6 Summary (Quantitative Analysis)

With respect to  $H_{01}$  (Table 4.7) the null hypothesis was rejected and the alternative hypothesis was accepted at  $p < .05$ . The Perceived Success in the USA population was significantly different from the Perceived Success in the Indian South African population. The median scores for the Indian South African population were significantly lower than for the USA population. Due to the convoluted method of scoring (low score = high success and high score = low success) this result implied that higher levels of Perceived Success were found in the Indian South African population compared to the USA population.

With respect to  $H_{02}$  (Table 4.7) the null hypothesis was rejected and the alternative hypothesis was accepted at  $p < .05$  for eight of the nine cultural dimension. The difference was indicated by the median scores for the Indian South African population being significantly lower than for the USA population. Due to the convoluted method of scoring (low score = high level of cultural dimension and high score = low level of cultural dimension) this implied that Uncertainty Avoidance, Future Orientation, Power Distance, Institutional Collectivism, Human Orientation, Performance Orientation, In-group Collectivism, and Gender Egalitarianism were higher in the Indian South African population than they were in the USA population. There was, however, no significant difference at  $p < .05$  between the levels of Assertiveness in the USA and Indian South African populations.

With respect to  $H_{03}$  (Table 4.7) the null hypothesis was rejected and the alternative hypothesis was accepted at  $p < .05$  for the correlations between Perceived Success and certain of the nine cultural dimensions. Perceived Success was positively correlated with eight of the cultural dimensions in the USA population. The only cultural dimension that was not significantly correlated with Perceived Success in the USA population was Gender Egalitarianism. Perceived Success was positively correlated with seven cultural dimensions in the Indian South African population. The two cultural dimensions that were not significantly correlated with Perceived Success in the Indian South African population were Institutional Collectivism and Gender Egalitarianism. Perceived Success was positively correlated with eight of the nine cultural dimensions in the combined USA and Indian South African populations. The only cultural dimension that was not significantly correlated with Perceived Success in the combined populations was Gender Egalitarianism. The demographic characteristics of the participants were not strongly correlated with Perceived Success, although there was evidence to indicate that Perceived Success was weakly correlated with Age and Education in the Indian South African population.

With respect to H<sub>04</sub> (Table 4.7) the null hypothesis was rejected and the alternative hypothesis was accepted. Perceived Success could be predicted using cultural dimensions. Model USA1 was a good fit to the data.  $R^2 = 43.6\%$  indicated that the variability in Performance Orientation, In-Group Collectivism, Assertiveness, and Uncertainty Avoidance had a moderately large effect on Perceived Success in the USA population. Model SA1 was also a good fit to the data.  $R^2 = 45.8\%$  indicated that the variability in Uncertainty Avoidance, Performance Orientation, and Future Orientation had a moderately large effect on Perceived Success in the Indian South African population. Model USASA1 was a good fit to the data.  $R^2 = 48.5\%$  indicated that the variability in Performance Orientation, In-group Collectivism, Assertiveness, and Uncertainty Avoidance had a moderately large effect on Perceived Success in the combined USA and Indian South African populations.

With respect to H<sub>05</sub> (Table 4.7) the null hypothesis was not rejected for the USA population but it was rejected for the Indian South African population. The predictive relationship between Perceived Success and cultural dimensions was moderated by the demographic characteristics of the participants in the Indian South African population. Model SA2 was a good fit to the data.  $R^2 = 51.9\%$  indicated that the variability in Performance Orientation, Age, Future Orientation, and People in the organization had a moderately large effect on Perceived Success. The addition of the demographic variables improved the model by increasing the  $R^2$  from 45.8% to 51.9%. The demographic variables (Age and People in the organization) which had a significant impact on Perceived Success in the Indian South African population did not have a significant impact on Perceived Success in the USA population. With respect to the combined USA and Indian South African populations in Model USASA1, the demographic characteristics were not significant predictors of Perceived Success. Further discussion of these results and recommendations based on these results will be presented in Chapter 6.

## **5.7 Qualitative Analysis: Results**

### **5.8 Description of the cases**

The researcher interviewed 5 FOB's from Indiana (USA) and 5 Indian South African FOB's from Durban South Africa. The Indian South African FOB's interviewed had an average of 59.4 years in business, an average of 10 employees, 3 of the companies are in the 2nd generation, 1 in 3rd generation and one transitioning from 3rd to 4th generation. The average age of the owner is 56.8 years for the Indian South African group and 46.4 years in USA. Three of the respondents for the Indian South African cases are

males and two are females. See table 5.13 and table 5.14 below for a description of cases on the 10 FOB's interviewed.

**Table 5.13: Description of cases: South African Indian FOB's**

	Cases				
	Case 1	Case 2	Case 3	Case 4	Case 5
Years in Business	47	105	45	60	40
Current Location	Durban South Africa	Durban South Africa	Durban South Africa	Durban South Africa	Durban South Africa
Ownership	Husband and Wife	2 Grandsons and Grand Father	Cousin Consortium	3 Brothers	Mother and two sons
Management	Wife	Grandsons	3 cousins	1 brother	Mother
Number of Employees	5	30	5	5	7
Generation	2 <sup>nd</sup>	3 <sup>rd</sup> /4 <sup>th</sup>	2 <sup>nd</sup>	3rd	2 <sup>nd</sup>
Age of Owner Interviewed	45	70	64	56	49
Education of owner	Diploma	Degree	Certificate	Grade 9 or less	Grade 12
Children Involved in Firm	Yes	No, Grand son	No	No	Yes
Children have work experience outside of firm	No	No	Yes (children working outside of the firm)	Yes (children working outside of the firm)	No (Other children are working outside the firm)
Gender of current owner	Female	Male	Male	Male	Female

The USA FOB's interviewed had an average of 101.2 years in business an average of 13 employees, 1 company is in the 3rd generation, 1 company is transitioning from 3rd to 4th generation, 1 company is transitioning from 4th to 5th generation, and 2 companies are in the 5th generation. 5 of the respondents for the USA cases are males.

**Table 5.14: Description of cases: USA FOB's**

	Cases				
	Case 1	Case 2	Case 3	Case 4	Case 5
Years in Business	154	138	65	95	54
Current Location	Plymouth Indiana	South Bend Indiana	South Bend Indiana	South Bend Indiana	South Bend Indiana

	Case 1	Case 2	Case 3	Case 4	Case 5
Ownership	Husband and Wife	Husband and wife (father to husband is semi retired 4 <sup>th</sup> generation owner)	Cousin Consortium	2 brothers	Son of retired owner
Management	Husband and Wife	Husband and Wife	3 Cousins	2 brothers	Son
Number of Employees	13	11	15	15	12
Generation	5 <sup>th</sup>	5 <sup>th</sup>	3 <sup>rd</sup> /4 <sup>th</sup>	4 <sup>th</sup> /5 <sup>th</sup>	3 <sup>rd</sup>
Age of Owner Interviewed	47	45	45	55	40
Education of owner	Degree	High School	Degree	Degree	Degree
Children Involved in Firm	No (children in elementary school)	No (children in high school)	Yes (one of the 3 cousins' son)	Yes (son of current owner)	No (children in elementary school)
Children have work experience outside of firm	n/a	n/a	No- just graduated from University	No	n/a
Gender of current owner	Male	Male	Male	Male	Male

Uncertainty Avoidance: Table 5.15 and 5.16 below shows the results on uncertainty avoidance for the two study groups based on question 1 asked in Appendix B. Uncertainty avoidance is one of the variables identified through the quantitative survey as a predictor for perceived success for both USA FOB's and Indian South African FOB's (Model USA1, Model SA1 and Model USASA1) i.e. Uncertainty Avoidance had a moderately large effect on Perceived Success. The interview results confirm the importance of this variable as a predictor of perceived success for both study groups. 4 out of the 5 FOB's in USA have no formal transition plans to avoid uncertainty, all USA FOB's have a family council that meets regularly to conduct periodical analysis, discuss about the future of the business and business growth. 5 out 5 USA FOB's have same work rules for family and non-family employees.

**Table 5.15: Results on Uncertainty Avoidance for USA FOB's**

Case 1	At 1st there wasn't any transition plan as 4th generation owners planned to sell the business. The son (now 5th generation) who is a lawyer by profession decided to take over family firm and abandon his law practise due to loyalty to the family business. A transition plan and contract was drafted after the son decided to take over the business. Family council meets regularly to discuss about role of family in business (mainly current owner and wife), parents are consulted occasionally for advice on different things. Owner conducts a periodical analysis regarding the future of the business and the role of the family in the business. Owner treats all employees as family members/co-workers, and the same work rules apply to family members compared to non family members.
Case 2	There is no transition plan in place currently and there wasn't any transition plan in place when current owner took over from his father. Current owner, his wife and his dad meet periodically as a council to discuss about the future role of family in the business and to discuss about business growth. All 12 employees follow the same work rules as non family members.
Case 3	Ownership is a cousin consortium for this case and they have a well defined and written transition plan in case of death of one of the 3 members. If one of the partners dies or is incapacitated they become immediately bought out (benefits go to the wife) and the other two immediately will take over and will continue running the business. "The automatic buy out transition plan is in place so that it's not messy, it ensures a smooth transition", said one of the partners. The three partners have formal family council meetings or business meetings every other Friday to go over strategic issues, business growth and periodical analysis regarding the future role of family in the business. The same work rules apply for family and non-family members
Case 4	No formal transition plan in place. The company is incorporated with the two brothers as the major stock holders. The two brothers meet weekly to discuss about the role of family, business growth and the welfare of the family in the business among other things. The same work rules apply for family and non-family members.
Case 5	No formal transition plan in place. "There was a gentleman's agreement when I took over from my dad", said the current owner. Current owner has 100% ownership but he meets with his dad (retired) weekly to discuss business growth, future of business, role of family in the business, periodical analysis, etc. Current owner is the only family member working for the business but he stated that, "10 years ago when it was my father, my mother, my wife and myself running the business there was a conflict with family and same rules were not always followed. A lot of things were not addressed in order to avoid conflict and that was not good for the business"

4 out of the 5 Indian South Africa FOB's have no formal transition plans and 4 out 5 Indian South Africa FOB's have a family council that meets regularly to conduct periodical analysis, discuss about the future of the business and business growth. The company that does not have a family council is actually failing and about to become extinct which reiterates the importance of the uncertainty avoidance variable in predicting perceived success. 4 out 5 Indian South Africa FOB's have same work rules for family and non-family

employees, the 5th company gives more freedom to owners to do what they want but non-family employees follow the same work rules.

**Table 5.16: Results on Uncertainty Avoidance for South African Indian FOB's**

Case 1	There is no transition plan in place. Husband and wife and son occasionally meet as a family council to discuss about the role of family in business and business goals and growth plans in general. Due to the difficult economic environment the current owners are more focused on the day to day survival of the business and very minimal effort is placed on planning for the future. Management/owners have the freedom to do what they want but all non-family employees have to follow the same rules.
Case 2	The respondent is the retired 3rd generation owner and there was no transition plan when he took over the business, he just took over because he was the eldest son when his dad passed away. At the moment with grandsons taking over (4th generation) there is a transition plan, though not formal. Respondent meets weekly with grandsons as a family council to discuss about role of family, business growth and the welfare of the family members in the business. The grand sons though quite capable they take advantage of the family council meetings to get advice and to continue receiving training from the retired owner. The same work rules apply for family and non-family members.
Case 3	There is no transition plan in place. The family council is not effective, and the current owners are giving up on the business because their kids are not interested in the business as they are pursuing other professional careers. Owner stated, "the business is dying slowly". Same work rules do not apply for family and non-family members.
Case 4	There is no transition plan in place and there wasn't any plan in place when current owner took over from his father. Owner states, "in our culture the business is ours, it's never mine or yours it's always ours. We all live together (my father, my uncle, brothers and me) and we have meetings formal and informal all the time to discuss about the family and the business. We have more informal discussions than formal discussions. We all work together cohesively because we all understand that the business belongs to all of us not to just one person". Same work rules are followed for family and non- family members.
Case 5	There is a formal transition plan in place. The children will take over and it's all planned out. The plan was put in place as a lesson learned from when the husband passed away a year ago. The family council meets monthly to discuss about family and business in general. Current owner spends more time on planning day to day operations and less time on periodical analysis. Same work rules are followed for family and non- family members.

The qualitative results confirm the findings revealed in the quantitative analysis section. As defined in Section 1.8, uncertainty avoidance is the extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events (House, *et al.*, 2007) and that is what exactly the Indian South African and USA FOB's are attempting to do. The interview results reveal that several social norms, rituals and bureaucratic practices are being followed as an attempt to avoid the uncertainty of the FOB survival after the loss of the current owners. Even though there are no formal succession plans for most of the businesses

interviewed (80%), there is overwhelming use of family councils and previous owners keep their finger prints in the business by offering their guidance especially on the issues about the future of the business.

According to previous literature, Papalexandris and Panayotopoulou (2004) argue that there is a relationship between uncertainty avoidance and the use of both career and succession plans. The two authors argue that even uncertainty avoidance does not always have a positive impact on planning as expected, because as it has been noted that planning may involve personal risks if plans are not realized (Aycan, 2003). This might provide the explanation for the lack of formal plans. With formal plans, personal risks (conflict, rivalry, etc.) might be involved hence FOB's in this case resort to informal plans. Also in light of the Transition Period Model by (Gersick, Lansberg, Desjardins & Dunn, 1999 ) Section 2.2 it is apparent from the results that cases were FOB's are siblings partnerships or cousin consortiums face greater uncertainty compared to 1<sup>st</sup> generation FOB's.

Future Orientation: Table 5.17 and 5.18 below shows the results on future orientation for the two study groups based on question 2 asked in Appendix B. Future Orientation is one of the variables identified through the quantitative survey (Model USA1, Model SA1 and Model USASA1) as a predictor for perceived success for Indian South African FOB's and not necessarily for the USA FOB's. Based on the quantitative survey future orientation is positively correlated to perceived success for both study groups. Looking at the interview responses in Table 5.17 and 5.18 below the differences on this variable are not so apparent between the study groups. In fact the USA FOB's seem to be more future oriented than the Indian South African FOB's because all 5 USA FOB's spend a considerable amount of time planning for the future. From the responses it is clear that the Indian South African FOB's interviewed were struggling due to the economic environment at the time of the interview hence they were spending more of their time in the crisis mode, focusing on current issues and not so much planning for the future.

**Table 5.17: Results on Future Orientation for USA FOB's**

Case 1	There is no clear policy that defines how to introduce family members into the business. There is no succession plan in place, owner states, "my children are so small and still in elementary school, I will be proud of them if one of them decides to join and take over the family firm, but I am not actively encouraging them to do so. They should be willing on their own because it is a tough business". Thus no system in place to train potential successors, there are no written rules to govern the hiring of family members. Current problems are taken care of immediately and considerable amount of time is spent planning for the future.
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Case 2	There is no clear policy that defines how to introduce family members into the business. The unwritten rules are that any family members are welcome to join but they should built equity first and responsibilities will be based on seniority and experience. There is no well defined succession plan and the current owner spends equal amount of time planning for the future as well as solving current problems.
Case 3	There is a clear policy in place that defines how to introduce family members into the business. They have to start as an employee (for 5 plus years), show that they have a good work ethic and show that they have what it takes before they can be a partner. The respondent states, “A university degree is a requirement to be a successor; it’s a vital component because of all the technology. A family member can work here but without a degree they might not be a partner”. At bi-weekly meetings current problems are discussed and solved as well as planning for the future. There is a succession plan in place.
Case 4	There is no clear policy that defines how to introduce family members into the business, it all depends on availability of positions and anyone can apply to be an employee. There is no formal succession plan but it is known that the son to one of the brothers will take over and he is getting groomed for that responsibility (at time of survey). A university degree is a requirement and the son is currently going through intense internal training in preparation for him to be the successor. Current owners spend a lot of time solving current issues but they also spend time planning for the future.
Case 5	There is no clear policy that defines how to introduce family members into the business. There is no succession plan at the moment but current owner states, “there will be one in place very soon”. Owner and wife are discussing with children if they want to be part of the business and because they are still young it’ll be 10-15 years before they can be part of the business. Potential successors are groomed into the business for years before they can take over and they also attend industry sponsored seminars and trainings as part of the training. Current owner was the vice president for at least 15-20 years before he took over. Owner works on solving current problems as well as planning for the future.

The researcher believes that the reason why the future orientation variable was identified as a predictor of perceived success through the quantitative study is because the Indian South African group introduce their children to the business at a very early stage. As early as elementary school the children begin to participate in the business and during holidays and vacations they spend time at the business and as a result they naturally become part of the business from young age hence ready to take over upon loss or retirement of the owner. In contrast for the USA FOB’s children are introduced later to the business usually after graduating from school or after they are mature enough to express interest in joining the family business.

**Table 5.18: Results on Future Orientation for South African Indian FOB’s**

Case 1	There is no clear policy that defines how to introduce family members into the business because there are no plans to introduce new family members due to the current economic environment. For the same reason the owner states, “there is no succession plan in place unless if the economic situation changes favourably”. There is no formal plan to train children because they are automatically involved in the business as they grow up. They pick up more responsibility as they grow up and work in the business. Most time is spent on solving current problems.
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Case 2	There is no clear policy that defines how to introduce family members into the business because there is no room for new members. There is no written succession plan but the grandsons started working and helping out in the business when they were very young. Naturally they become part of the business from young age hence ready to take over upon loss or retirement of the owner. During holidays, after school and during vacations the children work for the business. The children are encouraged to go to university before they join the business but it's not a requirement. More time is spent on solving current problems, most businesses are moving out of cities into more peripheral shopping malls and it's difficult for the current owners to plan long term and cope with the changing environment.
Case 3	There is no room for new family members to join. Current owner states, "the only option is for our children to get education and get into professional careers. I am 64 and coming to my retirement, there is no planning for the future. I am just enjoying myself as I am getting about to retire".
Case 4	There is no clear policy that defines how to introduce family members into the business and there is no succession plan, it is assumed that the oldest son will take over and run the business. Owner states, "all the kids have pursued other professional careers and they are not interested in running the business so, that is the end of the story, It's like I am at the end of my rope". The current owner is no longer planning for the future because he is thinking more about winding down.
Case 5	There is a clear policy in place that defines how to introduce family members into the business. It is a contract that they have to follow and all the rules that they have to follow and abide by. Mom (current owner) has a will that defines that the son will take over the business when she is no longer available. Daughter is a psychology major and not interested, son is taking over and has picked up many responsibilities from the time when dad passed away. The will is pretty clear to avoid conflict when mom is gone. When husband passed away there were a lot of family issues because nothing was in place clearly defining the transition and succession process. Son was going to university for business administration but he had to stop when dad passed away to come and run the business. Time is spent on planning for the future even though they take it one day at a time due to the current economic climate.

According to literature reviewed, future orientation is the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification. In other words, the degree to which society helps its members face whatever situation occurs with a more long-term perspective (House, *et al.*, 2007). Based on these results both the Indian FOB's and the USA FOB's are engaged in some future oriented behaviors. This explains why in the quantitative survey future orientation is positively correlated to perceived success for both study groups.

These qualitative results do not provide insight as to why the quantitative survey (Model USA1, Model SA1 and Model USASA1) only identified future orientation as a predictor for perceived success for Indian South African FOB's and not necessarily for the USA FOB's even though both clusters are future oriented cultures (Liddell, 2005; House, *et al.*, 2007) . This author recommends future research to look into the

reasons why? Maybe a look at previous studies might help to provide some insight. According to Papalexandris and Panayotopoulou (2004), future orientated cultures tend to use formal career plans e.g. succession planning and according to Javidan *et al* (2001) countries with a strong future orientation, are associated with a higher propensity to save for the future and longer thinking and decision-making time frames and conversely those with weak future orientation are associated with shorter thinking and planning horizons and greater emphasis on instant gratification. Results from the Globe study show that Indians are future oriented (House, *et al.*, 2007); high scores on future orientation reflect a society that plans for the future. The Indian culture socializes children with axioms such as “always save for a rainy day” from an early age. Therefore Model SA1 and SA2 are in conformity with other previous studies hence the future orientation by the South African Indian FOB’s helps them to plan for successful successions. Thus for the Indian South African FOB’s, future orientation is one cultural dimension they might want to instill and pass on to future generations.

Power Distance: Table 5.19 and 5.20 below shows the results on power distance for the two study groups based on question 3 asked in Appendix B. Based on the quantitative survey, power distance is positively correlated to perceived success for both study groups. Even though a majority of the respondents from both study groups stated that power is shared top down, it is overwhelmingly clear that family members and employees are free to express their opinions. Thus leaders allow family members and employees to take part in decision making through a bidirectional communication system. From the overall business's point of view, job satisfaction and quality of work improves when such a democratic leadership style is employed (Lewin, Lippit, & White, 1939). For 8 out of the 10 respondents, the leader’s word is final. The freedom to express opinions allows the leaders to build consensus and get buy-in from other family members and employees but they make the final and best decision for the business.

**Table 5.19: Results on Power Distance for USA FOB’s**

Case 1	Owner states, “family members are 100% free to express their opinions, oh yap”. Owner claims he doesn’t know everything so he welcomes all feedback and suggestions but he makes 90% of all final decisions. The structure of the business is top down.
Case 2	Family members are free to express their opinions. Husband has final word on most decisions. Wife can make some decisions but not on major issues. Power is shared top down with the husband calling the shots.

Case 3	The three partners are free to express their opinions. Each partner has designated responsibilities (1 office work i.e. accounts payables, receivables, office management, 2 purchasing, and 3 operations) and each partner has autonomy to make final decisions in the area of responsibility. It's all divided up so that the partners are not impeding on each other. Power is distributed and that allows the employees to make certain decisions within their realms of duty but for major decisions the partners have the final say.
Case 4	Family members and non-family members are free to express their opinions. The two brothers are running the place and they share the responsibilities and their word is final on major decisions. Employees have the autonomy to make some operational decisions in the areas of their responsibilities. Power is shared throughout the organization.
Case 5	Family members and non-family members are free to express their opinions. Current owner explains that a few years ago when his dad was running the business power was shared amongst all family members but now he is the only family member working for the business and his word is final. Power is now shared top down and all employees report directly to him.

Case 3 from the South African Indian group shows that when family members and non-family employees are not allowed to express their opinions and when family members and non-family employees are not part of the decision making process, the end result can be failure.

**Table 5.20: Results on Power Distance for South African Indian FOB's**

Case 1	Wife and husband make the final decisions but the husband makes decisions on major action items. Wife is still learning and depends on the guidance from the husband on how to make major business decisions. Employees are actively involved in decision making and they make some independent decisions at their level. Employees freely express their opinions especially on issues such as product design.
Case 2	Family members are free to express their opinions. The grandsons get along well and they share decision making and they run the business and their decision is final. The respondent is only there as a consultant and advisor to the grandsons. Power is shared top down.
Case 3	Family members can say their opinions but everything is overruled by the cousins who are in charge. The cousins' word is final. Power is shared top down.
Case 4	Family members are free to express their opinions. When the 1st and 2nd generation owners were in charge, decision making was top down. Now power is shared throughout the organization and employees and family members are consulted in the decision making process.
Case 5	Family members are free to express their opinions. The sons make decisions on operational issues and power is shared amongst the family members. Mom as the director has the final say on financial decisions.

Based on literature reviewed, power distance is defined as the degree to which members of an organization or society expect and agree that power should be unequally shared (House, *et al.*, 2007). According to Papalexandris and Panayotopoulou (2004), there is a relationship between power distance and the use of formal career plans. Aycan (2003) agrees with Papalexandris and Panayotopoulou when he suggests that HR planning is centralized in high power distant cultures. According to the Globe Study (House, *et al.*, 2007), the Southern Asia Cluster is high on power distance and the Anglo Cluster (USA) is low on power distance. Power distance is a way to explain the handling of differences between groups existing in a system of inequality. Power Distance reflects a culture's attitude towards human inequality which defines itself inside organizations through a manager/employee relationship. In cultures where power distance is low, managers and their subordinates have egalitarian relationships and near equal levels of power are experienced. In cultures that are high on power distance, the organizational structure is hierarchical and importance is placed on social status of employees.

The difference between the two clusters (high power distance and low power distance) is not so apparent based on the interview results. What is clear is the fact that family members are clear to express their opinions, and hence they take part in decision making which qualifies the relationship that was revealed in the quantitative survey between power distance and perceived success.

The qualitative survey results also confirms what (Liddell, 2005) stated when he argued that the preferences for the leaders in the Indian South African Cluster are explained by this cluster's high power distance and family-oriented culture that expect leaders to act as patriarchs while maintaining the team and family orientation of organizations.

Institutional Collectivism (Collectivism 1): Table 5.21 and 5.22 below shows the results on institutional collectivism for the two study groups based on question 4 asked in Appendix B. Based on the quantitative survey, institutional collectivism is positively correlated to perceived success for the USA study group and not the Indian South African group. Institutional Collectivism is identified in Model USA1 as a predictor of perceived success but not in model SA1 nor Model USASA1. For all the 10 FOB's there is no formal system to resolve conflict but each business has a unique way of addressing conflict informally.

**Table 5.21: Results on Collectivism 1 for USA FOB's**

Case 1	Family loyalty is not necessarily encouraged at the expense of individual goals; if someone is successful on their own they are encouraged to do so. The business is structured to maximize and encourage collective interests. There is no system in place to resolve family conflict, but family issues are addressed immediately when they come up.
Case 2	Family loyalty is encouraged sometimes at the expense of individual goals. The owner (husband) sometimes wonders if it could have been better for him not to be running the family business and doing something else. There is no system to resolve conflict. The husband states, "pretty much it's a couple people yelling and then we'll all calm down and we'd all talk about it later".
Case 3	Individual goals are encouraged. A family member /partner can walk out and pursue their own individual goals at any time. 15 years ago it was 4 person cousin consortium but the other older cousin walked away to pursue personal goals. The cousins have no system to resolve conflict but they all understand that profitability is the bottom line hence the business is structured to maximize the collective interest of the partners. According to one of the partners they decided to keep their 3 wives out of the business to avoid conflict.
Case 4	Individual goals can be pursued by family members. As an example one of the managing brothers decided to leave the company 2 years ago to pursue individual goals and when it didn't work out he came back and rejoined the family business. The business is structured to maximize the collective interests of everybody and not just individual interests. There is no system in place to resolve family conflict; family issues are addressed as they come up.
Case 5	Family loyalty is encouraged at the expense of individual goals. During the current economic outlook, the owner states, "the business can't fail under my watch; I would have let down the family if that happens". There was no formal system to resolve conflict when a lot of family worked in the business. Regular meetings were held to be proactive and to diffuse any potential problems. At this point there is no system in place to resolve conflict.

For the Indian South African FOB's the results were mixed and there is equal emphasis between collective interests and individual interests and that probably explains why there isn't a positive correlation between institutional collectivism and perceived success for this group (quantitative results).

**Table 5.22: Results on Collectivism 1 for South African Indian FOB's**

Case 1	Individual goals are encouraged. The owner states, "not everyone enjoys business so they should be allowed to do what they want and the family business should not hold them back. Everyone needs to pursue whatever goals make them happy and it wouldn't be fair to do it otherwise". There is no system in place to resolve conflict.
Case 2	Individual goals can be pursued by family members. According to the respondent, children are not forced to be part of the business. They are encouraged to go to school and pursue other professional careers or come back to the family business after acquiring some education. There is no formal system in place to resolve conflict and according to the respondent, most conflict is resolved peacefully without hard feelings because he believes that everyone in the family is peace loving.

Case 3	This business is designed to maximize individual goals. The respondent mentioned that, “individual goals are the priority at this time for family members”. There is no system to resolve conflict.
Case 4	Children are encouraged to pursue individual goals such as other professional careers as compared to running the business. The business is set up to maximize collective interests of those involved not just individual interests. There is no formal system to resolve conflict for this business but an informal family council headed by the eldest family member addresses all conflict.
Case 5	Individual goals can be pursued by family members. The son was groomed to take over the business hence he has loyalty to the business. There is no formal system in place to resolve conflict but the eldest brother acts as a mediator in case of family conflict. Current owner reported that there is severe conflict between the late husband’s family and the current owner and the conflict led to a split of the business.

Based on the literature that was reviewed, it is stated that institutional collectivism (Collectivism I) reflects the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action. Low scores in this dimension reflect individualistic emphasis and high scores reflect collectivistic emphasis by means of laws, social programs or institutional practices (House, *et al.*, 2007).

Papalexandris and Panayotopoulou (2004), in their study argued that a strong relationship exists between collectivism and the use of career and succession plans. Their findings are in line with other research findings by Evans, (1993) and Schaubroeck and Lam, (2002) also argue that collectivistic cultures value, among other things, good relationships with superiors, similarity in personality, seniority and loyalty. Other previous studies also revealed that, in societies where collectivism is emphasized, the ties between individuals were tight (Hill, 2003). Indian FOB’s are different to western FOB’s in that the collectivist tendencies prevail and complete surrender of individuality for the welfare of the family is more prevalent (Dutta, 1997).

The interview results in this section in contrast to the previous literature review findings show that the Indian South African FOB’s value individual accomplishments more than collective tendencies. These interview results fail to explain why Institutional Collectivism is identified in Model USA1 as a predictor of perceived success but not in model SA1 nor Model USASA1. This author recommends future research to look into the differences. Also, for all USA FOB’s collective interests are encouraged more than the individualistic interests. This finding was unexpected and future research to look into the differences is

recommended even though in Chapter 6 under Section 6.2 a possible explanation is provided for the unexpected findings.

Humane Orientation: Table 5.23 and 5.24 below shows the results on Humane Orientation for the two study groups based on question 5 asked in Appendix B. Based on the quantitative survey, Humane Orientation is positively correlated to perceived success for both the USA study group and the Indian South African group. 8 out of the 10 respondents reported that there wasn't any concern about family harmony, mistakes are tolerated by family members and that family members are generally very friendly.

From the responses given, it is clear that that the business serves the family and the family serves the business. Multiple responses indicated that the business needs healthy family relationships in order to survive from generation to generation.

**Table 5.23: Results on Humane Orientation for USA FOB's**

Case 1	For this business there are no concerns about family harmony but the current owner reported that at the time of transition there was disharmony due to generational differences. When the current owner took over the business his dad didn't believe in internet (facebook, twitter, website/online sales/reservations) or toll free numbers and when he introduced such tools it resulted in disharmony. His dad always said, "oh we never did that before". Mistakes are tolerated by family members and family members are very friendly to each other and to customers.
Case 2	There are no concerns about family harmony and mistakes are more tolerated by family members. Respondent states, "You know we have to live with each other for the rest of our lives so we've learned to get over it quickly". Family members are generally very friendly to each other and to customers.
Case 3	There are no concerns about family harmony. Mistakes are tolerated and" family members are absolutely very friendly to each other and others", according to the respondent.
Case 4	For this business there are no concerns about family harmony and mistakes are tolerated. Family members are generally very friendly to each other and to customers. According to the respondent, " You got to be friendly if you want to succeed, without that you'll close the doors and I think that's one of the reasons why we are successful"
Case 5	The respondent reports that currently there are no concerns about family harmony and mistakes are tolerated. He also stated that 10 years ago when more family members were involved in the business disharmony was the order of the day. There was a bitter divorce between the parents of the current owner and the business almost closed doors due to disharmony at that time.



For the South African Indian FOB's, mistakes by family members are tolerated, family harmony is highly valued and family members are friendly to each other and to customers.

**Table 5.24: Results on Humane Orientation for South African Indian FOB's**

Case 1	There are no concerns about family disharmony for this business and family members are very friendly to each other and to customers. Mistakes are tolerated, the respondent states, "it's part of human nature to make mistakes so they should be tolerated".
Case 2	Respondent reported that mistakes are tolerated in the business and that everyone learns from their mistakes and move on. Family members are very friendly to each other and to customers. There are no concerns about family harmony at all as it is reported that everybody gets along very well.
Case 3	For this business, mistakes are tolerated, the family tries to accommodate each other and there are some concerns about family harmony.
Case 4	For this business there are no concerns about family harmony, the respondent states, "it's a pleasure working together". Mistakes are tolerated as part of human nature, and family members are supportive of each other despite a mistake. Family members are very friendly to each other, and according to the respondent, "they carry each other on the back".
Case 5	For this business family harmony was reported as a major concern between the current owner and the late husband's family. In particular the late husband's sister causes a lot of disharmony by sabotaging others' efforts, etc. Since there are two families to this business, disharmony within the current owner's family is addressed up front and is resolved on the same day but disharmony on the late husband's side of the family is not addressed.

According to (House, *et al.*, 2007), humane orientation is defined as the effort and practices, which a society shows in support of human beings including generosity, concern and friendliness. According to Gupta *et al.*, (2002) the South Asian Cluster is distinguished as highly humane oriented and according to (Liddell, 2005) the Anglo Cluster also scores high on humane orientation.

The qualitative survey results affirms the quantitative results which showed that humane orientation is positively correlated to perceived success for both the USA FOB's and the Indian South African FOB's. Friendliness and family harmony was emphasized by both groups.

Nieman (2006) attributes family business failure to factors such as conflict between family members, nepotism, improper handover to the next generation and ineffective communication, among others. These traits were seen in Case 3 and 5 for the Indian South African FOBs, Case 3 is actually a lost case because family harmony does not exist. Case 5 for the USA FOB's also reflect the same. When there is lack of family harmony and general friendliness, the business will suffer.

Van Eeden and Venter (2007) state that one of the biggest threats to the growth, success and survival of any FOB is the complexity of family relationships. Van Duijn *et al.* (2007) add that family problems and emotions may impinge on the business. Rwigema & Venter (2004) also add that the inappropriate management of family relationships is a weakness of family businesses. Case 3 and 5 for the Indian South African FOBs and Case 5 for the USA FOB's affirm these findings by previous researchers.

The qualitative results in this section are mostly in line with what other previous studies revealed; (Chsriman, Chua, and Litz 2004; Davis, 1983; Gersick, Davis, Hampton, Lansberg, 1997; Taguiiri and Davis, 1996; Habberson and Astrachan 1997) argue that employing family members can lead to advantages for the FOB, since the existence of kin relationships are generally reputed to temper the self-interest and foster commitment of those inside the business.

Performance Orientation: Table 5.25 and 5.26 below shows the results on Performance Orientation for the two study groups based on question 6 asked in Appendix B. Based on the quantitative survey, Performance Orientation is positively correlated to perceived success for both the USA study group and the Indian South African group. Performance Orientation is one of the variables identified through the quantitative survey (all five models; SA1, SA2, USA1, USA2, USASA1) as a predictor for perceived success for both the Indian South African FOB's and the USA FOB's.

**Table 5.25: Results on Performance Orientation for USA FOB's**

Case 1	The business has no system in place to measure performance neither does it have a formal system to acknowledge and recognize family/employee achievement in the business. The owner doesn't have an incentive program but he is good at giving verbal praises. More importance is placed on the success of the business than family members. The owner states that, "there are many times when family relationships are strained because of the desire of the business to succeed".
Case 2	The company has a formal system in place to review staff performance and the system is not used that much for family employees. The owner reported that all the employees are hard workers and the system will not tolerate any staff working below the average. The business doesn't have a formal system for incentives but according to the owner, "you get a pat on the back if you work hard here".
Case 3	The business has a formal system in place to measure performance for family members. As an example they track revenue per partner i.e. what revenue does each partner bring to the business. The owner states that, "the performance tracking helps all the partners to remain focused". There is no incentive system for the family partners since they are expected to perform at 100% but there is a

	formal incentive program for non-family employees, as an example the employees get a bonus for going above and beyond the call of duty. A lot of importance is placed on the success of the business and the partnership. According to the respondent the business partnership comes first and the relationships come last.
Case 4	The business doesn't have a formal system in place to measure performance but there is a formal incentive program such as bonuses for best efforts. The owner believes that there is equal importance placed on business as well as the family relationships. He states that the family and business are kept separate but in general more emphasis is placed on the business. He states, "you can't ignore the business because it will not help to have nice relationships without a viable business".
Case 5	For this business there is no formal system in place to measure performance but they track customer satisfaction informally as a way to measure performance. The business does have a formal incentive program such as the commission based system for its employees. The owner has a system to acknowledge and recognize best efforts e.g. flex times for employees, days off with pay, leave work early with pay, days off for dog funeral, etc. The respondent reports that during his retired dad's time there was a way to measure performance by family members. The owner believes that the business comes 1st 100% and the family second. He believes that some conflict in the family especially with wives came as a result of husbands spending very long hours in the business neglecting the family relationships. The current owner states that, "the business is my life, if I have to come in on weekends, you'll find me here and if I have to come in early you'll find me here. I will do whatever it takes to keep the business successful".

It became so apparent during the interviews that both the USA FOB's and the Indian South African FOB's don't have a formal system in place to measure performance. Only 1 FOB (Case 5 from the Indian South African Group) had a formal system in place to measure performance. Despite the lack of formal systems to measure performance, a majority of the respondents have an informal way to measure performance and to acknowledge and recognize achievement by family members and non-family members in the business. For 8 out of 10 respondents, the business comes first and family relationships come second. The overall conclusion is that when the business succeeds so does the family and the vice versa might not always be true.

**Table 5.26: Results on Performance Orientation for South African Indian FOB's**

Case 1	For this business there is no formal system in place to measure performance but employees/family are encouraged to do their best or else they risk losing their jobs. The incentive system though not formal it exists and employees/family are rewarded in cash or kind for best efforts. According to the owner, a lot of importance is placed on the business and keeping customers' happy and not family happiness or family relationships, "business comes 1st", he said.
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Case 2	For this business there is no formal system in place to measure performance but informally good performance or great efforts are recognized and rewarded through bonuses and wage increases. The retired owner (grandfather) mentioned that both family and business are important. The children are taught as they grow up that the business is important as well as the fact that family is important. They teach their children that both institutions should be treated with high regard and that both institutions depend on each other for survival. “If you need to have a good life then you need to work very hard, that is what we teach the children as they get involved in the business”, said the retired owner.
Case 3	This business doesn’t have a formal system in place to measure performance nor to recognize achievement and neither does it have a system in place to offer incentives. The owner once in a while might offer a token of appreciation for best efforts. “We have been taught by our fathers that business comes 1st, if business is successful then family will be successful too”, said the owner.
Case 4	This business doesn’t have a formal system in place to measure performance nor to recognize achievement and neither does it have a system in place to offer incentives. On an informal basis though best efforts are usually recognized by a pat on the back. The owner mentioned that there is equal emphasis on both business success and family relationships, “the business needs good family relationships in order to succeed and the family needs a successful business in order to enjoy”, he said.
Case 5	For this business there is a formal system to measure performance and an incentive program is in place for staff and family. For example employees are paid on commission, there is a clear career path that allows promotion to higher levels and a company car is available for staff transportation. Equal importance is placed on both the family relationships and the business, “I can’t see one being important than the other. I need a successful business to support the family and I need a supportive family for the business to thrive. It works both ways”, said the owner.

According to (House, *et al.*, 2007), performance orientation is the extent to which an organization or society encourages and rewards group members for performance improvement and excellence. According to (Liddell, 2005 and Gupta *et al.*, 2002), both the Anglo Cluster and the South Asian Cluster are high on performance orientation. Therefore the results of the quantitative surveys (Models SA1, SA2, USA1, USA2, USASA1) affirms the findings by previous researchers.

Several researchers have also argued that the successor’s ability to lead the business or the performance by the successor is linked with positive succession outcomes (Barach and Gantisky, 1995; Barach, Gantisky, Carson, and Doochin, 1988). The survey results show that performance evaluations of group members (formal or informal) are critical for positive succession outcomes.

According to Burke’s (2003) succession model, stage 3 (Core Competencies and Skills) and stage 4 (Identification and Assessment of Successor Candidates) focuses on performance orientation as the best way to identify a viable successor. Burke (2003) in his model argues that, it is critical for any family

members considered for key positions or as successor candidates to have a commitment to develop the skills and competencies necessary over time in order to meet the business needs in the future.

At stage 4 of his model, the development and implementation of a thorough competency based performance management process is initiated in order to identify the best family member to meet the needs of the FOB (Burke, 2003; Ward and Aronoff, 1993; Bjuggren and Sund, 2001). The general theme revealed by the interview results is in line with what Burke proposed. Even though most FOB's interviewed had no formal systems in place to measure performance, the FOB's had a system (formal or informal) to encourage and reward group members for performance improvement and excellence.

Some researchers argue that leaders are not born; rather they develop over time by learning new skills and competencies. With a performance evaluation system in place, the possible candidates are given the opportunity to discover their "natural" management styles and to understand the differences in their personalities and business philosophies (Burke, 2003; Ward and Aronoff, 1993; Bjuggren and Sund, 2001). Thus a performance evaluation system to identify whether one family member has the ability to acquire those skills and competencies necessary to lead the organization as the successor candidate is critical. For the Indian South African FOB's the development of leaders is a lifetime process where the kids are introduced to the business at an early age and they learn and gain the skills and competencies required for good leadership as they grow in the business.

In-group Collectivism (Collectivism II): Table 5.27 and 5.28 below shows the results on In-group Collectivism for the two study groups based on question 7 asked in Appendix B. Based on the quantitative survey, In-group Collectivism is positively correlated to perceived success for both the USA study group and the Indian South African group. For 9 out of 10 interviews family pride is cherished in the business. For businesses in their 3<sup>rd</sup> generation up family pride is more pronounced. There are a few instances brought up during the interviews were individuals let go of their individual goals (e.g. lawyer abandoning his law practise) in order to carry on the banner of family pride. Retired owners are very supportive to the new owners and they remain part of the family council.

**Table 5.27: Results on In-group Collectivism for USA FOB's**

Case 1	Family pride is cherished in this business for 154 years and from generation to generation. “My parents were very proud of me when I quit my law practice to take over the business”, said the current owner. Retired owner still supports the business and is very active during peak times of the year. There isn't much support to the retired owner as he lives on his own; he is retired and self sufficient.
Case 2	Family pride is cherished in the business. Owner states, “my dad is really proud of the job that I have done and I am sure that his dad was also very proud of the job that he did”. The owner is planning on introducing his child who is now 16 years old to the business in preparation for him to take over. The retired owner lives on his own and is now 73 and works part time in the business, he is involved and supported by the business.
Case 3	Family pride is cherished in the business. Retired owner died 4 years before the date of the interview. He was so proud to see the current owner and two other cousins taking over. There is family pride in the accomplishments of the three cousins.
Case 4	Family pride is cherished in the business. Current owner is so proud of his son who just graduated from college and who is now going through intense training in preparation for him to eventually take over the business. The retired owner died 1 year before the date of the interview but current owner states that he was active and involved in the business up to six months before he died. He was like a consultant to the business, providing advice to the current owner. He lived by himself but he supported and he was supported by the business.
Case 5	Family pride is cherished in the business and family takes pride in individual accomplishments of each other. The retired owner was so proud when the current owner took over the business and he has remained part of the business providing support in form of advice to the current owner.

One major difference between the two groups is that for the Indian South African FOB's parents continue getting financial support from the business and for 3 out of the 5 businesses the parents live in the same household as their children or grandchildren. In contrast for the USA FOB's parents live independently from their children and when they retire they sell the businesses to the successor hence they have no need of continued financial dependence on the business.

**Table 5.28: Results on In-group Collectivism for South African Indian FOB's**

Case 1	Family pride is cherished in the business. Family looks forward to individual accomplishments and is proud when one of its own excels in meeting their own individual goals. Ageing parents remain part of the business and they continue getting financial support, etc from the business. Retired owner now late, was very proud to see his son take over the business.
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Case 2	Family pride is cherished in the business. Individual accomplishments by family members are cherished and the family takes pride in such accomplishments. 3rd generation retired owner is still supported by the business and he is also supporting the business. In his own words he said, “we are family oriented, when kids are young we take care of them and when we get old they take care of us. We don’t believe in nursing homes”. Grandsons are married but they both stay with grandfather (retired owner), and they take care of him in his old age. Everyone lives in a big house and the respondent (retired owner), enjoys staying together with grandsons.
Case 3	The respondent believes that Individual accomplishments are not cherished and he states, “our business is not progressing because we don’t take pride in what we do”. Ageing parents remain part of the business and they are supported by the business.
Case 4	Family pride is cherished in the business and family takes pride in individual accomplishments. The retired owner is still involved in the business and according to the current owner, “he is there by the sidelines, he needs something to do when he wakes up and he prefers to stay connected”.
Case 5	Family pride is cherished in the business and there are great compliments for individual accomplishments. Wife took over from when husband died and the business split up due to family conflict. Current owner states that her parents are very supportive but it’s not the same with the late husband’s family. The current owner’s parents give ideas and suggestions on the business and the owner also financially supports the ageing parents.

According to (House, *et al.*, 2007) the in-group collectivism (collectivism II) dimension measures the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families. According to the quantitative results (Model USA1 and Model USASA1) In-group Collectivism had a moderately large effect on perceived success for the USA FOB’s. According to Gupta *et al.*, (2002) and Liddell (2005, both the Anglo Cluster and the South Asian clusters are high on collectivism II (in-group collectivism).

The survey results affirm the quantitative results; the USA FOB’s interviewed expressed pride, loyalty, and cohesiveness in their organizations or families. For example an attorney who quit his promising career as an attorney in order to run the family business that has been around for 154 years. During the interview, he expressed that if it wasn’t for family pride in the business and loyalty to the family business he wouldn’t have made the decision to quit his job as a successful attorney.

Gender Egalitarianism: Table 5.29 and 5.30 below shows the results on Gender Egalitarianism for the two study groups based on question 8 asked in Appendix B. Based on the quantitative survey (all five models; SA1, SA2, USA1, USA2, USASA1), Gender Egalitarianism is one of the variables that is not significantly

correlated to perceived success for both the USA study group and the Indian South African group. In other words gender has no direct impact on perceived success. 9 out of the 10 respondents expressed that both women and man are welcome in the business and successor opportunities are the same for both family men and women.

**Table 5.29: Results on Gender Egalitarianism for USA FOB's**

Case 1	Women family members are welcomed to join the business, the current owner works with his wife to run the business, and his sister is also employed by the business. Family men are encouraged as much as family women to be successors in the business and successor opportunities (grooming, education, etc) are the same for both genders.
Case 2	Women family members are welcomed to join the business, the current owner works with his wife to run the business. There are equal opportunities for both sexes to be successors in the business. Successor opportunities (grooming, training, promotion) are the same for both sexes. Current owner states, "If my daughter is the one that'll get interest in the business and she is willing to learn all the ropes, then yes she'll be more than welcome to take over the business". Current owner was groomed into the business for 21 years before he took over, and he also attended outside (industry) trainings to enhance his skills.
Case 3	This business has been predominantly a man's business, and according to the owner it is a tough business to run. Respondent mentioned that female family members are welcomed to join the business as long as they can show that they have what it takes to run the business. He states, "I would like to have a women being part of this business but I am not sure if they are willing to take the responsibility". Successor opportunities will be the same for family men and women.
Case 4	Women family members are welcomed to join the business and the current owners' sister works for the business. One of the brothers (owner) has three daughters and they haven't shown any interest in the business but they will be considered for joining the family business if they were interested. Both family man and women are encouraged to be successors as long as they are interested. The opportunities for grooming, promotion and education are the same for both women and men in the family.
Case 5	Women family members are welcomed to join the business and family men are encouraged as much as family women to be successors in the business and successor opportunities (grooming, education, etc) are the same for both genders. Owner states, "I don't think that gender is an issue here. If I had a daughter and a son they will both have the same opportunity to be part of the business. They will work hard for it, I can't just hand it over to them".

Only one company (case 3 from the Indian South African Group) expressed that women are not welcome in the business. The other theme that came up from the Indian South African group is that women are more welcome to join the family business now as compared to one or two generations before. Women used to



stay home taking care of the family and cooking for the working husbands and that is no longer the case. Such gender inequality is disappearing and both men and women are actively involved in running the family businesses.

**Table 5.30: Results on Gender Egalitarianism for South African Indian FOB's**

Case 1	Women family members are welcomed to join the business; the current owner is the example of that fact. Whoever has the interest and the ability to run the business is encouraged and it's not based on gender. Successor opportunities (education, grooming, etc) are offered equally to both males and females.
Case 2	Women family members are welcomed to join the business as long as they are interested. Owner states, "If they can do the job they are welcome". Successor opportunities (education, grooming, etc) are offered equally to both males and females. All children are encouraged to go to university 1st.
Case 3	According to the respondent, "women family members are not that welcomed to join the business". His wife stays home taking care of the family and cooking for the husband. The respondent believes that such gender inequality is slowly changing though.
Case 4	According to the respondent, women are now welcomed to join the business. He states, "in the old generation with my father and grandfather women were not allowed in the business they were supposed to stay home". Successor opportunities (education, grooming, etc) are now offered equally to both males and females. The owner encourages his wife to be present and, "to be honest sometimes ladies do a much better job than man", he said.
Case 5	Women family members are welcomed to join the business as the current owner is a woman. According to the owner, whoever is motivated joins the business; it's not based on gender. Owner believes that women are equally competent and capable. The current owners' son started at 9 years old to be involved in the business and that is when the grooming started.

Gender egalitarianism is the extent to which an organization or a society minimizes gender role differences (House, *et al.*, 2007). House and his GLOBE associates House, *et al.* (2007) also argue that Anglo cluster value gender equality even though the Anglo cluster countries tend to be male dominated in practice. Both the quantitative and qualitative results affirm that USA FOB's tend to be male dominated but they value gender equality.

According to the Globe results the South Asian Cluster shows high gender differentiation where male dominance is high. There has been mixed evidence over the past thirty years of research as to whether men and women differ as leaders (Oshagbemi and Gill 2003, Eagly and Carli, 2003) There are mixed results regarding evidence of gender difference in leadership. The proponents against gender difference in leadership found that similarities between women and men tend to outweigh the differences (Booyesen and

Nkomo , 2006). They argue that it should not really be surprising that there are more similarities than differences in male and female leadership styles because gender differences that are apparent in the general population tend to be less evident because of career self-selection and organizational selection.

The interview results are in line with what (Booyesen and Nkomo , 2006) stated. There is overwhelming evidence from the interview results for both the USA and Indian South African FOB's to show that successor opportunities (grooming, education, training, promotion) are the same for males and females. Women and male family members are equally welcome to join the family business. It is for the same reason why it was concluded through the quantitative results that gender is not correlated to perceived success. These findings highlight the importance of mixed method research for this study.

A reflection on previous literature (Aldrich, 1989; Cuba, Decenzo, and Anish, 1983; Keating and Little, 1997; Dumas, et al., 1995; Martin, 2001; Dawley, et al., 2004; Kaslow and Kaslow, 1992; Perricone, et al., 2001) show strong evidence of male dominated FOB's but this study in contrast is showing that women in general do not adhere to the masculine management stereotype anymore. The findings in this study affirm what Aronoff (1998) suggested; that some of the megatrends in FOB's is the expansion of women's roles from the widow, supportive wife, and "chief emotional officer" to a wider range of roles including sibling ownership and ownership teams. The interview results on the Indian South African FOB's bring to light the trends that Aronoff (1998) suggested. The theme that came up from the Indian South African group is that women are more welcome to join the family business now as compared to one or two generations before. Women used to stay home taking care of the family and cooking for the working husbands and that is no longer the case. Such gender inequality is disappearing and both men and women are actively involved in running the family businesses, the women's roles have expanded to a wider range of roles including sibling ownership and ownership teams.

Assertiveness: Table 5.31 and 5.32 below shows the results on assertiveness for the two study groups based on question 9 asked in Appendix B. Based on the quantitative survey, assertiveness is positively correlated to perceived success for both the USA study group and the Indian South African group. Assertiveness is one of the variables identified through the quantitative survey as a predictor for perceived success for the USA FOB's and not the Indian South African FOB's. The results from the interviews complement the

results from the quantitative survey. The USA business owners are very assertive (5 out of 5) and the South African Indian group will avoid confrontation as much as possible.

**Table 5.31: Results on assertiveness for USA FOB's**

Case 1	The owner is very comfortable saying “No” to business family members. For this business problems are addressed upfront, “I call it labour of love, and I attack problems head on” said the owner. For the most part family members agree on the business goals and each family member is free to express their opinions.
Case 2	The owner is very comfortable saying NO to family business members. “I have no problem with that at all”, he said. The owner prefers both methods to address problems, it depends on the situation. When dealing with some problems he prefers to be upfront and confrontational especially if the problem is critical for the viability of the business. In other cases the owner said, “some battles are not worth fighting” as a result he avoids unnecessary confrontation. The family generally agrees on business goals and everybody is free to express their opinions even when disagreements are inevitable
Case 3	The cousins are free to say NO to each other with a very good explanation. The respondent said, “I grab it by the horns, as soon as the problems arises, it is addressed immediately”. The cousins/partners agree on business goals and all decisions are driven by the bottom line. When disagreements are inevitable the cousins are free to express their opinions.
Case 4	The owners are very comfortable saying NO to family business members. One partner tries to avoid problems and the other partner prefers to address problems head on but they all know that problems have to be dealt with aggressively when they come up. The family generally agrees on business goals and when disagreements are inevitable family members are still free to express their opinions.
Case 5	The current owner attacks problems upfront and it's easy for him to say NO because there are no family members involved. The current owner expressed that when his dad was in power it was very difficult for him to say NO especially to his wife because he didn't want conflict. Conflict was inevitable because some family members didn't play by the rules. The disagreements were so severe that it led to divorce between the parents and the business almost became extinct after the divorce because family members expressed their opinions carelessly.

The USA respondents prefer to attack problems head on and they are not afraid to say NO to family members and on the other hand their Indian South African counterparts have a system to pick and choose their battles and if the risk of upsetting family members is huge confrontation will be avoided. In one case a respondent from the Indian South African group mentioned that family elders were sometimes consulted to help in resolving issues but the elders are not as available anymore.

**Table 5.32: Results on assertiveness for South African Indian FOB's**

Case 1	The preferable option for the owner is to avoid saying NO to family members. The owner prefers to avoid confrontation with family members unless it is absolutely necessary. Family members generally share similar goals but if they have a different opinion they are free to express their opinions.
Case 2	Grand sons are comfortable saying no to family business members. The respondent said, “too many cooks spoil the broth, the grand sons are the only cooks and they run the business and other family members follow. No one interferes and that helps to avoid conflict”. Family members generally share similar goals.
Case 3	According to the respondent, family elders used to assist with problem solving and now it's tough since the elderly are not available. Family members disagree on family goals and they are not free to express their opinions. The leader makes most decisions without consideration of others' opinions. The leader is comfortable saying NO whenever it's necessary.
Case 4	Confrontation is avoided with family members, “yes, the problems won't just go away but you have to avoid making people upset. You pick and choose your battles and some battles are not worth fighting in order to preserve harmony”, said the owner. When necessary the leader is comfortable saying No. Family members generally agree on the business goals.
Case 5	When husband passed away current owner used to attack problems upfront and it created a lot of family conflict and she has since changed her approach because it wasn't working. She is comfortable saying No but, “in a very tactful way”, she said. All family members are free to express their opinions and it has caused conflict sometimes for this business especially with the late husband's family. Family members on the current owners' side generally agree on business goals but the same is not true with family members on the late husbands' side.

Assertiveness is the degree to which individuals in organizations and societies are assertive, confrontational, and aggressive in social relationships. This dimension is part of the Hofstede's (1980) masculinity dimension (House, *et al.*, 2007). According to the GLOBE study, USA is high on assertiveness and the South Asian Cluster is low on assertiveness (House, *et al.*, 2007). Both the quantitative and qualitative results affirm those findings. Assertiveness is positively correlated to perceived success for both the USA FOB's and the Indian South African FOB's. Assertiveness is one of the variables identified through the quantitative survey as a predictor for perceived success for the USA FOB's (Model USA1, USA2 and USASA1) and not the Indian South African FOB's. The results from the interviews complement the results from the quantitative survey. The USA business owners are very assertive (5 out of 5) and the South African FOB's will avoid confrontation as much as possible.

Papalexandris and Panayotopoulou (2004) argued that there is a relationship between assertiveness and the use of succession plans. Aycan (2003) suggested that assertiveness indicates confrontational and aggressive

social relationships between individuals; it would be expected to favor the development of succession plans showing the promotion potential of candidates. The findings in this study affirm what Papalexandris and Panayotopoulou (2004) suggested, a relationship between assertiveness and the use of succession plans.

Perceived Success: Table 5.33 and 5.34 below shows the results on the dependent variable perceived success for the two study groups based on question 10 asked in Appendix B. The FOB's measure success in terms of profitability, market share, business expansion and overall customer and family member satisfaction. Profitability was questionable for the majority of the businesses at the time of the interview due to the global economic downturn at the time of the survey. For 9 out of 10 of the businesses family members were satisfied with the succession process and the transition process from one generation to the next. Some of the FOB's in USA reported that e-commerce and technology in general had impacted how they do business and their profit margins had dwindled due to the fierce competition with e-commerce businesses.

**Table 5.33: Results on perceived success for USA FOB's**

Case 1	Current owner took over the business in 1990 and the business has been up and down mainly due to economic changes and changing consumer spending habits. E-commerce is slowly displacing the traditional brick and mortar business. The owner states, "now people have internet in their pockets, if you want to order you just pull out your blackberry and place an order". The company is moving along with the e-commerce crowd. The owner reports that for the business to be still in existence it's a great sign of success because there is fierce competition and many other business have shut down over the past 100 years. Family members are satisfied with the success of the business and both the retired owner and the current owner were satisfied with the succession process.
Case 2	For this business success is measured in terms of profitability and "as long as we keep the numbers in the black we are doing well", said the owner. There has been satisfaction with how the 3 generations have transitioned from one generation to the next. Family members are happy and satisfied with the succession process and the successful transition from one generation to the next.
Case 3	The business has grown from a US 2 million dollar company to a US 5 million dollar company under the current leadership. The growth has been gradual over the years. Each partner's performance and success is measured in terms of revenue generated. Family members are very satisfied with the succession process and the successful transition between the generations.
Case 4	Success is measured in terms of profitability and profits have increased year after year under the current leadership. The business also looks at customer satisfaction as a way to measure success and according to the owner, "a lot of customers have expressed that they really like what we do and the services that we provide to them". The current owner states that his dad was very happy when he took over and he is also happy with the way that his son is learning the business in preparation for succession in the future.

Case 5	The current owner considers the business to be successful and he measures success in terms of business growth (customers increased and profitability has been steady). The transition was smooth and well planned. The current owner mentioned that business was slow at the time of the interview due to economic recessionary forces but growth had been sustainable. The business environment has changed significantly due to technology and social networking tools such as face book, etc which has made the world smaller and he is not sure if the business will ever grow in large leaps and bounds as in the past. The current owner is moving along with the changes in order to continue surviving.
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**Table 5.34: Results on perceived success for South African Indian FOB's**

Case 1	The current owner considers this business to be very successful compared to 20 years ago when her husband took over the business. The success is measured in terms of business growth (number of locations) and also product expansion over the years. Family members are quite satisfied and pleased with the way that the business is run. Current owner states that his father in law was very satisfied when he handed over the business to his son (husband to the respondent).
Case 2	The respondent in this case was the retired owner and he states that the transition was smooth when his grand sons took over from him. He is very satisfied with the succession process and he believes that the grand sons are running the business smoothly. Success is measured in terms of growth (profits) and according to the retired owner growth had been steady and evident over the years, he mentioned that profitability was questionable at the time of the interview due to the economic downturn.
Case 3	According to the respondent success is measured in terms of profitability and at the time of the interview the respondent stated that the business was barely making it, "it's not performing well, we are fast declining", he said. He reported that customer share had significantly declined and there was lack of growth. The respondent also mentioned that family members were dissatisfied with the succession process because of too much rivalry and too many issues between the family members. The respondent believes that the business will not survive to the next generation. He stated, "Something is got to change and that is not going to happen. There is nothing to pass on".
Case 4	For this business success is measured by how the business accomplishes the set goals. Some of the goals among others are customer satisfaction and profitability and since the current owner took over customer satisfaction had improved significantly. The business outlook was not bright at the time of the interview due to the economic downturn. According to the respondent, family members were very satisfied with the succession process and the successful transition from the previous generation to the current generation.
Case 5	Success for this business is measured in terms of growth (new location at the mall) and profitability. Current owner considers the business to be successful from when she took it over from her late husband. The business split when the current owner's husband passed away and she reports that both sides of the family are satisfied running the separate businesses even though there was chaos when her husband passed away. At the time of the interview, each side of the family seemed to be satisfied with success on the business from their side but not necessarily the other side of the family.

The results in Table 5.33 and 5.34 show how the FOB's measured success, and it is in line with the definition used for this study: The extent to which various stakeholders, namely the owner-manager, successor and those family members actively involved in the family business, are satisfied with the process; whether the family business will be financially secure and sustainable after succession; whether the relationships between family members and other stakeholders (e.g. suppliers and networks) will remain intact; and whether family members as well as employees will support the family business after succession has taken place (Venter, 2003; Cabrera-Suárez et al., 2001; Dyer, 1986; Handler, 1990; Morris et al., 1997; Sharma et al., 2001)

## **5.9 Summary**

In chapter 5 the results have been presented from both the survey research and the interview research. The use of both tools made it possible to gather the relevant results as presented above. The survey made it possible to conduct statistical analysis hence the statistical figures and analysis provided an indication / clarification on the trends (similar / differences) regarding the perceptions by the respondents on this subject matter.

The interview responses showing verbatim accounts and direct quotes from the interviews provided better illustrations of the participants' meanings. A detailed look into how the cultural dimensions impact the succession process was thus presented.

The next chapter (Chapter 6) shows detailed discussions of the results and recommendations are made and conclusions are formulated based on these results.

## Chapter Six: Discussions, Conclusion and Recommendations

### 6.1 Introduction

This study brought to light the influence of cultural factors on the succession of family owned businesses in USA and South Africa. In this study the link between cultural factors and the succession was investigated and empirically tested to see possible influences of cultural factors on the perceived success of the succession process. The findings of the study support the notion that family business succession is culturally bound and show certain cultural dimensions that are correlated to successful succession in FOB's. In this chapter the Link between research objectives to the research instruments (Table 4.12) is established and the findings are explained. The answers to the following research objectives (Table 6.1) are presented in this chapter:

**Table 6.1: Research Objectives**

Research Objective
To investigate and explore the cultural dimensions that are expected to be associated with succession planning in FOB's
To investigate the relationships between the cultural dimensions and the perceived success of the succession process
To measure and rank the factors in terms of their relative importance to owner managers and successors in South Africa as compared to their western counterparts
To develop a model that will show how the independent variables (cultural dimensions) impact the dependent variable, namely perceived success
To investigate which cultural dimensions are important for owner managers to instill and pass on to the successors
To compare and contrast the above mentioned objectives between USA and South African FOB's

### 6.2 Discussion

Perceived Success was positively correlated with eight of the cultural dimensions in the USA population. The only cultural dimension that was not significantly correlated with Perceived Success in the USA population was Gender Egalitarianism. Perceived Success was positively correlated with seven cultural dimensions in the Indian South African population. The two cultural dimensions that were not significantly correlated with Perceived Success in the Indian South African population were Institutional Collectivism and Gender Egalitarianism.



Gender Egalitarianism is not correlated to perceived success for both groups, which indicates that, both groups believe in equality of sexes. 72% to 80% of respondents (owners/successors) were males which affirm previous research that in South Africa and USA masculine management stereotype still exists but the results from regression analysis as well as interview questions results clearly show that gender inequality is fast disappearing. On this topic, the responses from the Indian South African group clearly indicate that women are more welcome to join the family business now as compared to one or two generations before. Women used to stay home taking care of the family and cooking for the working husbands and that is no longer the case. Such gender inequality is disappearing and both men and women are actively involved in running the family businesses. In the USA cases where husband and wife are working together in the family business are overwhelming. This finding may also be explained by the fact that national laws and initiatives in both countries might be at play in safeguarding and promoting gender equality, thus undermining the role of company practices towards this goal.

It can be concluded based on these results that the Indian South African and USA FOB's do not adhere to the masculine management stereotype anymore. The perceived success of the family owned businesses is not directly impacted by gender. This shift in management stereotypes towards valuing feminine leadership is possibly due to the considerable increase of women in management compared to previous studies as presented in the literature review section. The researcher's analysis shows that both USA and Indian South African populations are still male-dominated societies that paradoxically value gender equality.

Institutional Collectivism is not significantly correlated with Perceived Success in the Indian South African population. These findings are unexpected and they merit further exploration. Interview results clearly show that the Indian South African FOB's value individual accomplishments more than collectivist tendencies. Pursuit of individual goals is encouraged, even at the expense of group loyalty, rewards are driven very largely by an individual's contribution to task success and members assumed that they are largely independent of the organization as critical decisions are made by individuals not a group. Such findings contradict previous studies by Sharma and Rao (2000) and House, *et al.*, (2007) (refer to the literature review section).

These findings might be showing a new trend where the individual might be outshining the group. For the Indian Population there is a noticeable increase in preference for individualism. An indication that even though the Indian culture is ancient, it is at the same time continuously living and evolving. The society

appears to be in a period of major transition towards power equalization, a finding in this study that is in line with earlier findings by (Triandis, Bontempo, Betancourt, Bond, Leung, KBrenes, Georgas, Hui, Matin, Setiadi, Sinha, Verma, Spangenberg, Touzard, & Montmollin, 1986; Triandis, Betancourt, Iwao, Leung, Salazar, Setiadi, Sinha, Touzard, & Zaleski, 1993)

Another reason for such unexpected findings could be based on the economic environment at the time of the interview/survey. Most Indian South African FOB's were showing signs of distress due to the toxic economic environment at the time of the interviews and the recessionary forces might be forcing individuals to focus on self and on individual success or self sufficiency instead of collective success.

Based on Model USA1, four of the independent variables (Performance Orientation, In- Group Collectivism, Uncertainty Avoidance, and Assertiveness) were identified as significant predictors of Predicted Success in USA.

$$\text{Log SUC} = .421 + .275 \text{ Log PO} + .249 \text{ Log CII} + .219 \text{ Log AS} + .212 \text{ Log UA}$$

An increase or decrease in PO, CII, AS, and UA caused a corresponding increase or decrease in SUC. Thus high levels of Perceived Success were predicted by high levels of PO, CII, AS, and UA. Low levels of Perceived Success were predicted by low levels of PO, CII, AS, and UA. The most important predictor was PO, followed in rank order by CII, AS, and UA.

These four cultural dimensions have greater relative importance to owner managers and successors in USA and as such should be passed on from generation to generation.

Based on Model SA1, three of the independent variables (Uncertainty Avoidance, Performance Orientation and Future Orientation) were identified as significant predictors of Predicted Success amongst Indian South Africans.

$$\text{Log SUC} = .202 + .349 \text{ Log UA} + .280 \text{ Log PO} + .226 \text{ Log FO}$$

An increase or decrease in PO, FO and UA caused a corresponding increase or decrease in SUC. Thus high levels of Perceived Success were predicted by high levels of UA, PO, and FO. Low levels of Perceived Success were predicted by low levels of UA, PO, and FO. The magnitudes of the standardized regression coefficients provided an indication of the relative importance of each predictor. The most important predictor was UA, followed in rank order by PO and FO.

These three cultural dimensions have greater relative importance to owner managers and successors for Indian South African FOB's and as such should be passed on from generation to generation. For Model USA 1, PO was the most important predictor and for Model SA1 UA was the most important predictor. This finding clearly shows that the USA family business owners value performance and for them success is tightly linked to performance. For the Indian South African FOB's UA is the most important predictor and for them avoiding uncertainties is clearly linked to their success.

The two variables PO and UA though ranked differently by the two groups, these are the only two variables that had significant impact on perceived success for both groups. In other words these two variables are common in all 5 models. Interview results (section 5.7) clearly affirm these models.

Model USASA1 is similar to Model USA1 in that the same four independent variables (Performance Orientation, In- Group Collectivism, Uncertainty Avoidance, and Assertiveness) were identified as significant predictors of Predicted Success for both the combined populations (USASA1) and the USA1 models.

**Model USASA1:**  $\text{Log SUC} = .379 + .225 \text{ Log PO} + .263 \text{ Log CII} + .134 \text{ Log AS} + .302 \text{ Log UA}$

**Model USA1:**  $\text{Log SUC} = .421 + .275 \text{ Log PO} + .249 \text{ Log CII} + .219 \text{ Log AS} + .212 \text{ Log UA}$

For Model USASA1 the most important predictor was UA, followed in rank order by CII, PO, and AS; of which the rank order is different between the two models (USASA1 & USA1) but identical independent variables are predictors of perceived success in both models. No demographic variables were identified as significant predictors of Predicted Success or moderators of the cultural dimensions in the USA population.

Some demographics variables had an impact on predicted success for Indian South African FOB's as shown in Model SA2 below.

$\text{Log SUC} = .202 + .329 \text{ Log UA} + .297 \text{ Log PO} + .217 \text{ Log FO} - .227 \text{ AGE} - .198 \text{ Log PPL}$

Model SA2 predicted that an increase or decrease in UA, PO, and FO caused a corresponding increase or decrease in SUC, similar to model SA1. However, the relationship between Predicted Success and the cultural dimensions was moderated by the age of the participants and the numbers of people who worked in their organization for the Indian South African Group.

The negative regression coefficient for AGE = - .227 predicted that for every standardized unit increase in age, SUC declined by .227. This implied that the older members of the Indian South African population

achieved a higher level of Perceived Success than younger members. The negative regression coefficient for PPL = - .198 predicted that for every standardized unit increase in the number of people in the organization, SUC declined by .198. This implied that participants in organizations with a large number of people in the Indian South African population achieved a higher level of Perceived Success than participants in organizations with a low number of people.

These are remarkable findings and they could be attributed to the fact that more than 91% of respondents in USA were over the age of 40 compared to only 56% for the Indian South African group and to the fact that the average number of years in business for the Indian South African sample was 26 years compared to 38 years for the USA sample. The sampling method used for the Indian South African sample (snowball sampling) might have contributed to such findings also, because it's possible that the chain referral picked up individuals in the same age group.

The profiles of the interviewed FOB's also present similar findings; the USA FOB's interviewed had an average of 101.2 years in business and an average of 13 employees whilst the Indian South African FOB's interviewed had an average of 59.4 years in business and an average of 10 employees. In contrast the average age of the owner is 56.8 years for the Indian South African FOB's interviewed compared to 46.4 years in USA.

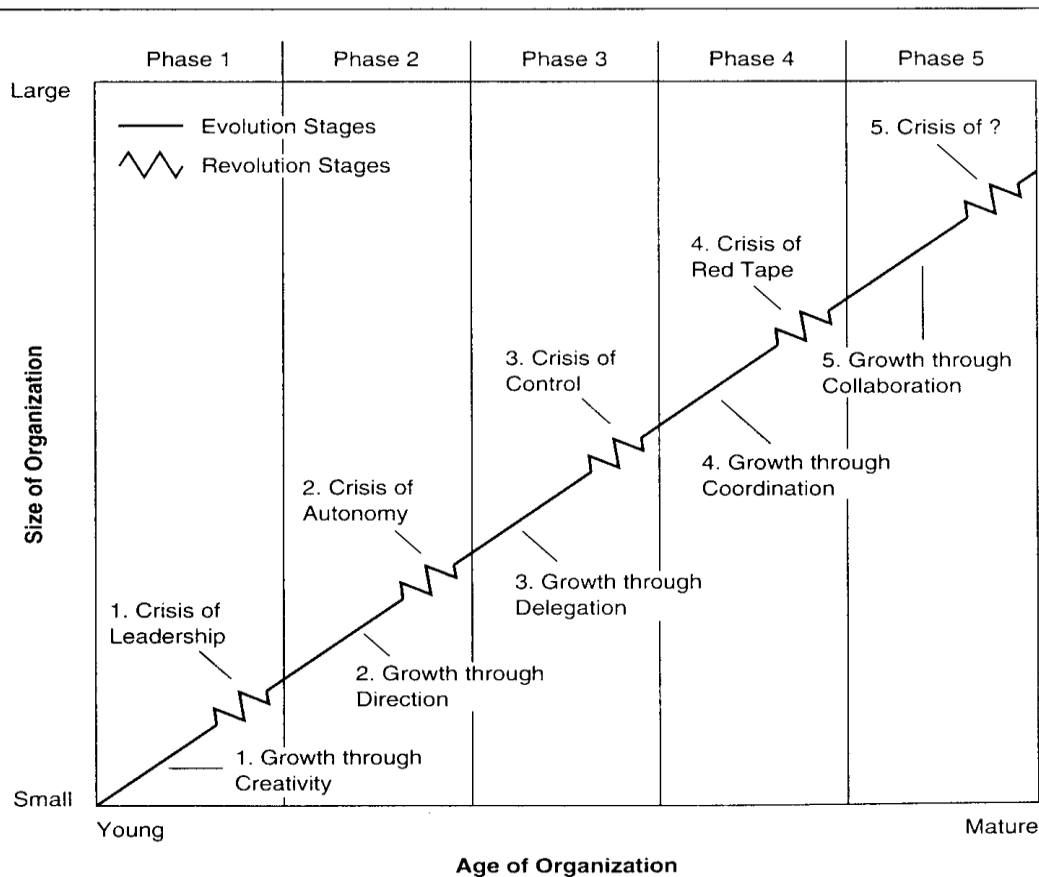
For the quantitative analysis, the average number of employees for the USA and Indian South African FOB's was 104 and 18 respectively. It has been implied based on the SA2 model above that a large number of people in the Indian South African population achieved a higher level of Perceived Success than participants in organizations with a low number of people. The Greiner Curve phenomenon can be useful in explaining the results as shown in Model SA2. The "Greiner Curve" (Figure 6.1) is a useful way of thinking about the turning points that organizations experience as they grow. Each growth phase is made up of a period of relatively stable growth, followed by a "crisis/turning point" when major organizational change is needed if the company is to carry on growing (Greiner 1972, 1998).

It is possible therefore given Greiner considerations on company growth that the USA companies are at distinctively different growth stages thus exposed to different potential crises/turning point. According to Greiner (1972, 1998) a company's challenges and solutions tend to change markedly as the number of employees and sales volume increase and as time elapses. Greiner argues that all historical studies gather data from various points in time and then make comparisons. From these observations, it is evident that the

same organization practices are not maintained throughout a long time span. This makes a most basic point that management problems and principles are rooted in time. The concept of decentralization, for example, can have meaning for describing corporate practices at one time period but loses its descriptive power at another.

**Figure 6.1: The Greiner Curve**

*The Five Phases of Growth.*



**Source: Greiner (1972, 1998)**

A close look at the interview results show that family councils play a vital role for FOB's. The family councils serve as a platform for communication, resolving conflict and consultation in connection with the family business. Creating mechanisms like family councils will help to manage corporate governance apart from the family so the business does not suffer.

Analysis of the interview results also reveal how it is extremely important for FOB's to develop succession plans. A majority of the FOB's interviewed didn't have well defined succession plans yet they all clearly understood the extreme importance of having such plans in place. To ensure that leadership transition does not disrupt business continuity the FOB's should have clear policies for the selection of the right family member. The results of this study are in line with earlier findings by Papalexandris & Panayotopoulou (2004) who suggested that culture influences multiple aspects of recruitment and selection process including succession planning. This study revealed the specific link between societal culture dimensions and successful succession in FOB's.

The interview results also reveal that the family business is very complex, focusing on issues and tensions within the family, facing the daunting task of drawing lines between family and business, yet these institutions were observed to be invested in developing loyal relationships with employees and that alone can make them tough competitors.

The table below summarizes the discussion of the Hypothesis Testing Findings

**Table 6.2: Hypothesis Testing Findings**

Null hypothesis	Alternative hypothesis	Results
<b>H<sub>0</sub>1 The Perceived Success in the USA population is not different to the Perceived Success in the Indian South African population</b>	H <sub>A</sub> 1: The Perceived Success in the USA population is different to the Perceived Success in the Indian South African population	Null hypothesis rejected and the alternative hypothesis accepted. The Perceived Success in the USA population was significantly different from the Perceived Success in the Indian South African population. Implication: higher levels of Perceived Success were found in the Indian South African population compared to the USA population.
<b>H<sub>0</sub>2 The cultural dimension in the USA population is not different to the cultural dimension in the Indian South African population</b>	H <sub>A</sub> 2: The cultural dimension in the USA population is different to the cultural dimension in the Indian South African population	Null hypothesis rejected and the alternative hypothesis accepted. Implication: Uncertainty Avoidance, Future Orientation, Power Distance, Institutional Collectivism, Human Orientation, Performance Orientation, In-group Collectivism, and Gender Egalitarianism were higher in the Indian South African population than they were in the USA population. There was, however, no significant difference between the levels of Assertiveness in the USA and Indian South African populations.
<b>H<sub>0</sub>3: Perceived Success, the nine cultural dimensions, and the demographic characteristics of the participants are not correlated</b>	H <sub>A</sub> 3: Perceived success, the nine cultural dimensions, and the demographic characteristics of the participants are correlated	Null hypothesis rejected and the alternative hypothesis accepted. Perceived Success was positively correlated with eight of the cultural dimensions in the USA population. The only cultural dimension that was not significantly correlated with Perceived Success in the USA population was Gender Egalitarianism. Perceived Success was positively correlated with seven cultural dimensions in the Indian South African population. The two cultural dimensions that were not significantly correlated with

		Perceived Success in the Indian South African population were Institutional Collectivism and Gender Egalitarianism. The demographic characteristics of the participants were not strongly correlated with Perceived Success, although there was evidence to indicate that Perceived Success was weakly correlated with Age and Education in the Indian South African population.
<b>H<sub>0</sub>4: Perceived Success cannot be predicted using cultural dimensions</b>	H <sub>A</sub> 4: Perceived success can be predicted using cultural dimensions	Null hypothesis rejected and the alternative hypothesis accepted. Perceived Success could be predicted using cultural dimensions. Model USA1 was a good fit to the data. $R^2 = 43.6\%$ indicated that the variability in Performance Orientation, Institutional Collectivism, Assertiveness, and Uncertainty Avoidance had a moderately large effect on Perceived Success in the USA population. Model SA1 was also a good fit to the data. $R^2 = 45.8\%$ indicated that the variability in Uncertainty Avoidance, Performance Orientation, and Future Orientation had a moderately large effect on Perceived Success in the Indian South African population.
<b>H<sub>0</sub>5: The predictive relationship between Perceived Success and cultural dimensions is not moderated by the demographic characteristics of the participants</b>	H <sub>A</sub> 5: The predictive relationship between Perceived Success and cultural dimensions is moderated by the demographic characteristics of the participants	Null hypothesis was not rejected for the USA population but rejected for the Indian South African population. The predictive relationship between Perceived Success and cultural dimensions was moderated by the demographic characteristics of the participants in the Indian South African population. Model SA2 was a good fit to the data. $R^2 = 51.9\%$ indicated that the variability in Performance Orientation, Age, Future Orientation, and People in the organization had a moderately large effect on Perceived Success. The addition of the demographic variables improved the model by increasing the $R^2$ from 45.8% to 51.9%. The demographic variables (Age and People in the organization) which had a significant impact on Perceived Success in the Indian South African population did not have a significant impact on Perceived Success in the USA population.

Source: Author

These findings from the hypothesis tests are remarkable, based on H<sub>A</sub>1 higher levels of Perceived Success were found in the Indian South African population compared to the USA population. In contrast, the interview results didn't show much of a difference between the two groups. This finding merit further exploration. Future research can look into reasons why the Indian South African group seems to be experiencing higher levels of perceived success.

Findings based on H<sub>A</sub>2 also warrant further exploration. The hypothesis test shows that Uncertainty Avoidance, Future Orientation, Power Distance, Institutional Collectivism, Human Orientation, Performance Orientation, In-group Collectivism, and Gender Egalitarianism were higher in the Indian South African population than they were in the USA population. There was, however, no significant difference between the levels of Assertiveness between the two groups. Assertiveness is one of the variables identified through the quantitative survey as a predictor for perceived success for the USA FOB's

and not the Indian South African FOB's (Model USA1 and SA1). The interview results also affirm the results from the models.

Based on the interviews, the USA business owners are aggressively assertive and the South African Indian group will avoid confrontation as much as possible. The USA respondents prefer to attack problems head on and they are not afraid to say "NO" to family members and on the other hand their Indian South African counterparts have a system to pick and choose their battles and if the risk of upsetting family members is huge confrontation will be avoided. It is clear from this study that FOB's tests the boundaries between professional and personal relationships and it is very important for FOB owners to assertively define the boundaries if success is to be achieved.

Findings based on H<sub>A3</sub>, H<sub>A4</sub> and H<sub>A5</sub> have been explained in the prior section.

### **6.3 Recommendations**

This research has implications for both business research and FOB's practices. Based on the analysis of the FOB's in USA and Indian South African FOB's, it is evident that family business owners have to pay attention to how certain cultural factors can significantly influence the succession process. The following recommendations have been formulated on the significance of how cultural factors impact the succession process:

It is imperative for FOB owners to instill and pass on the values of performance orientation and uncertainty avoidance as these two variables were identified as the major predictors of successful succession in all the five models. Thus FOB owners need to have a system in place to measure performance, to acknowledge and recognize achievement in the business, to offer incentives for best efforts and to help minimize the unpredictability of future events.

The three cultural dimensions (UA, PO, and FO) have greater relative importance to owner managers and successors for Indian South African FOB's and as such should be passed on from generation to generation.

The four cultural dimensions (UA, PO, AS, and CII) have greater relative importance to owner managers and successors for USA FOB's and as such should be passed on from generation to generation.

FOB owners need to have a well-defined succession plans in place to ensure that the FOB can transition smoothly and successfully from generation to generation, a plan in place to ensure continuity of the



business operations in case of a sudden loss of a key player in the family business ownership. It is highly recommended for FOB's to have an effective family council which will act as the board of directors to provide a system by which the family business will be guided and controlled. A family council that will effectively discuss the role of family members, business growth and the welfare of family members and to conduct a periodical analysis regarding the future role of the family in the family business and the business.

The FOB's need to have some rules/guidelines that define family employment and who can work for the family business, under what circumstances, the grooming/preparation required, how performance problems shall be handled and how the family member will fit into the organizational structure of the business. Such systems meant to avoid uncertainties will increase the chances of successful successions from generation to generation.

It is recommended for FOB's to offer successor opportunities (education, grooming, promotion, etc) based on performance and willingness to be a successor and not based on gender. FOB's are thus recommended to address the issue of promoting more gender equality where achievement is based on merit/performance, rather than gender. The key is to identify who is committed to the business and, more importantly, who is actually capable of running it. As seen above, based on all the five models gender egalitarianism is one of the variables that was not correlated to perceived success. These findings on gender egalitarianism also confirm with other previous studies on feminine leadership by Booysen and Nkomo (2006)

It is recommended that FOB's need to recognize the individualist needs of organizational members, but at the same time they must provide incentives/rewards to encourage more harmony and better collective results.

**Recommended Succession Planning Diagram:** Based on the results of this study this author was able to look at the Succession Plan Diagram developed by Burke (2003) and adapted it to reflect how key Model SA1 and Model USA1 cultural dimensions impact the succession planning process (Fig 6.2 and Fig 6.3). Cultural dimensions that are relevant at each step have been added to show the role they play in the succession process. The adapted succession planning diagram shows how certain cultural dimensions impact the succession process at different stages of succession planning in FOB's.

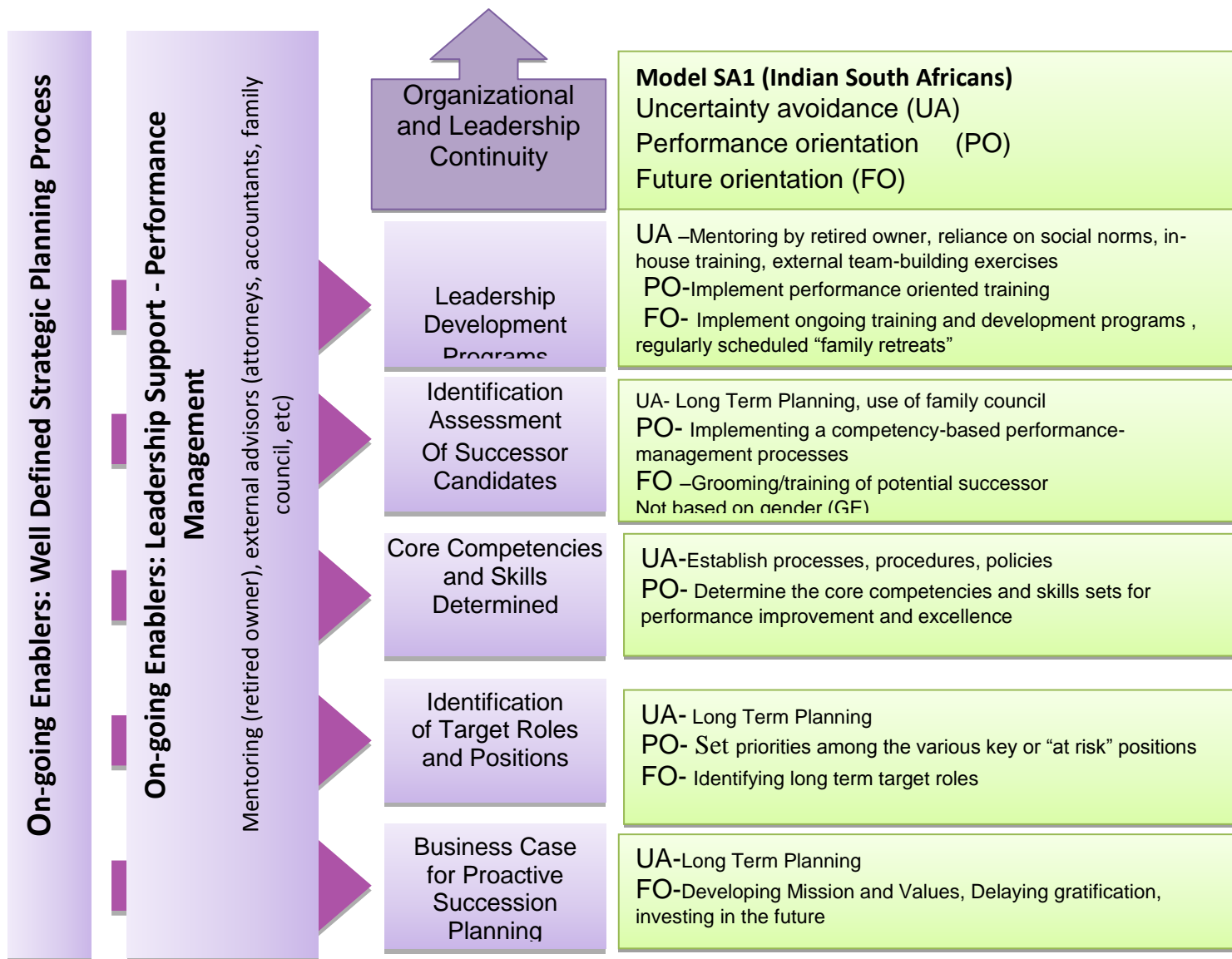


Figure 6.2 Succession Plan Diagram (SA1): Succession Plan Diagram adapted from Burke (2003) to reflect how key Model SA1 Cultural dimensions impact the succession planning process.

Based on Model SA1, three of the independent variables (Uncertainty Avoidance, Performance Orientation and Future Orientation) were identified as significant predictors of Predicted Success amongst Indian South Africans. An increase or decrease in PO, FO and UA caused a corresponding increase or decrease in perceived success. These three cultural dimensions have greater relative importance to owner managers

and successors for Indian South African FOB's and as such should be passed on from generation to generation.

At stage 1 in Fig 6.3: Business Case for Proactive Succession Planning: the entrepreneur develops a business case that includes succession planning by clearly articulating a vision and company mission encompassing the business culture and values (Burke, 2003). At this stage the cultural dimensions FO and UA are seen in play. In developing the mission and values for the FOB, the entrepreneur exhibits future-oriented behaviors such as planning, investing in the future, and delaying gratification. Uncertainties are avoided by developing and focusing on the long-term purpose of the business.

At stage 2, Identification of Target Roles and Positions: the critical workforce segments within the business are identified. At this stage there is true assessment of the key positions required to achieve business targets at various stages of the business plan (Burke, 2003). At this stage the cultural dimensions PO, FO and UA are seen in play. Future Orientation is displayed by genuinely identifying long term target roles and positions and not just merely slotting people into specific roles or responsibilities on a short term basis and as a result uncertainties are avoided. PO is also displayed at this stage as priorities among the various key or "at risk" positions are set, as these are the positions that will support or drive growth initiatives which may or may not exist at the time of planning.

At stage 3, Core Competencies and Skills: the core competencies and skill sets for the target roles are determined as a baseline for assessing performance and identifying gaps within the current workforce and serve as a framework for recruiting the talent required to meet strategic goals and key objectives (Burke, 2003). At this stage the cultural dimensions PO and UA are seen in play. PO is the critical cultural dimension as performance improvement and excellence are key ingredients in determining the core competencies and skills sets.

Uncertainty avoidance is seen at play when the organization at this stage avoids uncertainty by reliance on bureaucratic practices (written core competencies, skill sets, procedures, policies) to alleviate the unpredictability of future events

At stage 4, Identification Assessment of Successor Candidates: the development and implementation of a rigorous, competency-based performance-management process to identify high potential candidates within the organization is set in motion. If internal candidates do not meet the set criteria, then a reliable and fair

selection process for locating external qualified candidates may be necessary (Burke, 2003). At this stage the cultural dimensions PO, FO and UA are seen in play. PO is critical in implementing a competency-based performance-management process. Based on the interview results the Indian South Africans involve their children in the family business at a very young age. As early as elementary school the children begin to participate in the business and during holidays and vacations they spend time at the business and as a result they naturally become part of the business from a young age hence they are ready to take over upon loss or retirement of the owner. The children are thus groomed from an early age and such future oriented behaviors only helps the FOB to be prepared for succession. At this stage those children that have been groomed and trained for many years are now assessed and identified as potential candidates.

Gender is not any issue at this stage as the most qualified individual is selected not based on gender. Fig 6.2 reflects that the identification assessment of successor candidates is not based on gender for Indian South Africans. As was concluded earlier in the results section, the Indian South African FOB's do not adhere to the masculine management stereotype anymore and the perceived success of the family owned businesses is not directly impacted by gender.

At stage 5, Leadership Developmental Programs: at this final stage of the succession planning model current and required training and development practices are identified to ensure that the potential successors are receiving sufficient development opportunities on a regular basis (Burke, 2003). At this stage the cultural dimensions PO, FO and UA are seen in play. Training and development programs are implemented based on performance (PO) and implementing such programs only helps to avoid uncertainties and gaps in leadership skills. Future orientation is evidenced by the robust programs that reflect how potential successors will be receiving sufficient development opportunities on a regular basis in the future. The interview results reveal that several social norms, rituals and bureaucratic practices are being followed as an attempt to avoid the uncertainty of the FOB survival after the loss of the current owners.

Gender is not an issue at this stage, family men are encouraged as much as family women to be successors in the business and successor opportunities (grooming, education, training, etc) are the same for both genders. The retired owner continues to mentor the new successor as part of the development and training program.

As part of the on-going enablers mentoring is provided by the retired owner and external advice is sought from the family council. The results in this study revealed an overwhelming use of family councils and previous owners keep their finger prints in the business by offering their guidance especially on the issues about the future of the business. Based on the interview results for Indian South Africans the ageing parents remain part of the business and they are supported by the business. In most cases the retired owner lives in the same household as the children thus ample opportunities are presented to mentor and support the successors on an ongoing basis.

This author agrees with Burke (2003) that the independent viewpoints provided by the external advisors, family council and/or mentors act as a steering mechanism or “reality check” to ensure that the appropriate organizational structure is in place to enhance the likelihood that the business will survive through the transition phase. Based on the interview results, family members must be fully informed and involved. They must be treated as equal employees in order to gain respect from non-family staff members; however, they have other responsibilities over and above executing the business vision: they must maintain the vision over time and changing circumstances (Burke, 2003).

This author also agrees with Burke (2003)’s recommendation that in-house training, external team-building exercises and regularly scheduled “family retreats” become critical in developing the succession strategy. The knowledge gained from family retreats can educate the family members on how to successfully manage the delicate relationship between family and business. The ongoing interactive sessions are critical for the family members to understand better what their needs and desires are versus those of non-family employees and the business itself (Burke, 2003). The ongoing interactive sessions also provides an opportunity to better identify the skills and competencies of a successor candidate and therefore evaluate whether that person is a qualified family member or if it would be in the best interests of the business to hire an external candidate (Burke, 2003). The owner conducts a periodical analysis regarding the future of the business and the role of the family in the business. With a performance evaluation system in place and ongoing interactive sessions, the possible candidate(s) are given the opportunity to discover their “natural” management styles and to understand the differences in their personalities and business philosophies.

Developing and implementing a succession plan strategy generates a number of emotional issues in most family businesses, and the process is most effective when it is facilitated by independent counseling from a

number of sources (Burke, 2003). Thus soliciting for external advice on a regular basis only helps the family members to objectively and rationally implement the succession plans.

When these cultural dimensions are taken into consideration together with other factors identified by Burke (2003) in his succession planning model, the desired outcome of organizational continuity and leadership capability becomes a reality.

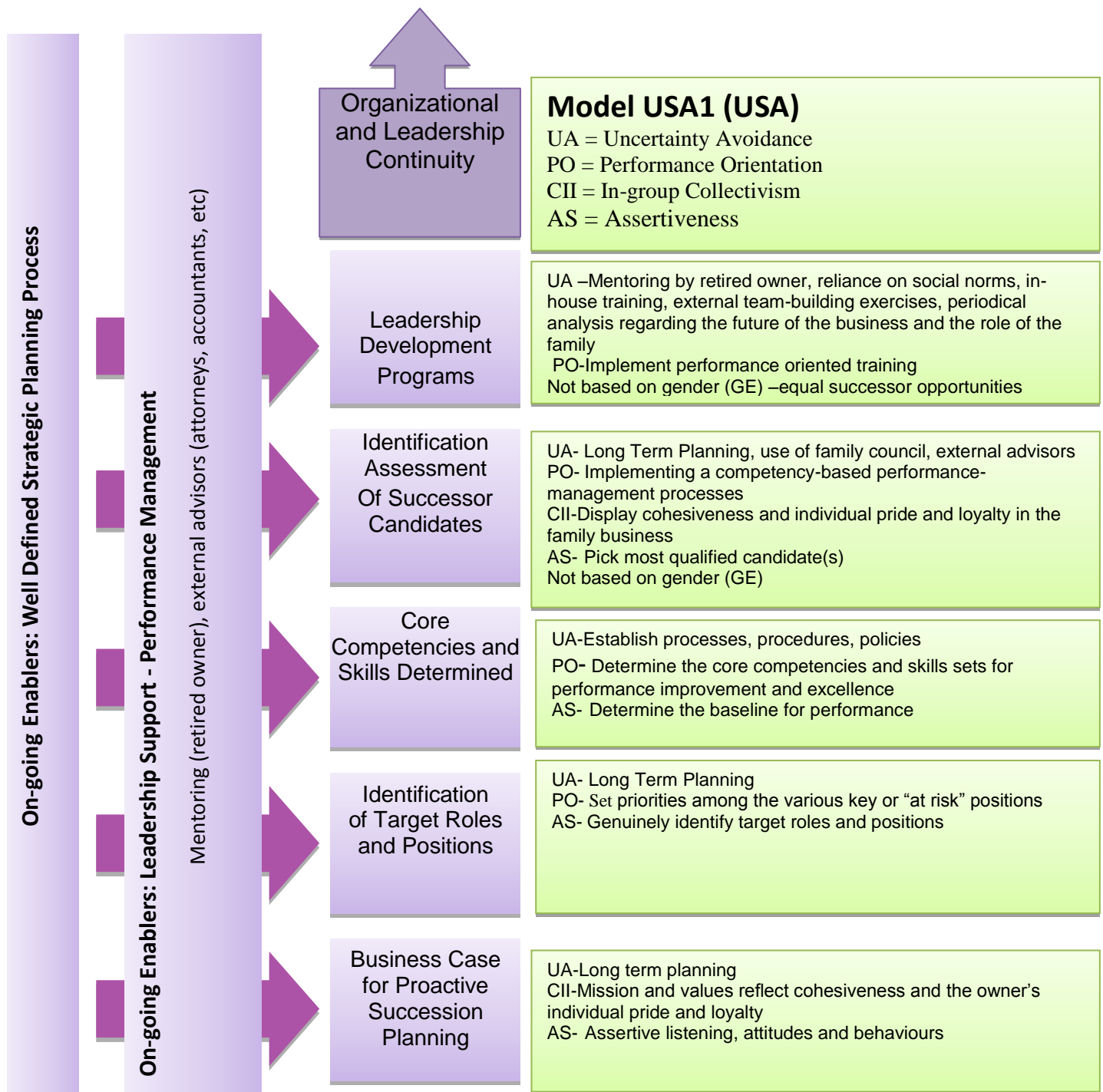


Figure 6.3 Succession Plan Diagram (USA1): Succession Plan Diagram adapted from Burke (2003) to reflect how key Model USA1 Cultural dimensions impact the succession planning process.

Based on Model USA1, four of the independent variables (Performance Orientation, In- Group Collectivism, Uncertainty Avoidance, and Assertiveness) were identified as significant predictors of

Perceived Success in USA. An increase or decrease in PO, CII, AS, and UA caused a corresponding increase or decrease in perceived success. These four cultural dimensions have greater relative importance to owner managers and successors in USA and as such should be passed on from generation to generation.

At stage 1 in Fig 6.3: Business Case for Proactive Succession Planning: the entrepreneur develops a business case that includes succession planning by clearly articulating a vision and company mission encompassing the business culture and values (Burke, 2003). At this stage the cultural dimensions CII, AS, and UA are seen in play. In developing the mission the entrepreneur is very assertive (by getting his/her thoughts across in a straightforward manner without harming others), with the goal of avoiding any uncertainties. At this stage the cohesiveness and the entrepreneur's individual pride and loyalty is expressed as the mission and vision are developed (CII).

At stage 2, Identification of Target Roles and Positions: the critical workforce segments within the business are identified. At this stage there is true assessment of the key positions required to achieve business targets at various stages of the business plan (Burke, 2003). At this stage the cultural dimensions PO, CII, AS, and UA are seen in play. Assertiveness is displayed by genuinely identifying target roles and positions and not just merely slotting people into specific roles or responsibilities (i.e., developing roles for current employees or family members) and as a result uncertainties are avoided. At this stage also the cohesiveness and the entrepreneur's individual pride and loyalty is expressed as target roles and positions are identified (CII). PO is also displayed at this stage as priorities among the various key or "at risk" positions are set, as these are the positions that will support or drive growth initiatives which may or may not exist at the time of planning.

At stage 3, Core Competencies and Skills: the core competencies and skill sets for the target roles are determined as a baseline for assessing performance and identifying gaps within the current workforce and serve as a framework for recruiting the talent required to meet strategic goals and key objectives (Burke, 2003). At this stage the cultural dimensions PO, AS, and UA are seen in play. Assertiveness is displayed when determining the baseline for performance and PO is the critical cultural dimension as performance improvement and excellence are key ingredients in determining the core competencies and skills set. At stage 4, Identification Assessment of Successor Candidates: the development and implementation of a rigorous, competency-based performance-management process to identify high potential candidates within the organization is set in motion. If internal candidates do not meet the set criteria, then a reliable and fair



selection process for locating external qualified candidates may be necessary (Burke, 2003). At this stage the cultural dimensions PO, CII, AS, and UA are seen in play. PO is critical in implementing a competency-based performance-management process. Assertiveness is displayed as confrontation and aggressiveness in the social relationships cannot be avoided at this stage for the USA FOB's. UA is displayed when the family identifies the most qualified candidate(s) to avoid any uncertainties. Cohesiveness and individual pride and loyalty (CII) in the family business is displayed by making the right decisions for the FOB and not just saving face by assigning incompetent individuals.

Gender is not any issue at this stage as the most qualified individual is selected not based on gender. Fig 6.3 reflects that the identification assessment of successor candidates is not based on gender for both USA and Indian South Africans. As was concluded earlier that the USA FOB's do not adhere to the masculine management stereotype anymore and the perceived success of the family owned businesses is not directly impacted by gender.

At stage 5, Leadership Developmental Programs: at this final stage of the succession planning model current and required training and development practices are identified to ensure that the potential successors are receiving sufficient development opportunities on a regular basis (Burke, 2003). At this stage the cultural dimensions PO and UA are seen at play. Training and development programs are implemented based on performance (PO) and the training and development programs are designed to avoid any uncertainties (UA). Gender is not an issue at this stage, family men are encouraged as much as family women to be successors in the business and successor opportunities (grooming, education, training, etc) are the same for both genders. The retired owner continues to mentor the new successor as part of the development and training program.

As part of the on-going enablers mentoring is provided by the retired owner and external advice is sought from attorneys, accountants, family council, etc. The results in this study revealed an overwhelming use of family councils and previous owners keep their finger prints in the business by offering their guidance especially on the issues about the future of the business. This author agrees with Burke (2003) that the independent viewpoints provided by the external advisors and mentors act as a steering mechanism or "reality check" to ensure that the appropriate organizational structure is in place to enhance the likelihood that the business will survive through the transition phase. Based on the interview results, family members must be fully informed and involved. They must be treated as equal employees in order to gain respect

from non-family staff members; however, they have other responsibilities over and above executing the business vision: they must maintain the vision over time and changing circumstances (Burke, 2003).

As part of the on-going enablers this author agrees with Burke (2003)'s recommendation that in-house training, external team-building exercises and regularly scheduled "family retreats" become critical in developing the succession strategy. The knowledge gained from family retreats can educate the family members on how to successfully manage the delicate relationship between family and business. The ongoing interactive sessions are critical for the family members to understand better what their needs and desires are versus those of non-family employees and the business itself (Burke, 2003). The ongoing interactive sessions also provides an opportunity to better identify the skills and competencies of a successor candidate and therefore evaluate whether that person is a qualified family member or if it would be in the best interests of the business to hire an external candidate (Burke, 2003). The owner conducts a periodical analysis regarding the future of the business and the role of the family in the business. With a performance evaluation system in place and ongoing interactive sessions, the possible candidate(s) are given the opportunity to discover their "natural" management styles and to understand the differences in their personalities and business philosophies.

When these cultural dimensions are taken into consideration together with other factors identified by Burke (2003) in his succession planning model, the desired outcome of organizational continuity and leadership capability becomes a reality

#### **6.4 Limitations and Recommendations for Future Research**

The researcher acknowledges the limitation that the findings presented here are only preliminary and require further research. The snow ball sampling method used for the Indian South African study group is also a limitation because it has the potential to introduce possible bias into the statistical findings.

Any attempt at capturing the totality of societal culture influences on successful succession, in a country such as South Africa and USA with a sample size used in this study, has obvious limitations even if it is complemented by qualitative research methods. For future research a much larger sample would be required for any attempt at randomization and broad representativeness.

Other limitations arise out of embeddedness and pervasiveness of culture and the general complexity of the society. South African Indians are subdivided into various castes and religions, each comprising of its own specific culture hence providing a concise overview of the South African Indian Culture becomes a very difficult task. They represent a variety of Indian Characteristics, which is not surprising because of the miscellany of languages, religions, costumes, food habits, and other traits that they have inherited from their Indian ancestors who came from different regions and communities of India

Future research could also examine the degree to which organizational cultural dimensions (as compared to societal cultural dimensions) influence succession processes.

The preliminary results of this study show that the age of owners and the number of people working in the business had a significant impact on perceived success for the Indian South African group and this author recommends that more empirical research can be conducted to find out the impact of the age of owners and the number of people working in the organization on succession planning in general.

Further investigation involving FOB's in different industry sectors, cities, and parts of the world may provide more insights into the influence that societal culture has on FOB succession.

This research has proven insightful and has laid the foundation for further probing and future research can look into reasons why the Indian South African group seems to be experiencing higher levels of perceived success compared to the USA group.

## **6.5 Conclusions/Final Comments**

Every attempt towards betterment of research in this field is worth the effort, because good research is needed more than ever in today's world of increasing globalization. This research is only a first attempt to examine the relationship between societal culture dimensions and succession in FOB's and that further exploration of this mutual interaction can serve as a useful tool for FOB owners around the globe. This research contributed to the literature on FOB successful succession, by providing insight into how cultural factors impact the process of successful succession in FOB's. The contrast between the USA culture and the South African Indian culture to succession practices further illuminates the need for cross-cultural research in the area of FOB succession planning.

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## Appendices

Appendix A1 Research Instrument South African Version

Appendix A2 Research Instrument USA version

Appendix B Qualitative Survey Questions (Interview Questions)

Appendix C1 Research Instrument Cover Page RSA

Appendix C2 Research Instrument Cover Page RSA

Appendix C3 Research Instrument Cover Page USA

### Appendix A1: Research Instrument South African Version

#### Section 1

Please answer all the questions. There is no right or wrong answer

Please rate the following statements on a scale of 1 to 5 where : 1 =Strongly agree 2= Agree 3= Undecided (Neither Agree nor Disagree) 4= Disagree 5= Strongly Disagree

Statement	1	2	3	4	5
1. Family members often discuss family and business goals					
2. The family often discusses the future role of the family in the business after the succession					
3. The family business has rules or laws, instructions, guidelines to cover almost all situations					
4. A periodical analysis takes place regarding the future role of the family and the business in the family business					
5. In this organization to be successful we have to plan ahead:					
6. Explicit succession criteria is in place or was developed for identifying the best successor					
7. Explicit efforts were made or are in place to train potential successors for their future role in the business					
8. Family members freely express their opinions about the business					
9. Family loyalty is encouraged even if individual goals suffer					
10. Acceptance by other family members is very important					
11. Family members are generally more concerned about others					
12. Family members are generally very sensitive toward others					
13. Family members are generally very friendly					
14. Family members are generally very tolerant of mistakes					
15. Family members are generally very generous					
16. Family members are strongly encouraged to strive for continuously improved performance					
17. Family members encourage each other to produce their best efforts in the business					
18. Family members acknowledge each others' achievements in the family business					
19. Children take pride in the individual accomplishments of parents					
20. Parents take pride in the individual accomplishments of Children					
21. It is the leader's obligation to take care of parents and/or siblings					
22. Ageing parents generally live at home with their children or are financially supported by children					
23. Men are encouraged more than women to be successors in the business					
24. There is more emphasis for successor grooming on men than women					
25. It's worse for women to fail in business than men					
26. As a leader I avoid dealing with situations involving confrontation					
27. As a leader I express my opinions even if others in the family disagree with me					
28. As a leader I feel comfortable saying "No"					
29. The family business has performed as well or better since I took over the management/ leadership of the family business					
30. I improved/increased the revenues and profits of the family business after taking over the management/leadership of the family business					
31. The relationships among family members are positive since I took over the management/ leadership of the family business					
32. All family members involved in the family business are satisfied with the succession process					
33. I am satisfied with the succession process					
34. (If applicable )The retired owner-manager is satisfied with the succession process					
35. The leader/owner/ manager has to be followed without question					
36. Power is shared at the top and not throughout the organization					

#### Section 2

Statement	1	2	3	4	5
37. In this family business more emphasis is placed on:	Solving current problems	Frequently on solving current problems	Solving current problems and Planning for the	Frequently on planning for the future	Planning for the future

			future both equally valued		
38. The family business is structured to maximize:	Individual interests	Frequently Individual interests	Both Individual interests and Collective interests	Frequently Collective interests	Collective interests
39. In this family business	Family cohesion is more valued than individualism	Frequently Family cohesion	Family cohesion and individualism are equally valued	Frequently individualism	Individualism is valued more than family cohesion
40. In this family business who is likely to serve in the position of high office?	Men	Frequently men	Men and women are likely to serve	Frequently women	Women

### Section 3

41. Please give an example to illustrate how your family business has been successful after the succession process?

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42. Are you:      male                      female

43. What is your country of origin? \_\_\_\_\_

44. How long have you been running your business in South Africa? \_\_\_\_\_

45. How old are you?  
                  Under 20      20-24      25-29      30-34      35-39      40-49      50-59      60 or over

46. How many years of formal school education (or their equivalent) did you complete  
                  Grade 9 or less                      Grade 12      Certificate      Diploma      Degree      Post graduate degree

47. Are you the: Founder /Owner                      Successor/Manager/New Owner

48. How many people work in your organization? \_\_\_\_\_ Name of Organisation (will be kept strictly confidential) \_\_\_\_\_

### Appendix A2: Research Instrument USA version

#### Section 1

Please answer all the questions. There is no right or wrong answer

Please rate the following statements on a scale of 1 to 5 where : 1 =Strongly agree 2= Agree 3= Undecided (Neither Agree nor Disagree) 4= Disagree 5= Strongly Disagree

Statement	1	2	3	4	5
49. Family members often discuss family and business goals					
50. The family often discusses the future role of the family in the business after the succession					
51. The family business has rules or laws, instructions, guidelines to cover almost all situations					
52. A periodical analysis takes place regarding the future role of the family and the business in the family business					
53. In this organization to be successful we have to plan ahead:					
54. Explicit succession criteria is in place or was developed for identifying the best successor					
55. Explicit efforts were made or are in place to train potential successors for their future role in the business					
56. Family members freely express their opinions about the business					
57. Family loyalty is encouraged even if individual goals suffer					
58. Acceptance by other family members is very important					
59. Family members are generally more concerned about others					
60. Family members are generally very sensitive toward others					
61. Family members are generally very friendly					
62. Family members are generally very tolerant of mistakes					
63. Family members are generally very generous					
64. Family members are strongly encouraged to strive for continuously improved performance					
65. Family members encourage each other to produce their best efforts in the business					
66. Family members acknowledge each others' achievements in the family business					
67. Children take pride in the individual accomplishments of parents					
68. Parents take pride in the individual accomplishments of Children					
69. It is the leader's obligation to take care of parents and/or siblings					
70. Ageing parents generally live at home with their children or are financially supported by children					
71. Men are encouraged more than women to be successors in the business					
72. There is more emphasis for successor grooming on men than women					
73. It's worse for women to fail in business than men					
74. As a leader I avoid dealing with situations involving confrontation					
75. As a leader I express my opinions even if others in the family disagree with me					
76. As a leader I feel comfortable saying "No"					
77. The family business has performed as well or better since I took over the management/ leadership of the family business					
78. I improved/increased the revenues and profits of the family business after taking over the management/leadership of the family business					
79. The relationships among family members are positive since I took over the management/ leadership of the family business					
80. All family members involved in the family business are satisfied with the succession process					
81. I am satisfied with the succession process					
82. (If applicable )The retired owner-manager is satisfied with the succession process					
83. The leader/owner/ manager has to be followed without question					

84. Power is shared at the top and not throughout the organization					
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## Section 2

Statement	1	2	3	4	5
85. In this family business more emphasis is placed on:	Solving current problems	Frequently on solving current problems	Solving current problems and Planning for the future both equally valued	Frequently on planning for the future	Planning for the future
86. The family business is structured to maximize:	Individual interests	Frequently Individual interests	Both Individual interests and Collective interests	Frequently Collective interests	Collective interests
87. In this family business	Family cohesion is more valued than individualism	Frequently Family cohesion	Family cohesion and individualism are equally valued	Frequently individualism	Individualism is valued more than family cohesion
88. In this family business who is likely to serve in the position of high office?	Men	Frequently men	Men and women are likely to serve	Frequently women	Women

## Section 3

89. Please give an example to illustrate how your family business has been successful after the succession process?

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90. Are you:      male                      female

91. How old are you?  
                  Under 20    20-24    25-29    30-34    35-39    40-49    50-59    60 or over

92. How many years of formal school education (or their equivalent) did you complete  
                  Grade 9 or less                      Grade 12                      Certificate                      Diploma                      Degree                      Post graduate degree

93. Are you the: Founder /Owner                      Successor/Manager/New Owner

94. How many people work in your organization? \_\_\_\_\_ Name of Organisation (will be kept strictly confidential) \_\_\_\_\_

## Appendix B

### Qualitative Survey Questions: Interview questions

1. Uncertainty Avoidance: The extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events
  - a. Do you have a well defined management and ownership transition plan? Explain?
  - b. Do you have a family Council? Is it effective (eg it meets regularly to agree on the role of family members, business growth and the welfare of family members)?
  - c. Do you conduct a periodical analysis regarding the future role of the family and the business in the family business? Explain.
  - d. Do family members working in the business follow the same work rules as non family employees? Explain?
  
2. Future Orientation: The degree to which individuals in organizations or societies engage in future-oriented behaviours such as:                      planning, investing in the future, and delaying gratification. In other words, the degree to which society helps its members face whatever situation occurs with a more long-term perspective
  - a. Do you have a clear policy that defines how to introduce family members into the business (eg who, what positions, what preparation/training required)
  - b. Do you have a well defined written succession plan in place to ensure that the family business can survive if there is a loss of a key player in the family business
  - c. What system do you have in place to train potential successors for their future role in the business? Do they have to work in the industry 1st? Go to college?
  - d. Have written rules of entry that govern the hiring of family members? Explain?
  - e. Do you emphasize solving current problems? Planning for the future? Explain?



3. Power Distance: Defined as the degree to which members of an organization or society expect and agree that power should be unequally shared. It is measured by the score given for the centralization of power and the gap in power between different levels of society
  - a. Are family members free to express their opinions about the business?
  - b. As the leader is your word final?
  - c. How much do you share the power? Top down or power is shared throughout the organization? Explain?
  
4. Institutional collectivism (Collectivism I): Reflects the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action. Low scores in this dimension reflect individualistic emphasis and high scores reflect collectivistic emphasis by means of laws, social programs or institutional practices
  - a. Is family loyalty encouraged at the expense of individual goals or vice versa?
  - b. Is the family business structured to maximise individual interests or collective interests or both? Explain how?
  - c. Do you have a system to resolve family conflict? Explain
  
5. Humane Orientation: It is the effort and practices which a society shows in support of human beings including generosity, concern and friendliness
  - a. Do you have a concern about family harmony? Explain?
  - b. Are mistakes more tolerated by family members? For family members?
  - c. Are family members generally very friendly (to other family members and to customers)? Explain why?
  
6. Performance Orientation: The extent to which an organization or society encourages and rewards group members for performance improvement and excellence
  - a. Do you have a system in place to measure performance by family members? Explain?
  - b. Do you have a system in place to acknowledge and recognize family achievement in the business? Explain
  - c. Do you have a system in place to offer incentives for best efforts by family members? Explain?
  - d. Do you place more importance on the success of your business than family relationships? Explain?
  
7. In-group collectivism (Collectivism II): Is the degree to which individuals express pride, loyalty and cohesiveness in their organizations, families and other in-groups)
  - a. Is family pride cherished in the business? Explain How?
  - b. Does family take pride in individual accomplishments of each other (parents and children)? Explain how?
  - c. Do ageing parents remain part of the business and if so what support is offered to the ageing parents?
  
8. Gender Egalitarianism: Is the extent to which an organization or a society minimizes gender role differences
  - a. Are women family members welcomed in the business?
  - b. Are family men encouraged more than family women to be successors in the business? Explain why?
  - c. Are successor opportunities (education, grooming, promotion, etc) the same for family men as they are for family women? Explain?
  
9. Assertiveness: The degree to which individuals in organizations and societies are assertive, confrontational, and aggressive in social relationships
  - a. Are you comfortable saying no to business family members? Explain
  - b. Do you prefer to address problems upfront or you prefer to avoid situations involving confrontation? Explain?
  - c. Does the family agree on goals for the business? When disagreements are inevitable are you free to express your opinions?

10. Perceived success
- a. Over how many years has your company demonstrated continuous growth in profits before tax?
  - b. Do you consider your business to be successful after you took over? Explain?
  - c. How do you measure success of your family business? Explain
  - d. Where you/are you satisfied with the succession process? Are the other family members satisfied with the succession process? Explain?

## Appendix C1: Research Instrument Cover Page RSA



### Letter of Introduction

Dear Business Owner

Thank you for your willingness to participate in this very important study and for responding to Yogesh Kumar's request who contacted you in regard to this study. My Name is Patience Taruwinga and I am a Doctoral Student at UNISA School of Business and Leadership. I am undertaking research leading to the production of a thesis or other publications on the subject of The Influence of Cultural Factors on the Succession of Family Owned Businesses. I am working along with Yogesh as the research assistant for this study. The main purpose of this research is to learn about cultural values and how they impact successful succession of the family business.

I would be grateful if you would volunteer to assist in this project, by completing the questionnaire enclosed which covers certain aspects of this topic. The questionnaire that you are asked to complete will take about 15-20 minutes of your time.

The resulting information will be useful for family businesses as they succeed from generation to generation. This information may be used for classroom instruction of students and managers in universities, technological institutes, and other organizations throughout the world. Hopefully, this information will be helpful to better understand how cultural values help family businesses to be successful from one generation to the next.

In the following pages, you are asked to choose a number of statements that reflect your observations of cultural practices, your beliefs, your values, or your perceptions. This is not a test, and there are no right or wrong answers. We are mainly interested in learning about the beliefs and values in your society, and how various societal practices are perceived by you and the others participating in this research. Be assured that any information provided will be treated in the strictest confidence. No individual respondent will be identified to any other person or in any written publication. Further, the name of your organization will not be publicly released.

### General Instructions

In completing this survey, you will be asked questions focusing on the family business and on your perceptions of certain cultural values and the succession of the family business. Most people complete the survey in

approximately 15-20 minutes. There are 3 sections to this questionnaire; 41 questions in section 1 and 2 and 5 questions in section 3.

### Explanation of the Types of Questions

There are three different types of questions in this questionnaire. An example of the first type of question is shown below:

1 = Strongly agree 2 = Agree 3 = Undecided (Neither Agree nor Disagree) 4 = Disagree 5 = Strongly Disagree					
Statement	1	2	3	4	5
95. Family members often discuss family and business goals					

For a question like this, you would circle the number from 1 to 5 that is closest to your perceptions about your family business. For example, if you strongly agree with the statement you select 1 if you neither agree nor disagree you select 3 and if you strongly disagree you select 5.

An example of the second type kind of question is given below:

Statement	1	2	3	4	5
96. In this family business more emphasis is placed on:	Solving current problems	Frequently on solving current problems	Solving current problems and Planning for the future both equally valued	Frequently on planning for the future	Planning for the future

For a question like this, you would circle the number from 1 to 5 that is closest to your level of agreement with the statement. For example, if you strongly agree that there is more emphasis on solving current problems select 1 and if there is more emphasis on planning for the future select 5.

The third type of questions is just general demographic questions where you select the right answer. For example, are you male or female? You might be requested to give a brief explanation on some of the questions.

Please answer all questions. Any enquiries you may have concerning this project should be directed to me by email [ptaruwin@yahoo.com](mailto:ptaruwin@yahoo.com) or you can call the student advisor Dr Rene Erasmus at 082 324 8968. The completed questionnaire can be mailed back using the self addressed envelope enclosed or the completed questionnaire can be e-mailed back to: [ptaruwin@yahoo.com](mailto:ptaruwin@yahoo.com).

Thank you for your attention and assistance.

Yours sincerely

*Patience Taruwinga*

Patience Taruwinga

## Appendix C2: Research Instrument Cover Page RSA



### Letter of Introduction

Dear Business Owner

Thank you for your willingness to participate in this very important study and for responding to Ivan Moodley's request who contacted you in regard to this study. My Name is Patience Taruwinga and I am a Doctoral Student at UNISA School of Business and Leadership. I am undertaking research leading to the production of a thesis or other publications on the subject of The Influence of Cultural Factors on the Succession of Family Owned Businesses. I am working along with Ivan Moodley as the research assistant for this study. The main purpose of this research is to learn about cultural values and how they impact successful succession of the family business.

I would be grateful if you would volunteer to assist in this project, by completing the questionnaire enclosed which covers certain aspects of this topic. The questionnaire that you are asked to complete will take about 15-20 minutes of your time.

The resulting information will be useful for family businesses as they succeed from generation to generation. This information may be used for classroom instruction of students and managers in universities, technological institutes, and other organizations throughout the world. Hopefully, this information will be helpful to better understand how cultural values help family businesses to be successful from one generation to the next.

In the following pages, you are asked to choose a number of statements that reflect your observations of cultural practices, your beliefs, your values, or your perceptions. This is not a test, and there are no right or wrong answers. We are mainly interested in learning about the beliefs and values in your society, and how various societal practices are perceived by you and the others participating in this research. Be assured that any information provided will be treated in the strictest confidence. No individual respondent will be identified to any other person or in any written publication. Further, the name of your organization will not be publicly released.

### General Instructions

In completing this survey, you will be asked questions focusing on the family business and on your perceptions of certain cultural values and the succession of the family business. Most people complete the survey in approximately 15-20 minutes. There are 3 sections to this questionnaire; 41 questions in section 1 and 2 and 5 questions in section 3.

### Explanation of the Types of Questions

There are three different types of questions in this questionnaire. An example of the first type of question is shown below:

1 =Strongly agree 2= Agree 3= Undecided (Neither Agree nor Disagree) 4= Disagree 5= Strongly Disagree					
Statement	1	2	3	4	5
97. Family members often discuss family and business goals					

For a question like this, you would circle the number from 1 to 5 that is closest to your perceptions about your family business. For example, if you strongly agree with the statement you select 1 if you neither agree nor disagree you select 3 and if you strongly disagree you select 5.

An example of the second type kind of question is given below:

Statement	1	2	3	4	5
98. In this family business more emphasis is placed on:	Solving current problems	Frequently on solving current problems	Solving current problems and Planning for the future both equally valued	Frequently on planning for the future	Planning for the future

For a question like this, you would circle the number from 1 to 5 that is closest to your level of agreement with the statement. For example, if you strongly agree that there is more emphasis on solving current problems select 1 and if there is more emphasis on planning for the future select 5.

The third type of questions is just general demographic questions where you select the right answer. For example, are you male or female? You might be requested to give a brief explanation on some of the questions.

Please answer all questions. Any enquiries you may have concerning this project should be directed to me by email [ptaruwin@yahoo.com](mailto:ptaruwin@yahoo.com) or you can call the student advisor Dr Rene Erasmus at 082 324 8968. The completed questionnaire can be mailed back using the self addressed envelope enclosed, or the completed questionnaire can be e-mailed back to: [ptaruwin@yahoo.com](mailto:ptaruwin@yahoo.com).

Thank you for your attention and assistance.

Yours sincerely

*Patience Taruwinga*

Patience Taruwinga

### Appendix C3: Research Instrument Cover Page USA



Dear Business Owner

My Name is Patience Taruwinga and I am An Adjunct Faculty Member at Indiana University of South Bend and a Doctoral Student at UNISA School of Business and Leadership. I am undertaking research leading to the production of a thesis or other publications on the subject of The Influence of Cultural Factors on the Succession of Family Owned Businesses. The main purpose of this research is to learn about cultural values and how they impact successful succession of the family business.

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Statement	1	2	3	4	5
99. Family members often discuss family and business goals					

For a question like this, you would circle the number from 1 to 5 that is closest to your perceptions about your family business. For example, if you strongly agree with the statement you select 1 if you neither agree nor disagree you select 3 and if you strongly disagree you select 5.

An example of the second type kind of question is given below:

Statement	1	2	3	4	5
100. In this family business more emphasis is placed on:	Solving current problems	Frequently on solving current problems	Solving current problems and Planning for the future both equally valued	Frequently on planning for the future	Planning for the future

For a question like this, you would circle the number from 1 to 5 that is closest to your level of agreement with the statement. For example, if you strongly agree that there is more emphasis on solving current problems select 1 and if there is more emphasis on planning for the future select 5.

The third type of questions is just general demographic questions where you select the right answer. For example, are you male or female? You might be requested to give a brief explanation on some of the questions.

Please answer all questions. Any enquiries you may have concerning this project should be directed to me by email [ptaruwin@iusb.edu](mailto:ptaruwin@iusb.edu) or phone 574 315 5080. The completed questionnaire can be mailed back using the self addressed envelope enclosed.

Thank you for your attention and assistance.

Yours sincerely

*Patience Taruwinga*

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