CHALLENGES TO INTRA-FAMILY SUCCESSION IN SOUTH AFRICAN TOWNSHIPS

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ABSTRACT

While family-owned businesses contribute favourably to the economy, the fact that they seldom survive a generational transition provides ample justification for undertaking to determine the factors which militate against the successful planning for succession in family-owned businesses in South Africa. Mimicking the mixed research approach, this paper adopted an integrated approach in the collection and analysis of the data. The paper was based on quantitative data from 120 participants collected by the way of a semi-structured questionnaire administered to family-businesses in a designated township in South Africa. The study profited from the qualitative insights concomitant with the use of open-ended question in the questionnaire. The data was analysed using the Statistical Package for Social Sciences (SPSS) software.

The results concede that the incapability of family owned businesses to ensure competent family leadership across generations is still a major problem today. In particular, the results noted that most family-owned businesses were unable to identify their future needs with respect to talents; found it difficult to discuss potential successors with members of their families and could not generate a pool of suitable candidates. Other obstacles to succession planning included the lack of interest on the part of the members of the family and complicated emotional factors in the incumbent-successor relationship. This paper contributes to the succession planning discourse with a specific reference to family-owned businesses in South African townships. Recommendations were made.

Keywords: Succession Planning, Succession, Family-Owned Business, Estate Planning.

INTRODUCTION AND BACKGROUND

The businesses and institutions which last do not generally result from the narrow pursuit of popularity or personal advancement, but rather of devotion to a greater purpose, namely, the desire to leave a worthwhile achievement for the next generation, the commitment to give back to the community in which a business enterprise has prospered and a determination to boost the economy (PricewaterhouseCoopers, 2008).

The relevant available literature concerning FOBs is frequently characterised by accounts of problems and pitfalls, with their lack of longevity being a principal cause for concern (Glu, Kula & Glaist, 2008). The smaller FOBs are particularly vulnerable, with many surviving for between five to ten years and their average life span being a mere 24 years (Stavrou & Swiercz, 1998; Venter & Boshoff, 2005). According to several researchers and writers, one of the main reasons, if not the single most significant reason, for the failure of FOBs to survive is intergenerational succession with respect to management (Hjorth, 2016; Venter, Van der Merwe & Farrington, 2012; Venter, Boshoff & Maas, 2005; Visser & Chiloane-Tsoka, 2014).
While the importance of FOBs cannot be underestimated, the contribution which they make to socio-economic growth has not been adequately understood in South Africa, nor has the conditions which are necessary for successful operation of FOBs are not well established (Maas, 2014). Typical areas of concern for FOBs include succession, insularity, interpersonal conflicts and conflicts of interest within the families concerned and governance (Visser & Chiloane-Tsoka, 2014). Further problem areas include the family connections, intergenerational changes and the sustainability of family-owned businesses (Visser & Chiloane-Tsoka, 2014; Nordqvist & Melin, 2010). In fact, FOBs typically struggle with succession planning, conflicting value systems and inter-generational tensions (Hjorth, 2016).

Owing to the role which they play in both the economy and the socio-economic development of South Africa, the survival of FOBs from one generation to the next is of crucial importance to the economic growth of the country. An assessment of the literature revealed a significant body of scholarly work that has been done on family business in South Africa (Venter, 2005; Desai, 2008; Taruwinga, 2011; Thage, 2017) even though not so much consideration has been given to township businesses. This comes against the growing interest in township businesses, given the particularities of these townships, the enormous attention drawn by xenophobic attacks on immigrants who operate there and government’s efforts to provide broad-base economic growth. Using township businesses as the lens, this paper sought to understand the challenges that family-owned businesses in South Africa face when planning for succession.

LITERATURE REVIEW

Access to most of the literature which is reviewed in this section was obtained by consulting academic journals, books and other sources. In order to align the review with the objective of the study, namely, to determine the challenges which are encountered during the process of planning for succession, the relevant literature will be presented under the headings of the sections which follow.

Definition and Unique Characteristics of Family-Owned Businesses

Ibrahim and Ellis (2004) define a family-owned business as one that is managed by at least two members of a family or a single family owns at least 51% of the business. In addition, family-owned businesses are administered with the intention of pursuing and shaping the vision of the business in favour of future generations of the family (Chrisman, Chua & Sharma, 1999).

Maas et al. (2014) explain that family businesses are distinctive in a sense that the interests of the families supersede those of the business in most cases. Although a business which is not owned by a family will be run solely as a business, when members of families work together, disputes in their businesses usually have a ripple effect on relationships within their families and vice versa.

It is believed that the superseding characteristics of most family-owned businesses are a distinctive environment which facilitates a marked appreciation of a shared commitment among the workers (Leach, Ball & Duncan, 2002; Ibrahim & Ellis, 2004). Family businesses are further distinguished by some of the following characteristics:
• **Active Involvement by Members of Families:** Roles and responsibilities must be clearly defined and mutually recognised, respected, understood and by each member for family businesses to run profitably (Carrigan & Buckley, 2008).

• **Mutual Respect:** Mutual respect needs to be expressed through trust between and among members of the family and built through the scrupulous honouring of undertakings and responsibilities to one another, from generation to generation (Carrigan & Buckley, 2008).

• **Shared Vision:** A sense of purpose enables the family to understand the direction which both the family and the business are taking, in terms of the values and strategic direction, for which both stand and ensures that it has a clearly articulated identity and that it adopts its mission to succeed (Netsianda, 2008).

• **A Sense of Belonging:** Personal growth and development within the family business is very vital as it ensures that the members of the family feel that they belong to both the family and the business, that they understand the changes which need to be made and that they make the contributions which they need to make to ensure the continued well-being of the businesses (Carrigan & Buckley, 2008).

• **Trust:** High levels of trust between the members of the families who own family businesses and the employees who are not members of their families are vital for the success of family businesses (Carrigan & Buckley, 2008).

**Contribution of Family Business to the Economy**

Family-owned businesses are becoming increasingly recognised as significant drivers of economies in both developed and developing countries. Several researchers have asserted that throughout the world, family-owned businesses (FOBs) make significant contributions towards social development, the creation of employment, the promoting of economic wealth and reducing poverty (Hjorth, 2016; Visser & Chiloane-Tsoka, 2014, Megginson, 2003; Lind, 2012; Chittoor & Das, 2007). For instance, it is believed that FOBs account for approximately 90% of all businesses in the world and play significant roles in advanced and emerging economies alike (Hjorth, 2016; Gedajlovic, Carney, Chrisman & Kellermanns, 2012). According to the Family Firm Institute (2014), FOBs makeup 80% of all firms in the United States of America (USA) and are accountable for approximately 50% of the gross domestic product (GDP) of the country.

In South Africa, FOBs account for approximately 50% of the economic growth which takes place (Fishman, 2009). It is also estimated that families are involved in the ownership and management of more than 80% of all South African businesses and that more than 60% of all companies which were listed on the Johannesburg Stock Exchange (JSE) during the stage of its infancy had been family-owned (Van Buuren, 2007). The rapid growth of FOBs in South Africa can be attributed to the government having embarked on several initiatives to support small and medium-sized enterprises (SMEs) (Hjorth, 2016). These initiatives include the Department of Trade and Industry (DTI), the Small Enterprise Development Agency (SEDA) and the Seda Technology Programme (STP) (Ndabeni, 2008). The South African government recognises entrepreneurial activity as a means of stimulating the economy of the country, encouraging growth and responding to the increasing inability of the informal sector to create new opportunities for employment (Visser & Chiloane-Tsoka, 2014). Although the nature of FOBs and the vital role which they play in the economy may not have received adequate attention in the general management literature, it is indisputably of crucial importance for any individual
person, team or organisation working in the domain of FOBs to plan effectively for the future (Jacobs, 2006). Typical areas of concern for FOBs include succession, insularity, interpersonal conflicts and conflicts of interest within the families concerned and governance (Visser & Chiloane-Tsoka, 2014). Further problem areas include the families’ connections, intergenerational changes and the sustainability of family-owned businesses (Visser & Chiloane-Tsoka, 2014; Nordqvist & Melin, 2010). FOBs typically struggle with succession planning, conflicting value systems and inter-generational tensions (Hjorth, 2016).

**Problems Faced by Family-Owned Businesses**

Nieman (2006) points out that family business failure can be attributed to the following factors: ineffective communication, nepotism, tradition, conflict between family members, a lack of leadership and inappropriate transfer of leadership to the next generation. To Van Eeden and Venter (2007), the very complex nature of family relationships is the major stumbling block to the growth and survival of any family owned businesses.

Other challenges that are encountered by family-owned businesses that may impact on intra-family succession include (Rwigema & Venter 2004; Van Duijn et al., 2007):

- Ineffective governance approaches.
- Non-existence of vision and entrepreneurship.
- Lack of diversity and outside opinion can lead family members having tunnel vision.
- Compensation problems may arise for family members.
- Limited internal supervision amongst family members.
- Owners not wanting to accept that the business will eventually change.
- Emigration of the next generation of owners/managers.

**Planning for Succession in Family-Owned Businesses**

Rothwell (2010) defines planning for succession as a “deliberate and systematic effort by an organisation to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future and encourage individual advancement”. Bocatto, Gispert and Rialp (2010) explain that succession is an essential component of any strategy to ensure the survival of family-owned businesses and that researchers have based their assessments of the likelihood of family-owned businesses surviving on their potential for succession.

Planning for succession entails a process in which businesses plan the transferring of their ownership. It is embarked upon in instances in which although the owner of a business wishes to terminate his or her own involvement in it, nevertheless desires the business to continue operating (Sambrook, 2005). Succession constitutes a significant test of the mettle of most family-owned business organisations. According to Le Breton-Miller, Miller and Steier (2004), maintaining leadership from one generation to the next is one of the greatest challenges to the longevity of family businesses. Ward (2004) expands this assessment by explaining that “approximately 66% of successful family-owned businesses survive the transfer of the business to the second generation and then only 13% of these survive through to the third generation”.

A succession plan for a family-owned business entails the transferring of both ownership and control of management from one generation to the other (Brun-de-Pontet, Wrosch & Gagne,
The succession of ownership determines to whom ownership of the business will be transferred and how and when it will take place.

Drivers for the Planning of Succession and Associated Challenges

According to (Winn, 2000) the pressures which have been identified reveal that companies tend to struggle to fulfil the requirements of negotiating the three distinct stages of successfully planning for succession, namely:

- “Identifying”, in terms of the difficulty which is encountered in endeavouring to find suitable candidates for management positions, identifying talent which has particularly high potential early and devising tactics to keep talent
- “Developing”, in terms of improving the bench-strengths of their companies in key positions and successfully evaluating the best available talent
- “Retaining”, in terms of the unexpected loss of key leaders and reducing the cost of replacing employees.

A study which was conducted by Ibrahim, Soufani and Lam (2001) reveals that although tensions may arise within family-owned businesses in the absence of adequate planning for succession, there are many ways in which conflicts may be resolved. According to Hubler (2009), the founders of family-owned businesses, their intended successors and their executive management find that succession constitutes one of their most difficult strategic problems.

Succession cannot be planned and implemented without recourse to conversations in which different voices are heard. Succession in businesses needs to be carried and lived through in a manner which prompts the members of the families concerned to ponder complex concerns over extended periods of time (Haag, 2012). In relation to appropriate discussions concerning succession, Lam (2011) explains that “one common scenario is that family business members draw up and agree to a succession plan, only to find it extremely difficult, if not impossible, to implement it”. This is extremely relevant to the present discourse concerning succession in family-owned businesses and the need for further research into how to make conversations concerning succession fruitful (Lam, 2011).

According to Motwani, Levenburg and Schwarz (2006), the problems which are associated with succession are not always easy to overcome, as the process entails concerns which are of a very intimate nature for the members of the families concerned, such as relationships within their families, their personal identities within their families and future wealth. Lam (2011), adds that although the members of families often work very closely together in family-owned businesses, conversations concerning succession tend to be avoided, as they have great potential to create tension and, in many cases, the topic itself is perceived to be a distasteful one (Lam, 2011).

METHODOLOGY

Mimicking the mixed research approach, this paper adopted an integrated approach in the collection and analysis of the data. The approach saw the inclusion of open-ended questions in the standard questionnaire. It was hoped that the open-ended questions would bring forth the qualitative insights associated with the qualitative method. The quantitative component of the questionnaire solicited answers on a nominal, ordinal and 5 point likert scale, while the open-ended questions (qualitative component) sought to explore and complement the former. As Creswell (2011) points out, a mixed methods approach exploits the strengths of both types of research.
methods. In recent decades, there has been a move by researchers in the social sciences to develop methods and approaches which make use of the best attributes of the two ostensibly antithetical approaches to the conducting of research. The bridging process entails the triangulation of findings, to work towards overcoming the potential bias and sterility of single-method approaches (Malwani & Gardner, 2004). Besides the pilot test that was conducted to ensure validity, the use of mixed tools counter checked each other.

Research Population and Sampling

The target population for the study comprised of all the small and medium-sized family businesses situated in the township of Gugulethu in Cape Town. At present, there is no comprehensive national database for this area. In the absence of a sample frame, the non-probability sampling technique was the most feasible. While probability sampling permits a researchers to estimate the anticipated margin of error and avoid the possibility of bias in the selection process (Babbie & Maxfield, 2014), non-probability sampling ensures that the selection of participants is easy, although more prone to bias (Forzano & Gravetter, 2011). Adopting the snowballing sampling technique, 120 businesses were selected for the study. Assuming that adopting a sample size is a benching process, the sample size for this study was set at 120 businesses. Following, Tengeh (2011), the sample size of 120 was arrived at by taking into consideration the arithmetic mean of 4 related studies. The questionnaires were self-administered to these businesses.

The unit of analysis in this study was the owners or the managers of the family-owned businesses in Gugulethu. Cooper and Schindler (2011) define a unit of analysis as the entity which is studied, by means of which the researcher decides how to analyse the data which are obtained during the conducting of a study. Hence, information pertaining to individual characteristics, such as the number of years for which a business has been in existence, the levels of education which had been attained by the participants, their genders and their ages, was collected to create broad profiles of the 120 people who took part in the survey questionnaire.

Data Collection and Analysis

The analysis of data is a process of considering the research questions in relation to the findings which emerge from the data to confirm or refute the assumptions on which the research questions have been based and of developing explanations for the findings (Babbie & Mouton, 2001). The study utilised an integrated approach to the collection analysis of the data. The quantitative data was extracted from the likert-scale questions on the questionnaire, while the open-ended questions provided the qualitative angle.

Following Terre Blanche, et al., (2006), the quantitative data was analysed through the use of SPSS software and the focus was on descriptive statistical components such as frequencies and graphs. The qualitative data which were obtained from the open-ended questions were categorised into main themes and concepts and used to corroborate the results of the quantitative components of the questionnaire.

RESULTS AND DISCUSSION

The findings of the study will be covered under separate headings in the sections which follow.
Obstacles Encountered by Family Businesses

A question was asked that sought to ascertain if the businesses surveyed had problems. Approximately 69.2% of the respondents confirmed that their businesses were affected by obstacles, which could also affect other businesses in a similar manner, irrespective of whether they are family businesses or not. Although 30.8% indicated that they were not affected by any specific obstacles at present, this finding would not preclude the possibility of their having encountered obstacles in the past.

Ward (2004) explains that family businesses encounter setbacks and challenges as a result of changes in the competitive environment in the markets in which they operate. Accordingly, the management of family businesses needs to maintain high standards with respect to accountability, professionalism, innovation and creativity and to maintain a clear focus while reviewing both their short-term and their long-term strategies for survival.

Succession and Continuity

A question was asked that sought to ascertain how the respondents felt about succession and continuity. The results show that 68.3% of the respondents confirmed that they intended the ownership of their businesses to remain in their families, which would suggest that they had identified potential successors. A significant 31.7% indicated that it had not been agreed that the ownership of their businesses would remain in their families. The number of respondents who confirmed that the subject of succession was a cause of conflict and wrangling in their families would suggest that, in these cases, the continued ownership of their businesses by their families was threatened by an inability to devise a rational means of planning for succession. This result is in line with the literature that only of the order of 30% of family-owned businesses make the transition to the second generation, while only 12% do so to the third generation, with a mere 3% being passed to the fourth generation and beyond, while the rest are either sold or liquidated (Byrd & Megginson, 2013; Chittoor & Das, 2007).

Difficulties Encountered in Discussing Potential Successors with Members of Families

As noted in Table 1, an overwhelming majority (60.8%) of the respondents conceded that they found it difficult to discuss potential successors with members of their families. A much smaller group of 17.5% strongly disagreed with the statement, while 10.8% disagreed and a further 10.8% were neutral. Poor and ineffective communication during the succession process can promote the unleashing of negative emotions, which can, in turn, have grave implications for relationships within the families concerned. Open and honest dialogue, in which respect for others is maintained, can help to promote a rational assessment of the most important considerations for achieving a smooth succession.
Table 1

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is difficult to discuss potential successors with members of the family</td>
<td>17.5%</td>
<td>10.8%</td>
<td>10.8%</td>
<td>23.3%</td>
<td>37.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Families cannot to identify the future needs of their organisations with respect to talent</td>
<td>15.8%</td>
<td>21.7%</td>
<td>10%</td>
<td>24.2%</td>
<td>28.3%</td>
<td>100%</td>
</tr>
<tr>
<td>Families cannot locate or create a pool of potential candidates in the business</td>
<td>17.5%</td>
<td>15.8%</td>
<td>10%</td>
<td>29.2%</td>
<td>27.5%</td>
<td>100%</td>
</tr>
<tr>
<td>There is a lack of interest on the part of the members of the family</td>
<td>14.2%</td>
<td>15.8%</td>
<td>12.5%</td>
<td>27.5%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>Conflicts among members of the family affects businesses adversely</td>
<td>15.8%</td>
<td>15%</td>
<td>10.8%</td>
<td>21.7%</td>
<td>36.7%</td>
<td>100%</td>
</tr>
<tr>
<td>Ownership of family businesses should remain in the families</td>
<td>10.8%</td>
<td>11.7%</td>
<td>7.5%</td>
<td>15%</td>
<td>55%</td>
<td>100%</td>
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Inability to Identify the Future Needs of Family-Owned Businesses with Respect to Talent

Table 1, Row 2 shows that a slight majority (52.5%) of the respondents concurred that their organizations were unable to identify their future needs with respect to talent, while 21.7% disagreed, 15.8% strongly disagreed and 10% were neutral. This finding suggests that although this perceived inability was believed to create problems for a significant portion of the respondents, it was by no means perceived by all to do so. In an earlier study, Lewis (2000) notes, that “not planning” are one of the critical mistakes that family businesses make.

Inability to Locate or Create a Pool of Suitable Potential Candidates

Table 1, Row 3, shows a similar pattern of responses to that which was shown in the previous row, with 27.5% agreeing and 29.2% strongly agreeing with the statement, to account for 56.7% of the sample. By contrast, 15.8% disagreed, 17.5% strongly disagreed and 10% were neutral.

A Lack of Interest on the Part of the Members of the Family

Table 1, Row 4 shows yet another similar pattern of responses, with 27.5% agreeing and 30% strongly agreeing, to account for 57.5% of the sample, that a lack of interest on the part of the members of their families made planning for succession difficult. A total of 30% (which comprised of 15.8% who disagreed and 14.2% who strongly disagreed), disagreed with the statement, while 12.5% were neutral.

Conflicts among Members of the Family

Table 1, Row 5 illustrates that a total of 57.7% of the respondents, 21.2% of whom agreed and 36.5% of whom strongly agreed, agreed that conflicts among the members of their families affected their businesses adversely. By contrast, a total of 42.3% disagreed with this
statement, with 15.4% disagreeing and 26.9% strongly disagreeing with the statement and 10.8% being neutral.

**The Ownership of Family Businesses**

Table 1, Row 6 shows that 70% of the respondents (with 15% agreeing and 55% strongly agreeing) agreed that the ownership of family businesses should remain in the families concerned. By contrast, 11.7% disagreed, 10.8% strongly disagreed and 7.5% were neutral. This finding suggests a strong general consensus that the ownership of a family business should remain in the family concerned.

**Degree of Involvement by the Members of the Family in Decision Making**

In a question that sought to gauge the level of involvement by members in decision making, the results demonstrate that a majority of 74.2% of the respondents indicated that decisions were made by either the owners or the managers of their businesses, while 25.8% indicated that decisions were made with the involvement of their children and spouses. These finding accords with the contention of Leach, et al. (2002), who maintains that decision making in family-owned businesses is usually carried out by one person and entails a “yes” or “no” answer, as opposed to the process of completing forms and consulting with other senior members of staff, which is the usual procedure in businesses which are not owned by a single family.

**Identification of Successors in Family-Owned Businesses**

The study endeavoured to determine the frequency with which leadership is changed in family-owned businesses. The results indicate that a majority of 55.8% of the respondents indicated that a successor had not been identified in their families to take over the running of their businesses, while 44.2% indicated that a member of their families had been identified as a future leader of their businesses. The point which has been made by Molly, Laveren and Deloof (2010) that planning for succession, particularly in a family business, entails a process, rather than an event, further underlines the significance of this finding, as it appears that there is a great lack of awareness of the amount of effort which is required in order to deal adequately with the complexities of planning for succession in a great many family-owned businesses.

**The Availability of a Potential Successor**

Much of the available literature suggests that the unavailability of a potential successor has the potential to result in the failures of businesses. This was confirmed in this study in that 65% of the respondents agreed that availability of a potential successor could affect the prospects of a family-owned business for survival.

**The Destructive Potential of Wrangles within Family-Owned Businesses**

With regards to wrangling, the results indicate that a majority of 78.3% of the respondents indicated that they agreed that wrangles within the family could adversely affect the survival of business. Aronoff (2002) explains that conflicts between the interests of the business and those of the family are very often compounded by emotional components which are not normally encountered in businesses which are not owned by a single family. Kets de Vries
(2009) maintains that wrangling often becomes tremendously complex in family owned-businesses which have lasted from one generation to the next.

SUMMARY OF THE RESPONSES TO THE OPENED-ENDED

Planning for succession is a crucial factor for ensuring the continuity of family owned businesses. Although a very large proportion of the interviewees in the qualitative study consistently gave positive responses to questions concerning the importance of having an adequate plan for succession, most were not aware of the extent to which planning for succession determines the longevity of family businesses. It was clear from their responses that the continuation of the family legacy was the most important consideration for the owners and the managers of the businesses. They also indicated that they believed that it was better to have a member of the family take over the business because he or she would be intimately acquainted with the preferred practices and procedures of the business. Several indicated that they believed that the absence of an officially nominated successor could result in unnecessary conflicts and the mismanagement of the business, which could, in turn, result in the eventual failure of the business. One of the interviewees said:

“I have a lot of children who love business just as much as I do and I would love for them to take over the family business one day.”

Most of the participants maintained that they considered it to be important for the members of their families to know who the successor would be in the event of the death of an incumbent owner or manager, as the failure of their businesses would deprive their families of a livelihood and even of having food on the table. It was clear that for the participants in the interviews, their businesses provided not only incomes for their families but also a way of life.

An interviewee maintained that they believed that it was not important to have a formulated and articulated plan for succession, as they believed that the members of their families should know that they would be automatically expected to take over the business should the incumbent owner or manager die and not need to be told. However, it needs to be asserted once again that the absence of an agreed upon plan for succession has the potential to result in more than one type of conflict of interests. In some cases, the members of families may view with one another to assume control or ownership of the family business and in others, the person whom the family desires to take over the business may have plans for pursuing a completely different career. Those interviewees who did not believe in the necessity of a plan for succession also mentioned that attempting to discuss plans for succession tended to spark conflicts and intense wrangles in their families. For this reason, they believed that it would be better to leave the matter until a successor was needed, in order to enable the family to make appropriate decisions concerning a successor when it became necessary to do so.

Most of the interviewees stressed the importance of maintaining good relationships in their families, literally at all costs. For these interviewees, the health of the relationships in the families assumed a greater importance than the profitability of their businesses.

CONCLUSION AND RECOMMENDATIONS

There is a cliché in most industries that “successful firms look after their talent” and this is perhaps grounded on the need to ensure that the continuity of the business is assured. It is therefore customary for family businesses to ensure that the business transits from one
generation to another and remains successful by planning for succession. Despite this ambition, a
great number of family-owned businesses do not survive the transition. Notwithstanding the
growing literature on the management of succession planning in family businesses, so little
attention has been paid so far to the factors that subdue intra-family succession from taking
place. Hoping to contribute to this discourse, this paper investigated the challenges encountered
by family-owned businesses planning for succession. The results submit that one of the most
central problems facing family-owned businesses is the incapability to ensure competent family
leadership across the generations. It has also been identified through this research that most
family-owned businesses were unable to identify their future needs with respect to talent; found
it difficult to discuss potential successors with members of their families, cannot generate a pool
of potential candidates, lack of interest on the part of the members of the family; and obscuring
emotional factors in the incumbent-successor relationship.

With an understanding of the unique environment under which family businesses in
South African townships operate and the results of this study, the following are recommended:

- Family businesses are encouraged to develop succession plans.
- Training of potential successors is encouraged to ensure a ready and skilled ready pool of
candidates.
- Open communication channels should be encouraged to minimize conflicts. Meritocracy
should be encouraged in the successor.

IMPLICATIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE STUDIES

The study stands to be of potential benefit to many individual people and families and
their businesses. Family-owned businesses should benefit from the availability of reliable
information concerning how to deal with the challenges which are entailed by the planning of
succession and, as a consequence, should be able to develop new strategies for ensuring the
successful transferring of ownership of their businesses to the next generations of their families. The
founders of family-owned businesses should be provided with an effective means of gaining
an understanding of the importance of dealing with and overcoming the challenges which
appropriate planning for succession may entail. In this respect, the findings of the study should
be beneficial, not only to the owners of family-owned businesses, but to their successors as well.

Given that the study was conducted in a single township in Cape Town, the results cannot
be generalized to present the position of South African townships nor the South African family
businesses. As such, it is suggested that this study be extended to other South African townships.

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