Intra-family succession in South African townships: women’s account of the desirable attributes

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Abstract: Focused on women, this article investigates the qualities and attributes that family-owned businesses desire in a potential successor. This paper is the outcome of quantitative data that was solicited and collected from 120 participants using a semi-structured questionnaire. The Statistical Package for Social Sciences (SPSS) software was utilised to analyse that quantitative data and was complemented with the elements that were drawn from the qualitative data (open-ended questions). The results suggest that the incumbents prefer the potential successor to have management skills; leadership skills; ability to relate well with other members of the family; show interest in becoming a successor, possess greater aptitude than other members of the family; understands the business vision, be trustworthy; be committed to the business; has management experience; must be related by blood or law and able to harmonise the interests of the family with those of the business. Overall, this narrative highlights the woman’s position in a male-dominated discourse, besides suggesting that an understanding of the attributes desired by the incumbent will positively impact on the succession process in South African townships.

Keywords: family-owned business; succession planning; successor attributes; South African townships.


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1 Introduction and background

There is considerable evidence that suggests the preponderance of family-owned businesses in most economies. Often underestimated in some countries, the data evidence suggests that the family-owned enterprises represent over 80% of the businesses in developed economies and provide most of the jobs (Vera and Dean, 2005; Ramadani et al., 2013, 2017; Ramadani and Hoy, 2015).

Given that nature will not allow any leader to lead forever, the transfer of leadership from one leader to another becomes incumbent upon any organisation (Kesner and Sebora, 1994; Dyck et al., 2002) that aspires to maintain growth or its existence over generations (here in this paper referred to as sustainability). Unlike in the non-family business where succession is driven by economic factors (the best candidate is one who can improve profitability), the family enterprise must consider economic and non-economic factors (Basco and Calabrò, 2016). The non-economic factors that impact on succession include the need to preserve family socio-emotional wealth. Striking a balance between business and family needs necessitates navigating the challenges and risks that are associated with the succession process (Basco and Calabrò, 2016).

Succession in a family business is a process that involves all decisions, activities, and actions to ensure that leadership is transferred from one person to another (Le Breton-Miller et al., 2004; Ip and Jacobs, 2006; Basco and Calabrò, 2016). In fact, this is one of those rare but desirable situations where a family member is presented with the opportunity to assume leadership of the family business (Gersick et al., 1999). Ordinarily, the leadership mantle could go to an outsider or a member of the family, also known as intra-family (Beckhard and Gibb Dyer, 1983). Basco and Calabrò (2016) argue that the nomination stage is critical in the succession process in that it results in the official designation of a potential successor.

Despite the rosy narrative of the economic importance of family businesses, the high mortality or non-transition of these businesses has come under scrutiny in recent years. Perhaps, this is because of only approximately 30% of these family ventures transit to the second generation, 13% to the third generation and 3% beyond the third generation (Zimmerer et al., 2007; Mussolino and Calabrò, 2014). The effect of these on the employees, extended family members and the society at large are far-reaching (Niebler, 2015; Makó et al., 2016), thus prompting the need to ascertain the challenges associated
with successful transitions in family enterprises. One of these challenges may relate to ascertaining and identifying the relevant qualities required of a suitable successor – a process that may be influenced by the assessor.

Hoping to ensure continuity, retiring owners of family-owned businesses would wish to pass along the leadership or ownership to a younger generation. However, the transition from one generation to another is less likely to be successful in the case where the incumbent does understand what to look for in a potential successor. Arguing that succession planning is a vital but challenging task, many writers concede that selecting the ‘right’ successor assures a glossy transition and future success of family businesses (Chrisman et al., 1998). Although succession has featured in a considerable number of studies on family ventures (see Brun De Pontet et al., 2007; Haag, 2012; Ramadani et al., 2017), yet the focus on the desired attributes of a probable successor has generally been sparse (see Chrisman et al., 1998; Motwani et al., 2006; Desai, 2008; Schlepphorst and Moog, 2014; Basco and Calabrò, 2016) and this holds in the context of South Africa. Even so, Ratten et al. (2017a, 2017b) believe that most of the narratives on family business have been gender-biased in favour of the male. Using women as the lens, this article hopes to change the focus and locus of previous research, by ascertaining the qualities/attributes that family-owned businesses desire in a possible successor in the context of township businesses in South Africa.

2 Literature review

2.1 Definition and characteristics of family-owned businesses

According to Chrisman et al. (2008), family-owned businesses are created and managed in the hope that it will satisfy the aspirations of its owners who are members of the same family in most cases. To Ibrahim and Ellis (2004), the hallmark of a family-owned business is that two or more members of the family should run the business, and at least 51% of the business should be in the proprietorship of a particular family. In an attempt to set the typical business apart from the family business, Maas et al. (2005) notes the conflicting and sometimes overlapping interests that characterise the family business setting. Although these conflicts are not unique to family-owned businesses, they are eminent where families work together in a business. The preceding aside, the family business provides a distinct environment that builds a formidable sense of belonging among its employees (Leach et al., 2002).

2.2 Succession in family businesses

Borrowed from anthropology, the concept of succession is anchored on kinship and change and the need to prepare for it (Ip and Jacobs, 2006). Succession planning is an ongoing activity that spans over a considerable period, rather than a one-time affair. Succession stands a better chance of being successful if the dynamics of both the business and family concerned are considered. Some authors have emphasised the need for active processes that may assure the sustainability of family ventures, yet many family firms have shown little concern (Ward, 1987; Chrisman et al., 2008).

Given the complexity of the family business and the ever-changing environment in which they operate, the pursuit of ‘family interest’ works against these businesses quite
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often (Ward, 2004). Thus, the sustainability of the family business partly hinges on its ability to be creative, innovate and accountable. Ward (2004) warns that maintaining an alignment between family interests and those of the business becomes the obvious challenge for the management of family businesses.

2.3 Gender and succession planning in family-owned firms

Even though gender is an item that frequently features in entrepreneurship studies, Ratten et al. (2017a, 2017b) are concerned about how its passive treatment and conceptualisation influences the bias towards specific genders, including women. Some authors argue that the bias resulted in women being treated and considered to be less entrepreneurial than their male counterparts (see Longowitz and Minniti, 2007; Ratten et al., 2017a). The literature on business suggests that a far lesser proportion of women occupy leadership positions in businesses; the same holds true for family businesses (Vicente et al., 2009; Ip and Jacobs, 2006). Traditionally, women have never been considered suitable successors in family businesses except in the absence of men (Ip and Jacobs, 2006; Vicente et al., 2009).

The succession plan holds the blueprint for the transfer of proprietorship and leadership across generations in the context of family-owned businesses (Brun de Pontet et al., 2007). As such, the plan identifies who would take directorship of the family business, when and how it will take place. Other commentators have noted that when the ‘who, how, when’ questions that underpin succession are not anticipated and adequately streamlined, the family business becomes a breeding ground for conflict. Although deficiencies in succession planning are a potential source of feud in the family business, Ibrahim et al. (2001) believe that there are tested and trusted ways of resolving the associated conflicts. Perhaps, that is why succession is one of the most difficult strategic problems that the proprietors, managers and intended successors of family businesses, encounter today. The succession problems can be further attributed to the complex systems that inherently underpin the very existence of family business-business and the family systems (Miller et al., 2003). The complexity of these systems seems to account for the high failure rate of family businesses (Mussolino and Calabrò, 2014).

Recounting the depth of the problems associated with succession, Motwani et al. (2006) notes the sensitivity and complexity of the whole process. Although working together, family members still find ways of avoiding conversations around succession in family businesses and this is perhaps due to its potential to breed conflict (Lam, 2011). As elusive as it may seem, Haag (2012) argues that an effective and sustainable transition can only take place if the relevant stakeholders in a family business open up the succession discourse.

Lam (2011) argues that such discussions should lead to succession plans that may be implemented with the least effort. If not the preceding, these concerns will continue to gain traction with family business practitioners and the researcher’s community (Lam, 2011).

2.4 Qualities sought after in potential successors

In as much as succession is essential to the family business, so too is the ability to select the ‘right’ successor. Many people would agree that choosing a successor is just one step
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towards ensuring the smooth trans-generational succession of the family enterprise. A critical part of this equation is ensuring that the right person is selected to be the successor. Although the concept of the right person is undoubtedly debatable, clearly any business that transits from one generation will need to be successful to be handed over to the next.

Given the degree of ‘juggling’ needed to align the concerns of the family to those of the business, one would expect a variation in the attributes that outgoing owners seek in their successors in family business settings. According to Chrisman et al. (1998), most incumbents would want their successors to:

- have a cordial personal relationship with the incumbent
- have excellent individual and working relationships with other family members
- be related by blood or law to the family
- be capable of running the business
- have good personality traits
- be involved with the family business.

It is clear from the literature reviewed that even though considerable scholarly work has been done on succession in family businesses, the desirable attributes of a probable successor are not well-established and more so in the context of family businesses in South African townships. Even so, it would be interesting to understand the role of gender in the selection of a successor using women as the lens.

3 Methodology

The mixed methods approach which incorporated both quantitative and qualitative research designs was utilised. As Creswell (2009) points out, a mixed method approach exploits the fortitude of the combined methods. Hence, many researchers in the social sciences tend to prefer approaches and methods that take advantage of positive attributes of the two ostensibly contradictory approaches to the conducting of research.

3.1 Research population and sampling technique

All the small and medium-sized family businesses operating in the township of Gugulethu at the time of the interview were considered to constitute the population of this study from which the sample was drawn. The sample is made of smaller units or elements of the population that are of interest to the researcher (Burns and Burns, 2008; Salkind, 2012). The probability and non-probability sampling procedures provide the most frequently used ways of pulling a sample from the population. The dominance of the probability sampling technique over the other is mostly driven by the fact that it gives every member of the population an equal chance of being chosen (Babbie and Maxfield, 2014). While noting the likelihood of bias, Forzano and Gravetter (2011) highlight the flexibility of this non-probability sampling method.

Given the absence of an exhaustive database for the study area and hence a sampling frame, the researchers depended on the non-probability sampling practice. In an attempt
to avert the prejudice which is affiliated with non-probability sampling, the chosen sample size of 120 businesses was aligned to those of similar studies (Tengeh et al., 2011; Toli and Tengeh, 2017). All the 120 questionnaires were administered to the respondents represented by managers or owners of the businesses were returned and found to be usable for data analysis.

3.2 Methods employed to collect data

Desiring to maximise the benefits of both methods, the quantitative and qualitative methods were utilised to gather the data. Although Dana and Dana (2005) would argue that the qualitative component was too simplistic, the semi-structured questionnaire allowed participants to share their thoughts on particular constructs. Although the quantitative method is difficult to juggle with the qualitative methods, the blended approach resonates well with Dana and Dumez (2015), in that it offers a good concession between simplicity of manipulation and vigour.

Drawing from Cooper and Schindler (2011), the unit of analysis adopted for this study relates to the people who were either the owners or the managers of family-owned businesses in Gugulethu. To Cooper and Schindler (2011), the unit of analysis is the object which is being studied, and it lends credence to the data that was analysed and the accompanying results. Hence, a unit of analysis could comprise individual people or groups of people, depending upon the way in which a study is conducted. Background information was collected on characteristics of interest such as gender, age, duration in operation of the business and level of education attained, in the attempt to gain a holistic profile of the respondents that completed the questionnaire.

4 Results and discussion

The results are presented and discussed under two themes: background information and desirable attributes in a potential successor.

4.1 Background information of respondents

The results indicate that 66.7% of the respondents were either the owners of or the significant partners in their businesses, while 33.3% indicated that they were managers. Besides authenticating the information provided, this assertion was particularly relevant as it somehow guaranteed access to knowledgeable respondents as far as the study was concerned.

With regards to the gender composition of the respondents, 77% of the respondents were females, while males represented 23% of the sample. These results indicate a significant disparity between the genders and suggest that significantly more females than males either own or manage small to medium-sized family-owned businesses in Gugulethu. Concurring with these results, Belcourt et al. (1991) noted that although 90% of the female owners of family businesses work full-time, yet are still responsible for running the households. These women find it entirely healthy to run their homes as mothers and owners or managers of their businesses, simultaneously (Cadieux et al., 2002). From the results noted earlier, one can infer with some degree of certainty that the
opinions narrated in this paper are those of the female owners or managers of the family businesses surveyed.

The age distribution of the respondents draws one’s attention to the dominance of the 30 years and less age group (34.2%). Other notable age ranges include the 30–39 years (24.2%), the 40–49 years (27.5%) and the 50 years old or older age bracket (14.2%). This finding tends to resonate well with that of Bjuggren and Sund (2001), in which it was found that an often-cited reason for the low survival rates among family businesses is the practice of families to hand their businesses over to their children, rather than more competent professional managers. Furthermore, the finding suggests that the respondents were passably mature to provide responses which were of relevance to the research topic. This assertion has informed the fact that some of the respondents stayed in their family businesses for sufficiently long to be conversant with strategies for succession and the concepts of leadership and performance.

Reporting on the educational levels of the respondents, the study notes the preponderance of those who completed the secondary school education (33.3%). The preceding notwithstanding, 28% had primary school education, followed by a slightly smaller group of 22%, who held post-matriculation certificates and 11% who had either higher certificates or diplomas. At the two extremes of the continuum were 2% with bachelor’s degrees and 4% who had no formal education at all. Although it was imminent that a significant proportion of the respondents had either secondary school or primary school education, nearly all of the respondents had received some level of education, which indicated that there was little or no illiteracy among them. As most of the respondents had received at least an elementary education, they could read and to contribute to the discourse of the study. However, these findings do not align with those of a study which was conducted by Abdille (2013) of family-owned businesses in Kenya which reported a significantly higher literacy, especially at the university level.

Turning to the ethnic background of the respondents, the results suggest that approximately 98% were black, 2% were white, and 1% were coloured. This finding comes as no surprise, given that Gugulethu is a predominantly black township.

### 4.2 Business profile

Concerning the ownership type of the businesses surveyed, the results indicate that approximately 94% of the business venture sole proprietorships, while 5.0% were partnerships and one or 1% of the sample was a close corporation.

With regards to the sector, the results show that close to 68% of the family-owned businesses in the sample offered services, while 31.7% were retailers. Furthermore, most of the businesses which rendered services were found to be run by women.

Capturing the number of family members employed full time in the business, the results indicate that 41.7% of businesses were staffed by a single member of the families concerned, while 34.2% were staffed by two members, 17.5% by either three or four members and 6.7% by five or more members.

An attempt was made to establish how long their businesses had operated as family businesses to glean the degree to which the businesses had passed from one generation to the next. The outcome suggests that 62.5% of the businesses have been operating for more than ten years, while close to 19% had been operating for less than five years and 18.3% had been operating for between six and ten years.
An attempt was made to document the extent of family control in the businesses surveyed. The results show that 50% of the control was held by the families who owned approximately 97% of the businesses in the sample while in 1.7% between 25% and 50% was controlled by the families and only 0.8% of the families controlled less than 25%.

4.3 Desirable characteristics in a potential successor

These results report on the data that was collected from 120 family businesses in a South African black township. Twelve successor attribute-related statements were formulated, and the level of agreement or disagreement to the statements was gauged on a five-point Likert. The results are summarised in Table 1 and discussed accordingly:

a Possession of management skills

Table 1, row 1 shows that an overwhelming majority of 90.8% of the respondents either agreed or strongly agreed that it was vital for the potential successor to possess good management skills. This finding is in line with Desai (2008).

b The capability to maintain leadership

According to Ward (2004), maintaining the overall equilibrium of family-owned businesses constitutes the most challenging and demanding managerial enterprise throughout the world. Apart from the typical challenges which accompany the running of a business, family businesses are required to deal with the human emotions which are associated with the upholding of their shared values, sibling rivalry and power struggles within the families. The findings, which are reflected in Table 1 indicates that the respondents were almost unanimous in their agreement that a potential successor should be capable of maintaining leadership.

c Good relationships with the members of the family

As shown in Table 1, row 3, 40% of the respondents agreed, and 58.3% strongly agreed that a potential successor should have good relationships with the members of the families who owned the businesses in which they worked. This finding is corroborated by that of a study which was conducted by Belcourt et al. (1991), in which ‘maintaining good relationships’ within the family was extremely important for family businesses and that, at times, the members of families may accord this consideration greater importance than the profitability of their businesses.

d Interest in becoming a successor

As shown in Table 1, row 4, 24.2% of the respondents agreed, and 71.7% strongly agreed that a candidate should show interest in becoming a successor. This finding is confirmed in Desai’s (2008) study of Indian family-owned businesses in South Africa.

e The need to possess greater aptitude than other members of the family

Table 1, row 5 shows that 13.3% of the respondents agreed and a further 46.7% strongly agreed that a candidate should possess greater aptitude than other members of the family, while 4.2% disagreed and 30.8% strongly disagreed. In total, 60% agreed, while 35% disagreed and 5% were neutral, which suggests that there was a
fair consensus that a promising successor should possess greater aptitude than other members of the family.

f A candidate should possess a vision concerning the future of the business
It was considered to be of great significance that none of the respondents disagreed that a potential successor should possess a vision concerning the future of the business, with 74.2% strongly agreeing and 22.5% agreeing (see Table 1, row 6).

g A candidate should possess the necessary competence to be considered as a potential successor
Table 1, row 7 reveals that 20% of the respondents agreed and a further 78.3% strongly agreed that a potential successor should be sufficiently competent, while a tiny minority of 1.7% were neutral.

h A potential successor should be trustworthy
Table 1, row 8 shows that 10% of the respondents agreed and 89.2% strongly agreed that a potential candidate should be a person who is trustworthy and only one respondent or 0.8% of the sample disagreed. Although the response of this respondent appeared to be a very unusual one, it did not have an appreciable effect on the overall findings. This finding is correlated by Desai (2008).

i A potential successor should show commitment to the business
Table 1 indicates that the majority of the respondents 94 (78.3%) strongly agrees that the potential successor must show commitment to the business and 26 (21.7%) agree that the successor should show commitment to the business (see Table 1, row 9).

j Experience in management
Table 1, row 10 shows that although 39.2% of the respondents strongly disagreed that a successor should have sufficient experience in the management of a business, 26.7% agreed and 39.2% strongly agreed that experience in management was a fundamental requirement for a potential successor, while 1.7% were neutral. This finding aligns with Desai (2008).

k A potential successor should be the son or the daughter of the owners of a business
Table 1, row 11 concedes that 19.2% of the respondents agreed and 49.2% strongly agreed that a potential successor should be one of the children of the owner of the business, while 6.7% disagreed and 15% strongly disagreed and a fairly significant 10% of the sample were neutral.

l Balancing the interests of the family with those of the business
As Table 1, row 12 shows, 29.2% of the respondents agreed, and 59.2% strongly agreed that a potential successor should be able to balance the interests of the family with those of the business, while 0.8% disagreed, 8.3% strongly disagreed, and 2.5% were neutral.

Selected word verbatim quotations from respondents that support the results noted in Table 1 and that are aligned with the qualitative angle of this paper include:
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Participant 1: “What I look for is a person who is committed to the family. A person who can work very well with other people and treats them equally even though they are family. People take advantage in most cases because they work with family and that destroys a business.”

Participant 2: “Businesses need to look at trustworthy people to run the business. The most important thing is the person must show interest to serve as a leader.”

Table 1  Desirable characteristics in a potential successor

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is vital for a potential successor to possess good management skills</td>
<td>2.5%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>38.3%</td>
<td>52.5%</td>
<td>100%</td>
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<tr>
<td>A potential successor should be capable of maintaining leadership</td>
<td>0%</td>
<td>0%</td>
<td>0.8%</td>
<td>33.3%</td>
<td>65.8%</td>
<td>100%</td>
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<tr>
<td>A potential successor should have good relationships with the members</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0%</td>
<td>40%</td>
<td>58.3%</td>
<td>100%</td>
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<td>of the families</td>
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<tr>
<td>A candidate should show interest in becoming a successor</td>
<td>0%</td>
<td>0%</td>
<td>2.5%</td>
<td>24.2%</td>
<td>71.7%</td>
<td>100%</td>
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<tr>
<td>A candidate should possess greater aptitude than other members of the</td>
<td>30.8%</td>
<td>4.2%</td>
<td>5%</td>
<td>13.3%</td>
<td>46.7%</td>
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<td>family</td>
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<td>A potential successor should be a member of the family who possesses a</td>
<td>0%</td>
<td>0%</td>
<td>3.3%</td>
<td>22.5%</td>
<td>74.2%</td>
<td>100%</td>
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<td>vision concerning the future of the business</td>
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<td>A successor should be competent</td>
<td>0%</td>
<td>0%</td>
<td>1.7%</td>
<td>20%</td>
<td>78.3%</td>
<td>100%</td>
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<tr>
<td>A potential successor should be a trustworthy person</td>
<td>0%</td>
<td>0.8%</td>
<td>0%</td>
<td>10%</td>
<td>78.3%</td>
<td>100%</td>
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<tr>
<td>The potential successor must show commitment to the business</td>
<td>0%</td>
<td>21.7%</td>
<td>0%</td>
<td>0%</td>
<td>78.3%</td>
<td>100%</td>
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<td>A potential successor should have sufficient experience in the</td>
<td>32.5%</td>
<td>0%</td>
<td>1.7%</td>
<td>26.7%</td>
<td>39.2%</td>
<td>100%</td>
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<td>management of a business</td>
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<tr>
<td>A potential successor should be</td>
<td>15%</td>
<td>6.7%</td>
<td>10%</td>
<td>19.2%</td>
<td>49.2%</td>
<td>100%</td>
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<td>one of the children of the owner</td>
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<td>A potential successor should be able to balance the interests of the</td>
<td>8.3%</td>
<td>0.8%</td>
<td>2.5%</td>
<td>29.2%</td>
<td>59.2%</td>
<td>100%</td>
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<td>family with those of the business</td>
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Source: Authors

5 Conclusions, limitations and scope for future studies

Female entrepreneurship, which promises to become a substantial component of the economy, is neither well developed nor promoted in most developing economies. Although South Africa is making significant steps toward overhauling this imbalance, men continue to exert significant presence and pressure as far as the ownership and
leadership of business are concerned. This dominance extends to decision making and matters around succession planning in family businesses.

Many family own-businesses would cherish a seamless transfer of ownership from family member to another over generations. As simple as it may sound, ensuring the smooth intra-family succession has eluded many family businesses in the world with South Africa being no exception. Irrespective of the numerous challenges that stand in the way of transition of family businesses from one family member to another over generations, the fact that often the incumbents do not know what to look for in a potential successor, is less mentioned in the family business literature. In an attempt to contribute to the succession discourse, we changed locus and focus by ascertaining the attributes that women desire in a successor in the context of family businesses in South African townships. In the order of preference, the respondents deemed the following attributes to be desired by family businesses: trust, commitment to the business, competence, visionary, interest in succession, leadership qualities, positive family relationships, management skills, ability to balance family interest and business interests, having a better aptitude than other family members management experience and must be born of the owner.

One of the plausible limitations of this paper lies in its simplistic approach to data analysis, the composition and relatively small sample size that make prediction and generalisation practically impossible. Another study may employ inferential statistics and perhaps cross-examine the attributes desired by women and men in a potential successor to a family business.

References
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