

**FACTORS AFFECTING FAMILY OWNED BUSINESSES
IN DURBAN, KWAZULU-NATAL**

By

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DECLARATION

I, Siphamandla Mlobeli, declare that the work in this study is my own work and findings, except where it has been stated. As far as I know, there is no other study that is similar to this one and all references have been reported to the best of my ability.

Siphamandla Mlobeli _____

Date _____

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I would like to take this opportunity to thank the Lord almighty, for granting me the strength to get my Master's degree in Business Administration done. My family, specifically my mother, for always being there. The biggest role player in this dissertation, Dr. Mapudzi, she has been amazing, I am so grateful to you. I am also grateful to Ms Sara Mitha for assisting me. To my manager at Gold Circle, Mr. Dean Moodie, thank you so much for your assistance and always being there. I would also like to thank you the participants who volunteered their time to be interviewed for this research.

DEDICATION

I would like to dedicate this dissertation to my parents, for doing everything they could to ensure that I get educated.

I would also like to dedicate this dissertation to all family-owned businesses in Durban, KZN.

ABSTRACT

Family owned businesses play a vital role in the entire South African economy. The main objective of the study was to investigate the factors affecting family owned businesses in Durban, KwaZulu Natal (KZN), as well as to establish the leadership styles of management present in family owned businesses. The study also aimed to establish the effect of succession planning on these businesses and propose strategies for the sustainability of family owned businesses. The study was exploratory and qualitative research methods were used to conduct the research. Scheduled individual in-depth interviews with family owned business managers/business owners were conducted by the researcher. The respondents consisted of five businesses that were selected by the researcher around Durban; the respondents were chosen by means of non-probability sampling methods. The findings of the study revealed that there is a lack of communication between family owned businesses and the government; hence, the government has no support towards family owned businesses. The majority of the respondents indicated strategic planning and succession plans as major factors affecting the survival of family owned businesses. Other factors that the respondents highlighted include poor financial management, lack of technology, globalisation, family feuds, lack of education within the family owned businesses, lack of business experience, skill shortages and poor leadership. Based on these findings, the researcher recommended that family owned businesses need to critically evaluate all the internal and external factors before and during the progress of the business. The researcher further indicated that a clear succession plan is required, while family owned business managers need to lead by example.

Key words: family owned businesses; Internal and external factors, sustainability, communication and decision making.

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CHAPTER ONE: OVERVIEW OF THE STUDY

1.1 Introduction

This study investigates the factors affecting family owned businesses in Durban, KwaZulu-Natal. There are number of definitions of family owned businesses, Davis (2009) defined family owned business as one where ownership is controlled by a single family and where two or more family members significantly influence the direction of the business through management/ governance roles and ownership. Schwass (2013:3) also defined family owned business as any business in which two or more family members are involved and the majority of ownership or control lies within the family (Schwass, 2013:3). A study conducted by Hutchinson (2013) revealed that family owned businesses face a lot of challenges such as ownership and business roles, and sometimes conflict on values and goals. Muthoni (2015) defined family owned business as one that bears mechanisms of the family involvement, family ownership, management and business succession. Furthermore, Hutchinson (2013) and Sharmilee (2014) further indicate the importance of businesses and SMEs, as well as the factors that relate to the failure of Small Medium Enterprises (SMEs) in Durban, KZN. According to Buys (2011: 1), some of the reasons why family owned businesses fail worldwide include the fact that some families start businesses for incorrect reasons and without proper investigation if the business will sustain or not, with little or no knowledge at all, regarding the business.

Barr (2016: 4) stated that family owned businesses face challenges such as growth and profitability, Lack of experience, lack of managerial training, lack of innovative capacity, technology change, poor infrastructure, poor governance and lack of access to credit. Considering the importance of family owned businesses, there is a need to investigate the underlying factors affecting family owned businesses. Family owned businesses subsidise 70% to the global Gross Domestic Product (GDP) (Smith 2016:2).

1.2 Background of the research

Several authors stated the importance of family owned businesses in South Africa. Mkhize (2015) indicated that the Durban Chamber of Commerce and Industry shows that 90% of family owned businesses do not last beyond their first five years of operation. Hutchinson (2013) stated that South Africa missed an opportunity to gain 68 million rands over the period of 1997 to 2000, as an outcome of failure of family owned businesses. Bozas (2011) further stated that the lack of technology, lack of skills, lack of experience, poor financial management, poor planning, are amongst the key factors affecting family owned businesses.

Family owned businesses play an important role in our economy, in terms of job creation; hence, the government of South Africa is not doing enough to solve this problem. Therefore, this study seeks to extend the depth of research and knowledge on the factors affecting family owned businesses in Durban, KZN, Bozas (2011).

Furthermore, family owned contribute 70% to the global Gross Domestic Product, (Magazine 2016:2). Adlam (2016:2) also stated that family owned businesses contribute 16.1% towards the country's GDP, though they are underperforming, which has stimulated an investigation into the factors affecting family owned businesses in Durban, KZN. Family owned businesses face challenges such as limited resources, inexperienced management, lack of financial stability and lack of experience Barr (2016: 6).

Brink (2014:5) stated that the characteristics of family owned businesses include faster and more flexible decision-making, a more personal approach to business based on trust, longer-term thinking and a broader perspective. Nsehe (2017) stated that family owned businesses play an important role in the South African economy as a whole, by contributing 70% to the Gross Domestic Product (GDP).

1.3 Problem statement

The researcher attended a family owned business conference that was held by KPMG on the 20th of September 2016 at the Oyster Box hotel, in Umhlanga. The delegates on this conference spoke about family owned businesses, highlighting issues like how to network and they also presented opportunities to learn how to create a succession plan. The reason for the conference was because KPMG made the following discoveries about South Africa: political uncertainty, 68%; unstable currency, 37%; increased cost of labour, 27% and war for talent, 27%. These statistics signal a problem, which prompted the researcher to conduct this study.

The KZN Chamber of Commerce (2013) highlighted the problems linked to family owned businesses' failure within 3-5 years due to internal and external factors that the researcher will detail in chapter two. In the same way Hutchinson (2013) and Sharmilee, (2014) indicated that family owned businesses fail within 3-4 years of their existence and those which exist for more than 5 years barely survive the transition. A survey that was conducted by Brink (2013) also showed that Durban family owned businesses are facing serious problems like the lack of innovation into global markets, which provides opportunities for family owned businesses to network and learn the best ways to advance in technology, in order to reach wider niche markets and opportunity to lower costs and run sustainable businesses. Brink (2017) stated that family owned businesses do not succeed because of poor business management skills, lack of understanding and skills that are required to be installed in order for the business to operate,

lack of maintenance and adaptation to improve and develop family owned businesses to grow for generations, which in turn affects business sustainability. In addition, family owned businesses face problems such as family feuds, emotions and other complex issues, which the researcher wishes to unpack and make recommendations that might benefit all family owned businesses.

1.4 Motivation

Family owned businesses have the ability to create more employment opportunities, creating high production volume and business leadership. The main problem in Durban, KZN, as well as South Africa as a country, is that family owned businesses lacking leadership, financial management, lacking technology, lacking education, huge skill shortage, poor business management skills, competition, lack of funding and government support, which deteriorate the overall quality of life of the people of KZN. This study is important to assist and improve family owned businesses. The researcher further motivates that by establishing all factors affecting family owned businesses will assist scholars in gauging their research in the field. The research will assist in future research; it also addresses the challenges that are facing family owned businesses

1.5 Aim of the study

The aim of the study is to investigate the factors affecting family owned businesses, particularly the causes of failure amongst such businesses, with specific reference to Durban, KZN.

1.6 Objectives of the study

- To investigate the factors affecting family owned businesses in Durban, KZN,
- To establish the effects of succession planning on family owned businesses,
- To establish the leadership styles of the management of the family owned businesses,
- To propose strategies for the sustainability of family owned businesses,

1.7 Research Questions

- What factors affect family owned businesses in Durban, KZN?
- What are the effects of succession planning on family owned businesses?

- To establish the leadership styles of the management of the family owned businesses?
- What strategies can be implemented to ensure the sustainability of family owned businesses?

1.8 Significance of the study

The study identified the factors affecting family owned businesses in Durban, KZN. The failure of family South Africa, hence, they contribute significantly to economic growth through employment creation. The study will thus reveal the challenges facing family owned businesses, as well as the reasons why the businesses fail. The research will assist many individuals, businesses and families in general. The motivation behind the study was also the fact that other family owned businesses will get information on how to successfully run a business and will be able to know how strategic succession planning affects the family owned businesses and strategies to adopt, in order to withstand these businesses. Researchers will also benefit from the study, as they will be able to access information concerning the effects of strategic succession planning on family owned businesses, more especially those researchers who will be carrying out a study similar to this or related to strategic succession planning in the family owned businesses owned businesses.

1.9 Definition of the key concepts

Family owned business: is any business in which two or more family members are involved and the majority of ownership or control lies within the family Schwass (2013:30)

Sustainability: is a method of evaluating whether business can maintain existing practices without placing future resources at risk, focusing on meeting the needs of the present without compromising the ability of future generations to meet their needs Mass (2017: 618).

Succession planning: is the process of identifying and preparing suitable employees through mentoring, training and job rotation to replace key players within an organisation as those key players leave their positions for whatever reasons such as retirement, advancement and attrition Mass (2017: 612).

1.10 The Limitations and Delimitations of the study

In Hutchinson (2013: 4), delimitations are boundaries of an area made by the researcher. These choices define the boundaries that the researcher has set for the study or the geographies that limit the scope and describe the limits of the study. This research focuses on the family

businesses that are based in Durban CBD, Springfield Business Park, as well as Umlazi location. Hutchinson (2013:5) further indicates that limitation is the influence that the researcher cannot control. This study cannot be generalised to the broader target population. The sample for the study was small and thus, the results of the study cannot be generalised. Furthermore, the sample selected does not represent the sample frame of all the family owned businesses in Durban, KZN.

1.11 Dissertation outline

Chapter one: Overview

This first chapter is the overview of the research, which highlights the introduction, problem statement, motivation, objectives, research questions, significance of the study, definitions of the key concepts, limitations of the research, dissertation outline and the chapter summary.

Chapter two: Literature review

This chapter provides the relevant literature which includes the challenges faced by family owned businesses in Durban, KZN, the internal and external factors affecting family owned businesses will be detailed in this chapter and the study will benefit from careful consideration of literature review contents.

Chapter three: Research Methodology

This chapter focuses on the methodology that was utilised by the study, through determination of the research objectives of the study, research design, research paradigm, population, sampling method, measuring instrument, construction of the interview questions, pilot study, data analyses, delimitations and limitations, validity and reliability, anonymity and the ethical considerations.

Chapter four: Data presentation and analysis

This chapter presents and analyses the findings of the study. In this chapter, the researcher discusses the results provided by the participants in the interviews. The discussion in this chapter will be guided by the identified themes, then they will be discussed in relation to literature as well. . In this chapter, the researcher unpacks the insights about the reasons why family owned businesses fail.

Chapter five: conclusion and recommendations

This chapter comprises the conclusion drawn from the findings presented in Chapter four, as well as the literature discussed in Chapter two. The chapter also includes the recommendations of the study, constructed on the findings.

1.12 Conclusion

This chapter provided an overview of the problem statement, motivation, aim of the study, objectives, research questions, significance of the study, definition of the key concepts, limitations of the study and dissertation outline was presented. Chapter two discusses the literature review, where the challenges faced by family owned businesses, the internal and external factors affecting family owned businesses in Durban KZN, are examined.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Chapter one bordered the introduction, background, problem statement and the aims and objectives of the study. The scope and delimitations, limitations, methodology, ethical issues as well as the definition of the key concept of the study, were also discussed. The outline of the chapter was also provided. This chapter places the study into context and develops an understanding as to why family owned businesses fail. Among other things, the chapter covers the challenges that affect family owned businesses. The Porter's five forces and PESTEL are also discussed in detail. The value chain in family owned businesses and SWOT analysis, reasons for the failure and what family owned businesses should avoid, are also covered in this chapter.

2.2 Family owned businesses

Hutchinson (2013) stated that family owned business is one whereby two or more family members are involved in running a business and the family controls this business ownership. Brink (2014:3) stated that the status of family owned businesses in KZN is critical due to the fact that family owned businesses face challenges such as skill shortage, transformation, political instability, price competition and the containment of cost. The economy of South Africa as a county is currently unstable, forcing family owned businesses to adapt to the developing global mega trends and to undergo significant reforms to ensure that their businesses remain relevant and grow to be able to meet their objectives for generations to come. Family owned businesses are owned and managed by the founders and managed by family members and this includes spouses, parents and children, the extended families and numerous generations.

Linjawi (2017) noted that family owned businesses differ from corporations in many ways such as culture. In a family owned business, culture is perceived by the ethics, values, experiences and education of the family members who own and manage the business. In contrary, corporations adopt a formal cultural approach and organisational structure is usually decentralised. The administrative power lies in the hands of board of directors and work culture in corporations lack the personal touch that is evident in family business culture. Linjawi (2017) further stated that capability and skills of the family owned business might not be totally appreciated. The owner of a family owned business will be more motivated towards keeping the control in his or hands and one of the family members might be favoured for a promotion or a

job position in the business over an ordinary employee. Contrarily, capabilities of the employees within a corporation are exclusively assessed and judged on merit. Hiring and promotional decisions are made objectively by the managers and concerned authorities, while hiring prospects and employees are merely judged on the basis of their worth and values for the corporations.

2.3 Challenges faced by family owned businesses

Family owned businesses have challenges, just like all organisations. However, these challenges can be exaggerated in a family owned business because decision-making is influenced by the entire family. The following section discusses some of the challenges that are being faced by family owned businesses.

2.3.1 Separating business from personal feelings

According to Steiner (2017: 2) separating business from personal feelings is being able to work in a family owned business without excessive emotions and personalised matters. Family business owners around the world find it difficult to separate business from personal issues. As an example, in an event whereby one of the family members is going through a separation, family members tend to care a lot about that person and give that person more time out of work, and this may affect the daily operations. Again, serious decisions can be affected by bad blood between family members and that can also affect the daily operation of the business. Family members need to ensure that business matters are resolved during working hours only.

2.3.2 Informality

Hutchinson (2013: 20) noted that family owned businesses lack clear policies and business norms for members. This is a challenge to most family owned businesses, because this can lead to the businesses failing to survive for generations. Furthermore, roles and responsibilities: it is difficult for family business owners to employ a family member who is not adequately qualified for the position. It is important for family businesses to employ the right person for the right position, in order to avoid failure. Salaries need to be kept in check at all times, offering bloated salaries especially on employees who are not in line with defined roles and responsibilities works against the business and causes business failure. Performance evaluation also lacks in family owned businesses, yet this is a requirement that the business and employees get evaluated. Keeping performance evaluation, salaries and roles and

responsibilities formal by addressing issues, acknowledging successful work and reviewing roles and responsibilities can ensure employee happiness and productive business operations.

2.3.3 Compensation:

Steiner (2017:7) argues that compensation is one of the challenges that face family owned businesses, because family members tend to issue benefits and rewards for non-participating family members, which does not make business sense.

2.3.4 Channel vision:

Family owned businesses often lack a lot of outside opinion and tend to be protective over how to operate the business. This is a challenge for most family owned businesses because it can easily lead to failure. Furthermore, family owned businesses run the risk of being short-sighted, lacking creativity and not keeping up with market, industry or competitor trends that could negatively impact on business growth.

2.3.5 Lack of talent:

Andrea (2017: 65) stated that one of the key challenging issues faced by family owned businesses is attracting high performing non-family talent. The purpose for this section is to highlight how lack of talent affects family owned businesses. Furthermore, family owned businesses may hire family members who are not experienced nor have the skills and ability to complete their responsibilities in the organisation. This challenge enhances the inability to dismiss a family member when it becomes clear that they are not completing their duties and this contributes to the failure of family owned businesses.

2.3.6 Training:

Bozas (2011) noted that family owned businesses should implement training programs when a family member has to be brought into the business and this training should specify the long-term goals of the business and the expectation and the obligations of the position. Furthermore, Bozas stated that it is critical to the continuity of the business to develop the next generation leaders who can successfully negotiate and makeover through the complexities of leading a family owned business.

2.3.7 Communication:

Brink (2014: 7) further stated that one of the factors that play a vital role in the failure of family owned business globally is communication. In family owned businesses, communication is generally provoked by confusion, emotions, fear, anger and family politics and once communication lacks, then the business faces a huge challenge, thus leading to the business failure. Furthermore, systemic thinking also plays a role in family owned business failure because decisions are made each day in response to problems and there is no long-term planning or strategic planning.

2.3.8 Growth:

Family owned businesses face growth challenges where by some members may be reluctant to invest into the business. Limited capital among family members, coupled with reluctance to borrow due to fear and exposing family wealth or assets to the banks and this is a limiting factor of growth in the business. This challenge arises from the lack of capital and new investment or resistance to re-invest in the business. Growth in family owned businesses should be one of the most important factors as it determines the existence of the business for generations to come (Brink, 2014:9).

2.3.9 Control of operations:

To some family owned businesses, it gets complicated to control and supervise other members of the family and this leads to lack of contribution in daily operation and the work that needs to be done and needs supervision. For a successful operation, business managers need to ensure that goals of the family owned business are clearly defined and every family member is in the same page and to ensure that everyone is in the same page, all family employees need to have roles and responsibility that are accounted for. In order for family members to over-come control of operations challenge, the business needs to have an open line of communication at all times. Ziegler (2017).

2.4 Internal Factors affecting family owned businesses

The overriding factors that cause family owned businesses to fail are the internal and external factors. According to Kokemuller (2017:1), internal factors in a family owned business are those factors inside the business that affect the business operation and the business success.

Factors within the organisation, that impact on the structure and success of the business operations.

2.4.1 Financial Management

According to Bozas (2011:31), family owned businesses tend to have poor financial management and this is a disadvantage in the sustainability of the business. Bozas further argued that family owned businesses fail because of poor financial management such as the inappropriate utilisation of business funds, instead of expanding the business operation and this leads to business failing because of less turnover being generated and that causes inability to pay all expenses.

Mahenthiran (2017) detailed that in Durban, KwaZulu Natal, family owned businesses have difficulties in acquiring access to finance from formal institutions because of the banks' avoidance of risk. Though there are programs such as Ntsikas programmes, Ithala bank and KZN Growth fund, it becomes difficult to fund family owned businesses with no clear financial history. Furthermore, cash is oxygen of all businesses, therefore, cash needs to be supervised and managed carefully because businesses will not be able to sustain without cash being generated.

Brink (2016:13) noted that globally, 64% of family owned businesses grew, while 20% failed. South African family owned businesses are optimistic about the future, with 84% expecting to grow and 22% to grow quickly and aggressively and among those, SA family owned businesses expecting to grow by 10% or more will require external financing to help fund these businesses, with lack of access to finance in SA for family owned businesses that growth will be impossible. The most important issues affecting SA family owned businesses over the next 12 months are; market conditions, government policies/regulations, currency/ exchange rates and staff recruitment that is why financial management is an internal factor in family owned businesses and does cause family owned businesses to fail.

2.4.2 Human Resource

According to Merwe (2015), family owned businesses hire family members because of their relations. He further stated that this causes family members to lack discipline in the work area and sometimes leads to business failure. Family members who are unskilled to complete the duties allocated are employed based on loyalty and may be a problem in a work environment. Human resources management plays an important role in all businesses, whether it is family owned business or independent private business or public, because all employees need to be managed systematically.

Hutchinson (2013: 15) stated that family owned businesses are unable to treat employees in a way that would make them valuable. As stated earlier, all employees in any kind of a business need to be treated equally and all employees need to execute duties and contribute to the business goals. Human resource department in a business is responsible to ensure accurate labour supply when it is needed, involve the business acquires and train staff to be efficient and ensure that employees are happy in a workplace and ultimately, all customers is satisfied. The reason why family owned businesses fail is because most of these family owned businesses run HR unsystematically.

2.4.3 Lack of Leadership

According to Scott (2017), leadership plays an important role in a family owned business. However, in South Africa, family owned businesses do not reach their potential due to lack of leadership. Furthermore, Scott (2017) stated that family owned businesses sum up two thirds of all businesses around the world and they are estimated to contribute 70%-90% of global growth every year, despite the high rate of failure. Leaders who do not have the right skills to do certain duties often cause the business to fail. An example of a leader would be someone who can seek for advice, seek for contingency plan to ensure that the company withstands and carries the succession plan. Family owned businesses should not be characterised by poor leadership, as leadership plays a vital role in all businesses.

2.4.4 Decision Making

Brink (2017: 8) defined decision-making as the action or process of making important decisions. Brink conducted a survey in Durban, KZN, the respondents in the survey indicated that families have one procedure that deals with arguments and conflict proves that family owned businesses know that there is a need to minimise risk in this area. 88% of the overall South African respondents stated that they also have this system in place, meaning that though there might be procedures in place, there is still a need for more procedures that need to be implemented in order to conduct quick and efficient decision making.

Hutchinson (2013:14) also argued that although family owned businesses in a way have an approach of making decisions than non-family, there is a need to streamline a faster decision-making process. There is also a need for formal channels that must be followed to ensure that the business involve the input of multiple family members in order to resolve conflict situations that arise from oppositions between family members who have a position in the business, that is why decision making is one of the key internal factors that affect family owned businesses.

2.4.5 Lack of Technology

Brink (2015) discovered that family owned businesses operate in small geographic areas and often turn a blind eye to Information Technology, or are less likely to have in-house professionals, which serves as a deterrent to adopt to technology. It is vitally important that family owned businesses adapt to technology because in the current digital age, everything occurs online and turns a blind eye on innovation, which will simply cause the business to fail.

De Jong (2010: 22) further stated that family owned businesses lack technology and that is one of the major factors that add in the business failure. If family businesses could adapt to technology, this would influence growth. Technology is the application of science, especially to industrial or commercial objectives of businesses. Computers, telecommunication, hardware, software, payroll and accounting, are all activities of technology that family owned businesses must invest in.

Technology makes the global market easy, saves cost and generates more income and external pressure from rivals, suppliers and buyers, create organisational readiness. These days, innovation has taken over, we see wireless networks nowadays, whereby all companies are adapting to the use of which makes communication and research easy and this contribute to companies' performance. All family owned businesses in Durban, KZN should adapt to technology to avoid failure.

2.4.6 Lack of Experience

According to a study done by Hutchinson (2013: 20), stated that the cause of failure in family owned businesses in Durban South Africa is the lack of experience of the people running the businesses. Families employ their relatives and this often leads to the wrong candidates being placed in important positions that they are inadequate to complete duties. Furthermore lack of experience in the products that suits customer's tastes and needs, leads to the product remaining in the store, of which though the product is in store, the product still needs to be advertised to the customers, price strategy is also required so that clients can purchase the product. The results include a business that does not generate cash comes from running a business where employees lack experience and this minimises the chances for the family owned business succeeding.

Bozas (2011:25) identified the lack of business experience as one factor that is accountable for small business failure globally. The researcher again supports this statement due to the experience from the company that the researcher was employed, whereby the family was running a book-making business and the researcher was employed as a person with experience in the industry. The researcher had to educate the family with everything about the business, this was not easy because though the funds were available to start, but maintaining a business needs adequate experience, knowledge, good idea on how to run the business, rather than taking the risk of running a business that business owners lack experience on how to run the business, that is why family owned businesses need to have experience personnel and ensure that all employees have experience in how to run the business in order to run a successful business.

2.4.7 Lack of Education

According to Baloyi (2017), education in our country is a crisis; hence, the lack of education lies at the origin of the South African critical problems, so is unemployment, poverty and inequality. A lack of resources in South Africa is affecting education and as a result, South Africa's education system is categorised at 133rd of the 142 countries in the world by Schwab (2013).

Instead of people educating themselves to enable them to run successful businesses, some family members choose to work for their family owned businesses with little or no education.

2.4.8 Organisational Culture

Ward (2017: 4) defined organisational culture in a family owned business as the key behaviours and values that add to what the organisation does better and its key unique social and

psychological atmosphere, and share values and beliefs when they interact with each other, Hence if organisational culture fails, the company's success may be prejudiced. Organisational culture plays an important role in a business as it builds and maintains family dimension. It also plays a part in how the family engages with customers, vendors, competitors, as well as the environment, meaning that without a strong organisational culture, family owned businesses will fail.

According to Schwerzler (2017), family owned businesses need to have a solid effective staff and skilled leadership. Furthermore, prosperous family businesses tend to have the family values and culture deeply surrounded into their business strategies, policies and practice. Organisational culture plays an important role in family owned businesses because it also entails emphasising standards in company communication. Values are defined to everyone, company practices, systems and processes are cautiously allied with values, meaning that for all employees in family owned businesses, organisational culture plays a vital role.

2.4.9 Inadequate Planning

Hutchinson (2013:20) stated that family owned businesses do inadequate planning and in some cases, the planning does not exist at all. Furthermore, Furthermore family owned businesses in Durban, KZN complete informal decision-making processes. However, the process is frequently restricted to one or two business cycles. The researcher supports these findings, based on experience gained. The poor level of planning found in most family owned businesses lead in fewer enterprises not being able to have true vision for the future generation.

The researcher discovered that the management did not have a vision for the business operation and the business was operating purely on a reactive basis. It was also discovered that where the management meetings did discuss the future, this process was informal and there were no documents involved. The focus was often on instant issues rather than on continuing issues. The business ended up with no accurate goals or target to work towards meeting and this is a factor that affects family owned business.

2.4.10 Skill shortage

Brink (2017) stated that in South Africa, family owned businesses (61%) noted that South Africa does not have adequate skilled people entering the job market. Family owned businesses therefore are contending with other entities for the same group of talent. South African family owned businesses face one of the greatest challenges whereby the most qualified group of

people have not chosen to work or run the family owned business because the youth of today believe that their achievement and their progress will be guarded by the shareholding structure and believe that they will earn good salaries and have a better career elsewhere. The researcher believes that family owned businesses should consider applying a formal talent management process that will assist in mapping the skills and abilities within the department to ensure there is a channel of suitable qualified candidates coming through in the short, medium and long term.

Bozas (2011: 20) stated that a well-trained and well skilled entrepreneur would defiantly provide quality work and offer quality service, although managing a business. Business skills are defined as those factors in the accomplishment of a business and are critical to any small business entrepreneur, meaning that the lack of growth in the South African family owned businesses is caused by a skills shortage.

2.4.11 Poor Business Management skills

Brink (2013: 14) noted that 80% of South African family owned businesses fail because of lack of business management - these findings emerged from a survey that was conducted in 2013 in South African family owned businesses. The research further stated that family owned businesses fail because of lack of managerial skills, which lead to poor business management, which eventually harms the business.

The researcher has highlighted above that he was employed at one of the companies participating in this study and the experience gained from a family owned business is that the researcher alone had to train the business managers on how to run their business. The situation would get difficult when the researcher was not at work, because the entire business would be exposed to risk, meaning that problems in managerial ascend from lack of proper and efficient training. Furthermore, the researcher discovered that some family business managers have inadequate business management skills that are compulsory to run a business.

2.5 External Factors affecting family owned businesses

Bryman et al (2015: 377) noted that external factors are the outside influence that can impact on a business. These factors are important in a business because these factors can influence on the capability of the business to accomplish its strategic goals and objectives. The following external factors are discussed.

2.5.1 Globalisation

HR Future Magazine (2017) stated that 75% of the family owned businesses surveyed in Durban, KZN, recognised Africa as their most significant expansion opportunity. The results of the study suggested the important challenges faced when doing business in other countries are: exchange rate risks (23%), understanding the culture (16%), logistics (14%) ways of doing business/ competition (19%) and understanding and complying with local regulations (15%). These figures indicate that there is so much opportunity for family owned businesses in Durban, to expand through innovation and determination and that family owned businesses can indeed go global.

Brink (2017) also stated that family owned businesses in Durban KZN are important, as these businesses generate growth in the economy and make more impact in terms of contribution to the growth and recovery and if family owned businesses can be issued with the correct support at the right times, these businesses can do well. In Brink (2013:7), the survey he conducted on family owned businesses in South Africa indicated that South African family owned businesses must consider going global as an important aspect on their strategic planning. The findings that were conducted clearly indicated that family owned businesses are likely to export products and services to other countries, particularly the neighbouring countries, meaning it is time for family owned businesses in Durban to start crossing abroad in countries like Europe and USA.

2.5.2 Competition

Scholtz (2016) stated that all family owned businesses need to be alert of their competitors, as well as their product offering, target market, target population, business model, because these factors will influence the business pricing and profitability. Kokemuller (2017) stated that one of the most critical factors in family owned businesses in Durban, KZN is competition. Business managers are forced to know their competitors, should the business be operating in a concentrated industry with less competitors or a huge industry with lots of competitors, still as a business manager it is your responsibility to know the business competitor so that you can sustain the business. Furthermore, many businesses complete competitive analysis to relate their product offering as well, as how the competitors have structured their prices. In an event that a business is developing a product, it helps to check other competitors' strong points in that product as well as how the customers receive that product, as this will assist the business to develop a product that will certify customer's needs.

Brink (2013: 10) noted that in popular markets, family owned businesses are facing competition with listed companies to attract the brightest and the best. The only challenge that family owned businesses face is that the best people to employ have not chosen to work for family owned businesses. This challenge identifies capital requirement, the need to retain highly skilled

resources at management level, which can maintain competitive advantage. As innovation progresses, the competition increases, and the long-term skill shortage is an issue globally and in South Africa, where we are worried about how skilled shortage has increased in the past couple of years.

2.5.3 Marketing

Bozas (2011: 30) defined marketing as the main action that directs the progress, creation and delivery of good satisfaction from the make of the product to the customers. The importance proves how the product or service is not tangible, however it is accompanied by customer satisfaction. Family owned businesses tend to lack in marketing and often focus on drawing new customers while the present loyal clients are being disregarded. These customers will defiantly go to the competitors, and it is very difficult for customers to come back, if they are already in another competitor. Neglecting the benefits such as devoted customers who spend extra money than new customers, word of mouth referrals from satisfied customers, which attracts new clients and value of having high reputation in offering high quality product at cheaper prices; all these affect family owned businesses.

2.5.4 Import and Export

Dhliwayo (2017) defined import as goods and services that are coming into a country, from another country. Import and exports play an important role in supporting the international trade. The more imported product comes into the country the more negative the country balance of trade becomes. He then detailed import and export in South African family owned business and highlighted three major factors that cause most family businesses to fail. They all form part of the skills/ knowledge required in trading abroad which are markets and supplies, financial management and broader issues. Furthermore, the gaining of knowledge and skills to be able to trade abroad is essential for family owned businesses hence this can be profitable for the business. For an example, South African businesses face huge competition such as the imported product by the Japanese and Pakistani. In every corner and every small town in South Africa, one is likely to see a shop of Japanese or Chinese or Pakistani. The owners run the shop, charge lower prices and import all their products from their own countries - this gives the local businesses a difficult competitive advantage.

Support for cross border trade for family owned businesses in South Africa is severely lacking and therefore, family owned businesses should be supported by the government and banks. There is also evidence of low availability of loans and funding and this puts family owned businesses under pressure because of having to face lot of competition from abroad. Abroad trading is also risky because there are lots of people in South Africa who are operating illegally,

for an example, on Facebook, Instagram, Twitter, on the Internet sites such as Gumtree and Amazon. These days one can get any product that they want, people are running their businesses on social media and the Internet and most of the product that are on sale in these networks are from abroad, that is why family owned businesses find it hard to trade abroad and small businesses in South Africa as a whole.

2.5.5 Economy

For Bryman et al (2015:382), economy is the complete network of manufacturers, distributors and consumers of goods and services in a local, regional or national community. The recent family owned businesses survey conducted by Brink (2016) stipulated that the South African Economy is uncertain and the uncertainty causes unsustainability in family owned businesses. These challenges emphasis around the containment of costs, the market conditions, the compliance with regulations, the exchange rates, the need to ensure that the business is professional and there is nothing that could go wrong. Looking at these factors, these are the main factors affecting family owned businesses and lead family owned businesses to fail.

Brink (2016:15) also highlighted that the recent economic conditions in South Africa provided increase to the fact that general economic climate and cost control are an issue and over 36% of family owned businesses raised this issue as the most difficult challenge they are facing. The weaker rand also plays a huge role in business failure because people do not have money and are not spending anything. Businesses are retrenching, corruption in South Africa is so rampant in family owned businesses and all these factors lead to the failure of family owned businesses, Indaleco (2017).

2.5.6 Customer Focus

According to Verley (2017), customer focus is the technique of a business as to how the businesses treats and serve client's needs. The business has a strong contributor to the overall success of a business and involves ensuring that, all aspects of the company put its customer's fulfilment first. It is therefore important for businesses that have customer focus to maintain the relationship and service. Family owned businesses often fail to progress because of failing to keep in contact with their customers, which is one of the most important features. Within family owned businesses, there is a huge lack of customer service, the unfortunate customer relations are the most common causes of business failure and with poor customer service, the customers

do not return to the business. These findings are in line with a survey that was conducted by Brink (2015), on the factors that affect family owned businesses in South Africa.

Brink (2015) stated that family owned businesses in South Africa fail due to the fact that the management fails to keep an eye on the trending values of customers. Family owned businesses lack the basic factors such as finding out if customers still love the products or if they want new features. The researcher spoke to one of the participants; the manager said they do not respond to customers who are talking negative about the business because they feel that the customers' input does not matter to the business.

2.5.7 Over-expansion

Velrey (2017) also stated that family owned businesses in South Africa often focus on expanding their business into too many verticals, too fast and this leads to business failure. Furthermore, most family owned businesses mistaken success with how fast they expand their business operation, it is important that family owned businesses focus on slow and steady growth. There are many cases of bankruptcy caused by fast expanding enterprises. As an example, the researcher noted that one of the participants' businesses had 15 branches from 2013 till 2016, but at the present moment has just five branches. This shows how family owned businesses over expands and end up failing. After discussing this, the business manager was clear that with both family owned and corporate businesses, the focus needs to be customers and a reasonable good cash flow. Once these two are solid, only then can a business consider expansion. Velrey (2017) further stated that 'we are living in a world that technology changes every day, and all businesses need to keep up with innovation as growth occurs every day no matter what size the business is, all businesses must be easy to access and well advanced with their website and one can only ignore this knowing well that it is important.

2.5.8 Government support

Brink (2013: 7) argued that no less than 56% of the respondents in the survey that was conducted on South African family owned businesses strongly disagreed that South African government is aware of the importance of family businesses in SA. Furthermore 81% believe that the government is not doing sufficient to help businesses to sustain and develop their activities in the modern economic climate. Furthermore, three quarters of the respondents wished that the government should make it easier for family businesses to access finance. Even the government policies, larger family owned businesses are experiencing the most substantial impact of government policies in their businesses, though the businesses aim to plan ahead and the government policies, including regulations, legislation and public spending, needs to be

executed in a stable environment in which there are clearly defined fiscal and monetary policies for the foreseeable future.

The South African government understands that small businesses suffer because these businesses lack consistent available funds to keep the business going. "To help", the Department of Trade and Industry (DTI) created programs such as Vuka'uzenzele and KHULA to support small businesses and family owned businesses. However, these programs do not give loans directly to the businesses and this makes it difficult for businesses to access funds and get the support they need from the government. Davies (2017) stated that family owned businesses face a unique challenge to achieve operational efficiency, sustainability, profitability and rapidly growing the value of their businesses in one of the most competitive marketplace the world has known. At the same time, they face the difficult and delicate task of negotiating the intersection of businesses and family interests. Helping family owned businesses through government support needs high requirements such as tax compliance, operational reviews, performance measurements, governance policies, income and gift tax planning, estate planning, charitable planning, of which a lot of family owned businesses do not have and this leads to family owned businesses to fail.

2.5.9 High level of Crime

Bureau for Economic Research (BER, 2016:10) indicates that crime is an action or omission which constitutes an offence and is punishable by law. Furthermore, the researcher discovered that generally, crime is a problem in South Africa and this is a serious problem for both family owned and non-family owned businesses. The high crime forces family owned businesses to increase security expenditure and increasing on paying security has a wave effect on the overall cost of doing business. The business cost of crime and violence is one of the key drags on investment confidence in South Africa, Madonsela (2015).

According to Madontsela (2017) she stated that crime related factors such as of the Gupta family. (Gupta family: is an Indian born South African family owned business). Furthermore, this family is close to the former President of South Africa, Jacob Zuma. The Gupta family owned approximately 180 companies, which included mining and energy, iron ore, Coal, Power plants, railways and Media, this family had a huge influence over the appointments of the South African Cabinet, this enabled the family to have control over many decisions in South Africa. Three of the participants that the researcher interviewed are involved in family owned businesses that can barely survive because they strain over the Gupta family, which managed to take control of

the business suppliers, by force. Crimes such as these affect family owned businesses in South Africa.

2.5.10 Community Support

According to Wallace (2010:28), the lack of community support and an easy access to resources may raise the chances for business to fail. According to the conceptual framework that was chosen by the researcher, an outside system affects the business extremely, meaning that business managers who prompt more satisfaction with community support experience greater perceived business success and business profitability. For an example, one of the businesses that the researcher will include as participant in this study, donates blankets and groceries to the community every six months and also supports soccer tournaments on weekends.

2.6 Theoretical framework: Porter's Five Forces - PESTEL

According to Bozas (2011:28), PESTEL analysis is described as a theory in marketing principles. Moreover, the theory is used as a tool by companies to track the environment they are functioning in or are planning to launch a new project/product/service. PESTEL denotes P- Political, E-Economic, S- Social, T-Technology, L- Legal, E- Environment. The purpose of PESTEL is to detail as to how these six factors affect family owned businesses.

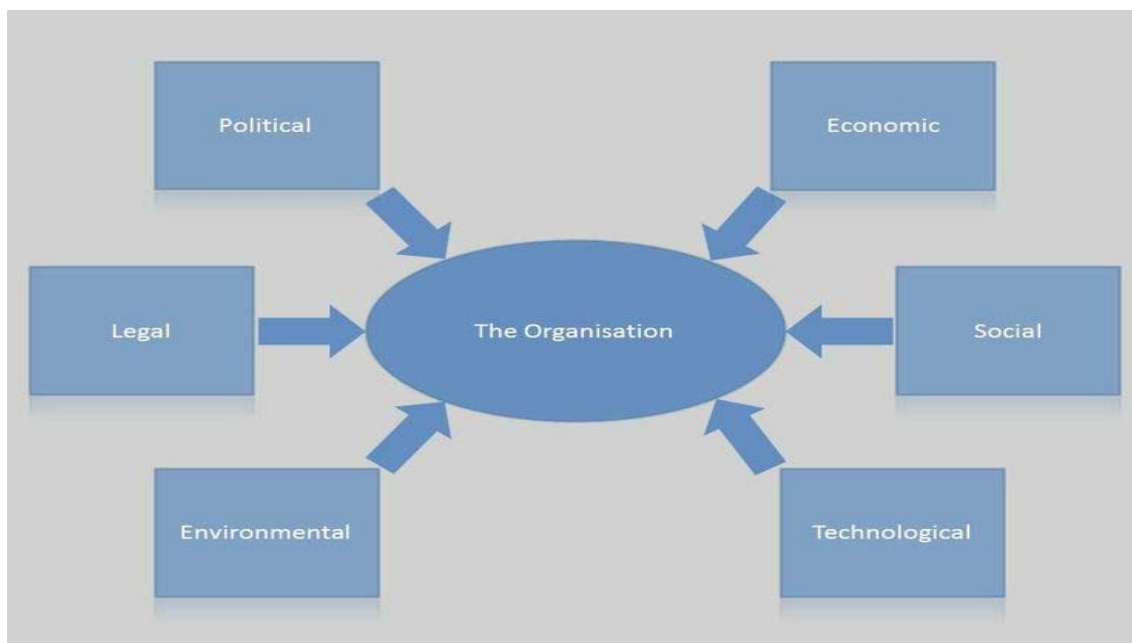


Figure 1 – Porter (2004) – *PESTEL* theoretical framework

2.6.1 Political factors

Political factors are those factors that regulate the extent to which a government may affect family owned businesses. For example, in South Africa, we know that businesses pay excessive tax, this affects the revenue of the business. Political factors relate to this study because actions that may be taken by the government that create political risks to business fall into three categories of operational restrictions, exchange controls and employment policies which are insistent on locally shared ownership and particular product requirement (Brink 2013).

2.6.2 Economic Factors

These are the factors that determine the performance of the economy and that directly impact on family owned business. We know that South African inflation rates are poor, and this is affecting all family owned businesses. In addition, the prices of the products and services are affected and the buying power of customers and change of demand/ supply models for family owned businesses is currently affected. As in this current state, South African interest rates, foreign exchange, economic growth is poor, companies are retrenching, this is putting pressure on family owned businesses because the lack of income affects the profitability of the business. Lekhanya (2016:34) supported the above-mentioned statements and also noted that many economists in SA identified land, labour, capital and entrepreneurship as a primary source of economic growth, meaning that if the South African economy is poor, family owned businesses will be affected.

2.6.3 Social Factors

Social factors are the causes that affect the family owned businesses in a social environment of the market. For an example, the current major challenge that is affecting KwaZulu-Natal family owned businesses is the population analytics. The buying trends of the local South Africans in South African owned businesses has drastically decreased because of high population of the Chinese and Pakistanis who have a shop in every corner in South Africa. This statement was supported by a survey conducted by Brink (2016).

2.6.4 Technological Factors

These factors relate to innovation in technology and the factors affect the operation of family owned businesses, industry and the market, favourably or unfavourably. As Brink (2016) stated, there are a lot of aspects that are affecting family owned businesses in these times. As a result of technology, customers are now able to order their product online and the product gets delivered to the customers' door. It is therefore important for family owned businesses to invest

in research and development of technological awareness that a market possesses. Technology becomes the main drive for innovation and successful innovation leads to sustainable business growth. Lekhanya (2016: 34) noted that there is a need for family owned businesses to acquire new knowledge or new technology in order to create competitive advantage from innovation.

2.6.5 Environmental Factors

Environmental factors include the weather, the geographical locations, and the global changes in climates. All family owned businesses need to consider the impact of environmental factors on their operations because environmental factors mainly play an important role in the success or failure of the business. Lekhanya (2016:36) noted that family owned businesses in SA are fairly facing weighty or heavy regulatory environment that as such, it becomes simple to decrease entrepreneurial spirit that is needed for the business to succeed.

2.6.6 Legal factors

Legal factors consist of both an external and internal side. There are regulations that affect family owned businesses such as the challenge of the Broad Based Black Economic Empowerment (BB-BEE), as highlighted in a survey conducted by Brink (2013). This challenge was put in place by the SA legislation and relates to the obtainability of qualified empowerment partners and a good "fit" between cultures of family owned business and the culture of the empowerment partner. Family owned businesses are against this legislation for many reasons and more than 80% of family owned businesses stated that, as mentioned above, the SA government is not exploiting enough to assist family owned businesses or small businesses to survive in the present economic climate. This legislation is a contributing factor to the failure of family owned businesses. Brink (2013: 8) noted that family owned businesses in SA are not pleased with government legislations due to the increase from 25% in 2010 to 32% in 2013, this is caused by the huge impact that family owned businesses are experiencing with government policy in their businesses. In 2017, Aronoff (2017) stated that statistics have shown that 30% of family owned businesses fail due to changes in legislation.

2.7 Value Chain Management

According to Gerry et al (2014:83), value chain is defined as the actions that a company operating in a particular industry performs, in order to ensure that the company delivers the best valuable product and service for the market. This idea comes from the business management and was initially described and spread by, Michael Porter (1985) who proposes cost leaderships and differentiation strategies. According to the researcher, value chain for family owned businesses occurs when the organisation breaks down the market progressions to its strategic activities. The firm realised that cost-leadership and differentiation advantages will create competitive advantage, which will affect family owned businesses.

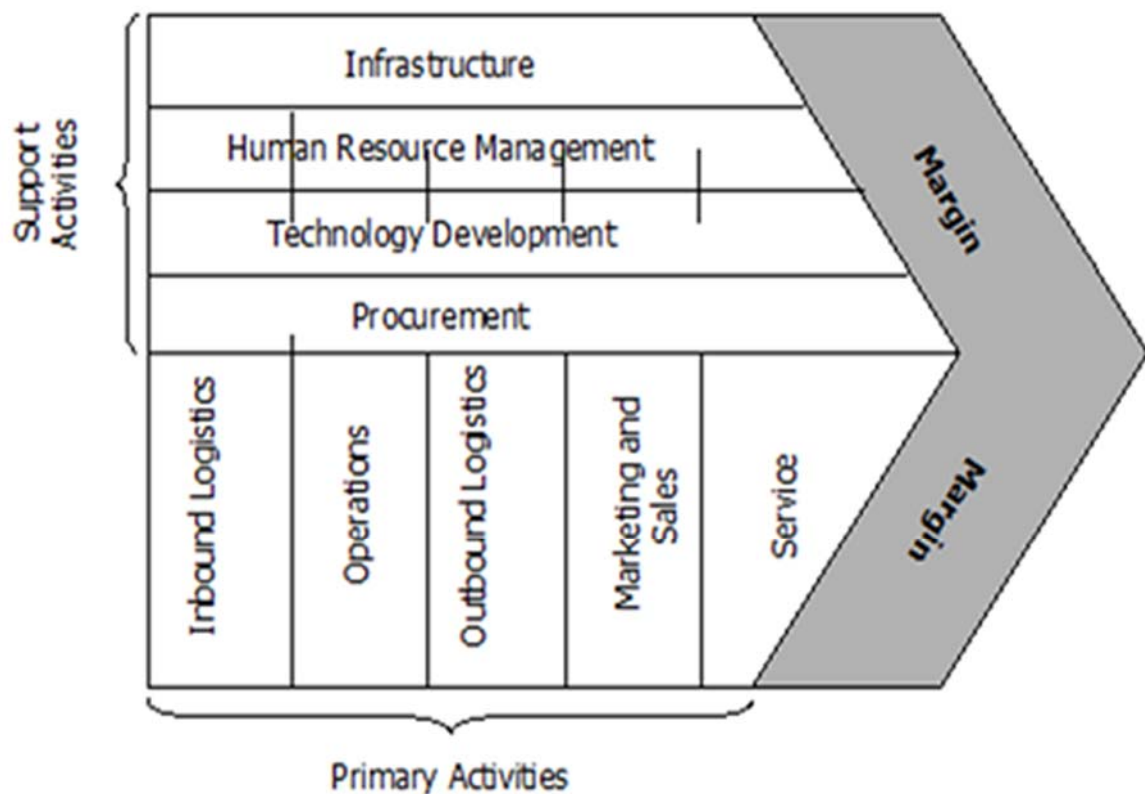


Figure 2

Value Chain Management

Source: Gerry et al (2014) - *The five primary activities*

Inbound Logistics – These are actions that contain the distributing and storing inputs to the product or service containing stock control, transport the product and service and stock control. A survey conducted by Brink (2016) stated that family owned businesses fail to be consistent

on introducing new brands to sustain the business and keep up with innovation. Gerry et al (2014) further stated that new entry to the market “the unbranded competitors” make their way into the market then customers started deserting the cheap brands.

Operations – These are inputs into the final product or service to customers. Brink (2016) stated that family owned businesses need to focus more on business to customers that enabled the business to have a remarkable success locally and abroad. The research also refers to one of the family owned businesses that the research is investigating, the company that the research was employed uses a software called Turfsport, this Software enables all bookmakers to trade, without this software, their business will and can collapse immediately, meaning all new Bookmakers must rent this software from Turfsport, same applies for Morris Vee and Track and Ball, these businesses and non-existing bookmakers need to look at manufacturing their own software so they can save money from renting Turfsport licences and utilise their own software, save costs.

Outbound Logistic – This is the process of delivering the product and service to the customers, this process contains how the product/service is stored and distributed to the customers. All family owned businesses need to build and maintain strong relationship with partners by continuing to provide a great brand, greater service and continuous innovation. Also focus on having direct and indirect sales to customers.

Marketing and Sales – This is the process that consist of issuing information of product or service to the receiver or the buyer which will predominantly be the customers or the consumers, about the existence of the product and services. As stated above, South African family owned businesses often sell products locally, there is a need to go abroad and focus on maintaining excellent cost benefits to the customers, this will enable sustainability to the business.

Service – the action of helping or doing work for someone. The researcher attended a family owned business conference that was held by KPMG on the 20th of September 2016 at a venue called “The Oyster Box hotel” in Umhlanga, Durban. The delegates on this conference spoke about family owned businesses, highlighting issues such as family owned businesses have customer-centricity, an unswerving, laser focus on the customer and fostering clients’ relationship, family owned businesses in Durban, KZN, need to maintain this strategy. The delegates further stated that family owned businesses need to commit to family values, continue to hold the reins.

Support activities for family owned businesses

Procurement: Procurement is the activity that transpires within the organisation, this process mainly revolves the aspects of obtaining the numerus resource inputs to the primary activities.

. As stated above, family owned businesses need to export products to other countries, as this will increase turnover. Family owned businesses also need to use channels of promotions, starting from Twitter, Facebook, YouTube, newspapers; magazines to get the product to the customers.

Technology Development: Every aspect of the business revolves around the word "Technology" technology development is important in an organisation in such that technology is directly justified with the product. Again, as stated above, the vitality of selling product through the business website, sending of notification to the clients regarding promotions and new product. Family owned businesses also need to maintain and keep the technology advanced; this is the only way to keep the business sustainable.

Human resource management: The process of employing new staff, develop new policies, motivate the staff, development of the staff, the rewarding schemes of the staff, the good atmosphere of the staff, all this process is human resource management. Furthermore, from the factors stated above, family owned businesses face challenges such as having to employ family members who sometimes are not qualified enough to tackle the job at hand, this can lead to business failure. The positive aspect is that family owned businesses employees believe in the brand and its identity and values.

Infrastructure: The process of formal system planning, controlling, decision making, finance control, quality, information management and the structure of an organisation, all these aspects are " infrastructure". Family owned businesses in SA benefit from reducing the product pricing, whereas worldwide brands permit them to price higher process which subsequently result in high margins. KPMG Enterprise has done great in South African family owned business by forming a global network the specialises in issuing the correct information and guidance to family owned businesses in SA (McCracken, 2017).

2.8 SWOT ANALYSIS

According to Gerry et al (2014:91) SWOT is the short for Strengths and Weaknesses discovered in an investigation of strategic capabilities and the Opportunities and Threats explored in an analysis of the environment and likely to impact on strategy development.

The SWOT Analyses

<u>Strengths</u>	<u>Weaknesses</u>
<p>The researcher discovered the following strengths for family owned businesses in Durban, KZN and these strengths are what makes a business, the qualities that have created a financial and personal achievement for the business owner and the staff that work in the business can be utilised to create a competitive advantage, and studies such as (Hutchinson 2013; Sharmilee, 2014) support this SWOT.</p>	<p>These are the factors that stop the business from accomplishing positive outcomes, Weaknesses are commonly inner issues and may narrate to family owned businesses and industry matters such as communication, rivalry, and capital funding, and should these factors not be addressed they can bring the business to its knees. The SWOT was also noted by the SA Private client adviser (2016)</p>
<ul style="list-style-type: none"> - The correct location - The values of family owned businesses - The respect, reputation and pride - Management skills - Commitment to the business - Knowledge continuity 	<ul style="list-style-type: none"> - Poor Leadership - Lack of role Backup - Poor quality work - Lack of training - Lack of education - Lot of freebies
<u>Opportunities</u>	<u>Threats</u>
<p>These are external business factors that if a business can exploit, then the business will defiantly achieve its goals.</p> <ul style="list-style-type: none"> - Good utilisation of staff - Training Courses - Good staff selection - Management reporting - Enhanced technology interface for customers 	<p>Threats are outside factors that could expose the business, and this would lead to the business failing</p> <ul style="list-style-type: none"> - Regulatory changes - Competition - Family disputes/Conflict - Increase material cost - Poor staff morale

- Rental of unutilised capital equipment	- Loss of contracts - Increase of material costs.
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Figure 3 – SWOT Analysis

Hutchinson (2013: 37)

2.9 Leadership Style

Indermun (2013:64) defined leadership style as the way of guiding, applying plans and inspire people. There are three types of leadership styles which influence decision making in family-owned businesses and these include the autocratic, democratic and delegative. The study will discuss these types of leadership style in detail because leadership styles are relevant to this study.

2.9.1 Autocratic leaders

Indermun (2013:65) defined autocratic leaders as those leaders who take decisions without checking with their subordinates. He further noted that these leaders are directive and allow no participation. These leaders oversee work closer and workout full control over other members. Muthoni (2015: 10) also noted that autocratic leadership is suitable only when decisions honestly need to be taken faster and when there is no need for contribution from the team. Autocratic leaders also focus more on controlling and leading behaviour to ensure that the work is completed and all the delegated duties are completed and oversee the actual work performance.

Indermun (2013:66) further stated that though autocratic leaders command and expects compliance, and are controlled by the capability to withhold or reprimand or reward, these leaders are very important when it comes to urgent decision making that is needed, which is always the case in family owned businesses. The larger the family owned business, the more formal the leadership needs to be.

2.9.2 Delegative Leaders

Muthoni (2015:11) defined delegative leaders as leaders whom turn the problem to subordinates. Delegative leaders often give freedom to the team, as such team members can

take decisions. The influence of delegative leadership works perfectly if the team is motivated and can motivate themselves when they are performing their duties and the employees do not need to be monitored and supervised.

Hutchinson (2013) noted that the delegative leaders limit themselves from utilising their power and they tend to allow people to make business decisions. These leaders completely depend on subordinates to establish their own goals and discover ways to achieve those goals. In all family owned businesses, the main aim of being in business is to ensure that the business makes profit. The features of delegative leader include control or make a decision over other people and communication is truly open and can go either way.

2.9.3 Democratic leaders

Sharmilee (2014) defined democratic leaders as the leaders whom inspire other members to part take in making decisions. These leaders also know that allowing a team to make decisions is different from leader to leader. This leadership style is vital in an event that the team agreement matters, but also it is important to note that it can be difficult to oversee when there are lot of different ideas. Muthoni (2015: 13) also noted that there are features that describe democratic leaders such as involving people in making decisions and setting goals, feelings that the team suggestions are being taken into consideration, attitudes, the liberty of thinking about an idea and act on it, communication flows between members and the ability to use one's perspective is one of the key in the existence of the organisation.

Family owned businesses have long roots in South Africa, therefore, the study has also identify the characteristics of leadership style for an example motivation, which is a solid desire to influence others with a focus on the set objectives of the business, intelligence, which is a verbal, so is the numerical capability, and this includes the capability of managing difficult information, integrity refers to honesty and truthfulness with followers, as well as self-confidence, which is being critical and firm without being arrogant. Lastly is drive, which is the enthusiasm to take the initiative with a need for achievement. These characteristics play a vital role in family owned businesses.

2.10 Succession Planning

According to Mass (2017), succession planning is the method of finding and preparing the best employees through mentoring, training these employees and job change so that these employees can play a vital role as the position holders leave their positions for whatever reasons such as retirement. Mass (2017) further stated that should a succession plan not be implemented in a business or be in place, the passing of the original owner can cause sibling

rivalry and surely it will be complicated for any person to just run the company, therefore succession plan is important for the business. Also, companies should include economic factors in the succession plan, such as where should the funds go and tax issues have to be sorted out in the right manner.

Abdille (2013: 13) argued that, it is important that part of the strategic process of making a sustainable company should be succession plan, the future of the company depends on the succession plan, and therefore it is vital for family owned businesses to start the process of succession planning. Brink (2016) also added that the lack of planning in family owned business is part of lack of succession plan, and these two go together. Furthermore, family owned businesses that do not have a succession plan in place often do not have direction with cash or do not have proper way to move forward due to lack of finance and no profits. The company then becomes a foundation of pressure instead of family pride. On the younger generation in family owned businesses, issues such as low level of enthusiasm and less interest in the family own business generate more problems in the succession plan process. Family owned businesses succession planning is the progression, and the only factor that create failure is the death of the key owner, death is the only factor that stop the progression of succession.

Leadership in the business is important and needed to unite management and family systems in the progression of a successful succession planning process. Management and ownership can break apart in a business when the business transferred to the next generation, of cause not all offspring wish to partake in the family owned business. Even the family members that do not participate in the operating of the business will still want to get portion of their share in the business value. All family members' management skills and qualities of leadership should be carefully compared to the family business needs and characteristics.

2.11 Reasons for Failure

According to Lawal (2015), family owned businesses in Durban, KZN fail because of three main factors, family feud whereby children assume that the time to take over the business has come, despite the parents who will think otherwise. It is then expected that egos will take control, especially when the power of command is equal. This causes failure in a because what transpires is that unfortunate decisions are taken, upon poor decisions that are made poor results then lead to business failure.

The second factor is emotions, which is a common reason notwithstanding the word "emotions" 'family members never treat business relations as just business, contrary everything is always

personal. The concern in family owned businesses is that if owners disagree over business issue that issue becomes personal. The third factor is complex issues, which is final common factor of why family owned businesses fail. As family owned businesses grow, there are challenges that develop; these challenges include legal issues and financial issues. Generally family owned businesses start with business managers or owners with no knowledge on these issues, and these issues become a problem as the business grow, therefore if these issues are ignored, they can close the business down. The above three factors were also noted in two previous study, first study was Kang (2014) and Bozas (2011) also a survey conducted by Brink (2016) stated the above factors.

Golob (2012) noted that worldwide family owned businesses are the backbone of the economy. However, 30% survive into the next generation, while less continue to the third. He then noted 10 reasons why family owned businesses fail, Poor succession planning (www.pwc.com/gx/en/pwc-family-business-survey/download) showed that half of family owned businesses in KZN had no succession plan in place and the remaining businesses had selected a particular person to run the business. Business managers can be uncertain about allowing another person to handle all the business dealings. However, succession plan needs lot growth stages process, and involve lots of creativity and proper planning for the future of the business so that the business can continue for generations. The roadmap of a family owned business cannot be completed without the family involvement unless that plan aims to fail. Mentors normally make the mistake of encouraging planning only with the controlling generation. Absences of reliable advisers, while lawyers, accountants, financial planners, have formidable technical skills, many require a more sophisticated level of understanding around family owned businesses and their unique challenges.

Trusted advisers should be able to work collaboratively with other disciplines to provide the best outcome for the family and avoid giving conflicting advice. He further stated the institute for family enterprise advisors (IFEA) which is a designated body that accredits those advisers who fill both criteria.

Family conflict which has been stated above. Different visions between generations, disagreements in core values and missions create conflict and this leads to the next generation rejecting how work is done, and neglecting the vision of the family owned business. Governance challenges, family owned businesses do not need to just consider corporate governance, in addition to corporate oversight, family owned businesses require family and shareholder governance infrastructure. Family power needs a formal meeting, and meetings require time for all family members to commit themselves, family owned businesses tend to fail because of lack of commitment and communication, whereas some family members fear to raise sensitive issues or sharing of important information.

Without governance, members are confronted with exclusion and secrecy, assumptions and procrastination. Exclusion of family members outside the business and unprepared next generation leaders are also causes of family businesses to fail. Poor strategic planning, good planning creates motivation that can sustain the family owned business through various trials that arise. Not using their "familiness" advantage, familiness refers to the unique resources embedded in a family business. By identifying family with business, the firm can promote a brand of security, loyalty and commitment. The last reason Golob (2012) noted is important principles of business are not applicable, traditional business education is not catered to meet the complex demands of a family owned business. Central issues like family dynamics, succession planning, family governance and communication are often overlooked in education programs, family owned businesses wishing to be sustainable need to ensure that they seek for more education in family owned business files.

A study conducted by Bozas (2011) noted that failure to develop employees and lack of leadership, inability to understand the economic situations, failing to plan ahead to ensure growth and opting to focus on what one likes to do rather than business manager to monitor the family owned business. Lack of funding by the government plays a key factor on family owned businesses' failure. The inability to delegate good staff to complete their duties, poor communication skills and poor managerial experience, bad cash flow management, failure to diversify the products and failure to market online and all the above, are the causes of failure of family owned businesses.

2.12 Measures to improve the effectiveness of family owned businesses

According to Bozas (2011) family owned businesses should avoid withdrawing business funds for personal use. Family owned businesses should also avoid spending cash on luxury self-rewards. The researcher has personally experienced this in a family owned business where a family member bought himself a luxury car and a house, then clients need large sums of money, and there was no cash to pay them. The business never recovered from this so, this is a must avoid scenario.

Employing unqualified and incompetent staff will only lead to a business failure, and may also create problems in HR, which will lead to the business reputation being affected. The business needs to balance financially, high overheads are difficult to rectify, loans should also be avoided because it is difficult to pay back after taking that loan, and the simple way is to save enough money and find the niche market and sell a product that clients will buy.

Family owned businesses need to have a strong relationship with the business suppliers and customers, as in some cases, suppliers can assist if the business is unable to pay for the product at that moment. The relationship with customers must not be too comfortable or too professional either, the important key here is to balance both personal and expert service within the family owned business. It is also important for family owned businesses to avoid a price war, as this create conflict and will not help either party, except generate prospect expectation for customers. Running a sustainable business is the key, these factors should be “what family owned businesses avoid”.

2.13 Conclusion

Chapter two covered the challenges faced by family owned businesses in detail, along with factors that affect family owned businesses, both internal and external factors, which were discussed in detail. It is clear from this chapter that skills shortages, lack of education, lack of financial management, lack of leadership and human resource play an important factor on family owned businesses to fail. Chapter two also covered Porter’s five forces in details, which clearly shows that these forces also play a part in family owned businesses to fail. Value chain and SWOT analysis was also covered in this chapter. Also, leadership styles were also elaborated in this chapter.

The chapter that follows deals with the research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three consists of the research methodology that directed the research and allowed the researcher to collect and analyse the data that has been described. The chapter covers the research objectives, research design, research paradigm, population, sampling method, measuring instrument, construction of the interview questions, pilot study, data analysis, delimitations, limitations, validity and reliability, anonymity and confidentiality, as well as ethical considerations. According to Bryman et al (2015: 31), research methodology is a method of scientifically resolving the research problem. It is assumed as a discipline of studying how research is done scientifically.

There are two types of research methodology, the qualitative research and quantitative research. For Bryman et al (2015:382), Qualitative research is primarily exploratory research, it is utilised to increase the understanding of the fundamental reasons, motivations, opinions, and it provides insights into the problem. On the other hand, quantitative research emphasises qualification in the gathering and analysis of data. It is deductivist in nature, which means that it develops a hypothesis based on existing theory (Wilson, 2010:37). In addition, quantitative research is also objectivist, which refers to a class of behaviourist learning theory that views knowledge as some entity existing independent of the mind of individuals) in nature (Wilson, 2010: 37). This study employed the qualitative research because that is the most applicable, given the objectives of the study, which aims to tease out people's opinions regarding the issues affecting family owned businesses. In addition, qualitative research is subjective, meaning that it defines a problem from the point of view of those undergoing the problem. It is unstructured and can be valid and reliable.

3.2 Research design

According to Bryman et al (2015:372), research design is the complete strategy that the researcher can select to incorporate the diverse mechanism of the research in a clear and logical way, thereby ensuring that the research that is being investigated will successfully address, establish the plan for gathering data, measuring and analysis of data and research design. Research design is important because it carries influence on the reliability of the results attained and provides a solid base for the whole research, Bryman et al (2015:372).

There are a number of characteristic of research designs, such as the descriptive, explanatory and the exploratory. The descriptive research design relates to replicating the experiences of respondents. It is thus related closely to ethnographic studies, but a quantitative framework is also an appropriate framework. An explanatory research design is focused on how to effectively explain the characteristics of a population subgroup can be reported, Bryman et al (2012: 387). Then, exploratory study is an examination of a subject that occurs before enough is known to conduct a formulaic research project. It is usually used in order to inform further research in the subject area. The exploratory research designed was applied to this study because this design best suits this research design.

The qualitative research approach is best suited for this study; therefore, the researcher has used qualitative research because this approach creates results that are not researched, yet by means of statistical procedures or other means of qualifications, but instead, the kind of research that produces findings arrived from real-world settings; the phenomenon of interest unfolds naturally, Bryman, et al (2015:383). The researcher employed this research to make an informed decision. In addition, the qualitative method is suitable for this study because the method evaluates subjective data, uses flexible and exploratory methods and deals with events and behaviour. The research onion that was developed by Saunders, Lewis and Thornhill (2007) guides the research process for this study. The research onion illustrates the actual progress through which a research methodology has been designed and has five different stages which is the research philosophy, research approach, research strategies, time zones and data collection methods.

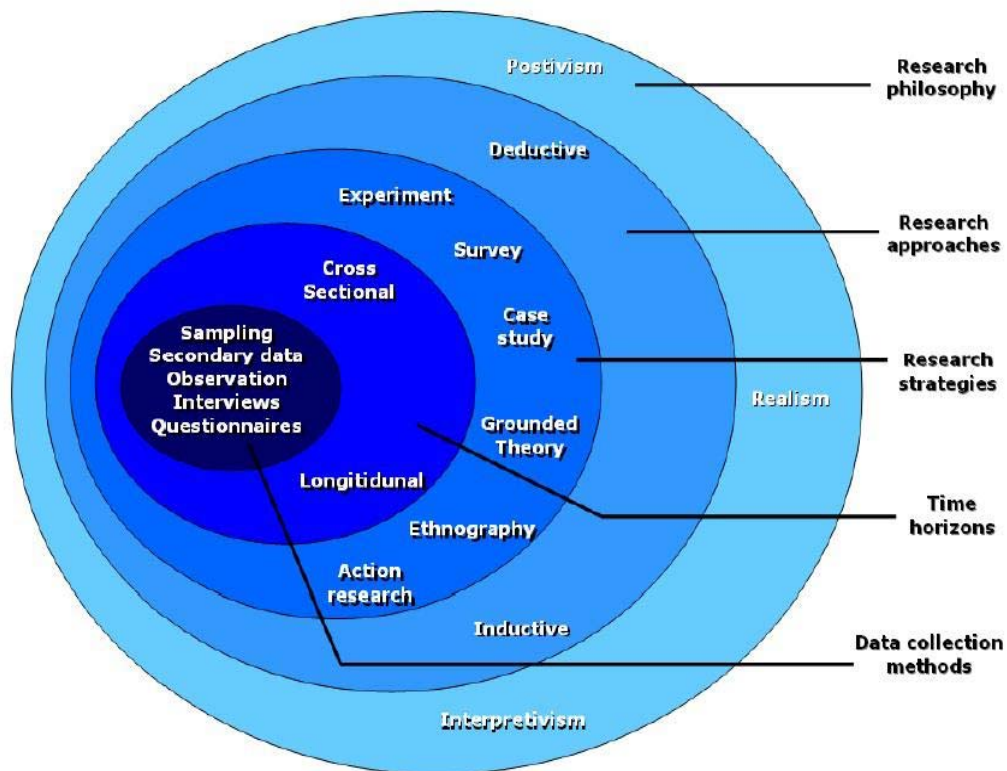


Figure 3.1. The research onion

Source: Saunders et al (2007)

3.3 Research Paradigm

Bryman et al (2012:382) define research philosophy as the usual principles regarding the nature of the reality being investigated. According to Golafshani (2003:436), research paradigm indicates a pattern, structure and framework or system of scientific and academic ideas, values and assumptions. According to Golafshani (2003: 157) there are three main types of research paradigms and these are positivism, interpretive and critical postmodernism. According to Bryman et al (2012: 380) positivism assumes that reality exists independently of what is being researched. Interpretivism is considered ideal for this study, because the paradigm is concerned with people's individual experiences of the outer world. Furthermore, Hutchinson (2013) argued that in the interpretive tradition, there is no right or wrong theory that is why this study adopted the interpretive philosophy. In addition, the study is apprehensive with understanding the world as it is from subjective experiences of individuals. As stated, the study has used scheduled interviews that rely on the subjective relationship between the researcher and the participants.

3.4 Research Approach

As per the research onion, the research approach has two types of approaches, which are the deductive, and the inductive. According to Saunders et al (2007), they stated that deductive approach progresses the hypotheses upon a pre-existing theory and then conveys the research approach to check it; in case the method is perfect for the contexts where the research project is concerned with examining whether the perceived phenomena fit with anticipation founded on previous research. The deductive approach thus might predominantly suite to the positivist predictable results to a recognised level of probability. However, the deductive approach might, likewise be used with qualitative research techniques; however, in such cases the anticipations formed by pre-existing research would be expressed differently than through hypothesis testing. The deductive approach is measured as the growth from general to particular: the general theory and knowledge based is first recognised and the detailed information gained from the research process is then tested against it.

Bryman et al (2012:384) argue that the inductive approach is considered as a move from the specific to the general. In this approach, the remarks are the starting point for the research and patterns are looked for in the data, there is no outline that informs the data collection and the research focus can thus be formed after the data have been collected. Furthermore, though this can be seen as points where by new theories are formed, it is factual that the data are analysed, and might just be found to be appropriate into an existing theory. This study used the inductive approach, hence, the scheduled interviews conducted formed a specific phenomenon and then the researcher studied the data.

3.5 Research strategy

Saunders et al (2007) define research strategy as a way of how the research proposes to conduct the work. As per the onion, this approach consists of diverse approaches such as experimental research, action research, case study research, interview and survey. As stated below, this study surveyed a few family owned businesses, where the researcher interviewed the participants.

3.6 Time horizons

The research onion also shows the time horizons and Saunders et al (2007) define time horizons as an outline within which the project is proposed for completion. There are two types of time horizons, namely, cross-sectional and the longitudinal. The cross-sectional time horizon is one already established, whereby the data must be gathered. A longitudinal time horizon for data collection refers to the collection of data constantly over an extended period and is utilised where an important factor for the research is examining change over time. This study employed the cross-sectional approach, where data were collected once and there was no need to collect over time.

3.7 Data collection methods

The research onion further highlighted some data collection and analysis methods, which depend on the methodological approach used (Bryman et al,2012:385). The process adds meaningfully to the study's overall reliability and validity. There are two types of data which can be collected, the primary and secondary data.

Primary data

Bryman et al (2012: 382) argue that primary data are that which are derived from the first-hand sources. This can be historical first-hand sources or data derived from the respondents in a survey or interview data. This study used primary data as the main source of information. Primary data was used in this study where by the researcher interviewed the five participants who were the owners/ managers of family owned businesses.

Secondary data

Secondary data refers to that which is derived from the work or opinions of other researchers. For an example, the conclusion of a research article can constitute secondary data because it is information that has already been processed by others. In the case of this study, the researcher also consulted secondary data in form of literature review and any other relevant documentation.

3.8 Target Population

According to Kothari (2004:366) population is the total units from where a sample is to be drawn. For this study, the population entailed all the family owned businesses in Durban, KZN. The target population was drawn from the KZN Chamber of Commerce data base where there are just over 549 family owned businesses in Durban, all the registered family owned businesses in the data base were the researcher's target population, keeping line with the definition of family owned businesses. The researcher applied the following criteria in selecting the participating family owned businesses for this study.

1. The business must have been existing for over three years,
2. Must have been run by family members,
3. Evidence to grow a family owned business to the next generation.

The study thus targeted the business managers / business owners of the family owned businesses in Durban, KZN, in collecting information. The above three criteria were used to establish these targeted population of this study.

3.9 Sampling Method

According to Bryman et al (2015: 170), as well as Creswell (2014: 36), sampling is the segment of the population that is selected for investigation. Sampling method has two different types, which is probability and non-probability. Bryman et al (2015:381) argue that probability sampling is a method where by the subject of population acquires an equal opportunity to be chosen as a representative sample. Non-probability sampling is defined as the method where by it is not known that which individuals will be chosen as a sample from the population. Saunders et al (2007) stated that it is vital in qualitative research to identify the sample size. They further defined a sample size as number of respondents selected from the overall population that are used in the research. As stated below, the study selected five participants who were interviewed. Saunders also stated that there are sampling techniques, which are defined as the methods where by a suitable sample size is chosen for a broader study. There are also a number of accepted techniques that can be used. A random sample characterises individuals within a wider population who are selected randomly, however this can result in the random distribution, which can mean significant skewing resulting from the random nature of sample selected. A stratified sample may then be used to ensure that the representatives of the population in the sample reflect the significant characteristics of the wider population, such as making sure that the demographic characteristics of age and gender are reflected in the sample. A convenience sample is where the sample is taken from an existing framework such as an educational

institution, given that the ways in which the respondents may be recruited is relatively straight forward.

The study used the non-probability sampling because according to Bryman et al (2014: 224), non-probability sampling is a technique where the samples are gathered through a process that does not give all the individuals in the population an equal chance of being selected. Non-probability sampling was appropriate for this study, thus, a sample size of 5 family owned businesses was purposively selected, the purpose of selecting these businesses was because of the location which is much suitable in terms of geographic, demographic and communication system. Golafshani (2003: 19) defines purposive sampling as a non-probability sample that is selected based on the characteristics of a population and the objective of the study. It works in situations when the researcher needs to reach a targeted sample quickly and when sampling for proportionality is not the main concern. The researcher employed the purposive sampling because of its cost and time effective nature, it is also the only appropriate method available if there are limited numbers of primary data and this sampling technique can be effective in exploring anthropological situations where the discovery of meaning can benefit from the intuitive approach. The selected population was chosen from the KZN Chamber of Commerce data base.

3.10 Research instrument

Kothari (2004:367) stated that an interview is a conversation between two individuals objective of gathering the right information for the purpose of research. Interviews were important in this study because it was necessary to discover the beliefs of the participants, the motivations of the people involved in a family owned business and their views. The researcher chose the interviews because he wished to gain a deeper understanding of the factors affecting family owned businesses.

In view of the above, the researcher scheduled interviews with family business managers/ business owners. The researcher also selected these family owned businesses because the location was suitable in terms of geographic, demographic, communication system, as well as transportation, as compared to the other family owned businesses.

The researcher thus prepared semi-structured interviews for the data collection process. The researcher also scheduled interviews with the business managers via email and then visited the prospective respondents to enhance the cooperation and ensure that all the questions were

answered in full. The interviews lasted between 30-45 minutes. The interviews were relaxed and flexible to allow the respondents to talk impulsively about the issues at hand. From the five selected family owned businesses, an analysis of the data collected was done and conclusion drawn to make recommendations for the entire population of the study.

3.11 Construction of the interview questions

To reduce the design error, when the researcher was constructing the interview questions the following descriptors were used:-

- Assumptions were not used
- Ambiguity was avoided
- Delicate questions were not asked and
- The interview questions were structured easily and words were easy to understand.

The interview questions contained of 32 questions established from a review of literature. The list of questions was deliberate to increase an understanding of the factors affecting family owned businesses in Durban, KZN. The interview questions contained all factors that were needed for the study. The respondents were interviewed to gain their knowledge, education, experience, planning, pricing, business knowledge (customer relations, financial management and human resources).

Section A of the interview guide consisted of gender, age, ethnic group and size of the business. The purpose of these questions was to establish the respondents' demographics. Section B consisted of the size of the business, the participants' level of literacy, management, employees, the function of the family owned business and the future of the family owned business.

3.12 Pilot Study

Hutchinson (2013:39) defined a pilot study as a minimal research experimental that collects data from individuals who will not be part of the main study, to regulate whether the research design and methodology are relative and effective. Pilot study also rectifies for any complications and eliminate any risks that the compete study would be conducted. The researcher conducted a pilot study, the interview questions were utilised as a mechanism for

data collection. During the pilot test to discover if this is the suitable data collection tool for the study. In addition, the pilot study allowed changes to be made before the interview questions were administered, which the researcher took note of. The respondents open to the study and presented more information than the researcher predicted, and that was helpful to the study.

3.13 Data Analysis

Bryman et al (2014:377) defined data analysis as the method of assessing data by utilising critical and consistent reasons to study each component of the data provided.. The type of analysis was thematic. Bryman et al (2015:385) noted that thematic analysis is one of the greatest form of examining in qualitative research. Furthermore, it highlights analytic, examining and recording patterns within data. Themes are patterns across data that are significant to the description of the phenomenon and are associated with specific questions. Thematic content analysis was therefore employed to ensure the accuracy of the data, to analyse qualitative information and to systematically gain knowledge and empathy about the selected family owned businesses. Thematic analysis goes beyond simply counting phrases or words in a text and moves on to identifying implicit and explicit ideas within the data.

3.14 Delimitations

Hutchinson (2013: 4) defined delimitations as the choices that the researcher makes. These choices define the restrictions that the researcher has set for the study. This research focused on the family businesses that are based in Durban CBD, Springfield Business Park, as well as Umlazi location. The researcher engaged the managers of the selected businesses.

3.15 Limitations

Hutchinson (2013:5) defined limitations as the influence that the researcher cannot control. This study cannot be generalised because generalisation is the process of applying the results from a study to a broader target population. The accuracy of this research depends on the honesty of the business managers. Questions relating to finance were a little bit sensitive because of issues such as government tax officers, whom the business managers feared that they might investigate their businesses' financial information. The research and data collection only focused on family owned businesses.

3.16 Validity and Reliability

Reliability and validity are serious models of research, mostly when emerging, examining and evaluating the accuracy of the study. According to Golafshani (2003:5), validity refers to how well an experiment measures what it is supposed to measure. For a study to be reliable, it needs to be valid. Validity is important because the researcher wishes to collect the true findings of study. The phrasing of the scheduled interviews was easy and understandable, in respect of a person who is not well educated.

Reliability is defined as a repeat or repeatability of findings and consistency in research. Reliability helps regularity and confirms that the research mechanism attains reliable findings. Furthermore, as mentioned above, a pilot study was conducted to ensure the reliability and accuracy of the questions. The motivation of the study was clarified to the respondents and an chance was given to address any concerns and questions the respondents had before the interview. A letter of explanation, containing the introduction and reason of the study, accompanied the interview questions.

3.17 Ethical Considerations

Ethics principles were observed and applied throughout the study. The informants were requested to participate in the study on a voluntary basis. The researcher issued informed consent by providing the participants with an information sheet and consent form. Once the form was read and understood, then the informants decided whether or not to participate in the study. The participants were also notified by the researcher that should they not want to answer any questions, they were more than welcome to do so. The gatekeeper's letter was obtained from the participants, where consent to conduct the research was obtained. Making data 'anonymous' means removing the contributor's name and that is important. The responses from the participants remain confidential and are used in the study for academic purposes only. According to Marshall and Rossman (1999:49), it is very vital to protect the identity of the participants, to ensure the confidentiality of the research. The researcher thus ensured that he respected the participants of the study by maintaining anonymity and confidentiality. The researcher also informed the participants that the data would be used for research purposes and that anonymity would be maintained during the write up of the research. Furthermore, confidentiality and credibility were ensured and was kept throughout the study.

3.18 Conclusion

Chapter three highlighted the research methodology. A discussion was presented on the research instrument employed. Scheduled interviews with the respondents were conducted. The chapter detailed data presentation conducted by the researcher. Qualitative research was used to conduct this research because it is an appropriate approach for this study. The targeted population was drawn from the KZN Chamber of Commerce data base, which assisted the researcher to make draw findings, the researcher also applied three criteria which he used to select the participants, this assisted in finding these family owned businesses and assisted in drawing correct interview questions. Chapter four presents the analysis of data obtained from the interviews

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The research methodology used in this study was outlined in Chapter three. Chapter four highlights the findings regarding the failure of family owned businesses in Durban, KZN. The results of the study provide insights into the interview questions and answers. These results are discussed and considered in line with the interview process. The overall objective of the study was to investigate the individual factors affecting family owned businesses in Durban, KZN. The intentions of this objective were to identify the key factors that are causing family owned businesses to fail. In order to achieve the main objective of the study, the underlining objectives were: To establish the leadership style of management in family owned businesses, to establish the effect of succession planning on family owned businesses and to propose strategies for the sustainability of family owned businesses. The research questions of the study established the following answers.

4.2 Response rate

Mark (2009) stated that response rate is the ratio of the number of interviews to the number of appropriate units in the sample. For this study, there are five participants and participants answered all the questions all the questions successfully. The response rate was 100% hence the researcher completed all the interview questions successfully. The response rate was calculated by the researcher by using the response rate formula which is, the total number of the responses divided by the number of the participants, times hundred (x100) the answer was 100%

4.3 Respondents' demographics

The questions on gender, ethnic group, age and size of the business were asked by the researcher in order to identify their biographical and business information.

4.3.1 Gender

The researcher found that three of the participants were males and two were females. The results of the study reflect Sitharam's (2014) findings that in KZN, 70% of family owned businesses is founded and owned by males, while 30% is are owned and founded by females.

4.3.2 Age

The research showed that people of all ages opened up a business at the selected sector. This reveals an element of diversity and supports the views of Hutchinson (2014:63) who stated that family owned business are people who are in their 30s, then continued for generations if the business does not fail.

4.3.4 Ethnic group

The study found that Black Africans owned two businesses, then two of the participants were White and one of them was Indian. Hutchinson (2014:64) stated that Africans own larger proportions of the informal sectors, while Indians and Whites own more of the formal sectors.

4.4 Size of the business

The research findings indicated that family owned businesses in Durban are diversified, there are small family owned businesses which have 10-49 employees, medium family owned businesses which have 50-249 employees, then the larger businesses that have 250 and above employees. This might be caused by many factors such as the losing of jobs in many industries and people want to run their own businesses.

4.5 Emerging themes

This section is a description of the responses that the participants provided to the interview questions and themes that emerged from the data.

4.6 Summary of the findings

The study confirms the internal and external factors affecting family owned businesses. The study also confirms that family owned businesses in Durban, KZN are mostly medium size. The findings of the study also revealed that there is a lack of communication between family owned businesses and the government; hence, the government has no support towards family owned businesses. According to the analysis of the findings, the majority of the respondents indicated strategic planning and succession plans as major factors affecting the survival of family owned businesses. Other factors that the respondents highlighted include poor financial management,

lack of technology, globalisation, family feuds, lack of education within the family owned businesses, lack of business experience, skill shortages and poor leadership.

Based on the findings, the majority of the respondents indicated that the family businesses would be looking to change in their leadership and upon the change; it was indicated that those leaders focus on the sustainability of the business and focus on the change of leadership for the future generations. The study also revealed that the selected family owned businesses provided the path of the business, hence, majority of the respondents indicated that businesses require strategies to remain sustainable in future and that the strategy must be the key factor for the business to move to the next generations. Furthermore, the findings suggest the need for growth within the family businesses in Durban, KZN, hence, there is a lower survival rates among family owned businesses. From the above summary of findings, it is clear that the research problem has been resolved, since the findings have established the key factors affecting family owned businesses, both internal and external.

4.7.1 Financial Management

Financial management is one of the biggest challenges in family owned businesses because some family members cannot manage business finances properly. With regards to financial managements, the following were responses that emerged.

The Manager stated that *“we have a serious problem in managing cash, because some family members will want to over spend, and that turns in to conflict within”* (Interviewee 1, 2018).

The CEO of a family owned business stated that *“decrease in turnover becomes a real challenge because this lead to business failure, financial management becomes critical so is generating more turnover”* (Interviewee 2, 2018).

The business manager stated that *“ family owned businesses have got no access to funding in South Africa, therefore financial management in the business is important because should the business fail to secure its day-to-day running of the business operation, this will lead to business failure so we try as much as we can to manage finance properly”* (Interviewee 3, 2018).

The owner of the family owned business stated that *“some family members demand compensation more than other family members, and this becomes a problem”* (Interviewee 4, 2018).

The owner of the family owned business stated that *“It does become difficult to save at times, due to government police changing, tax returns becoming expensive and exchange rate fluctuating consistently”* (Interviewee 5, 2018).

These findings concur with Bozas (2011:31) who also stated that family owned businesses tend to have poor financial management and this is a disadvantage in the sustainability of the businesses. Brink (2016:41) further stated that family owned businesses in South African fail to utilise the business funds properly and this causes failure in the long term of the business. The respondents agree with the literature review that in family owned businesses financial management is indeed a challenge that leads to family owned business failure. Failure to implement sound cash control in family owned businesses often leads to the downfall of the businesses. Financial management, cash flow, debtors and correct pricing of goods and services is of great importance in any business.

4.7.2 Lack of Technology

The question on the question on whether technology prompted these responses :

The manager stated that *“we try to ensure we keep up with technology, although sometimes purchasing these software gets to be very expensive”* (Interview 1, 2018).

The C.E.O stated that *“we always consult with IT consultants to come and educate us with the new software and programs, sometimes we learn ourselves, e.g. we were able to purchase WI-FI and installed it ourselves”* (Interview 2, 2018).

The business manager stated that “We believe in working with a system that works, unless an emergency arises then we can upgrade our software” (Interview 3, 2018).

The owner of the family owned business stated that *“we invest a lot in innovation, we attend monthly conferences to ensure our technology is up to date”* (Interviewee 4, 2018).

The owner of this family owned business stated that *“It is vital to keep our software and hardware updated, although this cost money”* (Interviewee 5, 2018).

The researcher felt it is important that family owned businesses need to urgently adapt to change and technology because innovation is the only way that would progress the business. The participants also stipulated that the greatest issues that contribute to their success is positive attitude, hard work, knowledge in the industry, updated technology, customer satisfaction. Literature also concurs with the respondents hence the above responses indicate that the respondents were aware of the need for innovation. Several sources such as De Jong (2010:22) stated that family owned businesses lack technology and that is one of the major

factors that contribute to the failure of family businesses. If family owned businesses can adopt innovation and know that technology is the application of science, especially to industrial or commercial objectives of the business, keeping updated with computers, telecommunication, hardware, software, payroll, accounting, all these are important activities of technology that family owned businesses must invest in.

4.7.3 Participants' responses on work experience

In response to question "how long have you been the manager of this company "and "how many years has the business running "? The respondents stated the following:

The manager stated that *"I have been managing the business for five years and the business have been running for seven years"* (Interviewee 1, 2018).

The C.E.O stated that *"I started the business and I have been managing it for four years since I started"* (Interviewee 2, 2018).

The business manager stated that *"I have been managing the company for three years then my brother passed it on to me, the business has been running for five years"* (Interviewee 3, 2018).

The owner of the business stated that *"I have been managing the business for five years, and before me, my father was running the business since 1972"* (Interviewee 4, 2018).

The owner of the business stated that *"we four partners and we have been running this business since we started the business three years ago"* (Interviewee 5, 2018).

Experience plays a vital role in family owned businesses because the researcher found that business managers had no previous experience before starting their business. This is a risk, as experience before starting a business is important. Hutchinson (2013:20) stated that the causes of failure in family owned businesses is lack of experience of the people running the business. Another mistake that family owned business make is appointing a candidate immediately after they complete their education to run the family owned business with little or no experience. The response concurs with literature review, business managers need to have experience of running the business.

4.7.4 Participants' insights about education

In response to (question 10), "what is your highest level of education?", the respondents stated the following:

The manager of the family owned business stated that *“My father has a degree in Business management, and I have a degree in Physiology, siblings still studying”* (Interviewee 1, 2018).

The C.E.O of the business stated that *“My father does not have tertiary education, but I have a degree in Information Technology (IT)”* (Interviewee 2, 2018).

The business manager stated that *“Diploma in Business Management”* (Interviewee 3, 2018).

The owner stated that *“Honours degree in Btch of Arts and my brothers don’t have tertiary education”* (Interviewee 4, 2018).

The owner of the family owned business stated that *“Degree in Commerce and Accounting”* (Interviewee 5, 2018).

The study found that business managers do have university qualifications. However, the other family members did not have tertiary education. Hutchinson (2014:65) stated that for a greater economic empowerment, family owned businesses need to acquire educational skills necessary to compete effectively in the labour market. Furthermore, he stated that in family owned businesses, only one member who often happens to be the founder or the business, will have a formal education and the rest of the family members will not acquire that formal education, which makes the education level low in the family owned business.

4.7.5. Inadequate planning

Participants responded to the questions *“Do you invest in the development of the young generations to help them adopt greater responsibility”* and *is there plan to develop the family owned business to the next generation”*? The common factors cited by the participants were as follows:

The manager stated that *“yes, we invest in developing younger generation, and we do involve the family members”* (Interviewee 1, 2018).

The C.E.O stated that *“yes, we try to develop and invest on the younger generation”* (Interviewee 2, 2018).

The business manager stated that *“yes, we train the younger generation, though at times some family members refuse to join the family business”* (Interviewee 3, 2018).

The owner of the family owned business stated that *“exposure of none active members of the family is important, therefore we try by all means to develop the younger generation”* (Interviewee 4, 2018).

The owner of the family owned business stated that *“we do involve the younger generation in the business, the only way our family business will proceed from generation to next, is if we invest on developing the younger generation”* (Interviewee 5, 2018).

Family owned businesses need to adopt in planning for the future, the researcher found out that these family owned businesses do not plan formally; hence the first step in a successful business is to plan formally. Sitharam (2014:45) argued that planning is the roadmap that will guide the family owned business to achieve its objectives. There is a relationship between business failure and lack of planning, therefore the researcher concluded that family owned businesses failure can be attributed to the lack of planning. The researcher also discovered on the family owned business that he was employed at, management did not have a vision for the business, although they try to develop the upcoming generation and the business was operating purely on a reactive basis, planning for the future is vital so that the business can grow from generations to generations.

4.7.6 Participants’ insights about competition

The respondents also commonly agreed in responding to the question “what are the common challenges that your business face and how do you deal with these challenges”

The manager of the family owned business stated that *“competition is the biggest challenge in this business, because the new companies arise with lot of funding and back up”* (Interviewee 1, 2018).

The C.E.O stated that *“non-family owned businesses that have a bigger range of skills and more sustainable”* (Interviewee 2, 2018).

The business manager stated that *“range of business competition in the industry eliminate growth in our business, other business have competitive advantage due to advantages such as globalisation”* (Interviewee 3, 2018).

The owner of the family owned business stated that *“Unable to meet the demand of our customers, lead to customers going to our competitors”* (Interviewee 4, 2018).

The owner of the family owned business stated that *“Sometimes it is difficult to deal with competition in our business due to many factors such as location, business knowledge and good financial background”* (Interviewee 5, 2018).

Competition also plays a vital role on family owned businesses failure because the research found that none of these businesses focus on their competitors, yet competition plays a vital role in business, so is marketing, of which the participants mentioned a little about their

marketing strategies. Kokemuller (2017) also stated that one of the most critical factors in family owned businesses, is competition, whether the business operates in a concentrated industry with few major competitors or a larger industry with more competitors, all business managers need to know their competitors and know how to deal with competition. .

4.7.7 Objectives of the business

In response to the question “what is the objective of your organisation?” the participants responded as follow:

The manager of the family owned business stated that *“Brandable solutions that are trusted to unlock success for mutual growth”* (Interviewee 1, 2018).

The C.E.O. stated that “to be a leading organisation in the gambling/betting industry” (Interviewee 2, 2018).

The business manager replied and said *“to become the leading sports betting in South Africa”* (Interviewee 3, 2018).

The owner answered and said *“to become the best in the industry of sports and racing”* (Interviewee 4, 2018).

The owner replied and said *“to provide quality service, while sustaining growth”* (Interviewee 5, 2018).

Business objectives are part of planning and process, hence objectives describe what the business aims to accomplish throughout the years. Family owned businesses have objectives outlined as the respondents stated the objectives, in contrary Suttle (2017) stated that family owned businesses fail because some family owned businesses do not use specific measurements to keep track of their goals and objectives, meaning although the objectives are documented and business owns know the objectives, still the family members still need to measure and keep track that objectives are being met.

4.7.8 Over expansion

In response to the question “what measurements have you taken to double check the growth of your organisation in the past five years and what strategies have you implemented, or will be implemented to ensure that you grow this family owned business for generation?”. The respondents stated that:

The business manager replied and said *“we try to diversify our business and attack other avenues”* (Interview 1, 2018).

The C.E.O stated that *‘We started on a high pace, we opened 30 driving schools across Eastern Cape and KwaZulu Natal, the work effort got a little bit bigger and we had to close some of the branches because we were consistently losing money’* (Interviewee 2, 2018).

The business manager stated that *“we used to listen to customers and ensure that we do what is convenient for our clients, without considering our business strategies and locations, the business licences got to be expensive and we were forced to close some of our outlets due to financial constraint”* (Interviewee 3, 2018).

The owner stated that *“Cost savings initiates –lower expenses = high profit”* (Interviewee 4, 2018).

The owner stated that *“we set targets and ensure we do everything in our power to meet those targets, even if it means we need to add more outlets to reach the targets”* (Interviewee 5, 2018).

Over expansion is also cause of failure two of the family owned businesses over expanded, however some of their branches had to closed due to financial loss. Velrey (2017) concurs with the respondents as they agree that over expansion is the cause of failure in the family owned businesses hence he stated that family owned businesses often focus on expanding their business into too many verticals, too fast and this leads to business failure, furthermore most family owned businesses confuse success with how fast they expand their business, it is imperative to focus on slow and steady growth.

4.7.9 Participants’ insights about Human Resource

The question on human resources was *“How does the management get appointed, is it based on qualification or other criteria?”* The participants responded as follow:

The manager replied and said *“ based on the experience in the business”* (Interviewee 1, 2018).

The C.E.O replied and said *“qualification and experience* (Interviewee 2, 2018).

The business manager replied and said *“we are all managers as we are business founders”* (Interviewee 3, 2018).

The owner replied and said *“experience”* (Interviewee 4, 2018).

The owner replied and said *“on experience and qualification”* (Interviewee 5, 2018).

HR is one of the factors that affect family owned businesses. Hutchinson (2013:15) supported this by stating that family owned business owners fail to treat employees in a way that would be valuable, yet all employees need to be treated equally and all employees need to execute duties and contribute to the business goals. In view of this, the participants noted generally qualification and experience is what matters for employees to be appointed, skills should matter for an employee to ensure that they can complete their duties, proper procedures need to be followed in order for the business to ensure that an appointment of the right candidate with correct requirements for the position is employed.

4.7.10 Participants' insights about Skill shortage

In response to the question " what special skills and training do you possess?" the respondents stated the following:

The manager of the family owned business replied and said "*customer service skills lack in the business, we therefore need more training frequently*" (Interviewee 1, 2018).

The C.E.O of the family owned business replied and said "*turf sport skills are a major requirement in this business and it is difficult to adapt to this system*" (Interviewee 2, 2018).

The business manager replied and said "*software training and this has to be done monthly*" (Interviewee 3, 2018).

The owner replied and said "*Internal system programmes (ISP) system that we operate our business with, needs very skilled people who understand and know how to work the system out*" (Interviewee 4, 2018).

The owner replied and said "*training in the new and updated technology*" (Interview 5, 2018)

Literature reviewed indicated that skills shortage is also key factors causing the failure of family owned businesses. Beech (2017) cited that the structure of leadership revolves too much around the family/management and there is a lack of skills among the staff to optimally perform in a disruptive environment, hence 17% of them do not have skills, while 35% only partly have these skills. Respondents mentioned that in some of their businesses there are special skills that are required in order for the business to operate and progress, therefore it is vital that business managers invest in skills development and training so that the business does not have skills shortage. The findings of the study show that skills shortages play an important role in the failure of family owned businesses. Due to skill shortages, the sustainability of the business will

lack. Businesses that are operating in a competitive market will suffer because of skill shortage, and the literature also supports that family owned businesses lack the people with adequate skills. Increased training in all the business aspects is a requirement.

4.7.11. Participants' insights about Organisational culture

Baloyi (2017) and Schwerlzer (2017) highlighted how important organisational culture is, and if that culture fails the company's success may be prejudiced. The culture of the business helps to build and maintain the family dimension; it also helps in how family engages with customers, vendors, competitors, as well as the environment. The value of the businesses that define the system and process of the business role are important. In response to the question "what are the objectives of your organisation" and values in family owned businesses are important, what values are the greatest in family owned businesses and in your won business" participants expressed that:

The manager of the family owned business stated that *"our values are as important as the growth of the business that is why in this company integrity and accountability are our core values"* (Interviewee 1, 2018).

The C.E.O of the family owned business replied and said *"our values is drive and integrity"* (Interviewee 2, 2018).

The business manager replied and said *"our core values is high ethical standards and respect"* (Interviewee 3, 2018).

The owner replied and said *"mutual respect, social responsibility and integrity"* (Interviewee 4, 2018).

The owner replied and said *"Integrity"* (Interviewee 5, 2018).

The respondents agreed that family owned businesses require strategies to remain sustainable, organisational culture plays a vital role in the business. Furthermore, the findings of the study indicate that the movement from generation to the other is dependent on clear organisational culture. The findings also clearly brought out the significance of strategies to help maintain sustainability of family owned businesses in future; hence, the responses highlight what all these businesses imply about the future.

4.7.12 Government funding

Brink (2013) stated that from the survey he conducted, 56% of South Africans strongly agree that the South African government recognises the importance of family owned businesses, while

18% of family owned businesses stated that the government is not doing enough, especially with the requirements such as tax compliance, operational reviews, performance measurements, government policies and gift tax planning. In response to the question "How knowledgeable are you about the government funding programs and kindly list five". Four participants concur with the above mentioned as they stated that:

The manager of the business replied and said *"we do know that there is grow my fund, department of trade industry, however it is very difficult to approach these funding's because they require lots of documents and some documents are impossible to acquire as a family owned business, so we prefer not to request assistance from the government"* (Interviewee 1, 2018).

The C.E.O. of the family owned business replied and said *"no – we prefer doing everything on our own because the government does not support family owned businesses"* (Interviewee 2, 2018).

The business manager replied and said *"minimal, hence we previously applied for funding to INKU and was unsuccessful"* (Interviewee 3, 2018).

The owner of the business replied and said *"we have knowledge about government funding's, however the requirements to apply for funding's are just too impossible to meet, therefore we are unable to even think of applying for funding even if we need to be funded"*(Interviewee 4, 2018).

The owner of the business replied and said *"government funding's don't support family owned businesses, we do know that there is growth my fund and productive incentive, however the requirements to access the funds are too high in a way that we can't even apply. (Interviewee 5, 2018).*

The results specify that there is a poor relationship between family owned businesses and government support. Furthermore, the participants were aware of the government funding; however, it is discouraging for family owned businesses to obtain funds due to the impossible requirements. Other participants did not even try to apply for government funding due to the lack of support from the government.

4.7.13 Globalisation

Brink's (2017) survey stated that family owned businesses in Durban; KZN, are important in the global and economy and can make an even more significant impact to growth and recovery if these businesses are given the right support at the right time. In contrary to this, one of the participants stated that:

The manager replied and said *“the restricting factor of our business is mainly the unwillingness to accept outside expertise, international rules and regulations and losing control and expensive developing information system, yes this can make our business more viable and easy to operate but still there is just no willingness from us”* (Interviewee 1, 2018).

This was in response to the question of “Is there a strategy for diversification” and when you think about the future of this family owned business, what is your greatest fear? And upon that fear which one do you consider the most important?

Other participants stated that:

The business manager replied and said *“There are huge opportunities for us as family owned businesses to expand globally, despite the exchange rates which is a huge challenge and it is an important to include globalisation as part of our strategic plan”* (Interviewee 3, 2018).

The owner of the business stated that *“We have not yet thought about globalisation, however, we will start considering going global, hence there is so much innovation, the world is changing everyday”* (Interviewee 4, 2018).

The C.E.O replied and said *“Yes, we wish to expand our business internationally”* (Interviewee 2, 2018).

The owner of the business replied and said *“We have not yet considered to grow our business globally, maybe in future we will consider globalisation”* (Interviewee 5,2018).

The findings clearly show that family owned businesses are unable to find or to develop the skills they need to compete globally. Furthermore, family owned businesses are disadvantaged by the lack of funding. Other family owned businesses delay the process of globalisation and just pay attention internally only.

4.7.14 Succession Planning

In response to question “when you think about the future of this family owned business, what are your greatest fears?

The manager replied and said *“lack of a clear succession plan is the greatest fear, because this will lead to the businesses being unsustainable”* (Interviewee 1, 2018).

The C.E.O of the business said *“not surviving financially”* (Interviewee 2, 2018).

The business manager replied and said *“our greatest fear is sustainability and growth, failing our succession plan, will lead to our business failure”* (Interviewee 3, 2018).

The owner of the business replied and said *"inaccurate succession plan will lead us to business failure and losing turnover to our competitors"* (Interviewee 4, 2018).

The owner of the business replied and said *"embracing diversification is a serious challenge to us"* (Interviewee 5, 2018).

These findings clearly state that the founder or the business manager do not prepare the family owned business for the time beyond theirs, especially when it comes to succession planning, In the absence of an effective succession plan, the business will fail. This explains the lower survival rates among family owned businesses. In many instances, when someone retires, someone needs to take over the family business and that transition needs to happen smoothly, while keeping the larger goal of the business, hence, it is imperative that the succession planning be done well in advance. In this view, Mess (2017) stated that less than a third of the family owned business last the transition of their first generation to the second generation, due to the next generation lacking interest in the businesses, but largely it is due to the lack of efficient succession planning.

4.7.15 Family feuds

In response to question 25, "From the issues that you have identified above, which ones do you consider the most important, in terms of contributing to the business success or failure?"

The manager replied and said *"feud in the family owned business is plays an important role in business failure"* (Interviewee 1, 2018).

The C.E.O replied and said *"we often experience difficulties when it comes to separating personal issues and business"* (Interviewee 2, 2018)

The business manager replied and said *" some of us as managers have personal egos which often affect the business"* (Interviewee 3, 2018).

The owner of the business replied and said *" our personal issues do often spill into the professional lives and that affects the business"* (Interviewee 4, 2018).

The owner of the business replied and said *"we try to resolve any issues that arise, at the same time"* (Interviewee 5, 2018).

The fact that all participants mentioned feud in the family, clearly shows that family owned businesses have differences when it comes to separating professional lives from personal lives

and that often leads to clashes and conflict. The feuds or conflicts arise from varying interests and visions for the business, personal egos or personal rivalries that may spill into the professional lives and the business environment. In such situations, it is important that issues be resolved before they interfere with defining and achieving the common goals of the business.

4.7.16 Participants' insights about the role of Leadership Style

In response to question "what is your leadership and management style?" the participants responded as follows:

The manager of the business replied and said "*we are democratic leaders and we always believe in coaching style*" (Interviewee 1, 2018).

The C.E.O of the family owned business replied and said "*we are very independent leaders and we directive*" (Interviewee 2, 2018).

The business manager replied and said "*we are autocratic leaders*" (Interviewee 3, 2018).

The owner of the family owned business replied and said "*our family owned business has free spirited leaders and we believe in coaching our team to success*" (Interviewee 4, 2018).

The owner replied and said "*we believe in coaching managerial style and we are democratic leaders*" (Interviewee 5, 2018).

Indermun (2013:64) stated that leadership style play an important role in family owned businesses; it is important that leaders always lead by an example and know their leadership styles. Furthermore, leadership styles have deep roots in a business which is a strong desire to influence others with a focus on the set objectives of the business. The participants' responses mean that these family owned businesses have their leadership styles, and some of these leaders seem to have the drive which is the willingness to take the initiative with a need for achievement.

4.8 Chapter Summary

The research has unpacked a number of factors affecting family owned businesses, challenges that are facing family owned businesses, as well as what should these businesses avoid in order to succeed and sustain their businesses. The findings of the study demonstrated the need for the sustainability of family owned businesses. Over and above, the conclusion presented the recipe for the success of family owned businesses, which generally depends on the business managers/ business owners who need to ensure that they do what matters to the businesses, they need to strategies, use resources optimally, minimise waste, lower overheads and increase

income. To achieve this, the owners need to ensure that they monitor and control all aspects of their business. Family owned businesses need to absorb the information contained in this study, in doing so, they will create jobs for the community as stated above; run successful businesses and family owned businesses will contribute to the growth of the South African economy.

CHAPTER FIVE – CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In the previous chapter, chapter four, data collected from the field was unpacked and a number of factors affecting family owned businesses, challenges that family owned businesses face were analysed and presented by the researcher. Chapter five will unpack the summary of the study, the recommendation as to how can family owned businesses avoid failure. The basic aim of this chapter is to discuss the empirical findings as established in chapter four and recommend according to the data that was presented and emerged from the study.

5.2 Summary of the study

Chapter one detailed the overview of the study, the problem statement and the aim of the study. The chapter one also included the motivation as to why the researcher investigates the factors affecting family owned businesses in Durban, KZN. Furthermore, the chapter highlighted the objectives of the study and the research questions. The significance of the study was also identified by the researcher. The limitations and delimitations of the study were also mentioned, alongside the dissertation outline.

Chapter two detailed the literature review of the study, particularly an understanding of the reasons for family owned businesses' failure. In this chapter, the researcher identified family owned businesses in Durban and then stated the challenges faced by the businesses. Furthermore, the internal and external factors were explained in detail. Chapter two further explains the PESTEL theoretical framework and the value chain management. The SWOT analysis for family owned businesses was also drawn in detail, so that family owned business owners can gain an understanding and avoid failure. Leadership and leadership styles play an important role in family owned businesses, therefore, the chapter also discussed leadership styles. Succession planning also plays an important role in family owned businesses, as well as their sustainability. Thus, this chapter detailed the succession planning for family owned businesses. The reasons for failure and the factors that family owned businesses should avoid, as well as the conceptual framework, were detailed in this chapter.

Chapter three described the research methodology of the study, covering the introduction, the research design, where the researcher detailed the qualitative and quantitative approaches, the research paradigm, where the researcher explained the three types of research paradigms which include positivism, interpretive and critical postmodernism. The research process of this study is guided by the research onion that was developed by Saunders, Lewis and Thornhill (2007). The research approach was also described. The construction of the interview questions,

pilot study, the delimitations and limitations, validity and reliability, anonymity and confidentiality and ethical considerations then the conclusion, are all described in the methodology.

Chapter four presented the data analysis and presentation. The introduction of this chapter detailed how the data were gathered by the use of scheduled interviews. Then the objectives of the research were reviewed by the researcher, based on the interview questions drawn. The researcher provided evidence from the participants by use of direct quotations from the participants and back up the quotations by the evidence from literature. Chapter five is a presentation of the conclusion and recommendations. The conclusions and recommendations are based on the research questions and objectives of the study.

5.3. Revisiting the objectives of the study

Objective 1: *To investigate the individual factors affecting family owned businesses in Durban, KZN*

The factors affecting family owned businesses, both internal and external, provided an overview of what occurs in family owned businesses. The participants shared their views in this regard. This objective was further met because the findings of the study indicate that most of the participants admitted that they do fail to achieve the factors mentioned in the literature review of both internal and external factors affecting family owned businesses.

Objective 2: *To establish the leadership styles of the management of the family owned businesses*

The literature supported three different leadership styles and were detailed by the researcher. The participants highlighted the different leadership style they use in their businesses. All business managers in family owned businesses use different types of leadership styles, in many instances, business managers stated that some are democratic leaders. Based on the responses from family owned business managers, it is clear that people venture into business poorly prepared, then their businesses are likely to fail. The fact that the selected businesses survived indicates that business managers address their leadership style shortcomings and strive to survive.

Objective 3: *To establish the effect of succession planning on family owned businesses*

Succession planning is a systematic approach to build a leadership talent to ensure continuity. Planning is one of the key weaknesses in family owned businesses, due to factors such as poor cash flow/ financial management. The suggestions made by the respondents are indeed valid and worth factoring into one's management planning. It is clear that business managers of family owned businesses need to ensure an effective succession plan for their business.

Objective 4. *To propose strategies for the sustainability of family owned businesses*

Several authors cited the factors that result in family owned business success and these include good quality service, honesty, good financial management, good business ethics and good reputation. The participants listed sound planning, low overheads, good relationships with customers and suppliers, the need to provide superior service and quality products and good store locations and government support. All the above factors must be taken into consideration and heeded by business managers wishing to be successful.

5.4 Recommendations

The study revealed that there are number of factors that affect family owned businesses in Durban, KZN. Internal factors include financial management, human resource, lack of leadership, decision making, lack of technology, lack of experience, lack of education, lack of organisational culture, inadequate planning, skill shortage and poor business skills. The external factors include globalisation, competition, marketing, import and export, economy, customer focus, over expansion, government support, high level of crime, as well as community support. Based on these findings, the following recommendations are made:

- Family owned business owners need to ensure that the business finances are managed efficiently and effectively, by doing so, the business will maintain sustainability. It is also essential that family owned businesses have access to finance, especially government incentives that support businesses.
- Leadership plays an important role in family owned businesses, therefore, family business owners/business managers need to lead by example at all times and ensure that the business is sustainable and will progress to the next generation.
- Based on the researcher's findings it is recommended that succession planning in family owned business plays a critical role in the sense that without a proper succession planning, the business is likely to fail. Education and skills development are key factors in businesses.

Therefore, it is recommended that there must be the necessary education before starting a business because education is the most important factor in order for business owners to sustain, grow and develop. Effective skills development program is recommended, in order to ensure a more sustainable and profitable business.

- Based on the findings, technology and innovation are important drivers of business sustainability; therefore, it is recommended that family owned businesses adopt both technology and innovation, in order to create competitive advantage.
- Based on the research findings, experience in business is also vital, therefore, family owned business managers/ owners must obtain adequate business experience before establishing their enterprises, in order to avoid failure in the long run. Experience assists in applying theory to real life situations, as well as giving insights into the business world, hence, the knowledge gained from previous experience is essential in the sustainability of family owned business.
- The research findings showed that, family owned businesses need to be able to confront competition, this will enhance business performance. Brinks' (2013) study supported these recommendations when it revealed that many family owned businesses in KZN ill need to be proactive in finding and securing the assistance that they need to sustain their businesses.
- The findings further showed that, family owned businesses also need to evaluate PESTEL analyses consistently; this will enhance their understanding of the businesses' day to day and assist in understanding the factors that can harm the business.
- Family feud are common in family owned businesses. It is inevitable for egos to take control, especially when there is an equal distribution of power in the business, therefore, the business owners need to ensure that feud is avoided, as it can lead to business failure. Emotions will rise, despite the fact that it is nothing personal, but business, it is therefore recommended that family members who are in business need to control their emotions at all time and know that it is nothing personal but business. To avoid family feuds from interfering and affecting the health of the business, it is important that all issues are resolved in time. The rest of the family needs to sit the feuding parties across the table from each other and help them sort the whole thing out.
- Strategy and family owned businesses go together. The businesses should clearly define succession plan with key directions, because it is important for family owned businesses to

agree upon strategic succession plan and a transparent mechanism to manage their differences.

- It is important that the human resource management system is in place, while a fair promotion and salary system is put in place, one that is purely based on merit and the ability of the employee, not their relationship to the business.
- Family members' ideas and concepts or growth may suffer due to a kind of inbreed, the perspective may become stale due to lack of outside opinions and diversity in the team. If this continues, there is a high chance that the business loses out to the new age developments and innovations in their field. There is therefore the need to be a conscious effort to include fresh perspectives and give weight to an outside voice.
- The researcher believes that family owned businesses should consider applying a formal talent management process that will assist in mapping the skills and abilities within the department to ensure there is a channel of suitable qualified candidates coming through in the short, medium and long term.

5.5 Limitations of the study

While the study focused on the factors affecting family owned businesses in Durban, KZN, there is a need for further research regarding the factors affecting family owned businesses worldwide. The sample chosen does not represent the sample frame of all family owned businesses in Durban, KZN; this could be considered as a limitation. The accuracy of this research depends on the honesty of the participants and their co-operation when they are answering the questions. The timing of the interviews was limited because the interviews were conducted during working hours. The financial issue was a sensitive subject, due to the security consideration.

5.6 Suggestions for Further Research

The importance of family owned businesses can never be over-emphasised. Future studies on family owned businesses are recommended to further the understanding of the internal and external factors affecting family owned businesses, despite the factors that are stated above. There are many factors affecting family owned businesses. An in-depth study on the challenges that face family owned businesses can be done. Future studies can also extend focus on PESTEL analysis, SWOT analysis of family owned businesses. The measuring instrument of

family owned businesses can be expanded in order to gain more knowledge on the factors affecting family owned businesses.

5.7 Conclusion

In this final chapter, the major findings on the factors affecting family owned businesses were set out. This chapter presented the conclusion and recommendations that emerged from the study and suggestions for future study. The study thus attempted to contribute knowledge about the existing family owned businesses. The research findings will surely assist and inspire financial management in family owned businesses, marketing, economy, customer focus, government support, community support, technology and skills shortage and more. This might assist in the sustainability of family owned businesses.

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APPENDICES

Appendix A: Interview questions



Interviews Questions

FACTORS AFFECTING FAMILY OWNED BUSINESSES IN DURBAN, KWAZULU NATAL

Section A

Please complete the following:-

Section A:

1. Gender

Male _____ Female _____

2. Age

3. Ethnic group

4. Size of the business

5. What business industry are you in?

6. How many years has the business been running?

7. Who founded the business? How do you relate with the funder of the business (if you are not the founder?)

8. How many employees are in your business?

9. What is the objective of your organisation?

10. What is your highest level of education?

11. How does the management get appointed, is it based on qualification or you have other criteria?

12. How long have you been the manager of this company?

13. What special skills and training do you possess?

14. What is your managerial style?

15. How do you communicate as a family organisation? How are decisions made? Is it formal or informal?

16. How knowledgeable are you about the government funding programs? Please list 5.

17. What are the common challenges that your business is facing or has once faced? And how do you deal with those challenges?

18. Values in family owned businesses are important, what values are the greatest in family owned business and in your own business?

19. Is there a strategy for diversification?

20. Is there a possibility that your business might extend ownership to non-family members?

21. What has been the companies return in the last five years?

Less than 20%_____

Between 20% and 50%_____

Over 50%_____

22. What do you think is the key area to work on, regarding ownership of this kind of a business?

23. Do you invest in the development of the young generation to help them adopt greater responsibility?

24. When you think about the future of this family owned business. What are your greatest fears?

25. From the issues that you have identified above, which one do you consider the most important, in terms of contributing to the business success or failure?

26. What measurements have you taken to double check the growth of your organisation in the past 5 years and what strategies have you implemented or will be implemented to ensure that you grow this family owned business for generations?

27. Is there a plan to develop the family owned business to the next generation?

28. Is there plan to fund the retirement of the senior generation? If so what is that strategic plan to ensure that the business exist for generations?

29. What involvement does the business have with the community? Customers and Suppliers?

30. Technology plays a vital role in today's businesses, so is innovation, what strategy have you implemented to ensure that the company remains relevant?

31. Where do you see this company in the next 5-10 years?

32. Anything else that you would like to bring to my attention?

The end

Thank you

Appendix B: Letter of informant



Faculty of Management Sciences

Department of Public Management & Economics

Date

Dear Participant

FACTORS AFFECTING FAMILY OWNED BUSINESSES IN DURBAN, KWAZULU NATAL.

I am a student at Durban University of Technology perusing studies of Masters in Management Science. I am currently undertaking a research project that aims to investigate the causes of failure in the family owned businesses in Durban, KZN. I would like you to kindly participate in these interview questions\ Questionnaire, please note that there is no right or wrong answers in these questions, please answer as honest as possible. The interview questions will take approximately 10-15

Minutes to complete.

The participation is voluntary, you are able to stop at any time, I would really appreciate it, if you complete all questions. The information you provide will be confidential and will only be used for this research, and will not be linked anywhere else but in this research. Your details will not be revealed to anyone.

Should you have any questions please kindly contact me on 031 314 1581 or kindly contact my supervisor on 0835271804

Your assistance will be greatly appreciated.

____ - _____

Student

Contact Details

Supervisor / Promoter

Contact Details

Co-Supervisor/Co-Promoter

Contact Details

Appendix C: Letter of information



LETTER OF INFORMATION

Title of the Research Study: FACTORS AFFECTING FAMILY OWNED BUSINESSES IN DURBAN, KWAZULU NATAL.

Principal Investigator/s/researcher:: Master's Degree in Management Science

Co-Investigator/s/supervisor/s: (PhD)

Brief Introduction and Purpose of the Study:

Family owned business is defined as any business in which two or more family members are involved and the majority of ownership or control lies within family. Previous studies in family owned businesses showed that family owned businesses face a lot of challenges such as ownership and business roles, sometimes conflict on values and goals. The purpose of the study is to examine the factors affecting family owned businesses in Durban, KZN.

Outline of the Procedures:

The responsibility of the participant is to read the consent form and ask the research questions. Should the participant not understand anything. The consent form includes dates when the study participation starts and end, carefully weighs the possible benefits and risks of being in the study, the researcher should the participant wish to stop and ask for a copy of the consent form. The interviews will be held at the business offices with business managers. The researcher will explain the study, maintain the confidentiality of the study participants, will respond to all participants concerns and questions, tell the participants about changes to the risks or benefits or the study (if any).

Risks or Discomforts to the Participant: Not applicable

Benefits:

The researcher intends to publish the study, in order for family owned businesses world-wide to access the study and digest the recommendations on how to avoid failure. The study will also benefit family owned businesses, both locally in Durban, as well as nationally and internationally

Reason/s why the Participant May Be Withdrawn from the Study:

The participants can be withdrawn from the study due to immediate health issues, personal reasons such as death of a loved one, health and safety, non-compliance and randomization, there will be no adverse consequences for the participant, should the participant decides to withdraw.

Remuneration: No

Costs of the Study: Yes

The researcher will have to pay R6000.00 to the language editor for the dissertation, R1000.00 for the stationary and purchases, R500.00 for printing and R3000.00 petrol costs.

Confidentiality:

The responses from the participants will remain confidential and will be used in the study for academic purposes only. It is very important to protect the identity of the participants to ensure the confidentiality of the research. The researcher will ensure that he respects the participants of the study by maintaining confidentiality.

Research-related Injury: Not applicable to this study

Persons to Contact in the Event of Any Problems or Queries:

Supervisor and details:

Please contact the researcher (tel no.),–

Or the Institutional Research Ethics administrator on 031 373 2900.

Complaints can be reported to the DVC: TIP, Prof F. Otieno on 031 373 2382 or dvctip@dut.ac.za.

General:

All participants to the study will be assured that their participation is voluntary. This study will focus on 5 participants. The letter of consent and information letter will be issued to the participants and the letters will be translated on the participants prefers language.

Appendix D: Consent



CONSENT

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, _____ about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: _____,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

**Full Name of Participant
Thumbprint**

Date

Time

Signature / Right

I, _____ herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

_____ 02/08 /2017

Full Name of Researcher

Date

Signature

Full Name of Witness (If applicable)

Date

Signature

Full Name of Legal Guardian (If applicable) Date

Signature