

***SIBLING PARTNERSHIPS IN  
SOUTH AFRICAN SMALL AND MEDIUM-SIZED  
FAMILY BUSINESSES***

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**SIBLING PARTNERSHIPS IN SOUTH AFRICAN SMALL AND MEDIUM-  
SIZED FAMILY BUSINESSES**

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## **DEDICATION**

This thesis is dedicated to my sibling partners (brothers), André and Charl van Eeden, and our business “Wooden Wonders”

Also to our parents, Arnold and Gloria van Eeden, for providing us with a Godly foundation and a loving home.

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- My husband, Robin, for his love, patience and support.
- My Lord, for the blessings bestowed upon me, and for giving me the talents and abilities that have enabled me to undertake this endeavour.

I hereby declare that this thesis submitted is my own independent work and has not been previously been submitted by me for a degree at any other university.



Shelley Farrington (van Eeden)  
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**ABSTRACT**

Given the predicted increase in the number of family businesses owned and/or managed by siblings (Sibling Partnerships), as well as the lack of understanding and research attention given to such sibling teams, the purpose of this study was to contribute to the more effective functioning of such family businesses in South Africa by identifying the factors that impact on their success. With this purpose in mind, the primary objective was to identify, investigate and empirically test the possible influences of, and relationships between, various factors and the *Perceived success* of Sibling Partnerships.

This study sets out to integrate prior findings and theories on team effectiveness and family relationships, to find support for these theories in the family business literature, and to incorporate these findings into a comprehensive model. The literature study revealed 5 main categories (context, composition, structure, processes, and people) of constructs influencing the *Perceived success* of sibling teams. Within these 5 main constructs, 13 underlying independent variables were identified and hypothesised to influence measures of effectiveness of sibling teams, namely the dependent variable *Perceived success*, and the 2 intermediate variables *Financial performance* and *Family harmony*. Of the 13 underlying independent variables, 6 were categorised as task-based and 7 as relational-based factors. In addition, hypotheses were formulated for possible relationships between the various task-based constructs (context, composition and structure) and the processes and people constructs.

Each construct was clearly defined and then operationalised. Operationalisation was done by using reliable and valid items sourced from tested measuring instruments used in previous studies, as well as several self-generated items based on secondary sources. A structured questionnaire was made available to respondents identified by means of the convenience snowball sampling technique, and the data collected from 371 usable questionnaires was subjected to various statistical analyses. An exploratory factor analysis was conducted, and Cronbach-alpha coefficients were calculated to confirm the validity and reliability of the measuring instrument.

The 6 task-based latent variables were confirmed by the exploratory factor analysis. However, all the other latent variables, as originally intended in the theoretical model, could not be confirmed. Instead, 3 dependent variables were identified, namely *Financial performance*, *Growth performance* and *Satisfaction with work and family relationships*, and 6 relational-based constructs, with some changes, did emerge.

Structural Equation Modelling (SEM) was the main statistical procedure used to test the significance of the relationships hypothesised between the various independent and dependent variables. Because of sample size restrictions the conceptual model could not be subjected to SEM as a whole; consequently 10 submodels were identified and subjected to further analysis.

The following independent variables were identified as influencing the dependent variables in this study:

- *Internal context*
- *Complementary skills*
- *Leadership*
- *Shared dream*
- *Fairness*
- *Sibling relationship*
- *Non-family members*
- *No other family members (spouses and non-active siblings)*

In addition, the factors *Complementary skills*, *Leadership*, *Past parent involvement*, *No present parent involvement*, and *No other family members*, were identified as significantly influencing the relationship between the siblings involved in the Sibling Partnership.

Furthermore, an Analysis of Variance (ANOVA), Multiple Linear Regression analysis and t-tests were undertaken to determine the influence of demographic variables on the dependent variables. How ownership is shared in a family business involving siblings, the shareholding between the siblings themselves, and the nature of leadership between the siblings, has been found to influence the

dependent variables in the present study. In addition, a Sibling Partnership is likely to perform most effectively when it is composed of a relatively young sibling team that has a small age gap between the members, and business performance will improve as the siblings gain work experience together, and as the number of employees increase.

This study has added to the empirical body of family business research by investigating a particularly limited segment of the literature, namely Sibling Partnerships in family businesses. By identifying and developing various models that outline the most significant factors that influence the success of such family business partnerships, this study offers recommendations and suggestions for managing family businesses involving siblings, in such a way as to enrich their family relationships and to improve the financial performance of their businesses.

**KEYWORDS:**

Family business, Sibling Partnership, Succession, Ownership structure

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## CHAPTER 1

### INTRODUCTION, PROBLEM STATEMENT AND DEMARCATION OF THE STUDY

#### 1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Small and medium-sized business enterprises (SMEs) are internationally regarded as the main driving force behind economic growth, job creation, the redistribution of wealth, and social stability (Kuratko & Hodgetts 2007:5,7; Malagas 2003:33; Sunter 2000:23). Their critical and valuable role in absorbing labour, enhancing productivity, driving technological innovation, penetrating new markets and generally expanding economies in creative and innovative ways, is globally recognised (IDC support to SME sector 2001:5; IDC boosts the SME sector 2003; Lunsche & Barron 1998:1; Sunter 2000:23). Over the last 20 years, the high percentage of firms described as small by any definition, in any country, has begun to be appreciated, and their growing contribution and importance to national economies is being fully recognised (Burns 2001:3). In many developed and developing countries today the vast majority of businesses are described as SMEs (Scarborough & Zimmerer 2003:21; Stokes & Wilson 2006:11; Time is now right for entrepreneurs to start and run their own businesses 2006:8).

SMEs in South Africa, as in other developing countries, continue to make a substantial and increasing contribution to economic activity and employment. Approximately 2 million small businesses operate in South Africa, making up 98% of the total number of businesses in the country (Erwin 2002; Time is now right for entrepreneurs to start and run their own businesses 2006:8). In South Africa most economists and the government agree that SMEs are probably the most effective way through which to lower unemployment and promote economic growth (Erwin 2002; Qhena 2007:32). As such, these small enterprises are seen as a potential solution to some of South Africa's economic and social woes, and are a vital and growing part of business in this country.

Although it is now widely accepted that small businesses make a major contribution to many economies, it is less well known that the majority of small businesses are also family businesses (Bridge, O'Neill & Cromie 1998:129).

There are, of course, many large multinational family-controlled firms, but internationally the overwhelming majority of family businesses are small or medium-sized (Bjuggren & Sund 2000:2; Longenecker, Moore, Petty & Palich 2006:86; Serrano 2000:23).

Throughout economic history, no institution has driven economic development the way that family-based enterprises have, and it is generally recognised that these unique forms of organisation are the economic motors of all non-communistic economies (Neubauer & Lank 1998:xiii,8). Even the most conservative estimates put the proportion of all worldwide business enterprises owned or managed by families at between 65% and 90% (Gersick, Davis, McCollom Hampton & Lansberg 1997:2; Neubauer 2003:269; Zimmerer & Scarborough 2002:19). Approximately 80% to 90% of all SMEs in the world are family owned and controlled. In addition, family businesses are among the most important contributors to wealth and employment in virtually every country in the world (Neubauer & Lank 1998:11; Sharma 1997:1; Tan & Fock 2001:123).

Family business is also the predominant way of doing business in South Africa today (Piliso 2006:1; Secure the success of your family business 2000), comprising about 80% of South African businesses and 60% of companies listed on the JSE (Ackerman 2001:325; Dickinson 2000:3). As elsewhere in the world, it is also evident that the vast majority of South African family businesses are small or medium-sized, with approximately 80% to 90% of SMEs being family owned or controlled (Venter 2003:32-34). A study undertaken among family businesses in South Africa (Maas 1999a:3) established that 50% of these businesses employed fewer than 20 people.

However, the importance of family businesses for national and worldwide economies is usually underestimated, as are their sheer numbers and their contribution to employment (Flören 2002:69; IFERA 2003:238). It is vital that more care be taken by public policy-makers everywhere to ensure the health, prosperity and longevity of this type of business (Neubauer & Lank 1998:11). The importance of family-owned SMEs in South Africa, both economically and socially, cannot be overemphasised, and the continued creation and survival of these businesses is vitally important to “the future of the South African economy and the creation of

new employment opportunities” (Macleod 1999). Those who downplay their importance are making an enormous mistake (Kets de Vries 1993:61; Leach 1994:xi). For the past 300 years or more, family businesses have been making a positive contribution towards the South African economy (Maas, Van der Merwe & Venter 2005:6) and both their influence and their numbers can be expected to increase substantially in the future (Clarke 1993:14; Laubscher 1993:1; Ryan 1995:12; Growing family businesses into professional companies n.d.). The importance of family-owned SMEs for South Africa is thus clearly evident.

Despite their vital role, SMEs are also associated with problematic challenges and high failure rates. High rates of failure may therefore be expected among family businesses, as most small business are also family businesses (File & Prince 1996:171). It has been estimated that the SME failure rate in South Africa is between 70% and 80% (Moodie 2003:9; Ryan 2003:13; Time is now right for entrepreneurs to start and run their own businesses 2006:8) and that 80% of all new small businesses fail within their first five years (Why do small businesses fail? 2003:1). In addition to the business and environmental challenges also faced by non-family-owned SMEs, family-owned SMEs face special challenges based on their unique nature and familial interpersonal relationships. Even though most owners want to see the family ownership of their business continue after their departure from the business, statistics worldwide show that only 30-33% of family businesses survive past the first generation, while even fewer (10-16%) survive to the third generation (Davis & Harveston 1999:312; Goldberg 1996:185; Longenecker et al. 2006:86; Scarborough & Zimmerer 2003:18), and as little as 3% survive into the fourth generation (Scarborough & Zimmerer 2003:18; Stavrou 1995:168). Numerous versions of the gloomy British saying “clogs to clogs in three generations” are found in many cultures to express the fragile hold that family businesses have on survival (Nicholson 2008:104).

According to Hugo (1996:8), only 25% of family businesses in South Africa proceed to the second generation, and a mere 10% to the third. As chief contributors to the economic and social well-being of all capitalist societies, the fragility of family businesses is a cause for concern, and the question arises which factors explain this lack of longevity (Neubauer & Lank 1998:14).

One of the factors that could explain the lack of longevity among family businesses is the nature and complexity of their ownership structure. Often families do not fully understand the implications of their choice of ownership structure. Moving to a new structure in the next generation requires a fundamental change in leadership and culture (Gersick et al. 1997:194). Each ownership structure has its own set of issues and challenges that need to be addressed (Ward 2004:41). Families lack mental maps of the new terrain, and tend to underestimate the challenges of making the new structure work (Lansberg 1999:122).

In family businesses, the structure of business ownership can take various forms. The most popular ownership configuration model comprises three types of ownership structures, namely the Controlling-Owner, the Sibling Partnership, and the Cousin Consortium structures (Ward & Dolan 1998:305). In the past, however, a family business was almost invariably handed down from founding father to first-born son. This practice resulted from the most sacred rule in family firms, namely that of primogeniture. This rule assumes that family firms are similar to monarchies, in that the first-born son succeeds the father (Ibrahim, Soufani & Lam 2001:255). The literature in the field of succession and next generation leadership also largely focuses on the transition from one controlling-owner to another controlling-owner. This focus has virtually obscured from view a large number of family businesses that either have a system of multiple leaders or would prefer to transfer the business in the next generation to a leadership group (Gersick et al. 1997:194; Lansberg 1999:13).

Today, however, this “sacred” rule of primogeniture is being challenged (Goldberg 1996:195) and a major shift is evident in that family businesses are increasingly being passed from founder to a next-generation team of siblings (Aronoff, Astrachan, Mendosa & Ward 1997:5; Bettis 2002a). As a result, an increasing number of founders are considering shared leadership or some sort of collective governance for the next generation (Fenn 1998; Lansberg 1999:24; Ward 2004:7). For example, Gersick, Lansberg, Desjardins and Dunn (1999) claim that owners today are more likely to create a pool of siblings sharing ownership and management, so that there are multiple potential successors. In addition, research indicates that 40-50% of family firms in the United States will be owned and led by groups of brothers and sisters in the future (Aronoff et al. 1997:5; Ward 2004:2).

Much anecdotal evidence exists to support the notion that the number of siblings in business together has risen dramatically over the past few years. Numerous editorials, news report and profiles in the popular press document the experiences of siblings who have started or manage businesses together. For example, in the South African press these include articles on the Platt siblings (Milazi 2008:7), the Rossouw brothers (Nel 2008:18) as well as the Viglietti (Visagie 2007:118) and Pohlmann families (Family-run business wins top award in South Africa 2008:10). Famous sibling pairs were also featured as the cover story of Time Magazine in November 2007 (Kluger 2007:29). Currently, even a television series is being aired featuring siblings in business together ("Brothers and Sisters" is an Emmy Award-winning American dramatic television series which premiered on ABC in 2006).

Although for the past decade the issue of succession has been the main focus in investigations into the problems that family businesses face, especially the transfer of ownership from controlling-owner to controlling-owner, family business experts are of the opinion that Sibling Partnerships as ownership structures should be the major focus in the years to come (Nelton 1996:53).

Working with one's siblings in a family business partnership can have a decided competitive advantage (Bettis 2002a; McCall 2002:1), and many family partnerships exist with very successful results. However, most family business experts agree that shared family business ownership almost always fails. Equal partnerships are fragile business structures in which egos, stress, disagreement, or perceived unequal efforts can undermine the human relationships that sustain the business. Approximately half of all Sibling Partnerships result in failure (Ward 1997:327). A conservative estimate of the number of businesses with partners that fail within 5-10 years may be as high as 50% (Gage, Gromala & Kopf 2004:94). As previously mentioned, and perhaps more revealing, among family businesses the most frequently cited statistic is "30-13-3", which claims that only 30% of family businesses survive to the second generation; only 13% survive to the third; while a mere 3% ever see the fourth. Whatever the validity of the statistics, there is little doubt that the success rate of family businesses, as they pass from one generation to the next, is largely determined by the challenge of having siblings, cousins and others as partners. It is believed that the higher the number of partners, the greater the risk (Gage *et al.* 2004:94). A Sibling Partnership is a very



vulnerable ownership and leadership model in the life of a family business and has been described as "a delicate dance". Although Sibling Partnerships are growing in popularity, experts agree that they are hard to create, and even harder to maintain (Aronoff et al. 1997:2-7; Gersick et al. 1997:154).

The Sibling Partnership as ownership structure is still an unproven approach to leadership and there is a general lack of understanding of what goes into creating and maintaining successful partnerships (Gage et al. 2004:195; Ward 2004:3,4). There is a scarcity of research or even anecdotal information on the subject, and consequently few people are cognisant of the issues they need to deal with (Gage et al. 2004:195). Even though the concept of sharing leadership among members of a group is gaining increased attention among scholars of leadership in general, the understanding of the dynamics thereof and the opportunities for sharing leadership in particular, remain quite primitive (Pearce & Conger 2003:2).

Shared ownership (leadership) brings with it an entire new set of problems for the family business, and much work lies ahead in trying to understand what makes Sibling Partnerships work. Adopting the still unproven ownership structure of Sibling Partnerships is seen as a challenge for the future. In an attempt to promote the longevity and success of small and medium-sized family businesses it is important to gain greater insight into the reasons why this structure has gained such popularity, and also to understand the various factors influencing Sibling Partnerships as ownership structures.

## **1.2 PROBLEM STATEMENT**

Family-owned SMEs, which are increasingly being passed on to groups of siblings, form the cornerstone of the South African economy. As it is, the odds are stacked against family businesses surviving, without the added complexities resulting from siblings working and owning the family business together. Despite the growing importance of Sibling Partnerships as an ownership structure among family businesses, it is evident that many Sibling Partnerships fail or do not proceed to the next generation. Experts agree that these family business partnerships are hard to create, and even harder to sustain in practice (Aronoff et al. 1997:7; Gersick et al. 1997:154,176). To compound the problem, there is little

understanding of what goes into creating and maintaining a successful Sibling Partnership (Gage *et al.* 2004:195; Ward 2004:3).

To successfully negotiate the transition towards a Sibling Partnership, fundamental structural changes and a rather uncommon set of conditions are required (Lansberg 1999:131). Numerous questions present themselves about what it takes for brothers and sisters to work together effectively, such as whether the siblings can relate to each other; how other family members influence their relationship and ability to work together; which sibling should take the lead, or whether they should and can co-lead effectively; and which conditions would facilitate their cooperating as a team.

Each family ownership structure calls for a different approach to exercising leadership and authority; an entire new model is required for each structure. Unlike a family business that has been passed on to one child, there is no obvious model for how responsibilities should be divided up in a sibling team, much less passed on to it (Lansberg 1999:123,142). There are no role models that Sibling Partnerships can follow, nor can they look back to what the previous generation did. Yesterday's solutions are not necessarily applicable to today's succeeding generations. As succeeding generations take charge of their family businesses, they are confronted with issues that were never part of their parents' experiences, including collective ownership, shared leadership responsibilities, and multi-family succession (Lansberg 1999). Family businesses that adopt a "partnership model" need assistance, and Sibling Partnerships need considerable thought and attention in order for them to remain effective as they move into the future.

Sibling Partnerships, as ownership structures, are an unproven approach to family business leadership. There is hardly any information regarding the conditions required for creating and maintaining them in practice. As more Sibling Partnerships are formed, it becomes increasingly important to understand the conditions necessary for financial success and family member satisfaction. In order to gain greater insight into and understanding of the conditions required for creating and maintaining these partnerships, this study will investigate the factors impacting on the harmonious functioning and success of such Sibling Partnerships.

### **1.3 PURPOSE OF THE STUDY**

The simplest explanation of the reason partnerships fail is a lack of understanding of what goes into creating and maintaining a successful partnership (Gage *et al.* 2004:195). According to Hackman (1991:10), many teams experience difficulties because they have not been set up correctly in the first place. While the literature yields anecdotal and editorial guidelines for successful Sibling Partnerships (sibling teams), no strong empirical evidence supports these assumptions. In addition, as far as can be established, no scientific research has been conducted among teams in this context. Few, if any, guidelines or empirical evidence exists as to how to successfully start and manage Sibling Partnerships in family businesses within the South African context.

Given the anticipated trend towards Sibling Partnerships in family businesses, as well as the lack of understanding and research attention given to such teams, the purpose of this study is threefold: firstly, to contribute to the more effective functioning of Sibling Partnerships in South African small and medium-sized family businesses by identifying the factors that impact on their success; secondly, to develop recommendations for managing Sibling Partnerships in family businesses to enhance the likelihood that they will be successful; and lastly, to add to the body of knowledge of family businesses, specifically the Sibling Partnership as an ownership structure, in South Africa and abroad.

### **1.4 RESEARCH OBJECTIVES**

#### **1.4.1 Primary research objective**

The primary objective of this study is to identify, investigate and empirically test the possible influences of and relationships between various factors (independent variables) and the *Perceived success* of Sibling Partnerships (dependent variable). This research will confirm the existence of these relationships and measure the influence of each. The objective is to identify the factors that have the greatest influence on effectiveness, so that effectiveness can be improved.

Teams in organisational contexts do not always produce the desired results. Contemporary researchers have attributed this to the conditions under which teams operate (Barrick, Stewart, Neubert & Mount 1998; Hackman 2004; Yancey 1998). According to Hackman (2004:2,3), thinking about the conditions within which teams chart their own courses is very different from the conventional scholarly models of effective teams. The basic idea is that certain conditions get established, and teams unfold in their own idiosyncratic ways within those conditions. Rather than attempting to manage a team's behaviour in real time, Hackman (1991:9) suggests that energies might be better spent creating contexts that increase the likelihood that the team will prosper. The conditions required to help siblings in family businesses become more effective, cohesive and fully functioning as partnerships will be investigated in this study.

Based on secondary literature, anecdotal evidence and expert opinions, a conceptual model depicting the factors influencing the *Perceived success* of the Sibling Partnership will be proposed. These relationships or factors will then be tested by means of an empirical investigation. The ensuing model will not only augment the knowledge of this type of ownership structure, but also facilitate its success among family businesses.

#### **1.4.2 Secondary research objectives**

The primary objective of this study is to identify the factors that impact on the successful functioning of Sibling Partnerships in family businesses and to quantify their impact on the dependent variable (*Perceived success* of the Sibling Partnership).

To address these primary objectives, the following secondary objectives have been identified:

- (i) To develop a conceptual model, suggest appropriate hypotheses, and construct a path diagram of relationships between the independent variables (factors identified as influencing successful Sibling Partnerships) and the dependent variable (*Perceived success* of the Sibling Partnership).

- (ii) To develop a measuring instrument that will empirically test the relationships as described in the conceptual model.
- (iii) To empirically test the conceptual model and suggested hypotheses by sourcing primary data from siblings in Sibling Partnerships throughout South Africa, and by statistically analysing the sourced data.
- (iv) To propose a number of recommendations based on the results of the statistical analyses.

## 1.5 RESEARCH QUESTIONS AND HYPOTHESES

For the purpose of this study, the *Perceived success* of a Sibling Partnership is described as the degree to which the siblings find their ongoing involvement in the Sibling Partnership to be satisfying. Since the primary objective of this study is to investigate the nature and magnitude of the influence that various factors have on the *Perceived success* of a Sibling Partnership, a conceptual model will be constructed of all the pertinent factors identified via the secondary sources.

From these secondary sources, it is evident that family businesses are complex organisations and that many factors may influence their success or failure. According to Ward (2004:6), the most critical issues facing business-owning families, including Sibling Partnerships, are family-based rather than business-based. The quality of family relationships is crucial to the success of the family business and can affect and shape its future (Goldberg 1996:187; Leach 1994:51). Family relationships that influence the ability of the siblings to work together include the relationship between the siblings themselves, as well as the relationships between the siblings and their parents, spouses and non-working sibling shareholders (Aronoff et al. 1997:1,44; Gersick et al. 1997:45; Maas et al. 2005:104).

In order to succeed, a Sibling Partnership requires not only healthy family relationships, but also that the siblings cooperate and work together in the family business as a team or more, appropriately, a sibling team. A sibling team, like any team, requires certain conditions to function effectively. From secondary sources, it is evident that numerous models exist for effective teamwork (Campion, Medsker, Higgs 1993:825; Gladstein 1984:502,509; Hellriegel, Jackson, Slocum,

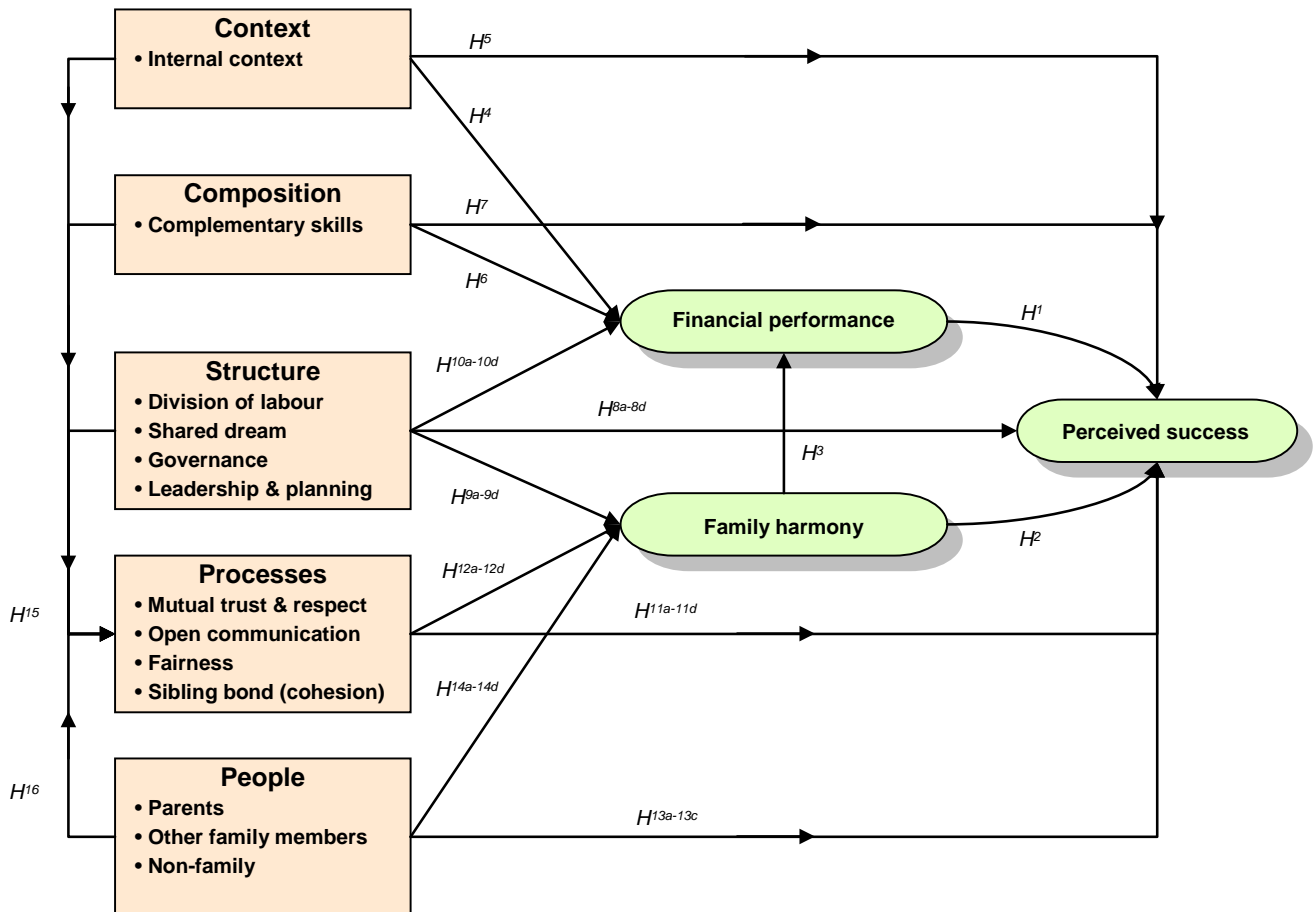
Staude, Amos, Klopper, Louw & Oosthuizen 2004:337-339; Robbins 2003:263-269), among which the most common is the input-process-output (I-P-O) model (Barrick et al. 1998:377; Campion et al. 1993:829; Groesbeck & Van Aken 2001:2). A Sibling Partnership consists of a team of siblings; this being the case, much of the literature on effective teams in general is also relevant to Sibling Partnerships (Ward 2004:132). In addition, experience has shown that teamwork consists of a set of skills and attitudes that can be learnt (Aronoff et al. 1997:1).

The factors identified as influencing the *Perceived success* of a Sibling Partnership are broadly categorised into 2 groups, namely *task-based* and *relational-based* factors. Task-based factors relate specifically to organisational factors that influence the ability of the siblings to complete the task at hand, whereas relational-based factors refer to factors that influence the dynamics and interaction between people, particularly siblings, when they work together as a team. These various task- and relational-based factors are further divided into 5 main categories of constructs. The variables in 3 of these categories are task-based (described as inputs in the teamwork literature), namely the *context*, *composition* and *structure* categories, whereas the variables in 2 of the categories are relational-based, namely the *processes* and *people* categories. Each of these 5 categories consists of numerous underlying components that are hypothesised to relate to measures of effectiveness of sibling teams. In this study, 13 underlying independent variables, which could possibly influence the *Perceived success* of sibling teams, are derived from these 5 constructs. The proposed conceptual model representing the various relationships or factors influencing the *Perceived success* of Sibling Partnerships is depicted in Figure 1.1.

Three task-based or input categories are identified, namely *context*, *composition*, and *structure*. For the purpose of this study, these 3 input categories are further divided into 6 underlying components or factors, namely *Internal context*, *Complementary skills*, *Division of labour*, *Shared dream*, *Governance*, and *Leadership and planning*. Four relational-based *process* variables are included in the conceptual model, namely *Mutual respect and trust*, *Open communication*, *Fairness*, and the *Sibling bond*. The influence of other people, both family and non-family, on the ability of the siblings to work together is categorised as relational-based and consists of 3 factors, namely the involvement of *Parents*,

*Other family members* (non-active shareholders and spouses), and *Non-family members*.

**Figure 1.1: Proposed conceptual model: Factors influencing the Perceived success of Sibling Partnerships**



(Source: Researcher's own construction)

In summary, 5 main categories of constructs influencing the *Perceived success* of Sibling Partnerships or sibling teams have been identified. Each of these categories consists of numerous underlying components that are hypothesised to relate to measures of effectiveness of sibling teams. In this study, 13 underlying components or independent variables are identified. Effectiveness is measured using 3 variables: the dependent variable, *Perceived success*; and 2 intermediate variables, namely *Financial performance* and *Family harmony*.

Although the external environment does affect the context in which the team finds itself, and possibly the success of the Sibling Partnership, the focus of this study is

on the factors influencing teamwork and relationships. External environmental factors have therefore not been empirically investigated in this study.

The input-process-output (I-P-O) model of team effectiveness posits that a variety of inputs combine to influence intragroup processes, which in turn affects team output (Barrick *et al.* 1998:377). Process variables thus contribute towards team effectiveness and mediate the relationships between input and output variables (Gladstein 1984; Campion *et al.* 1993). Consequently, the conceptual model also hypothesises relationships between various input and process factors.

As mentioned above, the *Perceived success* of a Sibling Partnership is described as the extent to which the siblings are willing to continue being involved in the family business, and whether this ongoing involvement is satisfying for them. The conceptual model proposes that a satisfying involvement in the Sibling Partnership will also depend on a healthy financial performance by the business and on harmonious family relationships. Consequently, in addition to direct effects on the *Perceived success* of the Sibling Partnership, the conceptual model implies that *Financial performance* and *Family harmony* act as mediating variables between the other factors and *Perceived success*.

Based on this proposed conceptual model and the stated research objectives, a number of research questions and hypotheses have been formulated. These are outlined in the paragraphs below.

### 1.5.2 Research questions

Given the purpose and the primary objective of this study, the following research questions are presented:

- (i) What is the impact of the *Financial performance* of the Sibling Partnership on the *Perceived success* of a Sibling Partnership?
- (ii) What is the impact of *Family harmony* on the *Perceived success* of a Sibling Partnership?
- (iii) What is the impact of *task-based* factors, such as *Internal context*, *Complementary skills*, *Division of labour*, *Shared dream*, *Governance*,



and *Leadership and planning*, on *Family harmony*, the *Financial performance* of the Sibling Partnership, and the *Perceived success* of the Sibling Partnership?

- (iv) What is the impact of *relational-based* process factors, namely *Mutual respect and trust*, *Open communication*, *Fairness*, and the *Sibling bond*, on *Family harmony*, and on the *Perceived success* of the Sibling Partnership?
- (v) What is the impact of *relational-based* people factors (*Parents*, *Other family members* and *Non-family members*), on *Family harmony*, and on the *Perceived success* of the Sibling Partnership?

### 1.5.2 Research hypotheses

The following hypotheses, as depicted in Figure 1.1, have been formulated to represent all the relationships contained in the conceptual model that will be tested in this study:

- $H^1$ : *There is a positive relationship between the perceived Financial performance of the Sibling Partnership and the Perceived success of the Sibling Partnership.*
- $H^2$ : *There is a positive relationship between Family harmony and the Perceived success of the Sibling Partnership.*
- $H^3$ : *There is a positive relationship between Family harmony and the perceived Financial performance of the Sibling Partnership.*
- $H^4$ : *There is a positive relationship between Internal context and the perceived Financial performance of the Sibling Partnership.*
- $H^5$ : *There is a positive relationship between Internal context and the Perceived success of the Sibling Partnership.*
- $H^6$ : *There is a positive relationship between Complementary skills among siblings and the perceived Financial performance of the Sibling Partnership.*
- $H^7$ : *There is a positive relationship between Complementary skills among siblings and the Perceived success of the Sibling Partnership.*

- H<sup>8</sup>: There is a positive relationship between the structural factors (Division of labour, Shared dream, Governance, Leadership and planning) and the Perceived success of a Sibling Partnership.*
- H<sup>9</sup>: There is a positive relationship between the structural factors (Division of labour, Shared dream, Governance, Leadership and planning) and Family harmony.*
- H<sup>10</sup>: There is a positive relationship between the structural factors (Division of labour, Shared dream, Governance, Leadership and planning) and the perceived Financial performance of the Sibling Partnership.*
- H<sup>11</sup>: There is a positive relationship between the process factors (Mutual respect and trust, Open communication, Fairness, and the Sibling bond) and the Perceived success of the Sibling Partnership.*
- H<sup>12</sup>: There is a positive relationship between the process factors (Mutual respect and trust, Open communication, Fairness, and the Sibling bond) and Family harmony.*
- H<sup>13</sup>: There is a positive relationship between the involvement of other people (Parents, Other family members and Non-family members) in the family business and the Perceived success of the Sibling Partnership.*
- H<sup>14</sup>: There is a positive relationship between the involvement of other people (Parents, Other family members and Non-family members) in the family business and Family harmony.*
- H<sup>15</sup>: There is a positive relationship between the input variables (the context, composition and structure categories) and the process variables.*
- H<sup>16</sup>: There is a positive relationship between the involvement of other people (Parents, Other family members and Non-family members) and the process variables.*

In addition to the above hypotheses, a number of sub-hypotheses are also proposed for this study. These sub-hypotheses will be presented in Chapter 6.

To establish whether the conceptual model presented above can be generically applied to various demographic groupings, additional statistical analysis will be undertaken to determine whether significant relationships between various

demographic variables and the dependent variable, namely the *Perceived success* of the Sibling Partnership, exist. In addition, tests will be undertaken to establish whether significant relationships exist between selected demographic variables and the intermediate variables *Family harmony* and *Financial performance*. Consequently, the following null-hypotheses were formulated and tested:

$H^{0a}$ : *There is no relationship between Demographic variables and the Perceived success of a Sibling Partnership.*

$H^{0b}$ : *There is no relationship between Demographic variables and Family harmony in a Sibling Partnership.*

$H^{0c}$ : *There is no relationship between Demographic variables and the perceived Financial performance of a Sibling Partnership.*

## **1.6 RESEARCH METHODOLOGY**

To address the objectives of this study and to test the proposed hypotheses, the research strategy was divided into two main components, namely a secondary and a primary study. A detailed explanation of the research methodology will be presented in Chapter 7.

### **1.6.1 Secondary study**

A comprehensive literature search was conducted in order to identify as many factors as possible that could influence the *Perceived success* of Sibling Partnerships among family-owned SMEs. The proposed conceptual model depicted in Figure 1.1 is derived from and based on an analysis of relevant secondary sources.

The normal process under a positivistic research paradigm is to study the literature so as to identify an appropriate theory and to construct hypotheses based on this theory (Collis & Hussey 2003:56). Theories are explanations of how things function or why events occur (Collis & Hussey 2003:122). In the theory of family business, however, no specific theories or models exist that describe the effective functioning of Sibling Partnerships (Ward 2004:3). To develop a conceptual model for the effective functioning of a Sibling Partnership, a form of triangulation, namely

*triangulation of theories*, has been implemented. The triangulation of theories is implemented where a theory is taken from one discipline and used to explain a phenomenon in another discipline (Collis & Hussey 2003:78). The triangulation of theories is not new to the field of family business research. Since its inception, the field of family business studies has borrowed heavily from other disciplines, including Psychology, Sociology, Economics, Law and Family systems theories (Wortman 1994:4). As such, family business research is a multidisciplinary field, which integrates concepts from other disciplines (Whiteside & Brown 1991:383) in order to develop an understanding of the nature of family businesses. This trend has continued, and much research is still grounded in well-established theories drawn from other disciplines (Zahra & Sharma 2004:336). In the case of this study, theories from the disciplines of Psychology and Organisational Behaviour have been adopted to explain a phenomenon in the field of family business. This research sets out to integrate prior findings and theories on team effectiveness and family relationships; to find support for these theories in the family business literature; to incorporate these findings into a comprehensive model; and, finally, to test whether these prior findings can be generalised to a specific setting, namely sibling teams in family businesses.

In this study, family systems theories are implemented to explain relationships between the family members and the siblings, and between the siblings themselves; and the models (theories) of team effectiveness in general are adopted to explain the effective functioning of the siblings as a team. Some authors use the word "models" as an alternative to theories or, more often, to refer to theories with a narrow focus (Collis & Hussey 2003:57). The theoretical framework or collection of theories and models from the literature (Collis & Hussey 2003:122), which underpins this positivistic research study, is based on a triangulation of theories; it is from these theories that the factors influencing the *Perceived success* of Sibling Partnerships are identified. In addition, secondary sources from Family Business Management and related subject disciplines, such as Business Management, Entrepreneurship and Small Business Management, were also consulted.

International and national data searches conducted by the Library of the Nelson Mandela Metropolitan University included the following: Sabinet databases; ISAP

(National Library of South Africa); SAe Publications; EBSCO: MasterFile premier, Business Source premier, Academic Source premier; FS Articles First; Kovsidex; SA Cat and FS Worldcat; ScienceDirect; UPECAT; numerous Internet search engines such as Google, Yahoo, and Dialog; as well as Dissertation Abstracts database and the database of the *Family Business Review*, a leading family business journal. Despite the number of sources in which family business literature is published, the *Family Business Review* (FBR) is one of the few focused publications. Several studies reveal how the FBR has become one of the main outlets for family business research. It concentrates a large amount of recent literature in the field (Casillas & Aceda 2007:142,143). Consequently the FBR has been consulted extensively in the present study.

It is acknowledged that the above mentioned databases are not the only sources of information available concerning family businesses in general, and Sibling Partnerships in particular. However, as far as could be ascertained, no similar research study has previously been undertaken in South Africa or abroad.

### **1.6.2 Primary study**

The primary study of this investigation involved three sub-components, namely: identifying the most appropriate research paradigm; identifying the sample and collecting the data; and an analysis of the data collected. For each of the sub-components, a brief introduction is provided in the paragraphs below. A more detailed discussion is presented in Chapter 7.

#### **1.6.2.1 Research paradigm**

The positivistic research paradigm is proposed for the research in question. The positivistic paradigm is alternatively known as the quantitative, objectivist, scientific, experimentalist or traditionalist research paradigm (Collis & Hussey 2003:53). According to Leedy and Ormrod (2005:94), quantitative research, which is based on positivistic methodologies, is undertaken to answer questions about relationships between variables, with the purpose of explaining, predicting and controlling phenomena. Quantitative research strives to develop knowledge by investigating cause-and-effect relationships; the reduction of specific variables in

the analysis; and the use of statistical measurement and observation (Creswell 2003:18; De Vos, Strydom, Fouché & Delpont 2002:79). In addition, quantitative research employs strategies of inquiry, such as experiments and surveys, and collects data, using measuring instruments that yield statistical data. A quantitative approach therefore involves collecting and analysing data that can be mathematically and/or statistically interpreted and analysed (Collis & Hussey 2003:13).

Given the nature of the problem statement and the research objectives in question, the positivistic approach seems most appropriate to gauge the opinions (perceptions) of respondents of the factors influencing the *Perceived success* of a Sibling Partnership. The model depicted in Figure 1.1 shows these relationships between the various independent variables, intervening variables and the dependent variable. The positivistic paradigm requires the use of a large sample, so that the findings from a representative sample may be taken to be true for the entire population and so that the envisioned statistical analysis may be undertaken.

#### 1.6.2.2 Data collection

Convenience snowball sampling rather than pure random sampling was used in this study. In order to implement this sampling technique and to ensure a sufficient number of respondents to support the statistical analysis of the data, research associates, family and friends throughout South Africa were requested to identify sibling partners who could potentially participate as respondents in the empirical investigation. In addition, a *Google* search was undertaken to identify potential siblings in business together. Suitability and willingness to participate in the study were confirmed telephonically, and respondents were also requested to identify other Sibling Partnerships that could be approached. These potential respondents were then contacted telephonically and the process was repeated. This methodology is consistent with that followed by other family business researchers, who have been constrained by the lack of a national database on family firms (Sonfield & Lussier 2004:195; Venter 2003:221). A database from previous research on family businesses (Venter 2003) was also used to initiate the process.

Each construct identified in the literature study was clearly defined and then operationalised. Operationalisation was done by using reliable and valid items sourced from tested measuring instruments used in previous studies, as well as several self-generated items based on secondary sources. As a result a measuring instrument was compiled to measure the dependent, intervening and independent variables. The items in the measuring instrument were presented together with a 7-point Likert-type scale. The final questionnaire was mailed to siblings in Sibling Partnerships identified via the convenience snowball sampling technique.

A full explanation of the sampling frame, method of primary data collection, operationalisation of the constructs, structure of the measuring instrument, and the strategies followed in administering the measuring instrument is presented in Chapter 7.

#### 1.6.2.3 Data analysis

An exploratory factor analysis was performed on all the items in order to identify the unique factors in the data. The software programme SPSS 15 for Windows was used for this purpose to ensure that each item was indeed a measure of the various constructs under consideration, thus assessing the discriminant validity of the measuring instrument. Bartlett's Test of Sphericity was performed to establish the factor-analysability of the data. A Principal Component Analysis with a Varimax Rotation was specified as the extraction and the rotation method in cases where factors were not expected to be correlated. Whereas in cases where factors were expected to be correlated, Principal Axis Factoring with an Oblique (Oblimin with Kaiser normalisation) Rotation was specified as the extraction and rotation method. No restriction on the number of factors was specified and Kaiser's rule of Eigenvalues of greater than one was used to determine the number of factors (Green, Tull & Albaum 1988:577). Cronbach-alpha coefficients were calculated for each of the factors to evaluate the internal consistency between the items measuring each construct in the conceptual model and to confirm the reliability of the measuring instrument.

According to Hackman (1991:8), influences on team effectiveness do not come in separate, easily distinguishable packages, and attempts to pinpoint the effects of each possible determinant of team effectiveness may lead to the conclusion that no single factor has a very powerful effect. Each possible factor loses its potency when examined in isolation from the other conditions in place for the team under study. Consequently, Structural Equation Modelling (SEM) was used to evaluate the relationships among the set of variables used in the model proposed in the study. Structural Equation Modelling is a multivariate technique combining aspects of Multiple Regression and factor analysis, to estimate a series of interrelated dependence relationships simultaneously (Hair, Black, Babin, Anderson & Tatham 2006:711). The computer programme LISREL 8.8 (Jöreskog & Sörbom 2006) was used to test the relationships among the factors that influenced the *Perceived success* of Sibling Partnerships in small and medium-sized family businesses. The aim was to assess the overall fit of the proposed conceptual model of factors that influenced the *Perceived success* of a Sibling Partnership to the data collected from the empirical research. The “goodness of fit” of the model was assessed by using the various fit indices, namely the Satorra-Bentler scaled Chi-square ( $\chi^2$ ), the normed Chi-square, the Root Mean Square Error of Approximation (RMSEA), as well as the 90% confidence interval for RMSEA. In cases of models with missing values, the Full Information Maximum Likelihood Chi-square was used instead of the Satorra-Bentler Scaled Chi-square.

Although the focus of this study was to measure the influence of certain factors on the *Perceived success* of a Sibling Partnership, the influence of various single-item demographic variables was also measured. This was done by means of an Analysis of Variance (ANOVA), Multiple Regression analyses and t-tests. In each case, the influences of the demographic variables, as independent variables, were measured on the dependent variables. An in-depth explanation of the data analysis will be presented in Chapter 7.

## **1.7 SCOPE AND DEMARCATION OF THE STUDY**

In family businesses the structure of business ownership can take on more than one form. The most popular ownership configuration model describes three stages of ownership evolution, namely the Controlling-Owner, the Sibling Partnership, and



the Cousin Collaborative stages. The stage of ownership evolution explains the family business's behaviour and suggests prescriptions for family business conduct (Ward & Dolan 1998:305). It is evident that Sibling Partnerships are becoming increasingly important as a choice of ownership structure among family businesses, and hence this study will focus on this structure only.

Although several factors have been identified from secondary sources, as influencing the success of Sibling Partnerships, this study will concentrate on factors arising from key family relationships as well as the factors necessary for effective teamwork among the siblings. These factors were prominently identified in the family business literature as not only influencing the success of family businesses in general but as specifically influencing the success of Sibling Partnerships.

The empirical research was limited to small and medium-sized family businesses in South Africa who operated as Sibling Partnerships. The small and medium-sized sector was chosen for two reasons. Firstly, the majority of family businesses can be found in this sector and this sector is assuming an increasingly prominent role in job creation and the distribution of wealth. Secondly, an important objective of this study was to investigate the interaction between the sibling partners and its effect on their ability to work together. This dynamic could be less evident in a large business. Outside shareholding, professional management, legislative requirements and geographical separation are more likely in a large business and are factors that could contain the sibling dynamic.

## **1.8 PRIOR RESEARCH AND CONTRIBUTION OF THE STUDY**

Despite the importance of family businesses, relatively little attention has been devoted in management research to family firms' unique and complex issues (Ibrahim *et al.* 2001:245). Reviewing the evolution of the field of family business research, it can be observed that it remains preoccupied with the same issues that have dominated its discourse over the last 20 years, namely succession, performance, and governance (Zahra & Sharma 2004:334). At an individual level of analysis, most family business studies have focused on individual founders or controlling owners (Sharma 2004:12). One aspect of succession that has escaped

the extensive scrutiny of academic researchers is the climate or environment after the empowerment of the successor(s) (Harvey & Evans 1995:4). It appears that most prior research on sibling relationships constitutes only small parts of a larger focus on broader family business issues. Because the predominant focus in the past has been on Controlling-owner to Controlling-owner successions, few studies have been conducted on next-generation family members, or on whether collective systems (or Sibling Partnerships) can work, and under which conditions this could take place (Goldberg 1996:186; Lansberg 1999:22). No established theory has successfully described sibling behaviour in family firms (Handler 1991:22) and little is understood about the critically important world of adult sibling relationships (Friedman 1991:5).

Sharma (2004:12) suggests that given the predicted trend towards team leaders in family firms, research needs to be directed towards understanding founding teams of the same or different genders and ethnic backgrounds. Issues relating to team founding and leadership lie open for research (Sharma 2004:22). The lack of theory and empirical-based research literature on Sibling Partnerships increases the importance of the empirical methodology and findings of this study. Initial searches executed with the assistance of the NMMU Library have confirmed that no study of this nature has been or is currently being conducted in South Africa or elsewhere in the world.

Today, the field of family business is booming, partly in recognition of its continuing economic importance and partly because of increased attention by scholars to its special characteristics, unique risks, and benefits (Nicholson 2008:103). Not only is the field of study advancing rapidly but it is also constantly gaining relevance within and beyond the business research field (Pieper & Klein 2007:301). According to Zahra and Sharma (2004:331), this is the ideal time to be studying family businesses. There is a growing awareness among public policymakers of the role of family businesses in creating new jobs, incubating new businesses, and promoting the economic development of local communities. Academic institutions are also recognising the contributions of family businesses, and findings relating to family business research are increasingly being published in leading academic journals.

This study attempts to make four contributions to the field of family business. Firstly, it proposes to address the shortage of previous research on Sibling Partnerships in family businesses. Through a multifactor and multidimensional analysis, and building on the findings of previous research, the study aims to expand the empirical body of family business research, by investigating this particularly limited segment of the literature. Secondly, by identifying and developing a model that outlines the most significant factors that influence the success of Sibling Partnerships, this study aims to contribute to an understanding of how certain factors can impact on the success of family businesses in general, and Sibling Partnerships in particular. The main benefits of this model for practice are its potential use as a tool for evaluating the effective functioning of Sibling Partnerships, as well as to assist such partnerships in making more efficient operational and governance decisions. Thirdly, the use of an advanced statistical technique such as SEM, as well as a relatively large sample size, further adds to the field of family business research, which has in the past been characterised by relatively small samples and a focus on qualitative research. Lastly, this study uses data from South African family businesses and consequently proposes to add to the body of knowledge on small and medium-sized family businesses in South Africa.

According to Guzzo and Dickson (1996:33), a notable area of expanding research interest in teams in general, is the investigation of teams in context. The oft-cited recognition that, historically, the bulk of psychological research has examined teams in the absence of consideration of their contexts, is giving way to more frequent studies of teams in naturalistic settings, such as organisations. For example, Gladstein (1984:515) integrates some of the traditional theories of teamwork and tests them with intact teams in an organisation. Her results underscore the necessity of studying teams in context. She concludes that while studying teams in context is a complex and difficult task, as teams become more prevalent in different contexts, the need for this kind of research is ever-increasing. By investigating sibling teams within the context of the family business, the present study contributes not only to the field of family business, but also to the fields of Organisational Behaviour (effective teams) and general Psychology.

This research offers great potential for the systematic improvement of the management of family businesses in general, and Sibling Partnerships in particular, with a subsequent improvement in productivity and quality of work life for the millions of South Africans involved in these businesses. The failure rate among small and medium-sized family businesses could be dramatically reduced and the social and economic well-being of all South Africans enhanced.

## **1.9 DEFINITION OF CONCEPTS**

With the focus of this research being on Sibling Partnerships in small and medium-sized family businesses, clear definitions of these terms are presented below.

### **1.9.1 Small and medium-sized business (enterprise)**

For the purpose of this study, small and medium-sized (family) businesses will include those that are *independently owned and managed* and employ *more than 5 but fewer than 200 employees*.

### **1.9.2 Family business**

In this study, a *family business* is a business where a single family owns at least 51% of the equity of the business; where a single family is able to exercise considerable influence in the business; and where at least 2 family members are concerned with the senior management of the business.

### **1.9.3 Sibling Partnership**

For the purpose of this study, a Sibling Partnership is a family business where at least 2 brothers and/or sisters, with a *familial bond*, are *actively* (but not exclusively) *involved* in the management and/or decision-making of the business; exercise considerable *influence over decision-making*; and *employ* between 5 and 200 workers. This delineation aims to place the *decision-making authority* of the family business in the hands of 2 or more siblings, regardless of whether they have legal ownership of the business or not.

#### **1.9.4 Sibling team**

In this study, the concepts “Sibling Partnership” and “sibling team” are used interchangeably and are considered synonymous.

#### **1.9.5 Siblings**

Siblings refer to brothers and/or sisters with a *familial bond*. A familial bond implies that the siblings share(d) the same parents and/or the same childhood and grew up in the same household.

### **1.10 STRUCTURE OF THE STUDY**

The structure of the study is as follows:

**Chapter 1** serves as the introduction to the research. It provides the background of the issues in question, which lead to the problem statement, the purpose of the study and the research objectives. A conceptual model is proposed, and based on this, numerous research questions and hypotheses are generated. It further introduces the secondary and primary studies associated with the research. In addition, the scope and demarcation of the field of study is described, prior research on Sibling Partnerships is identified, and the contributions of the study are highlighted. The chapter concludes with definitions of the most important terms used and an overview of the structure of the study.

**Chapter 2** focuses mainly on the nature and importance of small and medium-sized family businesses. As Sibling Partnerships exist within two contextual fields, namely small and medium-sized businesses on the one hand, and family businesses on the other, the nature and importance of each of these fields are described. Chapter 2 defines small and medium-sized businesses and highlights their important contributions. This is followed by a discussion on the definition and nature of the family business. To fully understand the context of a family business, an overview is given of the conceptual models and approaches to the study of family businesses. Finally, the important contributions of these family businesses, as well as their fragile nature, are highlighted.

**Chapter 3** introduces Sibling Partnerships as an ownership structure among family businesses. The nature of Sibling Partnerships is described and evidence of their growing popularity is presented. The vulnerability and power of such partnerships is highlighted, as well as the important challenges they face. The chapter concludes with an introduction to the factors influencing the *Perceived success* of a Sibling Partnership and an interpretation of *Perceived success* applicable to this study.

**Chapter 4** focuses on Sibling Partnerships as teams of siblings or more appropriately, sibling teams. To be successful, sibling teams, like any other teams, require that certain conditions be in place. Chapter 4 presents numerous theories for effective teamwork and identifies the common requirements and conditions or factors necessary for teams to work together effectively. The chapter concludes with a discussion of the various elements of teamwork that influence the *Perceived success* of Sibling Partnerships, as evident from the family business literature.

**Chapter 5** focuses on family relationships and how they impact on the *Perceived success* of Sibling Partnerships. To fully understand how families function and how family relationships affect individual family members, both active and inactive in the family business, an overview of family systems theories is presented and the most important concepts are highlighted. Stakeholder theory is addressed as a means of identifying key family stakeholders in a family business. This is followed by evidence in the family business literature about which different family members influence the *Perceived success* of Sibling Partnerships, both positively and negatively, and how this done.

**Chapter 6** presents a critical assessment of the family and teamwork factors that may influence the *Perceived success* of Sibling Partnerships. The factors analysed are categorised as *task-based* teamwork (organisational aspects of teamwork) and *relational-based* teamwork factors (relational aspects of teamwork that are also applicable to family relationships), as well as *relational-based* family factors. Based on these factors, a conceptual model is proposed to improve the chances of success of Sibling Partnerships. The chapter investigates the dependent variable of the model, namely the *Perceived success* of a Sibling Partnership, and elaborates on how the factors pertaining to family relationships and teamwork could influence the *Perceived success* of Sibling Partnerships.

In **Chapter 7**, the research methodology is explained and motivated. This chapter elaborates on the sample frame used in the study, the measuring instrument, the method of primary data collection, and the strategies followed in administering the measuring instrument. The data analyses performed and the statistical techniques applied, are described.

In **Chapter 8**, the empirical results of the reliability and validity assessments of the measuring instrument used in the study are reported. The results of the empirical assessment of the influence of the various relational- and task-based factors on the dependent variables are subsequently presented. In addition, the influence of selected demographic variables on the dependent variables is also described.

**Chapter 9**, the final chapter of the study, presents the summary, conclusions and recommendations of the research. The contributions and possible shortcomings of this study are also highlighted. Finally, recommendations and directions for future research are made.

## CHAPTER 2

### SMALL AND MEDIUM-SIZED FAMILY BUSINESSES

#### 2.1 INTRODUCTION

The focus of this study is on Sibling Partnerships in small and medium-sized family businesses. Like other family businesses, Sibling Partnerships play a vital role in society and in world economies. The Sibling Partnership exists, however, within two related contextual fields of study, namely that of small and medium-sized businesses and that of family businesses. In order to understand the unique nature of Sibling Partnerships, the nature and importance of each of these fields of study are described in this chapter.

First, small and medium-sized businesses are defined and their important contributions are highlighted. This is followed by a discussion of the nature and importance of family businesses. To fully describe the context of a family business, an overview is given of the definitions, conceptual models and approaches to the study of family businesses. In addition, the differences between family and non-family businesses, as well as the unique characteristics of family businesses, are presented. Finally, the vital role that is played by these family businesses, as well as their fragile nature, is discussed.

#### 2.2 DEFINING SMALL AND MEDIUM-SIZED BUSINESSES

Business enterprises differ in terms of size and are commonly described as being large, medium or small. Small and large are, however, relative concepts and there are vast differences in the definitions of the sizes of firms across industrial sectors (Cronjé, Du Toit, Marais & Motlatla 2004:45; Deaken & Freel 2003:37) and even across countries (Cronjé *et al.* 2004:44; Stokes & Wilson 2006:4). Consequently, in practice it is hard to draw a precise line that separates small from larger businesses (Stokes & Wilson 2006:4).

It is generally accepted that a need exists to identify firms of different sizes. Appropriate definitions for different-sized businesses support policy development



and implementation with regard to funding and assistance, as well as the implementation of tax and general legislation. It is also important to have consistent and acceptable definitions for different-sized businesses to facilitate research (Bridge *et al.* 1998:102; Deaken & Freel 2003:38; Stokes & Wilson 2006:4). Formulating universal definitions for small and other-sized businesses is, however, considered problematic and an onerous task (Cronjé *et al.* 2004:44; Malagas 2003:33). For this reason there is generally no uniform, clear and widely accepted international definition of what constitutes a small or, for that matter, a medium-sized business enterprise (Deaken & Freel 2003:37; Longenecker *et al.* 2006:7; Scarborough & Zimmerer 2003:21).

In most countries, it is accepted practice to make use of both quantitative and qualitative criteria when attempting to define small and medium-sized businesses (Cronjé *et al.* 2004:44; Nieman, Hough & Nieuwenhuizen 2003:10; Stokes & Wilson 2006:4,5). *Quantitative criteria* refer to variables that can be measured, such as annual sales turnover, market share, number of full-time employees, the relative size of the business within the industry, the value of the assets (excluding fixed property), and/or the number of branches or business units (Cronjé *et al.* 2004:4; Nieman *et al.* 2003:10; Stokes & Wilson 2006:4). *Qualitative criteria*, on the other hand, cannot be measured. Examples of such criteria include being a separate and distinct business entity; having independent ownership and management, and not being part of a group of companies; direct personalised management involvement by owners; capital that is supplied by an individual or a few individuals who hold ownership; the area of operations being primarily local, although the market is not necessarily local; a simple organisational structure; the business being small in comparison with the largest competitors in its own industry; and perhaps having multiple liabilities (Bridge *et al.* 1998:103-104; Burns 2001:8-9; Cronjé *et al.* 2004:45; Marx, Van Rooyen, Bosch & Reynders 1998:728; Nieman *et al.* 2003:10; Stokes & Wilson 2006:5).

In South Africa, the Government's official policy on smaller business enterprises was formulated in the White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa. This was translated into the *National Small Business Act 102 of 1996*, which was amended by the *National Small Business Amendment Act 23 of 2003*. In terms of the Act, small enterprises

are defined as separate and distinct business entities, together with their branches or subsidiaries, if any, in any sector or sub-sector of the economy, and managed by one or more owner. These include cooperative enterprises and non-governmental organisations (NGOs) (Business blue book of South Africa 2005:563). In addition, the *National Small Business Act 102 of 1996* (as well as the *National Small Business Amendment Act 23 of 2003*) makes provision for describing smaller business firms based on quantitative criteria, namely full-time equivalent employees; total annual turnover; and total gross asset value. Based on these criteria, the Act defines a small business as one that is normally owner-managed and employs between 5 and 50 people; and a medium-sized business as one that is owner/manager-controlled (though shareholding or community control arrangements) and employs a workforce of up to a maximum of 200 people (Business blue book of South Africa 2005:567; National Small Business Act 1996:20).

For the purpose of this study, the criteria that will be used for definition purposes are the ownership arrangement (independently owned and managed) and the number of full-time employees. The definition of small and medium-sized businesses to be applied in this study is, therefore *businesses that are independently owned and managed and employ more than 5 but fewer than 200 persons*.

The discussion above has not attempted to accurately define small and medium-sized businesses, but merely to clarify the criteria by which businesses are categorised in terms of size. Although it may not be possible to statistically and unanimously define a small or medium-sized business, there is no doubt that smaller business firms have become more important in recent times. Considering the pace of change, an attempt to define smaller businesses may be futile anyway, as the notion of what is small is continuously changing (Deaken & Freel 2003:40-41) and varies according to circumstances. However, what is important is the contribution that these small and medium-sized businesses are making to society in general and to the economies of countries. The importance of small and medium-sized businesses will be addressed in the paragraphs that follow.

### 2.3 IMPORTANCE OF SMALL AND MEDIUM-SIZED BUSINESSES

Internationally small and medium-sized business enterprises (SMEs) make a formidable contribution to economic growth and job creation (Kuratko & Hodgetts 2007:5,7; Longenecker *et al.* 2006:6; Malagas 2003:33; Scarborough & Zimmerer 2003:21,22). Their critical and valuable role in absorbing labour, enhancing productivity, driving technological innovation, penetrating new markets and generally expanding economies in creative and innovative ways, is globally recognised (IDC support to SME sector 2001:5; Lunsche & Barron 1998:1; Sunter 2000:23).

Small businesses make up more than 90% of enterprises in most countries, including the *United States of America* (Kuratko & Hodgetts 2007:6; Scarborough & Zimmerer 2003:21); the *European Community* (Burns 2001:13; Louche 2007:4); the *United Kingdom* (Importance of the small business sector 2003; Stokes & Wilson 2006:11); and *Australia* and *New Zealand* (Stokes & Wilson 2006:13). Similar trends are also noticeable in countries like Canada, Japan, South Korea and China (Pistrui, Huang, Oksoy, Jing & Welsch 2001:141; Small business, big business 1995:89; Stokes & Wilson 2006:13). Comparisons between the business populations in developing countries indicate a clear and continuing trend towards a larger number of smaller businesses, with a corresponding reduction in the number of larger businesses (Deaken & Freel 2003:41; Stokes & Wilson 2006:3). Undoubtedly, the number of small businesses is expected to increase significantly for some years to come (Taylor 2006:68).

As in many other developed and developing nations, SMEs in South Africa continue to make a substantial and increasing contribution to economic activity and employment. Approximately 98% of all South African firms are small businesses (Erwin 2002; Time is now right for entrepreneurs to start and run their own businesses 2006:8). It is generally agreed that small businesses play a vital role in lowering unemployment and improving the health of the economy (Erwin 2002; Nieman & Pretorius 2004:2). As such, SMEs are seen as a potential solution to some of South Africa's economic difficulties (Bosch, Tait & Venter 2006:649).

The development of SMEs is of extreme importance for the economic development of South Africa. Some of the most important reasons for this are their contribution to the following:

- *Economic activity* (Kuratko & Hodgetts 2007:7; Malagas 2003:47-48; Naidoo 2006:91; Stokes & Wilson 2006:3);
- *Employment* (Cronjé et al. 2004:45; Malagas 2003:33; Zimmerer & Scarborough 2002:24);
- *Empowerment* (IDC boosts the SME sector 2003; Kuratko & Hodgetts 2007:11; Longenecker et al. 2006:12; Malagas 2003:33; Qhena 2007);
- *Innovation* (Bosch et al. 2006:650; Kuratko & Hodgetts 2007:8; Longenecker et al. 2006:6; Malagas 2003:33); and
- *Competitive markets* (Malagas 2003:33; Marx et al. 1998:731; Naidoo 2006:91).

Based on the discussion above, there remains little doubt that SMEs play a vital role in South Africa, both economically and socially, and that their importance to the country should not be underestimated (Clark 2006:33).

## **2.4 SMALL AND MEDIUM-SIZED FAMILY BUSINESSES**

Although it is well known and widely accepted that small businesses make a major contribution to many economies, it is less well known that the majority of small businesses are also family businesses (Bridge et al. 1998:129). Internationally, the overwhelming majority of small and medium-sized businesses are family-owned and managed businesses (Bjuggren & Sund 2000:2; Bosch et al. 2006:684; Lee 2006b:188; Longenecker et al. 2006:86; Serrano 2000:23) and, as a result, there has even been a tendency in some countries to lump together family businesses and small businesses as a generic term (Leach 1994:xi). This trend is also evident in South Africa, with approximately 80% to 90% of SMEs being family owned or controlled (Venter 2003:32-34).

Although the majority of family-owned businesses are small, many well-known examples of large family businesses do exist (Gersick et al. 1997:2; Lee 2006a:103). There is clear evidence worldwide (with the exception of Asia), that a

number of family businesses are occupying important positions in national and international rankings and have gained solid positions in the top 500 of their respective countries. For example, in France and Germany, the majority of the 250 largest listed companies are family and/or individual dominated (IFERA 2003:236). In Spain, statistics indicate that 50% of the top 3 000 firms are family owned. Similarly, in the United States, 35% of the 500 biggest companies are family owned (Lee 2006a:103; Longenecker *et al.* 2006:85). Commercial giants such as Wal-mart, Samsung, Hyundai (Passing on the crown 2004), Ford, Mars and L'Oreal (Neubauer & Lank 1998:11), as well as Henkel, LEGO, C&A, Cargill and Suntory (Japan) are just a few examples (IFERA 2003:236). Some of the largest and most powerful South African businesses, all family-owned, dominant especially in the second half of the 20th century, include Anglo American and Anglovaal, Rembrandt, Liberty, Altron, Pick & Pay, Pepkor, Liberty Life, Sage Life and Toyota SA (Venter 2003:33; Growing family businesses into professional companies n.d.; Jack 2008).

The great majority of family businesses do, however, appear to be SMEs (IFERA 2003:236; Lee 2006a:104; Longenecker *et al.* 2006:86) and it is expected that their influence and numbers will increase significantly in South Africa in the near future (Venter 2003:32-34). The challenge of defining a family business is discussed in the paragraphs that follow.

## **2.5 DEFINING THE FAMILY BUSINESS**

Before embarking on the task of defining a family business, it is important to establish what essentially constitutes a family. According to Flören (2002:27), the structure and composition of the family are mostly ignored in family business literature, which is surprising, considering that families themselves differ in their definitions and understanding of the concept of "family".

A family is a social system consisting of individuals, related either by blood or by legal adoption, interacting with and influencing each other's behaviour (Stavrou 1996:10). According to Klein (2000:158), a family is a group of people who are descendants of one couple, their in-laws, and the couple itself. Based on the aforementioned, Flören (2002:28) extended Stavrou's (1996) definition of a family

to include individuals related not only by blood or legal adoption, but also by marriage. A family business relates to those individuals who are interacting with and influencing each other's behaviour within the context of a business. Simply stated, a family business is a business that is influenced by the family or by family relationships (Leach & Bogod 1999:4).

There is no universally accepted definition of a family business in the literature or among teaching and consulting communities, the public or even family business owners (Astrachan, Klein & Smyrniotis 2002:45; Flören 2002:15; Littunen & Hyrsky 2000:41). Since its inception, the field of family business studies has struggled with a need to define its boundaries and source of distinctiveness. Without clear definitional boundaries, it remains unclear what constitutes a family business (Zahra & Sharma 2004:331,333); this poses numerous methodological problems in the field of family business research (Handler 1989b; Neubauer & Lank 1998:5). Although family businesses resist easy definition (Lee 2006a:105), almost all researchers agree on the necessity of having a definition (Flören 2002:16). Consequently, clarifying a definition for a family business is the first and most obvious challenge facing the family business researcher (Handler 1989b:258).

Numerous attempts have been made to articulate conceptual and operational definitions of family businesses (Sharma 2004:3). Consequently, many definitions exist (Stokes & Wilson 2006:457). A review of the literature has, however, revealed that despite numerous definitions of family businesses, a number of these definitions share several common elements. This has enabled researchers to classify their definitions into different categories (Flören 2002:23). Although several elements are used by various authors to construct their varying definitions, there seems to be general agreement that the categories of ownership and management, family involvement, interdependent subsystems, generational transfer, and multiple conditions (Astrachan *et al.* 2002:45; Flören 2002:24; Handler 1989a:6; Neubauer & Lank 1998:5-6; Sharma 1997:5) are most commonly used in defining a family business. Some definitions are very specific, while others are broad. Many are impossible to quantify and thus difficult to apply to empirical data, whilst others are more specific and consequently usable for data collection (Flören 2002:16). According to Sharma (2004:9), efforts are under way to develop conceptual and operational definitions of family firms. To date,

however, instead of one definition, a range of definitions that capture the varying extents and modes of family involvement in these firms is being used.

The discussion above illustrates the difficulties in defining a family business. Apart from the number of different definitions that exist, these definitions also fall into a number of distinctly different categories. Some categories are too restrictive or too inclusive, whilst others cannot be applied, or have never been applied to empirical data (Flören 2002:25). As long as there is no generally accepted family business definition, it is important that each researcher clarifies his choice of family business definition. Based in particular on the definitions of a family business offered by Flören (2002), Hulshoff (2001) and Stoy Hayward (1989), a family business can be defined by the following criteria:

- At least 51% of the equity of the business is owned by a single family;
- A single family is able to exercise considerable influence; and
- At least 2 family members are actively involved as senior managers in the business.

Because this study focuses on Sibling Partnerships in small and medium-sized family businesses in South Africa, the definition of such a family business should include the following restrictions: at least 2 siblings must be actively involved in the management of the business and exercise considerable influence over decision-making; and the business must employ between 5 and 200 workers. As this study aims to investigate the effective functioning of a particular type of ownership structure in family businesses, namely the Sibling Partnership, the inclusion of criteria relating to generational transfer has been considered unnecessary. A comprehensive definition of a Sibling Partnership is provided in Section 3.3.2 of Chapter 3.

## **2.6 STUDY OF FAMILY BUSINESSES**

A family business is fundamentally different from other forms of business. The key difference is that the business affairs of a family business are closely and intricately intertwined with the personal financial affairs of the family, and also with the power relationships, blood ties, emotional bonds and inheritance issues within that family (Astrachan & Astrachan 1993; Morris, Williams, Allen & Avila

1997:387). The intertwining and reciprocal relationships between the family and business systems are recognised as the key feature distinguishing this field of study from others (Sharma 2004:9). It is this reciprocal influence of family and business dimensions on family firms that makes them complex to research (Sharma 2004:335).

Failure to understand the specific operating characteristics and dynamics of a family business can be the source of persistent (business) problems, missed opportunities, and unnecessary risks that could and should have been avoided. At the same time, failure by the members of a family business to acknowledge the unique characteristics of their business could have severe and lasting adverse consequences inside the business (Venter 2003:19).

Researchers in the field of family business continue to gain new insights and understanding into the fundamental processes that underlie these businesses so that their findings can ultimately inform, direct, enrich and guide managerial practice. To date, numerous conceptual models and approaches to the study of family business have emerged, over time, to create a better understanding of these complex systems.

### **2.6.1 Family businesses: An evolving field of study**

Relatively little attention in management research has been devoted to the family business's unique and complex issues (Ibrahim et al. 2001:245). As a distinct field of study, it has existed for only about 30 years in the United States and for a decade or so in Europe (Neubauer & Lank 1998:3). Family business as a field of study has, however, grown from its modest beginnings to a substantial conceptual and theoretical body of knowledge at the start of the 21<sup>st</sup> century (Sonfield & Lussier 2004:189).

Pioneers in the field of family business studies were scholars who initially consulted family business managers on the challenges they faced (Handler 1989b; Wortman 1994). Until the mid 1980's, the field remained dominated by a few authors, who focused mainly on succession issues, and research remained shallow in terms of systematic analysis and theoretical rigour. Building on these



earlier efforts, the late 1980's and mid 1990's saw a rapid increase in the number of scholars from various disciplines being attracted to the field of family business research (Zahra & Sharma 2004:334; Casillas & Aceda 2007:151). Overall, the period was characterised by an increase in the number of topics, scholars, and methods used. Rigorous empirical studies also began to emerge, but topics on succession still continued to dominate the field. The period 1996-2003 was characterised by a rise in the number of scholars interested in the field, and although succession remained a dominant theme, a multitude of other topics received scholarly attention (Zahra & Sharma 2004:334).

Since its inception, the field of family business studies has borrowed heavily from other disciplines, including Psychology, Sociology, Economics, Law and Family systems theories (Wortman 1994:4). This trend has continued, and much research is still grounded in well-established theories drawn from other disciplines (Casillas & Aceda 2007:142; Zahra & Sharma 2004:336). However, as the number of scholars investigating each topic remained small, the depth of understanding of each topic has remained shallow, lacking comprehensive theoretically-based frameworks (Zahra & Sharma 2004:335).

A prevalence of descriptive studies based on small sample sizes has also been observed. Both Handler (1989b) and Wortman (1994) have proposed that the range of research methods be broadened. However, a rise in empirical studies characterised by more rigour and larger samples has recently been observed (Zahra & Sharma 2004:336). Despite this positive trend, the field remains dominated by familiar research methods and analytical tools that render a mechanical quality to published research that does not contribute to a deeper understanding of the forces that drive the empirical observation (Zahra & Sharma 2004:336). Because family businesses resist easy definition, many studies on family businesses are, however, conceptual in nature. As a result, empirical evidence on family business is sparse and relies mostly on anecdotal observations (Lee 2006a:105). According to Casillas and Aceda (2007:151) the literature on family business shows a high degree of fragmentation which points to a lack of consensus as to what the prevailing conceptual foundations of the field are.

On examining the field of study, one would have to conclude that while family business research has made great strides, it still has a long way to go before it will influence public policy decisions, improve managerial practices, or even enrich scholarly literature on family business (Zahra & Sharma 2004:337). Casillas and Aceda (2007:141) conclude that the field of study of family business is still an emerging discipline when compared to other neighbouring areas of study. Family business may be considered as just one particular area of business within the management field, however, research rooted in its concepts offers a different view, showing how it is developing into a formal paradigm within the organisation of the science. Similarly, Nicholson (2008:103) advocates that the field of family business still, to a degree, suffers from relative isolation as a field of management.

### **2.6.2 Conceptual models and approaches to the study of family businesses**

Family businesses have been described as unique, complex and challenging social organisations, with specific characteristics that should be recognised by family members, advisers and researchers (Hume 1999:15; Whiteside & Brown 1991:383).

To develop an understanding of the nature of family businesses, many authors have integrated concepts from family systems theories to theories on organisations used by social psychologists and organisational development consultants (Whiteside & Brown 1991:383). At the same time, family therapists have begun to apply concepts such as enmeshment/disengagement, differentiation, and triangles to the subgroup of families who have businesses. The contributions from this broad spectrum of scholars and practitioners, such as psychologists, sociologists, economists, lawyers, accountants, historians and others, have begun to converge into conceptual models of family business (Gersick *et al.* 1997:4). The evolution of these conceptual models and the models themselves will be described in the sections that follow.

One must acknowledge that a model by definition is a static simplification and cannot totally represent the complexity of the phenomena being studied. According to Neubauer and Lank (1998:52), the most useful models are those

whose stage descriptions promote a better understanding of the current state of the family, the ownership of the business, and the business itself. Models should predict both the transitional and the next-stage challenges that have to be faced and should suggest steps that could be taken to minimise future disruptions.

### **2.6.3 Earlier approaches to the study of family businesses**

Scholarly work in the field of family business research began with consultants' case descriptions of family firms (Gersick et al. 1997:4). These pioneers in the field were close to the challenges faced by family business managers as they devoted their energies to consulting to these firms (Zahra & Sharma 2004:333). The study of family business systems was launched with the publication of various articles in the 1960s and 1970s (e.g. Barnes & Hershon 1976; Donnelley 1964; Levinson 1971), focusing mainly on general problems that appeared to hamper the success of family businesses, such as nepotism, generational and successor rivalry, and unprofessional management (Dickinson 2000:6; Gersick et al. 1997:4). Early theorists approached the enigmas of family businesses in the belief that the problems observed resulted from the infringement of emotional family factors that had the potential to corrupt the business. These initial assumptions were largely responsible for the negative connotations associated with family businesses, which have persisted to this day (Gersick et al. 1997:4; Hume 1999:16). The attention then shifted to the founders of family businesses. Much of the available literature relates directly or indirectly to these individuals (Venter 2003:41). Many studies focused on the personality of these founders, and more generally, on the personality of entrepreneurs, which most founders are considered to be (Hume 1999:16).

### **2.6.4 Life-cycle approach to the study of family businesses**

Another approach adopted to enhance understanding of the nature of a family business is the *life cycle* or *phase* approach. Theoretically, businesses are thought to evolve through some type of life cycle. Various typologies have been used to describe the various stages of an organisation or business's life cycle (e.g. Adizes 1979:8; Churchill & Lewis 1983; Greiner 1972:39). Amongst others, Goldberg (1991:39), Handelsman (1996:16), Leach (1994:86) and Neubauer and Lank

(1998:26) have discussed various business developmental models within the context of understanding the family business. These models include those proposed by Hershon (1975); McGivern (1978,1989); Benson, Crego and Drucker (1990); and Ward (1987; 1991).

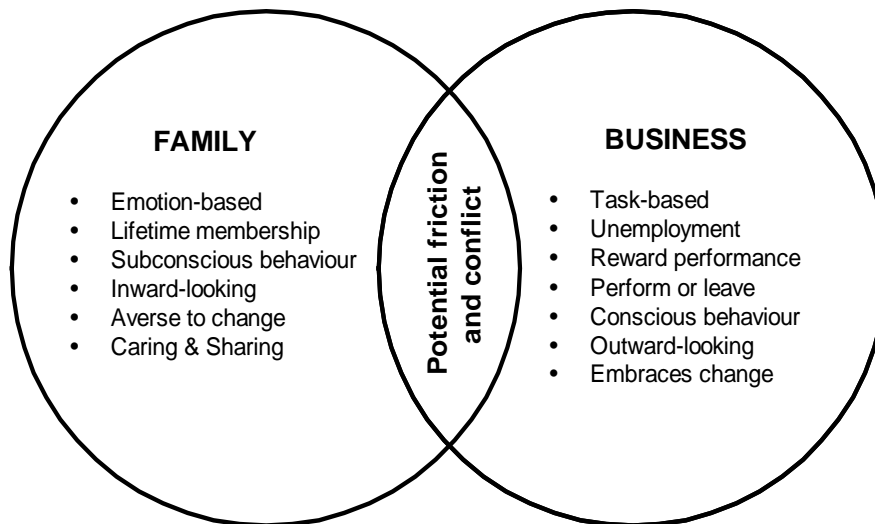
In terms of the life-cycle approach, family businesses can prepare themselves for the personal and organisational developmental tasks they will face in the future by considering people, families and businesses as dynamic entities undergoing cyclical processes of birth, growth, and decline (Dunn 1999:41). Neubauer and Lank (1998:26) maintain that the challenge is to find ways of clearly describing the complex evolutionary patterns of human organisations in general and family businesses in particular, because the governance of a family business should be guided by its position in the evolutionary life cycle. The life-cycle models were developed in literature from individual physiology, organisational theory and family business theory.

#### **2.6.5 Family businesses as dual systems**

The next approach adopted to understand the nature of family businesses is the application of the systems theory and theories of organisation to the field of family business. This approach has resulted in a useful framework for studying the relationship between the family and the business, by presenting the family and the business as overlapping, interacting and interdependent systems, and for analysing both the family and the business as systems (Davis & Stern 1988:71; Davis & Tagiuri 1982; Friedman 1991:11). This framework, which is referred to as the *dual systems approach* (Whiteside & Brown 1991:383) or the *two-system concept* (Gersick et al. 1997:5), was developed by Tagiuri and Davis at Harvard University in the early 1980's (Dickinson 2000:6). This approach is shaped by the general systems theory and is sometimes also referred to as the "family business systems theory". The underlying belief is that the interconnectedness of related subsystems is critical to an understanding of how the overall system functions (Handler 1989a:4; Handler & Kram 1988:367). In terms of the dual systems approach, the business and the family systems are separate entities, each with its own norms, goals, membership rules, value structures, and organisational structures (Gersick et al. 1997:5). In the non-family business, these two basically

incompatible systems operate independently, but in the family business they not only overlap, but are actually interdependent (Leach 1994:25). Although the institutional overlap between the family and business systems does have the potential to contribute positively to organisational success (Astrachan & Kolenko 1994:252), this key interface often damages both entities (Kets de Vries 1993:63). Figure 2.1 illustrates the interaction between these two systems.

**Figure 2.1: Overlapping systems**



(Source: Leach 1994:25; Secure the success of your family business 2000:3)

From Figure 2.1, it is clear that the family system is emotion-based; its members are bound together by deep emotional ties that can be both positive and negative. A great deal of behaviour in family relationships is influenced by the subconscious, for example, the need for male siblings to dominate each other and the need for fathers to be stronger than their sons. The family system also tends to be inward-looking, placing high values on long-term loyalty, care and the nurturing of family members. It is a conservative system, operating to minimise change and to keep the equilibrium of the family intact (Leach & Bogod 1999:27; Secure the success of your family business 2000:3).

Family systems can further be subdivided into subsystems. In virtually all businesses owned and controlled by a single family, more than one family member is involved in the business at least some, if not all, of the time. Even when only one family member is physically involved, that person usually depends on the supportive environments created by other family members (Rowe & Hong 2000:1).

Each family member in a family business has his or her own set of attitudes, opinions, objectives and problems (Leach & Bogod 1999:33; Van der Merwe 1999:61). As a result, an important element of understanding how family businesses operate is an awareness of the background and the unique perspective and influence of each of the major participants, namely: the *founder* or *owner-manager* (e.g. Donckels & Lambrecht 1999:177; Leach & Bogod 1999:33; Longenecker et al. 2006:92); the *owner's spouse* (e.g. Leach & Bogod 1999:39; Longenecker et al. 2006:94; Van Auken & Werbel 2006), *husband-and-wife teams* (e.g. Leach & Bogod 1999:43; Longenecker et al. 2006:92); *children* (e.g. Longenecker et al. 2006:93); *in-laws/spouses* (e.g. Lansberg 1999:136; Leach & Bogod 1999:48; Longenecker et al. 2006:94); *multi-family ownership* (e.g. Lansberg 1999; Leach & Bogod 1999:50; Ward 2004:66); and *non-family employees* (e.g. Kuratko & Hodgetts 2007:687; Longenecker et al. 2006:96; Ward 2004:54). The cooperation of the various participants in the family business and the underlying relationships are important for the ultimate success and survival of the business.

Business systems are based on the accomplishment of tasks. For the most part, behaviour is consciously determined and is also orientated outwards towards producing goods and services for a market, while emphasising performance and results. In the interests of survival, business systems generally accept and even embrace change, well aware that change often creates opportunities that can be exploited. This is in contrast to family systems, which generally attempt to minimise change (Leach & Bogod 1999:27). Business systems can also be divided into subsystems, namely management, ownership, external networks and employees (Maas 1999b:9).

A primary difference between family and non-family businesses is that the former are concerned with both business and family outcomes. The stress caused by the interaction between the business culture and that of the family unit is a perennial cause of conflict in family businesses. Frequently, role ambiguity, role conflict and communication difficulties arise. Some business decisions may affect the family negatively. Change itself may serve as a stimulus for conflict in family businesses (Harvey & Evans 1994:331). The different purposes and priorities of the family and

business systems, created at the point of overlap, produce the special tension that exists in family businesses (see Figure 2.1).

Kepner (1983:58) argues that when a family business is founded, the two systems are normally distinct, separate and well differentiated. At this early stage, the relationship between family and business is usually not regarded as problematic. The problems arise when the boundaries between the two systems become blurred and overlapping occurs. Managing the family/business relationship is therefore a critical aspect of success in family businesses (Holland & Boulton 1984:493). Davis and Stern (1988:79) argue that as a family business matures and assumes a stable identity of its own, the relationship between the family and the business presents new challenges and problems. Finding strategies that satisfy both subsystems is clearly the key challenge facing all family businesses (Gersick *et al.* 1997:5).

The two-system concept is still very much in evidence today, where researchers and scholars use it as a basis for their analyses of complex organisation behaviour, strategy, competitiveness, and family dynamics (Gersick *et al.* 1997:5).

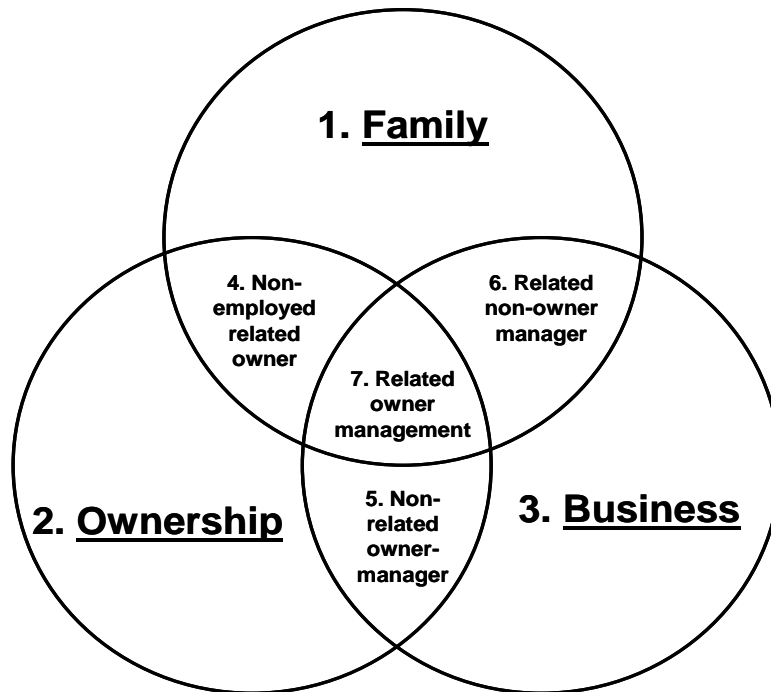
### **2.6.6 Three-circle model of family business**

In the early 1980's, Tagiuri and Davis elaborated on the two-systems approach. They made a critical distinction between the ownership and management subsystems within the business circle: some individuals are owners, but not involved in the operation of the business; while others are managers, but do not control shares (Gersick *et al.* 1997:5). From this, the *three-circle model* emerged. This model describes the family business system as three independent but overlapping subsystems: *business*, *ownership* and *family* (see Figure 2.2). For the past decade and a half, the three-circle model of family business has been the primary conceptual model of family business (Astrachan 1992:81; Gersick *et al.* 1999:287; Tagiuri & Davis 1992:49; Westhead, Cowling & Howorth 2001:380).

The three-circle model views family businesses as a complex system comprising three overlapping subsystems, namely business, ownership and family. The health of a family business relies on parallel developmental processes occurring in all

three subsystems. When a legal arrangement, for example a trust, freezes development in the ownership system, the family business as a whole may suffer (McCullom 1992:146).

**Figure 2.2: Three-circle model of family business**



(Source: Gersick et al. 1997:6)

Any individual in a family business could be placed in one of the 7 sectors formed by the overlapping circles of subsystems. For example, all owners will be within the bottom left circle. Similarly, all family members will be in the top circle, and all employees in the bottom right. A person who has only one connection to the business will be in one of the outside sectors, namely 1, 2, or 3. A shareholder, who is not a family member and not an employee, belongs in sector 2, inside the ownership circle, but outside the others. Individuals who have more than one connection to the business will be in one of the overlapping sectors, falling into two or three of the circles at the same time. An owner who is also a family member but not an employee will be in sector 4, inside both the ownership and family circles. An owner who works in the business but is not a family member will be in sector 5 (Gersick et al. 1997:6). The three-circle model illustrates the various positions that could be taken up by different family and non-family member in the family business. The complexity of managing the differing norms, values and



expectations from the various positions in the three circles typifies the challenges facing the family business.

Another useful and complementary way to examine the family business system is to define it as an ideological triangle. As Johannisson (1999) and, Johannisson and Huse (2000) report, very often a family business is ideologically a combination of entrepreneurialism, managerialism and paternalism. Koiranen (2003:241) offers a cultural approach in describing how a family business system works as an ideological arena, by developing a C<sup>3</sup>-model to complement the well-known three-circle model of Tagiuri and Davis (1996). According to Koiranen (2003), the family business seems to be an arena of contesting and contrasting ideologies. By adopting the structure of a three-circle model to this ideological dimensionality, it is possible to illustrate the interactive battleground of the key cultural forces. The joint field in the middle is often the arena for clashing ideologies, but when understood and managed properly, can lead to a C<sup>3</sup>-type situation where a family business system can have the right balance among the cultures of *Caring* (paternalism); *Controlling* (managerialism); and *Creating* (entrepreneurialism) (Koiranen 2003:246-247).

The three-circle and C<sup>3</sup> models discussed above are important frameworks for understanding complex behaviour in family businesses, as they clarify the motivations and perceptions of individuals at various locations in the overall system. According to Gersick et al. (1997:14), however, the dimension of time is needed to make these frameworks more relevant to the reality of family and business organisation.

### **2.6.7 Three-dimensional development model of family businesses**

According to Gersick et al. (1997:15), the business, ownership and family circles can be used to create a snapshot of any family business system at a particular point in time. However, many of the most important dilemmas that family businesses encounter are caused by the passage of time, involving changes in the business, in the family, and in the distribution of ownership. A family made up of a young couple and an infant child is not the same as a family with teenagers, or a family with elderly grandparents, adult offspring, and a new generation starting

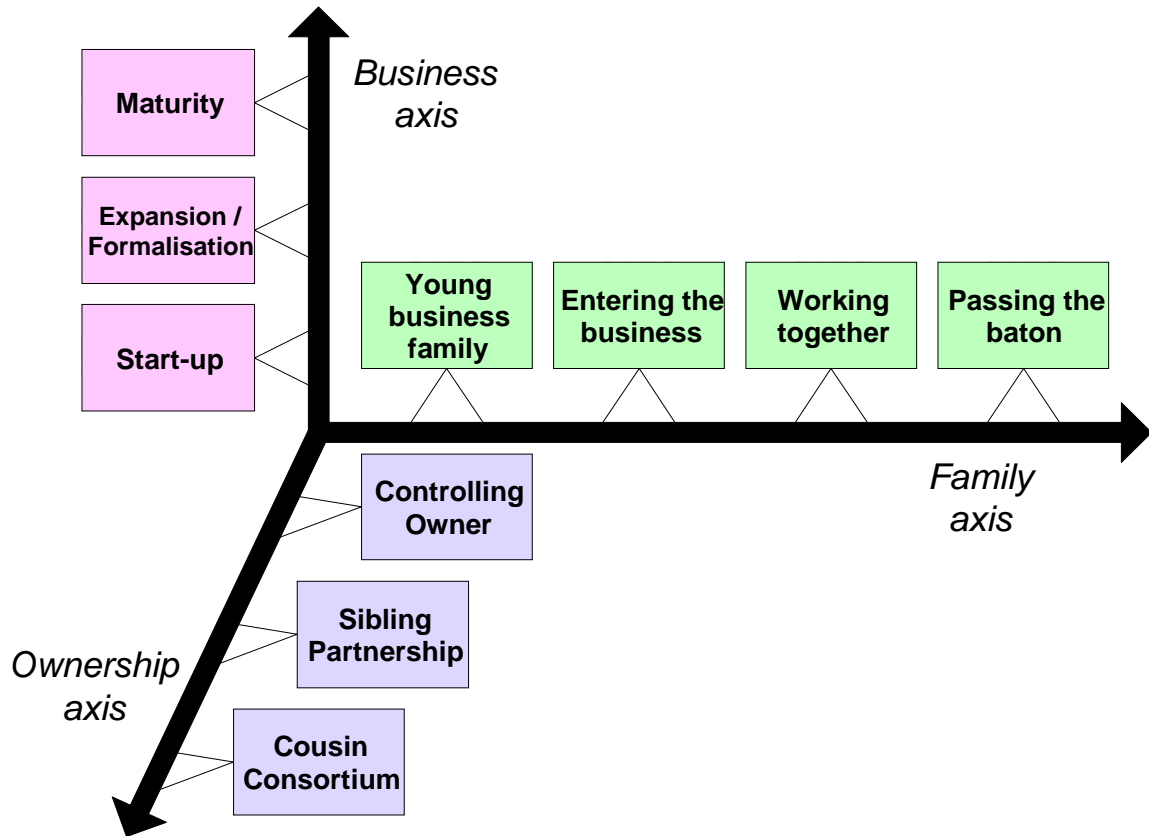
school. Similarly, entrepreneurial start-ups are not the same as businesses that have already secured a place in the market. Because of the critical roles key individuals often play over long periods, family businesses are especially affected by the inevitable aging of people in each of the sectors. Gersick et al. (1997:15) argue that any model describing family businesses should therefore take time and change into consideration to reflect the real world accurately.

Implementing their own suggestion, Gersick et al. (1997) have transformed the three-circle concept into a developmental model in which each of the three subsystems moves through a sequence of stages over time (see Figure 2.3). Basically, the authors have taken a variation of the three-circle model and chosen to focus on family, ownership and business, breaking each into individual life cycles. The result is a three-dimensional model referred to as the "developmental model". The family axis of the developmental model has been greatly influenced by Levinson (1978) and other individual and family life-cycle theorists; the ownership axis is derived directly from Ward (1991), while the business axis is a telescoped version of the numerous business life-cycle models (Neubauer & Lank 1998:40-41). Although each of the conceptual models describing the family business and its life cycles has its own strengths and weaknesses, the three-dimensional model developed by Gersick et al. (1997) offers the most advanced insight into the stages of development in a family business's ownership, family and management structures. Gersick's model will therefore be elaborated on in this thesis, as the focus of this study is on Sibling Partnerships as one of the developmental stages on the ownership axis.

As previously mentioned, each of the three subsystems, *ownership*, *family* and *business*, has a separate developmental dimension. Taken together as three axes of ownership, family and business development, the model depicts a three-dimensional space. Every family business has progressed to some point on the ownership developmental axis, some point on the family developmental axis, and some point on the business developmental axis. The family business takes on a particular character defined by these three developmental points; as it moves to a new stage on any of the dimensions, it takes on a new shape with new characteristics (Gersick et al. 1997:16,18). Each of these three developmental dimensions will now be considered separately. Because Sibling Partnerships (one

of the categories of ownership) form the focus of the present study, the ownership developmental dimension will be discussed in greater detail than the family and business developmental dimensions.

**Figure 2.3: Three-dimensional development model**



(Source: Gersick et al. 1997:17)

#### 2.6.7.1 Ownership developmental dimension

McCullom (1992) was one of the first authors to emphasise the key role of the ownership system in the healthy development of a family business. He emphasised the potentially paralysing impact the ownership arrangement could have on both the business and the family systems, as well as the dysfunction in authority relations in general and succession processes in particular that may flow from skewed ownership arrangements. "Who owns how much of what" could have profound effects on business and family decisions and on many aspects of operations and strategy (Gersick et al. 1997:29). Gersick et al. (1997) contend that it is the aspect of family ownership that defines a family business, even more than the family name on the door or the number of relatives in top management. The three-circle model explicitly identifies the ownership group in the family business

system, replacing the two-circle concept that originally did not differentiate between ownership and management in the family business system (Davis & Tagiuri 1982).

Ownership may take many forms in a family business. Ward (1991) first drew attention to different categories of ownership for family businesses when he proposed a typical progression of ownership from *Controlling-Owner* to *Sibling Partnership*, and finally to the *Cousin Consortium* or family dynasty (Gersick et al. 1997:30; Neubauer & Lank 1998:41). Gersick et al. (1997:31) suggest that the progression of ownership from one form to another should be considered as developmental, because it follows a predictable sequence and is at least partially driven by the aging and expansion of the owning family. The core issues of ownership development are well captured in three stages: Controlling-Owner businesses; Sibling Partnerships; and Cousin Consortiums (Gersick et al. 1997; Lansberg 1999:3).

Most family businesses are founded as *Controlling-Owner* businesses, in which one owner controls ownership. Family businesses in the *Controlling-Owner* stage of ownership development are often labelled as "entrepreneurial family businesses", since most founder businesses are of this form. However, not all *Controlling-Owner* family businesses are entrepreneurial, and not all entrepreneurial businesses have one controlling-owner (Gersick et al. 1997:32). Controlling-owners are inextricably involved in all aspects of their business. They have a deep understanding of the products and services the business sells, and they serve as the business's link to critical external resources such as banks, suppliers and clients. Delegation does not come easily to most controlling-owners. Typically, they retain control of all critical decisions, regardless of the size of the business (Lansberg 1999:30). Family employees are most often limited to the nuclear family of the owner. The board of directors, especially in the first generation of an owner-manager family business, is typically a "paper board", which exists only to meet incorporation requirements but performs no real advisory role, or is a "rubber stamp board", which meets only to endorse what the owner-manager has already decided to do (Gersick et al. 1997:32). In the *Controlling-Owner* stage, the business centres on the owner and depends on him. It is most likely that the family also depends on him. His achievement in founding and/or

building the enterprise has elevated him to hero status, gaining him respect and admiration in the community. The business is a reflection of his vision, his persistence and his courage (Ward 2004:43). Typical values of founders are individualism, personal control, secrecy and privacy (Ward 2004:67).

Several key challenges characterise the *Controlling-Owner* stage. These include, amongst others, securing adequate capital; dealing with the consequences of ownership concentration; and devising an ownership structure for continuity (Gersick et al. 1997:34; Lansberg 1999:31). Other critical issues in this stage are the willingness of the founding entrepreneur to let go of control, as well as finding a competent heir who is willing and able to take over the leadership of the business. Concerns about loss of identity and financial security are, however, seen to be the real issues in the entrepreneur's inability to let go control of the family business (Ward 2004:44).

When the Controlling-Owner makes the decision to step down as leader of the family business, a decision has to be made whether or not to pass the family business on to one or more of his or her children. This decision can be influenced by variables both within and beyond the control of the owner. Variables beyond the owner's control that will influence this decision include the number of children and their respective talents. Variables within his control include, for example, whether he invites them into the family business or not (Ward 2004:32). If the owner wants to keep the business in the family, it will either be passed on to another Controlling-Owner as single heir, or be passed on to a team of sibling owners, which will necessitate the formation of a Sibling Partnership.

In a *Sibling Partnership*, two or more brothers and/or sisters, who may or may not be active in the business, share control. If there are additional owners, either from the parents' generation or the siblings' offspring, they do not exercise significant ownership influence in a *Sibling Partnership*. In other words, effective control is in the hands of one sibling generation only (Venter 2003:56). *Sibling Partnerships* come in two fundamental forms: the first-among-equals form, and the shared-leadership arrangement. The first-among-equals form involves a group, with one acknowledged leader. The shared-leadership arrangement implies that siblings lead the business as a team. The partners in this system are not only equal

shareholders, but also have equal managerial authority (Lansberg 1999:32).

The most critical family issue in the *Sibling Partnership* stage is the capacity of the siblings to work together as a team. Their ability to succeed depends on their ability to work effectively side-by-side (Ward 2004:66). Members of a *Sibling Partnership* must convert from a culture of one person in control to a culture of interdependence. What the siblings must do to ensure a thriving business is often in direct contradiction to the way the business was run by the dominant controlling-owner. The values of collectivism, mutual dependence and the open sharing of information are vital to the effective function of this stage. *Sibling Partnerships* work best when things are kept as equal as possible in terms of standards of living and perceptions of importance. Siblings in partnership need to minimise distinctions and differences, and keep things as equal among themselves as they can. Understanding, respecting and managing these differences is key to a *Sibling Partnership* (Lansberg 1999:32; Ward 2004:66-68).

Another key challenge in the *Sibling Partnership* stage is to create a workable relationship between those sibling owners who work in the business and those who do not. A process for shared control among owners thus needs to be developed. Three other key challenges presenting themselves during this stage are defining the role of non-employed owners; attracting and retaining capital; and controlling the factional orientation of family branches (Gersick et al. 1997:41; Lansberg 1999:32).

All of these challenges continue right up until the time when the *Sibling Partnership* readies itself for the next generational transition. The siblings can then sell the business; consolidate their ownership into one branch of the family; split the business up among the siblings; or pass on ownership to all or many of the cousins in the next generation by establishing a *Cousin Consortium* (Ward 2004:32).

The *Cousin Consortium* stage of ownership control is the most advanced development on the ownership axis and is characterised by a fragmented ownership structure that has been divided, often over the course of several generations, among various branches of an extended family (Lansberg 1999:34),

with no single branch possessing enough voting shares to control decisions. It usually takes at least three generations for a business to reach this ownership stage. Hence, *Cousin Consortiums* tend to be larger and more complex businesses than the other two types (Gersick et al. 1997:47). This stage is described as "a balancing act". The family is much larger and ownership is more dispersed. There are probably more family shareholders who do not work in the business than those who do work in it, and many family members are likely to live in distant communities. Not only are they geographically remote, but they are also further removed emotionally from the business's early origins and founding spirit (Ward 2004:102).

The most critical issue from a family perspective is the family's ability to offer its members sufficient freedom, while at the same time winning their commitment to the business and building cohesion as a family. From a business perspective, the most critical issue during this stage is one of cultural and strategic adaptability. If held too tightly, traditions may start to constrain the action needed by a business in a changing world. The cousins also have to accept that equality is no longer possible and that the sharing of sensitive information is less necessary (Ward 2004:102-103). Other key challenges during this stage are the management of the complexity of the family and the shareholder group, and creating a family business capital market (Gersick et al. 1997:48).

Finally, there comes a point in the *Cousin Consortium* stage when it becomes financially and politically difficult to reverse the developmental progression and return to a simple form. Once ownership becomes extremely diluted, no individual or family branch will have much ownership power, and the business will come to resemble a publicly held structure with many shareholders of roughly equal strength (Gersick et al. 1997:55).

The choice whether to remain a *Controlling-Owner* business or to become a *Sibling Partnership* or a *Cousin Consortium* is one of the most fundamental decisions that any business-owning family must make. Different families will make different decisions, based largely on different assumptions about how the family work best and how the family and business affect each other. Different families may have different attitudes and cultural assumptions regarding the future

leadership of the family. One family's view may be almost the exact opposite of another's. For example, some cultures prefer a single leader and require that the eldest son assume the responsibility of caring for the entire family all his life. The family's beliefs or assumptions create their vision for the future, and the vision shapes the form of ownership. The form of ownership in turn influences the business strategy, as different ownership plans require different strategies. Each stage also has key issues and challenges that are common to that stage throughout most family-owned businesses. While the stages of a family business are distinct, the lines between the stages are not clear and distinct. There are periods, for example, where one generation has not quite let go and the one to follow has not quite taken charge (Ward 2004:34-42).

#### 2.6.7.2 Family developmental dimension

The family developmental axis in the model of Gersick et al. (1997) describes the development of the family over time. Many of the key issues that business families face, including the entry of a new generation, the passing of authority from parents to children, the relationship between siblings and cousins, and the effect of marriage on retirement, can be described and assessed only over time. The family developmental dimension captures the structural and interpersonal development of the family through such issues as marriage, parenthood, adult sibling relationships, in-laws, communication patterns and family roles. The family axis is different from the ownership and business axes, because it is driven by the biological aging of family members and is therefore more of a one-way street than the others. This dimension is also different from depictions of other family life cycle theories, because it is specifically about business families (Gersick et al. 1997:61). By anticipating the psychological pressures that accompany each stage of life, families can put structures and policies in place to help their members deal with them constructively (Lansberg 1999:152).

Gersick et al. (1997:60) and Lansberg (1999:153) adapted and integrated the concepts of individual adult development and family life cycles to apply to business families, using the broadest generational definition of the term *family*. According to them, business families can be divided into four stages: *Young business family*; *Entering the business*; *Working together*; and *Passing the baton*. It is important to



mention that, although the family developmental axis traces the developmental cycle of one nuclear family, more than one family life cycle will be evolving at the same time as business families become more complex. Among businesses that have reached the *Sibling Partnership* and *Cousin Consortium* stages on the ownership axis, there may be family groups that are in two, three, or even all four of the family stages.

In the first stage, *Young business family*, the adult generation is under 40 years of age and the children, if any, under 18 years. At the next stage on the axis, *Entering the business*, each generation is 10-15 years older than in the *Young business family* stage. As the members of the parental generation move through the decade of their fifties and the younger generation are in their twenties and thirties, the family is in the *Working together* stage. In the final stage, namely *Passing the baton*, everyone is preoccupied with transition. This stage begins when the members of the senior generation reach late adulthood, which usually begins at about 60 years of age and lasts until their death (Dickinson 2000:16; Gersick et al. 1997:21; Lansberg 1999:152,153).

The four stages (Gersick et al. 1997; Lansberg 1999) mentioned are but one of many distinctions made between the various developmental stages of a family business. Many permutations are possible. For example, the family members in a *Controlling-Owner* business typically move through these developmental stages together. In *Sibling Partnerships*, on the other hand, where the spread of ages is wider, the various members may go through at least two developmental stages concurrently. Finally, one of the fundamental challenges that confront *Cousin Consortiums* is that the age spread is so wide that a full spectrum of developmental issues and needs must be addressed at the same time. For example, the younger cousins may be entering the business, while their much older cousins in leadership positions may already be wrestling with issues of aging and letting go (Lansberg 1999:154).

### 2.6.7.3 Business developmental dimension

Various approaches and models describing the evolution of any business in general and family businesses in particular, were highlighted in Section 2.6.4.

Models of business life cycles generally distinguish between the stages, demarcated by specific changes in the organisation's structure and operations. According to Gersick et al. (1997:23), this level of differentiation is too specific for the purposes of the three-dimensional model. However, the model of Gersick et al. (1997) does take into consideration primary perspectives on *why* and *how* organisations change over time. The first perspective focuses on the effect of external economic and social forces on organisations. In terms of the second perspective, organisations change in a predictable sequence of stages, driven in part by conditions in the external environment, but primarily by complex maturational factors inside the organisation.

According to Gersick et al. (1997:105), of all the potential indicators of organisational development, two have emerged as the most comprehensive and the most applicable to family businesses, namely *growth* and *complexity*. There are many ways to measure growth, namely sales volume, number of employees, asset value, market share, and product lines. Taken together, they form a core indicator of the business's stage of development. Complexity, on the other hand, is a particularly useful measure of business development in stage theory, because the distinctions between one organisational structure and another are easily apparent. In the early stages, businesses usually adopt simple structures, with unitary control and communication systems and close individual management by the leader. If the business survives, it usually begins to differentiate its structure, and distinct functional units or product lines emerge, as well as a growing layer of middle management, more formal control and human resource systems, and more decentralised, although still tightly coordinated, organisational processes (Gersick et al. 1997:105).

Once again, a simple three-stage progression captures the essential useful differentiation of business stages. The first stage, *Start-up*, covers the founding of the business and the early years, when survival is at stake. The second stage, *Expansion/Formalisation*, covers a broad spectrum of businesses and includes all family businesses from the point where they have established themselves in the market and stabilised operations into an initially predictable routine, through expansion and increasing organisational complexity, to the period when growth and organisational change slow down dramatically. The final stage on the

business developmental axis is *Maturity*. This stage is characterised by an organisational structure that supports stability, a stable customer base with a modest growth or decline, a divisional structure run by a senior management team, and well-established organisational routines (Gersick et al. 1997:23,24,129).

It is important to emphasise at this stage that although it is useful to use the typology presented by the model of Gersick et al. (1997), an overemphasis on categorising may lead to oversimplification. There are many hybrid conditions, for instance, when ownership is shared across generations, or when a complex business that, although comfortable in maturity with its original product, opts to start some new ventures and grow others. A given family business can be at more than one stage on any given axis, placing the focus periodically on archetypes such as *Controlling-Owner*, *Young business family*, or *Start-up business* (Neubauer & Lank 1998:41). Gersick's model ideally provides a predictable framework for the development of family businesses over time in each dimension, and suggests how a recognition of the current stage, and the combination of stages across ownership, family and businesses, could help to analyse the dynamics of the family business (Gersick et al. 1997:24).

### **2.6.8 Augmented development model of family businesses**

According to Rutherford, Muse and Oswald (2006:318,327), the underlying logic of Gersick et al.'s (1997) development model of family businesses (DMFB) has gone without challenge in the family business literature. Models developed since then are highly correlated with the DMFB and make it clear that any study of the family business must take into account both family and business dynamics. What is less clear is which variables in the respective sets are actually important when classifying family businesses. In an effort to more clearly understand the classification of family businesses, Rutherford et al.'s (2006:318,327) research has attempted to add value to the widely utilised and respected DMFB.

The augmented DMFB proposed by Rutherford et al. (2006:319,327-329) begins with Gersick et al.'s (1997) classification by utilising the family, business, and ownership dimensions. However, after a review of the existing literature Rutherford et al. (2006) added a number of owner, family, business, and ownership

characteristics. Specifically included are constructs found in the literature since the publication of the DMFB (1997-2005). The augmented DMFB further builds on Gersick *et al.*'s (1997) model by incorporating owner characteristics (gender, growth orientation, and education level); firm characteristics (capital structure and strategic planning); family characteristics (divorce rate, family turnover, and family net worth invested in business); and one additional ownership variable (co-preneurship).

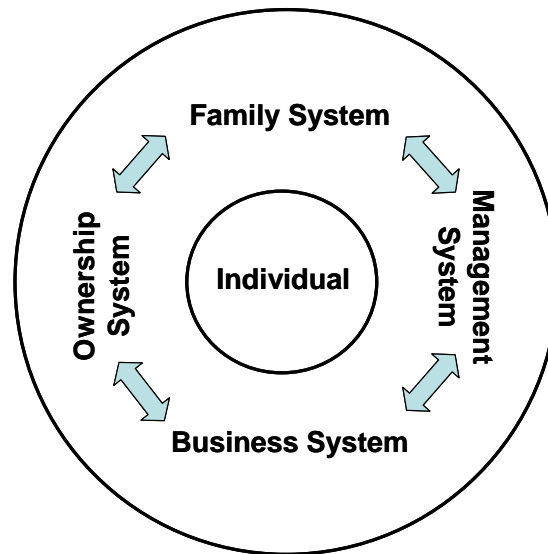
Rutherford *et al.* (2006:327-329) advocate that their analysis indicates that the original DMFB provides a solid foundation for studying family business development. Their analysis, however, provides an extended model that may be superimposed on the original DMFB to gather additional forms of information regarding family business development.

#### **2.6.9 The Bulleye system approach to modelling family businesses**

According to Pieper and Klein (2007:301) the models developed to date, to explain family businesses, are incomplete in that they exclude essential family business dimensions and ignore important relationships among subsystems that may influence family business behavior. In addition, most of the models developed are illustrated on rather basic levels of abstraction, which do not allow for feedback loops and reciprocal influence. To address these shortcomings Pieper and Klein (2007:301) developed the "Bulleye", an open systems approach that accounts for four levels of analysis, namely, the individual, the subsystems, the family business, and the environment (Pieper & Klein 2007:307). Despite the challenges posed in graphically depicting the "Bulleye" (Figure 2.4) in an appropriate and comprehensive way, Zahra, Klein and Astrachan (2006) contend that the model contributes to a more unified and holistic view of the family business field.

Pieper and Klein (2007:309), however, suggest that the "Bulleye" open systems approach need only be applied where complex interactions across various levels of analysis influence each other, and where theories concerning different levels of analysis are needed to explain a phenomenon.

**Figure 2.4: The Bulleye: Two-dimensional onlook onto the three-dimensional open-system approach**



(Source: Pieper & Klein 2007:309)

#### **2.6.10 Deficiencies in family business research**

Reviewing the evolution of the field of family business research, it can be observed that it remains preoccupied with the same issues that have dominated its discourse over the last 20 years, namely succession, performance, and governance of family firms. Paradoxically, key issues relating to the effective management of family businesses, such as goal and strategy formulation, innovation, professionalisation, resource management, internationalisation and culture, are routinely ignored or remain understudied (Zahra & Sharma 2004:335). Family business research continues to remain fragmented in its focus and findings, and lacks a solid theoretical grounding (Pieper & Klein 2007:302; Zahra & Sharma 2004:333).

An important aspect of family business research that has escaped the extensive scrutiny of academic researchers is the climate or environment after the empowerment of the successor or successors (Harvey & Evans 1995:4). Most family business studies, at an individual level of analysis, have focused on individual founders or controlling-owners (Sharma 2004:12). With regard to succession, the predominant focus has been on succession from Controlling-Owner to Controlling-Owner. Consequently, until very recently, few studies have

been conducted on whether collective systems can work, and under what conditions (Lansberg 1999:22).

Empirical evidence regarding family businesses is meager (Wortman 1994:3,19) and research relating to successors or heirs-apparent or next-generation members is at best insufficient (Goldberg 1996:186). No established theory successfully describes sibling behaviour in family firms (Handler 1991:22) and little is understood about the critically important world of adult sibling relationships (Friedman 1991:5). Because primogeniture is no longer the only option for succession in family businesses, research possibilities regarding alternative successors are potentially abundant (Goldberg 1996:195). Given the predicted trend towards team leaders in family firms, research needs to be directed towards understanding founding teams of the same or different genders and ethnic backgrounds. Issues relating to team founding and leadership await attention (Sharma 2004:12,22). On partnerships in general, there also exists a shortage of research or even anecdotal information on what goes into creating and maintaining successful partnerships. Consequently, few role players are cognisant of the issues that need to be dealt with. Even business schools fail to teach students about the issues that are most likely to bring partners to their collective knees (Gage *et al.* 2004:195). Most earlier studies on generational issues are only a small or tangential part of a larger focus on other or broader family firms issues (Sonfield & Lussier 2004:199). The lack of theory and empirically based research literature on Sibling Partnerships highlights the importance of the empirical methodology and findings of this study.

The paragraphs above provided an overview of the approaches and conceptual models in the study of family businesses. Deficiencies in the field were also highlighted. A brief discussion on the special nature and characteristics of family businesses and how they differ from non-family businesses follows.

## **2.7 FAMILY VERSUS NON-FAMILY BUSINESSES**

According to Sharma, Chrisma and Chua (1997:2), it is relevant to make a distinction between family and non-family businesses. Distinguishing between family, closely-held or privately-held businesses, versus publicly held businesses

is, however, irrelevant. In addition, the empirical results of Daily and Thompson (1994:244) do not support strategic differences between alternative ownership structures. In the present study, a distinction will therefore be made between family and non-family businesses only.

After conducting a thorough review of the family-business literature, Wortman (1994:4) concludes that the exact field or domain of family business is unknown and that the boundaries of this study field are unclear. Some clarity on the domain and distinctiveness of the field of family business studies is, however, emerging as progress is made on the development of definitions of family businesses. Numerous efforts aimed at finding the sources of distinctiveness in family firm studies have been directed towards comparative studies of family and non-family firms (Sharma 2004:5,6).

Various studies have, for example, attempted to contrast the differences between family and non-family businesses with regard to:

- *Strategic behaviour and relation to the business environment* (Gudmundson, Harfman & Tower 1999; Pistrui et al. 2001:142; Smyrnios & Walker 2003);
- *Management and ownership imperatives* (Westhead et al. 2001);
- *Management information systems (planning, control and reward systems)* (Daily & Dollinger 1992; Donckels & Fröhlich 1991);
- *Customer services* (Lyman 1991);
- *Organisational buyer behaviour* (File 1995);
- *Successor development* (Fiegener, Brown, Prince & File 1994);
- *Management of human resources* (Astrachan & Kolenko 1994; Donckels & Fröhlich 1991; Gulbrandsen 2005);
- *Business-related goals* (Lee & Rogoff 1996);
- *Sectors* (Leach & Bogod 1999);
- *Venture capital, financing and financial issues* (Gallo, Tàpies & Cappuyns 2004; Jaskiewicz, Gonzáles, Menéndez & Schiereck 2005:179; Poutziouris 2001);
- *Attributes of owner-managers and characteristics of CEO's* (Gallo 1995; Littunen & Hyrsky 2000);

- *Management capabilities* (Graves & Thomas 2006);
- *Competitiveness and performance* (Dyer 2006:253; Martínez, Stöhr & Quiroga 2007:92); and
- *Adapting to a hostile environment* (Dyer & Mortensen 2005).

Family and non-family businesses differ with regard to certain aspects such as entrepreneurial activities undertaken, performance, and perceptions of environmental opportunities and threats, but they do not differ regarding other aspects such as strategic orientations and sources of debt financing (Sharma 2004:5). A large body of literature has also identified the unique attributes of family businesses versus businesses with diverse ownership. These include attributes such as trust, altruism and commitments that can, in principle, enhance firm efficiency and performance (Lee 2006a:103). Over the past 15 years, notable contributions have been made in identifying the different characteristics of family and non-family businesses. These contributions are based on a number of theoretical frameworks. According to agency theory, family firms are different because they demonstrate overlapping owner/manager relationships. In addition, the theory of transaction cost economics assigns cost advantages to family firms as a result of better communication, higher trust, lower monitoring costs and consolidated decision-making. Others (Ward 1987) attribute the differences between family and non-family firms to the contradictions between family and business systems (Jorissen, Laveren, Martens & Reheul 2005:229).

Research aimed at distinguishing between family and non-family businesses has revealed mixed results in terms of differences between them (Sharma 2004:5; Dyer 2006:253). Methodological concerns have also been expressed in relation to the comparative family versus non-family research (Gudmundson *et al.* 1999; Jorissen *et al.* 2005:230). According to Jorissen *et al.* (2005:230), the differences between family and non-family firms found in prior studies could be due to demographic sample differences such as size, age, type of industry and location, instead of “real” differences between groups. Their research provides evidence that family and non-family firms of a certain size, age, and in the same industry do not differ greatly with regard to strategy, networking, perceptions of the environment, long-term planning, non-financial control, growth, and management training. Real differences were, however, found in relation to export, formal short-



term planning systems, variable reward systems and CEO characteristics such as age, education, tenure and gender (Jorissen et al. 2005:244).

Identifying differences between family and non-family businesses constitutes one of the basic fields of family business research. Research has recently made some progress in this regard. However, in some cases, the differences between family and non-family businesses have not been sufficiently explained (Gallo et al. 2004:303). Although these comparative studies have enhanced understanding of these firms, no set of distinct variables separating family and non-family firms has yet been identified (Sharma 2004:5).

## **2.8 IMPORTANCE OF FAMILY BUSINESSES**

Throughout economic history, no institution has driven economic development in the way that family-based enterprises have, and it is generally agreed that this unique form of organisation is the economic motor of all non-communistic economies (Neubauer & Lank 1998:xiii,8). It would be difficult to overestimate the critical importance of the success of family businesses to any country. Those who downplay their importance are making an enormous mistake (Kets de Vries 1993:61; Leach 1994:xi). The family business is the most common form of business organisation in the world (Lee 2006a:103). Even the most conservative estimates put the proportion of all worldwide business enterprises owned or managed by families between 65% and 90% (Gersick et al. 1997:2; Sharma et al. 2000:233; Van der Merwe 1999:2; Zimmerer & Scarborough 2002:19). However, the importance of family businesses for national and worldwide economies is usually underestimated or not recognised, as are their sheer numbers and contribution to employment (Flören 2002:69; IFERA 2003:238).

Despite the prevalence of family businesses, for various reasons their contributions and strengths are seldom examined or publicised (Flören 2000:69). Family businesses themselves, for the most part, irrespective of their size, prefer to keep their anonymity (IFERA 2003:238). Families have no reason to publicise their involvement with the business, and as a result the outside world does not always recognise these businesses as family-owned. Furthermore, many family businesses are privately owned and therefore not subject to publishing annual

financial reports (Flören 2002:69). Family enterprises are notoriously secretive; even well-intentioned researchers who are prepared to guarantee confidentiality are not welcome. Many family businesses find it difficult to provide such cooperation because of a strong affinity for privacy and an unwillingness to disclose personal information (Davis 1983:56). Moreover, families themselves sometimes tend to keep non-family members at a distance (Rodriguez, Hildreth & Mancuso 1999:466). As a result virtually no lists or databases exist in any country that distinguishes family businesses from non-family businesses (Flören 2002:70). This need for privacy at certain levels diminishes the possibility for family businesses to benefit from academic research and specific political decisions that could meet their demands (IFERA 2003:238).

No statistics complete enough exist to map the presence of family-owned businesses throughout the world. Most estimates focus on smaller samples or are anecdotal rather than based on quantitative research (IFERA 2003:235; Flören 2002:71). Some even suggest that commonly quoted statistics are the result of “street lore”, not statistical analysis (Shanker & Astrachan 1996).

Several possible reasons present themselves for the scarcity of general statistics and research on family businesses. Firstly, the lack of a universal definition of a family business (Flören 2002:71; IFERA 2003:235) and, secondly, widespread beliefs about family businesses, based mostly on negative prejudices about the way in which such businesses operate (Dyer 1994; IFERA 2003:235). Lastly, family businesses have not received the recognition they deserve because they are categorised by size (most are SMEs) and are therefore not recognised as characteristically distinct (IFERA 2003:236). In fact, until recently, few academics, governmental agencies or data-gathering agencies regarded families in business as characteristically distinct entities (Lansberg, Perrow & Rogolsky 1988).

Despite the fact that studies conducted in the field of family businesses display numerous methodological shortcomings and should therefore be used with caution in making interpretations and comparisons, they nevertheless confirm the weight that family businesses carry in their respective national economies, and substantiate the significance of family businesses worldwide (Flören 2002:73;

IFERA 2003:235). Table 2.1 presents a comparison of the contributions of family businesses in selected countries around the world.

**Table 2.1: Importance of family businesses**

Country	% Family business	GNP	Employment
<b>Australasia</b>			
• Australia	<ul style="list-style-type: none"> <li>80% of all private and 25 % of all public businesses, &gt;75% of companies (Baring 1992);</li> <li>67% (Smyrniou &amp; Walker 2003)</li> </ul>	<ul style="list-style-type: none"> <li>50% (Smyrniou <i>et al.</i> 1997)</li> </ul>	<ul style="list-style-type: none"> <li>50% (Smyrniou <i>et al.</i> 1997)</li> </ul>
• India	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>65% (CMIE; National Income Statistics 2000)</li> </ul>	<ul style="list-style-type: none"> <li>75% (CMIE; National Income Statistics 2000)</li> </ul>
• Indonesia	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>82% (Faustine 2001)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
<b>USA/Canada</b>			
• USA	<ul style="list-style-type: none"> <li>96% (Astrachan &amp; Shanker 1996)</li> <li>75-95% (Ward &amp; Aronoff 1990)</li> <li>19-92% (Shanker &amp; Astrachan 1996)</li> <li>89% (Shanker &amp; Astrachan 2003)</li> <li>90% (Scarborough &amp; Zimmerer 2003:18)</li> </ul>	<ul style="list-style-type: none"> <li>40%(Astrachan &amp; Shanker 1996)</li> <li>64% GDP (Shanker &amp; Astrachan 2003)</li> <li>50% (Scarborough &amp; Zimmerer 2003:18; Longenecker <i>et al.</i> 2006:86)</li> </ul>	<ul style="list-style-type: none"> <li>60% (Astrachan &amp; Shanker 1996)</li> <li>62% (Shanker &amp; Astrachan 2003)</li> <li>60% (Scarborough &amp; Zimmerer 2003:18; Longenecker <i>et al.</i> 2006:86)</li> </ul>
• Canada	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>45% (Delotte &amp; Touche 1999)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
<b>UK and Ireland</b>			
• UK	<ul style="list-style-type: none"> <li>76% of 8000 largest (Leach 1991)</li> <li>&gt;76% in wider business population (Stoy Hayward 1989)</li> <li>70% (Poutziouris 2002)</li> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>&gt;50% (Poutziouris 2002)</li> </ul>
• Ireland	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>40-50% (Sunday Business Post, April 9, 1995)</li> </ul>
<b>Latin America</b>			
• Brazil	<ul style="list-style-type: none"> <li>90% (Bernhoeft Consulting Group 2002)</li> <li>75% (Martinez 1994)</li> </ul>	<ul style="list-style-type: none"> <li>65% (Bernhoeft Consulting Group 2002)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
• Chile	<ul style="list-style-type: none"> <li>80-98% (Poza 1995)</li> </ul>	<ul style="list-style-type: none"> <li>50-70% (Martinez 1994)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
• Other	<ul style="list-style-type: none"> <li>65-80% (Gersick <i>et al.</i> 1997)</li> <li>95% (Litz1995)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
<b>Europe</b>			
• Belgium	<ul style="list-style-type: none"> <li>70-80% of all SMEs (Donckels and Hoebeke 1992)</li> <li>70% (Crijns 2001)</li> </ul>	<ul style="list-style-type: none"> <li>55% (Crijns 2001)</li> </ul>	
• Netherlands	<ul style="list-style-type: none"> <li>74% (Flören 1998)</li> </ul>	<ul style="list-style-type: none"> <li>54% (Flören 1998)</li> </ul>	<ul style="list-style-type: none"> <li>43% (Flören 1998)</li> </ul>
• France	<ul style="list-style-type: none"> <li>&gt;60% (ASMEP/GEEF)</li> </ul>	<ul style="list-style-type: none"> <li>&gt;60% (ASMEP/GEEF)</li> </ul>	<ul style="list-style-type: none"> <li>45% (ASMEP/GEEF)</li> </ul>
• Germany	<ul style="list-style-type: none"> <li>60% (Klein 2000)</li> <li>80% (Reidel 1994)</li> </ul>	<ul style="list-style-type: none"> <li>55% GDP (Klein 2000)</li> </ul>	<ul style="list-style-type: none"> <li>58% pvt. (Klein 2000)</li> </ul>
• Italy	<ul style="list-style-type: none"> <li>93% (Corbetta 1995)</li> <li>Almost 80% of firms employing 20-500 persons (Bank of Italy, 1994)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>79% (Corbetta 1995)</li> </ul>
• Spain	<ul style="list-style-type: none"> <li>71% of companies with turnover &gt;\$2 million (Gallo 1994)</li> <li>23% of 1000 largest businesses (Gallo 1995)</li> </ul>	<ul style="list-style-type: none"> <li>65% Gallo, Cappuyns &amp; Estapé 1995)</li> <li>60-65% GDP (Soria 2002)</li> </ul>	<ul style="list-style-type: none"> <li>80% pvt. (Soria 2002)</li> </ul>
• Portugal	<ul style="list-style-type: none"> <li>75% (Gallo, Cappuyns &amp; Estapé 1995)</li> <li>70% (Rejo 1997)</li> </ul>	<ul style="list-style-type: none"> <li>60% (Rejo 1997)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
<b>Scandinavia</b>			
• Sweden	<ul style="list-style-type: none"> <li>79% (Emling 2000)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
• Finland	<ul style="list-style-type: none"> <li>80% (Veaceslav &amp; Lehtinen 2001)</li> </ul>	<ul style="list-style-type: none"> <li>40-45% (Veaceslav &amp; Lehtinen 2001)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
<b>Asia</b>			
• Singapore	<ul style="list-style-type: none"> <li>80-90% (Lee 2006b:175)</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>
<b>Africa</b>			
• South Africa	<ul style="list-style-type: none"> <li>80% (Ackerman 2001:325; Piliso 2006)</li> </ul>	<ul style="list-style-type: none"> <li>60% (Piliso 2006)</li> </ul>	<ul style="list-style-type: none"> <li>75% (Piliso 2006)</li> </ul>
• Other	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>	<ul style="list-style-type: none"> <li>No data available</li> </ul>

(Source: Adapted from Flören 2002:71-72; IFERA 2003:237; Soria 2002; Lane, Astrachan, Keyt & McMillan 2006:148; Smyrniou & Walker 2003)

Many of the figures in Table 2.1 are based on quantitative research. As stated previously, different definitions of a family business are used in different countries. In some cases the percentages quoted for a country vary from source to source; in addition, the percentage range is sometimes very broad. Consequently, these comparisons should be interpreted with caution; they are merely an indication of the impact that family businesses could potentially have all over the world.

From Table 2.1, it is, however, clearly evident that, in the countries represented, approximately 60% to 90% of the businesses can be classified as family businesses. These businesses are responsible for between 40-70% of the GNP in these countries and account for approximately 40-65% of employment. It is a worldwide phenomenon that family businesses account for most of the GNP and employment places; the figures are estimated to vary from 45-70% throughout the non-communistic world (Kets de Vries 1993:61; Neubauer & Lank 1998:10; Zheng 2002:287). Indeed, family-controlled businesses are the dominant form of business throughout much of the world (Gersick et al. 1999) and are among the most important, if not the most important, contributors to wealth and employment in virtually every country (Neubauer & Lank 1998:11; Sharma 1997:1; Jack 2008).

Family businesses are also the predominant way of doing business in South Africa today (Growing family businesses into professional companies n.d.; Secure the success of your family business 2000; Piliso 2006), comprising about 80% of South African businesses (Ackerman 2001:325; Dickinson 2000:3; Piliso 2006). For the past 300 years or more, family businesses have been making a positive contribution towards the South African economy (Maas et al. 2005:6) and their influence, as well as their numbers, can be expected to increase substantially in the future (Clarke 1993:14; Laubscher 1993:1; Ryan 1995:12). Joint research between the United States, Britain and South Africa (Hugo 1996:7) has revealed that successful family businesses generate jobs and wealth on a much larger scale than any other type of business. It is thus vital that more care be taken by public policy-makers everywhere to ensure the health, prosperity and longevity of this type of business (Neubauer & Lank 1998:11).

## **2.9 CHALLENGES FACING SMALL AND MEDIUM-SIZED FAMILY BUSINESSES**

In the previous paragraphs, the vital importance of both family-owned and non-family-owned SMEs, both economically and socially, was highlighted. This evidently also applies to South Africa, with approximately 80-90% of SMEs being family owned or controlled (Venter 2003:32-34).

SMEs, both family- and non-family-owned, are, however, inextricably linked to problematic challenges and high failure rates. In the USA, for example, 34% of new small businesses fail within two years, 50% within four years, and 60% within six years (Scarborough & Zimmerer 2003:12). According to Kuratko and Hodgetts (2007:13), a more accurate statement is that more than half of all start-ups last between five and seven years, depending on the economic conditions following the start. It has been estimated that the SME failure rate in South Africa is between 70% and 80% (Moodie 2003:9; Ryan 2003:13; Time is now right for entrepreneurs to start and run their own businesses 2006:8) and that 80% of all new small businesses fail within their first five years of existence (Why do small businesses fail? 2003:1). High rates of failure are also expected among family businesses, as they are concentrated among small businesses.

There are many reasons for this high failure rate among SMEs, although some reasons are more prevalent and are cited more often than others. Because of their limited resources, inexperienced management and lack of financial stability, small businesses suffer from significantly higher mortality rates than larger businesses (Scarborough & Zimmerer 2003:24). Constraints specifically faced by smaller business enterprises in South Africa include legal and regulatory requirements; market access; access to finance and suitable business premises; the acquisition of skills and managerial expertise; access to appropriate resources and technology; the quality of infrastructure, especially in poverty-stricken and rural areas; bureaucratic hurdles, and tax regulations (Malagas 2003:47). Failures are largely due to a combination of poor macro-economic performance and a number of structural constraints that impede development (IDC support to SME sector 2001:5).

Apart from facing similar business and environmental challenges as non-family-owned SMEs, family-owned SMEs face additional challenges owing to their unique nature and familial interpersonal relationships. These include problems arising from family conflict, emotional issues, sibling rivalry, autocratic paternalistic cultures, nepotism, confusing organisation, rigidity in innovation, succession, and resistance to change (Jorissen et al. 2005:229; Venter 2003:72). Of these, succession is probably the biggest challenge faced by the majority of family businesses (Lee 2006a:104). Even though most owners want to see the family ownership of their business continue after their departure from the business, statistics worldwide show that only 30-33% of family businesses survive past the first generation, while even fewer (10-16%) survive to the third generation (Davis & Harveston 1999:312; Lee 2006a:104; Longenecker et al. 2006:86; Scarborough & Zimmerer 2003:18), while as few as 3% survive into the fourth generation (Scarborough & Zimmerer 2003:18; Stavrou 1995:168). According to Hugo (1996:8), only 25% of family businesses in South Africa proceed to the second generation, and a mere 10% to the third. As chief contributors to the economic and social well-being of all capitalist societies, this fragility is a reason for concern and raises questions as to what factors explain this lack of longevity (Bosch et al. 2006:684; Neubauer & Lank 1998:14).

Although dealing with succession (especially the transfer of ownership from Controlling-owner to Controlling-owner) has been the main challenge facing family businesses for the past decade, family business experts are of the opinion that as far as ownership structures are concerned, Sibling Partnerships are the challenge of the future (Nelton 1996:53). Sibling Partnerships are fragile business structures; approximately half result in failure (Ward 1997:327; Ward & Aronoff 1992:52-53). Shared ownership carries with it a whole new set of problems for the family business, and much work lies ahead in trying to understand what makes Sibling Partnerships work. In line with the main purpose and objectives of this study, the subsequent chapters will focus on enhancing understanding of such partnerships, in an attempt to improve their chances of succeeding. The next chapter introduces Sibling Partnerships as an ownership structure among family businesses, and looks at their nature and prevalence, as well as their strengths and weaknesses. The remaining chapters focus on identifying and empirically testing the various factors influencing the *Perceived success* of such partnerships.

South Africa urgently needs to create more wealth and a conducive environment for more successful businesses if it is to achieve its many economic, social and personal objectives. Despite the high failure rates among SMEs, including family-owned SMEs, statistics still show that these businesses make a significant contribution to the economies of their respective countries. One can only imagine the enormous contribution these firms, including Sibling Partnerships, could make, should their failure rate be reduced. Family businesses, and more specifically small and medium-sized family businesses, are the backbone of the South African economy, and it is vital that all efforts be made to promote the success and sustainability of these businesses.

## **2.10 SUMMARY**

The main purpose of this chapter was to examine the nature and importance of small and medium-sized businesses in general, and family businesses in particular. This was accomplished by investigating the importance of SMEs, as well as family businesses, both globally and nationally.

No uniform, clear and widely accepted international definition of a small or medium-sized business could be found, so for the purpose of this study, SMEs are *businesses that are independently owned and managed, and employ more than 5 but fewer than 200 workers*. As in the case of defining SMEs, little consensus exists in the literature as to what constitutes a family business. For the purpose of this study, a family business is defined by the following criteria: *at least 51% of the equity of the business must be owned by a single family; a single family must be able to exercise considerable influence; and at least 2 family members must be involved in the senior management of the business*. As this study aims to investigate small and medium-sized Sibling Partnerships, the inclusion of criteria relating to the number of employees as well as the involvement of siblings is warranted. Consequently, at least 2 siblings must be actively involved in the management of the business and exercise considerable influence over decision-making, and the family business should employ between 5 and 200 workers.

To enhance understanding of the unique nature of family businesses, the evolution of the various conceptual models and approaches was discussed. Earlier

approaches focused on the typical problems facing family businesses, followed by a close scrutiny of the characteristics of the founders of such businesses. The next approach was the application of the systems theory, which depicts the family and the business as overlapping, interacting and interdependent systems. A further augmentation of this model introduced the dimension of ownership to that of the business and the family. A shortcoming of many of these models is that they do not take time and change into consideration. The three-dimensional developmental model overcomes this by showing each of the three subsystems (ownership, management and family) moving through a sequence of stages over time. The augmented DMFB further builds on previous models by incorporating additional owner, firm and family characteristics, as well as one additional ownership variable. The “Bulleye”, an open systems approach, which accounts for four levels of analysis, addresses some of the basic shortcomings of prior models.

Various unique characteristics of family businesses, as well as how they differ from non-family business, have been discussed. These could have either a positive or a negative influence on the success of the family business.

Apart from facing similar business and environmental challenges as other non-family-owned SMEs, family-owned SMEs face additional challenges because of their unique nature and familial interpersonal relationships. The lack of longevity of family businesses is a major cause for concern; few proceed to the second generation, and even fewer make it to subsequent generations. Although dealing with succession, especially the transfer of ownership from Controlling-Owner to Controlling-Owner, has been the main problem facing family businesses for the past decade, family business experts are of the opinion that Sibling Partnerships as ownership structures should be the major focus in the years to come. Sibling Partnerships are fragile business structures; approximately half result in failure. Siblings owning and managing family businesses together bring a whole new set of problems for the family business, and much work lies ahead in trying to understand the conditions and environment that will allow Sibling Partnerships to thrive. Sibling Partnerships are a specific ownership structure adopted by certain family businesses. These enterprises are in essence the unit of study of this investigation. The rise of Sibling Partnerships, their nature and importance, and the challenges they face will form the essence of Chapter 3.



## CHAPTER 3

### SIBLING PARTNERSHIPS AS OWNERSHIP STRUCTURES IN FAMILY BUSINESSES

*“We see ourselves like fingers on a hand. Some of us are taller and stronger than others. Some of us are more dexterous. Some of us have more power. Some of us can’t really do much without the others. Some of us are a little smaller and less able. But try doing anything without all five fingers and you quickly discover that each finger does make a contribution” (Ward 2004:96).*

#### 3.1 INTRODUCTION

The focus of this study is on Sibling Partnerships, as ownership structures in small and medium-sized family businesses. As mentioned in Chapter 2, these businesses, which form the unit of study in this research, exist within two contextual fields of study, namely that of small and medium-sized businesses and that of family businesses. Chapter 2 has described the nature and importance of each of the aforementioned, whereas this chapter introduces Sibling Partnerships as ownership structures among family businesses.

The nature of Sibling Partnerships is described, and evidence of their increasing existence is presented. The vulnerability and power of such partnerships are highlighted, as well as the important challenges they face. The chapter concludes with an introduction to the factors influencing the *Perceived success* of a Sibling Partnership, as well as an explanation of *Perceived success*.

#### 3.2 OWNERSHIP STRUCTURES IN FAMILY BUSINESSES

In family businesses, whether the owners are working in the business or not, the control of ownership marks the seat of ultimate power (Gersick *et al.* 1997:195; Lansberg 1999:28). Ownership rights typically prevail over managerial authority, and ownership is a useful variable for distinguishing among different types of family forms (Lansberg 1999:27,28). The family form or choice of ownership structure

affects the distribution of power and authority inside a family business (Gersick et al. 1997:61).

Transition or succession in a family business involves the passing of responsibility, authority and ownership control from one generation to the next (Ward 2004 2004:50). The format that this new ownership control arrangement or structure will take is one of the most difficult and fundamental decisions facing a family business (Lansberg 1999:4, Ward 2004:34). The chosen ownership structure is greatly influenced by the values of the family and their shared vision for the future of the family business (Gersick et al. 1997:195; Ward 2004:31,32). The decision is based on different assumptions about how the family works best, how the family and business affect each other (Ward 2004:34), and which structure is most desirable and feasible, given the talents and skills of the next generation (Lansberg 1999:4). The ownership and management plan is thus conceptualised, structured and timed to fit a particular family and business at a given point in time (Maas et al. 2005:72).

When viewed from the perspective of ownership distribution, and hence influence over governance, family businesses come in three fundamental forms, structures or stages of ownership evolution, namely the Owner-Managed (Controlling-Owner); the Sibling Partnership; and the Cousin Collaborative (Cousins Consortium) structures (Gersick et al. 1997:30,31; Lansberg 1999:28; Ward 2004:31). The nature and challenges of each of these structures have been discussed at length in Chapter 2 (see Section 2.6.7.1) and will therefore not be repeated here.

Historically, these basic ownership structures have been associated with the generational stages in which the family business finds itself, so that a Controlling-Owner business in the first generation becomes a Sibling Partnership in the second and a Cousin Consortium in the third (Lansberg 1999:28). In reality, however, there are no pure models, and it is possible for a family business to recycle its existing ownership structure, move towards a more complex structure, or adopt a simpler structure (Gersick et al. 1997:47; Lansberg 1999:3). Numerous post-succession ownership options are available to the family business. Some leadership transitions change only the people managing them, while in others there are fundamental changes in structure and culture (Gersick et al. 1997:190; Ward 2004:31). For example, Lansberg (1999:38-49) identified nine possible types of successions: three

that involve a change in leadership while maintaining the same business form, namely recycled successions; three that involve a change in leadership while increasing the complexity of the business form, namely evolutionary successions; and three that involve a change in leadership while simplifying the business form, namely devolutionary successions. Family businesses do not necessarily go through only one succession at a time, nor do generational transitions occur all at once. The change of ownership structure might not require a change of fundamental form. When succession involves a restructuring of the fundamental form, however, the adaptation required is of a higher order of magnitude and more complex.

Although there is a relationship between the ownership structure and the generational stage, the progression does not always follow a predetermined sequence. In some cases, a sibling team instead of a single owner could establish the family business. While the stages are distinct, the lines between them are not clear, and periods could exist in which more than one generation is involved (Lansberg 1999:29,46; Ward 2004:42). During transitional periods, for example, two types of ownership structures, each with its own characteristics, could easily co-exist in the same business, often generating conflict between the supporters of each.

As was discussed in Chapter 2 (Section 2.6.7.1), each ownership structure has its own critical issues and challenges (Ward 2004:13,41). As a result, the ownership structure influences the character of the strategies adopted (Ward 2004:35). What works in one structure could be a recipe for disaster in another (Lansberg 1999:37), and what the business needs in one stage could be the opposite of what was needed in a previous stage (Ward 2004:66). The stage of ownership evolution explains the family business behaviour and suggests guidelines for family business conduct (Ward & Dolan 1998:305).

The fundamental assumptions about the nature of leadership and governance must be altered if the ownership structure is to succeed (Lansberg 1999:48). It is important that each generation re-examines the assumptions from the past and develops new leadership structures suited to emerging family needs and changing business circumstances (Lansberg 1999:71). A change in ownership structure requires a redefinition of the ground rules guiding how decisions are made and

implemented, and requires a major adaptation in the way key stakeholders interact (Lansberg 1999:40). Each ownership structure calls for a different approach to exercising leadership and authority (Lansberg 1999:123).

The ownership structure should be revised to accommodate new information about what may or may not be feasible. Selecting a structure must not be driven by the needs of the organisation today, but by what will be feasible in future (Lansberg 1999:148,224). The best succession plan or next generation ownership structure involves assessing leadership abilities and providing opportunities for growth for all sons and daughters, so that the best-prepared and best-motivated candidate(s) are chosen as leaders, without regard for gender or birth-order (Frankenberg 1997:32).

As mentioned above, although more than one type of ownership structure is available to family businesses, the focus of this study will be on Sibling Partnerships. To this end, the remainder of this chapter will be dedicated to the Sibling Partnership ownership structure, highlighting the nature of Sibling Partnerships, their increasing importance and prevalence in business today, their strengths and weaknesses, and the challenges they face.

### **3.3 SIBLING PARTNERSHIPS AS OWNERSHIP STRUCTURES**

As one of the ownership structures available to family businesses, a Sibling Partnership is favoured by many parents who wish to see their children working together as a team (Lansberg 1999:32). It is the vision of these parents to see their children walk hand-in-hand into the future, carrying on family traditions, preserving the family values, and carrying the family business to new heights (Gersick *et al.* 1997:96; Lansberg 1999:86). By making their children equal partners who share in the fruits of the enterprise, they hope to achieve fairness and family harmony. This preference for an equal partnership grows out of a long-standing commitment to family collaboration and teamwork (Lansberg 1999:86,132). In an ideal Sibling Partnership, brothers and/or sisters harmoniously and successfully run their family business together for another generation, and their family serves as a centre of strength, joy, love and support (Aronoff *et al.* 1997:1).

### **3.3.1 Nature of Sibling Partnerships**

In Sibling Partnerships, ownership is divided or shared more or less equally among two or more brothers and/or sisters, who may or may not be active in the business (Gersick et al. 1997:39; Lansberg 1999:32; Ward 2004:31). If there are additional owners, either from the parents' generation or the siblings' offspring, they do not exercise significant ownership influence. In other words, effective control is in the hands of one sibling generation only (Gersick et al. 1997:39; Venter 2003:36). Nearly all Sibling Partnerships are in their second or later family generation; as such they have, on average, survived longer and grown larger than firms in the previous generation (Gersick et al. 1997:39). The nature of a Sibling Partnership in general has already been described in Section 2.6.7.1, and will therefore not be repeated here. Sibling Partnerships can, however, adopt various types of arrangements.

### **3.3.2 Types of Sibling Partnership arrangements**

In Sibling Partnerships, shares, control and participation can be distributed among the sibling groups in terms of various arrangements (Aronoff et al. 1997:2,3,45; Gersick et al. 1997:41; Lansberg 1999:32; Ward 2004:31; Ward & Dolan 1998:307). One of the first alternatives is that the sibling who is managing director gets control. Another option is that siblings are treated differently, in that those actively working in the business get more shares than those not working in the business. Parents are likely to choose this second option, because they may feel that it is important for active children to have the controlling interest. Another possibility is to separate the value of the shares from the vote or control by issuing voting and non-voting shares (Aronoff et al. 1997:45). Each type of Sibling Partnership arrangement presents a different motivation for ownership and/or a different attitude towards leadership and governance (Ward 2004:32). In its pure form, however, no one sibling has a clear advantage over the others, and ways are found to share influence in decision-making (Lansberg 1999:32).

The most common Sibling Partnership arrangements are the following (Aronoff et al. 1997:2-3):

- The “all in, all owners” team, where all siblings are employed in the business and all are owners;
- Siblings “in the business” team, which is composed of only those siblings who work in the business;
- Sibling ownership team consists of owners/siblings both active and non-active in the business; and
- Sibling board team, when all siblings comprise the membership of the board of directors.

In reality, ownership arrangements do not fit nicely into predetermined structures, and even joint partners do not have to possess an equal number of shares (Ward & Dolan 1998:307). The specific variety of Sibling Partnership that emerges will determine the issues faced by the partnership and have implications for structures and strategies (Gersick et al. 1997:156; Ward 2004:32). Although the labels or names may differ slightly, Sibling Partnerships are structured in more than one fundamental form, namely the *quasi-parental*; the *first-among-equals*; the *shared leadership* arrangement; and the *investment* partnership (Gersick et al. 1997:41; Lansberg 1999:32; Ward 2004:33; Ward & Dolan 1998:307). As mentioned above, various ownership control and participation arrangements exist within each form.

The *quasi-parental form* of Sibling Partnership closely resembles that of a family business managed by a Controlling-Owner. One sibling has ownership control and can thus legally make decisions without the consent of the other siblings. This form of Sibling Partnership is common under the following circumstances: where both parents died at a young age; where a close relationship exists between the selected sibling and the parents; a significant age gap exists between the selected sibling and the other siblings; and where the selected sibling has always displayed informal leadership over the other siblings. This form of Sibling Partnership is workable if the quasi-parental sibling is competent, consults responsibly with minority shareholders, and the distribution is perceived as fair by the other siblings (Gersick et al. 1997:42).

The *first-among-equals* form of Sibling Partnership involves a group of siblings with one acknowledged leader (Lansberg 1999:32). One member of the ownership team, the controlling partner, has effective control, with the other(s) sharing the rest of the votes. The controlling sibling partner has also been referred to as the “brother’s keeper” (Ward & Dolan 1998:307) or “caretaker” (Ward 2004:33). The “caretaker” or sibling with ownership control has a “golden share” and takes personal responsibility for the business and for the welfare of the family, while all the other siblings participate, usually equally, in the rewards of ownership (Lansberg 1999:33). The lead sibling stops short, however, of the quasi-parental role. This form is more likely to be adopted when minority shareholders intend to exercise some rights, but do not want the responsibility of equal involvement in the business. The first-among-equals role is delicate to manage, as too much leadership can lead to an uprising among the other siblings, whereas too little leadership can result in a breakdown of the system. The ingredients for a successful first-among-equals partnership are choosing the right leader who is endorsed by all family members, a family with a good history of collaboration, the right sibling relationship, and an arrangement of authority, inputs and rewards that is regarded as fair by all (Gersick et al. 1997:42,43). Lead siblings in these types of partnerships cannot and do not act unilaterally; they learn early that they have to adopt a consultative approach, and work towards consensus by brokering deals with the other siblings. For stability, the lead sibling must prove his or her managerial abilities to the other siblings, while the others need to recognise that granting the lead sibling relatively more authority will advance their economic interests. While exerting his or her authority over the business, the lead sibling must in turn refrain from assuming the role of the parent in relation to the brothers and sisters, or else conflict will inevitably arise in the partnership (Lansberg 1999:32-33).

In *egalitarian arrangements*, the siblings are joint partners, and ownership control is distributed more or less equally among two or more brothers and/or sisters (Gersick et al. 1997:44). In these joint partnerships, no one sibling has total control, even in cases where the share allocation between them is not equal (Ward & Dolan 1998:307). In these shared leadership arrangements, the siblings lead the family business as a democratic team. The partners are not only equal shareholders, but also have equal managerial and decision-making authority. The

siblings make significant management decisions as a group, and rewards are typically divided equally. Ownership authority exercised by means of an egalitarian sibling team arises in the absence of strong individual leadership and where parents wish to achieve fairness and family harmony (Gersick et al. 1997:44; Lansberg 1999:33, 86). Where siblings have always operated as a leadership group, or have rotated leadership according to different tasks or special skills, such teams can be satisfying and productive. Egalitarian Sibling Partnerships are, however, a delicate dance, and partners need to find creative way to share power and glory (Gersick et al. 1997:44).

*Investment partnerships* exist where the siblings are all non-employed investors in the business. In these partnerships, non-family executives or non-family trustees take up responsibility for business leadership (Ward 2004:32).

Sibling arrangements may overlap, and in the course of a generation configurations may change. One sibling may leave the business, whereas another may join the business, another may want to sell his or her shares, while yet another may want to buy more (Aronoff et al. 1997:3). If the parent retains an active role in the business after ownership control has passed to the sibling group, the firm will exist in a hybrid of two states, namely Controlling-Owner and Sibling Partnership. The more the parent is still perceived as the ultimate authority, the more the business will behave like a Controlling-Owner firm (Gersick et al. 1997:39). According to Ward and Dolan (1998:306), the classification of an ownership structure does not always depend on actual familial relationships, but rather on how significantly the collective voting power affects the ownership structure, as well as the intensity of the owners' relationships.

Although the Sibling Partnership has been described as "the bumblebee of management" (Lansberg 1999:14), all the various forms of Sibling Partnerships can be effective, depending on the prevailing circumstances (Aronoff et al. 1997:45) and the particular individuals and family members involved (Gersick et al. 1997:41).



In summary, a Sibling Partnership can be described as a family business in which:

- Ownership is divided or shared *more or less equally* among two or more brothers and/or sisters (Lansberg 1999:32; Ward 2004:31). Equal share of ownership as such is not a requirement, as even joint partners do not have to possess an equal number of shares (Ward & Dolan 1998:307).
- Siblings with an ownership share *may or may not be active* in the business (Gersick et al. 1997:39; Lansberg 1999:32; Ward 2004:31).
- Additional owners may exist, but *effective control* is in the hands of one sibling generation only (Gersick et al. 1997:39; Venter 2003: 56).

The main focus of this study is to investigate the factors influencing the ability of siblings to work together as team members in their family business. Throughout the literature and this study, the concepts “Sibling Partnership” and “sibling team” are used interchangeably and often considered as synonymous. The concept “Sibling Partnership” suggests a legal relationship between the siblings, with each having an ownership share, whereas the concept “sibling team” does not. Equal share of ownership among the siblings is, however, not a requirement for a Sibling Partnership (Ward & Dolan 1998:307); neither is total ownership expected to be in the hands of the siblings only (Gersick et al. 1997:39; Venter 2003:36). It has even been suggested that for siblings to work together successfully, the amount of ownership held should not limit or expand the authority of one sibling over another (Brigham 2004).

According to Gersick et al. (1997:39) and Venter (2003:56) a Sibling Partnership is a family business ownership structure where the siblings exercise significant ownership influence. A situation could, however, exist where the parents are retired and no longer involved in business decision-making, yet for estate reasons, ownership is still in their hands. In such a situation, the siblings could be regarded as the key decision-makers with significant influence over the future of the family business. The factors influencing their ability to work together could thus be considered the same, regardless of whether they are legal owners or not.

The focus of this study is on sibling teams, whether a legal relationship exists between the team members or not. Consequently, for the purpose of this study,

the concepts “Sibling Partnership” and “sibling team” are used interchangeably and considered synonymous, and are defined as a family business in which:

- Team members are siblings or brothers and/or sisters with a *familial bond* (share the same parents or the same childhood);
- Siblings are *actively involved* (but not exclusively) in the management and/or decision-making of the business (which could include those working and those not working in the business);
- Siblings exercise considerable *influence over decision-making* (irrespective of ownership share); and
- The business *employs* between 5 and 200 employees.

This delineation places the *decision-making authority* of the family business in the hands of two or more siblings, regardless of whether they have legal ownership of the business or not. Similarly, in their study investigating copreneurial teams in family businesses, Fitzgerald and Muske (2002:13) classified copreneurs as husband and wife teams where the spouse was a major decision-maker but not necessarily a co-owner.

### **3.4 RISE OF SIBLING PARTNERSHIPS**

Today, more and more family business founders are considering some form of shared leadership or team ownership for the next generation of family members. It is evident that a shift in thought concerning leadership is occurring, not only among scholars of organisational leadership, but also among family businesses.

#### **3.4.1 Shifts in leadership thought**

Historically, leadership has been conceived around a single individual. This paradigm has dominated the leadership field for many decades (Gersick *et al.* 1997:2). In recent years, however, a few scholars have challenged this conception, arguing that leadership is an activity that can be shared or distributed among members of a group or organisation. For example, depending on the demands of the moment, individuals who are not formally appointed as leaders can step in to assume a leadership role and then step back to allow others to lead.

This line of thinking is gaining increasing attention among leadership scholars (Pearce & Conger 2003:2).

New models of leadership recognise that effectiveness in living systems of relationships does not depend on individual, heroic leaders, but rather on leadership practices embedded in a system of interdependencies at different levels within organisations. This has ushered in an era of shared leadership, a new approach intended to transform organisational practices, structures and working relationships (Pearce & Conger 2003:21).

As the business environment grows more complex, both large and small businesses are moving towards team leadership (Lansberg 1999:15; Nelton 1996). Plural leadership is increasingly evident in the executive suites of large public companies. For example, in a study of 270 randomly selected US companies, including both family and non-family firms, it was found that the percentage of firms managed by a single senior executive had declined significantly since 1964. Most companies in the US today are managed by a “duo”: two executives who divide senior-level responsibilities (Lansberg 1999:24).

In another study undertaken among 122 German firms, more than 80% were formally led by executive teams combining family owner-managers and non-family executives. Research demonstrates that the move towards a shared senior leadership arrangement has sprung from the growing complexities that most senior executives face in today's business environment. The multiple demands placed on senior executives can often be better handled by a leadership team (Lansberg 1999:24).

There is growing realisation that senior leaders do not necessarily possess all the information or skills required to make highly effective decisions in a diverse, fast-changing and complex world. Some businesses may, for example, sell a wide variety of products, each facing different conditions. Consequently, a broad spectrum of skills is needed to manage these products, which single leaders may not possess (Lansberg 1999:228). Furthermore, speed of response is an organisational imperative given the fast-paced business environment. To ensure speedier response times, leadership has to be distributed or shared across the

organisation. Another force driving the need for shared leadership has to do with the complexity of the roles and responsibilities with which leaders in an organisation are tasked. Increasingly, leaders are hard-pressed to possess all the leadership skills and knowledge necessary to guide a complex organisation in a dynamic and global marketplace. In response to this dilemma, a number of experiments have been conducted in which leadership is shared at the very top (Pearce & Conger 2003:2-3).

Although the need and appreciation for shared leadership has been growing, the understanding thereof lags behind. This shortcoming is mainly due to the singular focus on the conception of an individual leader, to the neglect of distributed forms of leadership. Only a small number of published studies have examined shared forms of leadership (Pearce & Conger 2003:2-3). Very few empirical studies on shared leadership exist, and this field is clearly still in its infancy. It is therefore evident that more in-depth research is necessary, given the fact that traditional models of leadership will have to change in an age of information and teamwork (Pearce & Conger 2003:14). According to Pearce and Conger (2003:14), shared leadership is not a temporary phenomenon in the field of organisational science, but an approach to leadership that is gaining recognition and importance.

As shared leadership gains significance, so too is there a growing interest in teams that start-up entrepreneurial ventures (Sapienza, Herron & Menendez 1991; West 2007:77). Forbes, Borchert, Zellmer-Bruhn and Sapienza (2006:225,226), advocate that although the importance of individuals who create businesses has long been appreciated, scholarship that focuses on the entrepreneurial team is just developing. In their opinion, the increased attention given to entrepreneurial teams is evidence of the theoretical maturation of entrepreneurship research, and also reflects prevalent insights from practice. For example, by the end of the 1980s start-ups were frequently launched by teams rather than solo founders (Francis & Sandberg 2000:5,6). However, the literature on entrepreneurial teams remains sparse and inconsistent (Sapienza et al. 1991). Rarely is the underlying dynamics of the entrepreneurial team explored in-depth in empirical studies (Francis & Sandberg 2000:10).

### 3.4.2 Shifts in leadership thought among family businesses

Throughout human history, parents have traditionally used hierarchy and primogeniture to set the rules for younger generation succession. The prevailing assumption is that eldest or only sons are first in line and should take over the major family obligations and responsibilities after succession has taken place (Barnes 1988:10). Traditionally, a family business was almost invariably handed down from founding father to first-born son. As in monarchies, the most sacred rule, that of primogeniture, existed in many family firms. According to the rule of primogeniture the first-born son succeeds the father (Ibrahim et al. 2001:255).

As a result, research on succession to date has mainly focused on transitions from one Controlling-Owner to another. This research focus has virtually eliminated from view a large number of family businesses that either have a system of multiple leaders, or would prefer to transfer the business in the next generation to a leadership group (Lansberg 1999:13). Family business literature has tended to focus on father-to-son transitions, and the almost exclusive attention to this type of transition by the classic works in the field, has tended to inhibit a true understanding of the complex world of family businesses (Gersick et al. 1997:194). The Controlling-Owner focus has curbed the development of a full appreciation among researchers and family businesses of the wide variety of governance structures and leadership arrangements that actually exist (Lansberg 1999:23).

In recent years, primogeniture has become less automatic than it once was, and family businesses are increasingly being passed on to daughters and even younger sons (Barnes 1988:11; Brockhaus 2004:168). Today, this sacred rule of primogeniture is being challenged even further, and a major shift is evident in which family businesses are adopting a shared leadership approach and increasingly passing the family business on from founder to a next-generation team of siblings (Aronoff et al. 1997:5; Bettis 2002b; Bryck 1999:59; Lansberg 1999:15,24,25; Ward 2004:7; Ward 1997:327).

About 25 years ago, only 5-10% of all US family businesses were run and owned by teams of siblings. Today, however, surveys show that 40-50% of family firms in the US will be owned and led by groups of brothers and sisters in the future (Ward

2004:2), indicating a clear movement towards multiple successors. According to a study conducted in conjunction with Arthur Anderson and MassMutual, 28% of family firms expected their Chief Executive Officer to retire within 5 years, and an additional 14% stated that their current Chief Executive Officer would semi-retire within the same period. The study showed that 11.2% of family businesses had more than one Chief Executive Officer, while another 1% stated that they had more than two CEOs. Most importantly, the survey reported that 42% were considering moving to co-CEOs in the next generation (Aronoff et al. 1997:5; Bailey 2001; Lansberg 1999:18). A survey published in the *Wall Street Journal* reported that 15% of business owners planned to form an executive committee of two or more children. Other informal research has found that about 50% of family business owners are intending to pass ownership and leadership to multiple-sibling teams (Nelton 1996; Ward 1997:327). Although the majority of family firms still have a single owner, studies have shown that 20-25% are Sibling Partnerships (Nelton 1996:53; Passing on the crown 2004) and that equal partnerships are a popular form of ownership (Ward & Dolan 1998:307). It appears that shared authority and Sibling Partnerships are much more common in family businesses than was once thought (Gersick et al. 1997:67).

Partnerships as such are not a new phenomenon. The dream of a Sibling Partnership, like the single-hero model that underlies the Controlling-Owner dream, has a rich cultural history, from the ancient stories of Moses and Aaron or Damon and Pythias to the French Revolution, which glorified replacing patriarchal authority with fraternal leadership based on equality (Gersick et al. 1997:196). From the Fuggers of the Italian Renaissance, to the Rothschilds in the 19th century, to the Rockefellers and du Ponts of the 20th century, some of the world's greatest business empires have been built by family partnerships (Lansberg 1999:19). There are in fact many legendary teams that have captured the imagery of fraternal partnerships, including the Wright brothers in engineering, the Mayo brothers in medicine and science, and in business the Bass brothers and the Bloomingdales (Lansberg 1999:86). Sibling Partnerships are, however, still a relatively new phenomenon in the succession patterns of family businesses, but it is evident that they are growing in both importance and numbers (Aronoff et al. 1997:66; Bettis 2002b; Reece n.d.).

A study undertaken by Dyer (1988) has revealed that decision-making is more centralised in first-generation family firms than in subsequent-generation family firms. Similarly, Aronoff (1998) suggests that subsequent-generation family firms are more likely to engage in team management with parents and/or with siblings in the family business if all enjoy equality and participative involvement in important decision-making, even if one family member is still the dominant leader of the business. In contrast with Dyer (1988) and Aronoff (1998), however, Sonfield and Lussier (2004:197), who have compared first-, second- and third-generation family firms, found no support for the hypothesis that subsequent-generation family firms are more likely than first-generation family firms to use a team-management style. These contradictory findings emphasise the value of further research into team management in family businesses.

Demographic trends throughout the Western World suggest that evolutionary transitions in family businesses are on the increase. The result is that there is a major shift towards shared leadership systems and consequently a growing number of founders who are considering shared leadership, team ownership or some sort of collective governance, with more or less equal partners, for the next generation (Aronoff *et al.* 1997:5; Bryck 1999:59; Fenn 1998; Lansberg 1999:15,24,25; Nelton 1996; Ward 2004:7). The numerous factors driving this trend are now considered.

### **3.4.3 Factors driving shifts in leadership thought among family businesses**

Many economic and technological developments of the past 20 years have begun to overturn long-held management beliefs. The principles underlying orderly hierarchies, for example, which previously were regarded as ideal in the context of family business, are now regarded by many as outdated. New organisational forms or management arrangements are inherently messier, but encourage work autonomy, cooperation through teamwork, the equal distribution of rewards, and commitment through various forms of shared leadership and ownership. Many of these new techniques are found in smaller sibling- and cousin-owned and managed family businesses (Lansberg 1999:23).

Global competition and the demands of the information age are fuelling a dramatic increase in partnerships in the world of entrepreneurship. The same pressures are being brought to bear on family businesses; it is becoming harder and harder for one person to manage a business (Fenn 1994:2). Family systems, where authority is more broadly shared, may be more able to cope with the varied and changing demands of running a business (Gersick et al. 1997:67). Ever-accelerating change means that the knowledge of younger people may be more valuable to the family business, and founders recognise the contributions their children can make to keep the business on the cutting edge (Aronoff et al. 1997:6). Co-leadership is a viable option to leverage the mix of the next generation's knowledge, skills and experience, which could create a competitive advantage for a business (Schneider & Schneider 2002:2).

The bias toward single ownership is diminishing, because some of the old inheritance practices are no longer the norm in many societies (Gersick, Davis, Hampton & Lansberg 1999:2). An increased sensitivity is noticeable among parents regarding treating their children fairly, and many first-generation founders consider that the family business should be available to, and provide opportunities for, all their children (Nelton 1996; Schneider & Schneider 2002). Most families are uncomfortable with competitive evaluation among siblings and will look for other decision rules, which protect them from recrimination and the guilt associated with favoritism (Gersick et al. 1997:78). Parents do not want to discriminate among their children; hence, first-borns are no longer presumptive successors and there is a growing inclination to welcome all children into the business (Aronoff et al. 1997:5; Bailey 2001). Because of the blood relationships, parents desire that their children carry on their business when they retire (O'Bee 2001) and often dream of having all their offspring working together harmoniously in the family business (Lansberg 1999:8). By making children equal partners who share in the fruits of the business, parents hope to achieve fairness and harmony in the family (Lansberg 1999:86).

Today, family businesses have more members interested in managing, working or leading the family business. For instance, the assumption that daughters will not be involved, is no longer valid (Bailey 2001). Women are seeking more active roles in the management of their families' businesses and are more likely to be



considered for top positions (Aronoff et al. 1997:5; Brockhaus 2004:168; Fenn 1994:2; Schneider & Schneider 2002).

The deglamorising of professions such as law and medicine (Fenn 1994:1), the widespread disillusionment in recent years with large corporate bureaucracies (Scarborough & Zimmerer 2003:16) and the uncertainties and anxieties of working in public companies have made joining the family business a more attractive career option for many young people (Lansberg 1999:4). The scarcity of jobs and the realisation that employment security does not exist have also contributed to the increased interest in the family business. A genuine belief exists that a family working together offers tremendous opportunities for personal and professional growth (Fenn 1994:1). Young people today are demonstrating more enthusiasm for working in their family's business (Aronoff et al. 1997:6; Fenn 1994:2; Schneider & Schneider 2002), and even consider it as a viable career opportunity (Fenn 1994:1). A greater awareness that many successful Sibling Partnerships exist, makes others more willing to consider such ownership arrangements (Aronoff et al. 1997:5; Schneider & Schneider 2002).

Despite their growing importance, however, research on collective systems is lacking in the family business literature (Lansberg 1999:14), particularly regarding sibling co-owners leading family businesses as a team. Consequently, little is understood of what makes such teams succeed. Succession alternatives created through the willingness to disregard primogeniture and birth order have unlocked new areas for research (Schwartzler 2000:105). A vast number of family businesses are now following this very difficult model (Ward 2004:3), and this could be seen as the age of Sibling Partnerships (Aronoff et al. 1997:5).

### **3.5 SURVIVAL OF SIBLING PARTNERSHIPS**

Based on the preceding paragraphs, there is ample evidence that Sibling Partnerships, as ownership structures among family businesses, are growing in importance and numbers. Numerous points of view both disputing and supporting their effectiveness and continued existence can, however, be found.

### 3.5.1 Vulnerability of Sibling Partnerships

Despite their growing importance, as was discussed in Section 3.4.2, partnerships among siblings are fragile business structures. Egos, stress, disagreement, or perceived unequal effort can undermine the human relationships that sustain such a business (Ward & Aronoff 1992). Where several owner-managers are looking after a business, leadership responsibilities may become diffuse, sometimes leading to slow and ineffective action (Lansberg 1999:13). A conservative estimate of the number of businesses with partners that fail within 5 to 10 years may be as high as 50%. Frequently cited statistics suggest that only 13% of family businesses survive to the third generation, while a mere 3% ever see the fourth (Gage *et al.* 2004:194). Partnerships are notoriously unstable (Gage *et al.* 2004:194) and approximately half of all Sibling Partnerships result in a split-up (Ward 1997). Whatever the validity of the statistics, there is little doubt that the success rate of family businesses as they pass from generation to generation has a great deal to do with the challenge of having siblings, cousins and others as partners (Gage *et al.* 2004:194).

Classic organisation theory argues against shared power arrangements and experts in the field of family business have tended to embrace the prevailing view in general management literature that collective authority systems and shared ownership are problematic and challenging (Gersick *et al.* 1997:44; Lansberg 1999:15). According to Hackman (1991:15), even senior manager teams who collectively take actions that shape an entire organisation can experience considerable difficulty operating as teams, despite their being composed of experienced managers with extensive experience in collaborative work.

In his pioneering study of succession in family businesses, Christensen (1953) describes the family partnership as feasible only for a limited period of time, until a single successor can be found. Similarly, Levinson (1971:95,97) warns that Sibling Partnerships can only work under rare conditions, and that family businesses should stay away from an arrangement in which siblings have to collaborate in both management and ownership roles. Danco (1975), whom many consider to be a pioneer in family business consulting, regards solutions that call for sharing of power, equal multiple partnerships, co-presidencies and rotating presidencies as

mostly naïve fantasies; in his experience, a family business can have only one leader. It is even suggested that because multi-family ownership requires such a unique combination of people, attitudes and skills, and the odds are so high against success, that it would be better if the business were sold (Lansberg 1999:16). A survey conducted by Gage et al. (2004:194), revealed that shared power arrangements were not supported, in that two-thirds of the respondents reportedly thought that partners were a “bad idea”.

The models of generational succession followed by Chinese family businesses differ from those followed by European and Japanese family businesses. The Chinese follow a coparcenary system of equal inheritance, which implies that male heirs have equal rights to property, whereas the Europeans and Japanese follow the system of primogeniture. In his comparison between these two systems of generational succession, Chau (1991) concluded that the coparcenary inheritance system was dysfunctional, had downward mobility and a lack of corporate longevity, whereas the primogeniture system was functional and assisted in capital formation and corporate longevity. Numerous scholars assert that the equal inheritance system, adopted by many Chinese families, suffocates capital accumulation and weakens the competitiveness of the family business (Zheng 2002:291). A significant portion of the wealth transferred to adult children by parents in the US is in the form of existing businesses. The value of business assets after transfer is often contingent on the ability of the successors to work together. Whenever successors must collaborate as co-owners or managers, the risk to a successful transfer and the preservation of wealth is greatly compounded (Gage et al. 2004:193).

Each generation of a family business is unique and faces its own special set of challenges. The Sibling Partnership, frequently the second generation, is more intense and volatile than the other ownership structures, and faces some of the most difficult challenges of all (Aronoff et al. 1997:7; Lansberg 1999:18). The creation of a second-generation Sibling Partnership can be dramatic, often painful, and ultimately either life-threatening or life-saving to the business. Experts agree that such partnerships are hard to create, and even harder to maintain (Costa n.d.; Gersick et al. 1997:154).

### 3.5.2 Power of Sibling Partnerships

Collective systems of leadership seem to defy long-accepted rules of management theory and practice. While many of these rules are true in the sense that they make organisational life tidier and easier to manage, they should not necessarily be held as strict standards of what is feasible or desirable for a given family or a given business. Human behaviour and organisational life are in fact much more malleable than that (Lansberg 1999:23). Classic organisation theory argues against shared power arrangements, yet in many family businesses, such arrangements do work (Costa n.d.).

According to the basic principles of aerodynamics, it is not possible for a bumblebee to fly. Yet, despite not being as aerodynamically designed as mosquitoes, bumblebees do fly. In many cases, Sibling Partnerships are as strangely designed as bumblebees, yet many of them are extremely successful, and do in fact fly (Lansberg 1999:14). Just as the bumblebee can fly, so, too, can shared leadership work, albeit under the right conditions (Lansberg 1999:8). Even Levinson (1971:97), who argues against arrangements in which siblings have to collaborate, suggests that they could work under rare conditions. Collective leadership is therefore not doomed to implode from internal dissension, as some experts have insisted (Lansberg 1999:71).

Some scholars blame the coparcenaries principle of inheritance, inherent in the Chinese culture, as the key factor that shortens the life of the Chinese family business. As a result, when the founder dies, the estate is divided amongst his heirs, and the family property and its business share grow smaller and smaller from generation to generation (Zheng 2002:290-291). However, Zheng (2002:307,309) is of the opinion that the equal inheritance system does not suffocate business operations, and in fact reduces destructive internal conflict and motivates family members to work harder. Equal inheritance systems cannot be regarded as a stumbling block for business operations and are, in fact, a constructive force that can assist business practice and economic growth. In his study, Gersick et al. (1997:67) establishes that Sibling Partnerships are more common in family businesses than was once thought, and suggests that these more egalitarian forms of ownership are becoming more common because they

are more successful than other ownership forms.

According to Lansberg (1999:15), if all family trees could be pruned at every succeeding generation so that only one of the heirs would inherit ownership and management responsibilities, most generational transitions would probably be easier, but pruning the tree of a family business is not always economically and emotionally feasible. It is well known that partners who take over a business have a greater chance of success than one person alone, because of the increased resources that additional owners contribute, at least if the partners can avoid prolonged and paralysing conflict with each other. There is also empirical evidence that having partners produces positive, tangible business results beyond what solo inheritors or a single successor could achieve (Gage et al. 2004:193).

In the case of a Sibling Partnership in a family business, the shared history of the partners, blended with a common sense of purpose and complementary skills, could create a phenomenally powerful mixture (Lansberg 1999:22). Equal inheritance among heirs can also more effectively reduce risk and increase diversity (Zheng 2002:304). By adopting a shared leadership approach, the family spreads the risk, as it does not bet the entire family fortune on the leadership skills, business acumen and emotional maturity of one person only. A poor choice in the case of single leadership could have grave consequences for the family, both financially and emotionally (Lansberg 1999:124-125).

There are many legendary sibling teams that vividly capture the imagery of a fraternal partnership. Their great accomplishments are attributed in large measure to the sibling team itself. The underlying message is that no sibling acting alone could have ever accomplished comparable success (Lansberg 1999:86). Where single leaders have worked well in certain settings, a well-functioning executive team or partnership has the potential to provide even greater strategic and operational power (Katz n.d.; Ward & Aronoff 1992).

### **3.6 CHALLENGES OF SIBLING PARTNERSHIPS**

As previously discussed, shared leadership is becoming increasingly popular among family businesses. Shared leadership arrangements, such as Sibling

Partnerships, can be very successful and can provide a decisive competitive edge in the market place. However, when things go wrong both business success and family relationships are on the line (McCall 2002:1). Good partnerships can overcome average or poor business decisions, but bad partnerships will destroy even the best business (Ward 1997:328).

The challenges faced when adopting a Sibling Partnership can be described as organisational, strategic and psychological in nature (Gersick et al. 1997:154) and are created by the emotional, financial and professional interdependence of the siblings (Gersick et al. 1997:160). The key to success is to identify these challenges practically and to address them accordingly.

### **3.6.1 Lack of historical precedents**

Family businesses have a complex set of problems that classical management theory has not yet completely addressed (Davis & Harveston 1999:312). Organisational theorists have found it difficult to apply traditional task-orientated competency-based models to a business in which the boundaries between task and kinship change and become blurred as they interact with each other (Kepner 1991:445; Rodriguez et al. 1999:455).

Sibling partners who take over from Controlling-Owners cannot look back to previous generations for guidance on how to manage their partnership (Bryck 1999:59). Unlike a family business that is passed on to one child, there is no obvious model for how to operate as a Sibling Partnership (Aron 1999:21). As a result, numerous questions arise as to what it takes for brothers and sisters to work together effectively (Bettis 2002b; Reece n.d.).

Each basic family ownership structure calls for a different approach to exercising leadership and authority, and for each, a whole new model is required (Lansberg 1999:123). Although much of the literature relating to team management can be related to Sibling Partnerships as well, a model for effective Sibling Partnerships in family businesses has not been found in classical management or organisational theory (Davis & Harveston 1999:312; Lansberg 1999:20,132; Rodriguez et al. 1999:455).

Often families do not fully understand the implications of their choice of ownership structure. When moving to a new structure in the next generation, families often lack mental maps of the terrain, and tend to underestimate the challenges of making that structure work (Lansberg 1999:122). Families that do decide to adopt a Sibling Partnership as ownership structure, face some of the greatest challenges of all, because their experience has not taught them how to make this form work, nor to assess whether this form is feasible for their family or not (Aronoff et al. 1997:7; Lansberg 1999:123).

### **3.6.2 Conditions for successful Sibling Partnerships**

The move towards a Sibling Partnership entails fundamental structural changes and requires a rather uncommon set of conditions to successfully negotiate this transition (Lansberg 1999:131). It is important for family businesses to realise that, although Sibling Partnerships as ownership structures can be successful under the right circumstances, they are not suitable for all families (Lansberg 1999; Nelton 1996). A family business needs to develop a leadership structure that serves it best, in that it is functional, takes into account the particular families and individuals involved, and is acceptable and satisfying to all stakeholders (Bryck 1999:59; Swogger 1991:399). Although some siblings develop ways to work together successfully, the path ahead for the sibling partners threads through an emotional minefield (Frankenberg 2002). The challenge is to identify what characteristics will help the members of these groups pull off the difficult task of working together (Nelton 1997).

Like all family businesses, Sibling Partnerships are complex organisations. Numerous factors could have an influence on their success or failure. These factors can be *family-based* or *business-based*, with the most critical being family-based rather than business-based (Ward 2004:6). The quality of family relationships is crucial to the success of any family business and can affect and shape its future (Goldberg 1996:187; Leach & Bogod 1999:55). In terms of *business-based* factors, siblings themselves lack a clear vision of what it takes to create an effective sibling team or even how to recognise one when they see it (Nelton 1996). Most siblings in businesses simply “wing it” when it comes to their professional relationships. Often, no formal agreements exist (Aron 1999). The

simplest explanation why partnerships fail is a lack of understanding of what goes into creating and maintaining successful partnerships (Gage *et al.* 2004:195). Experience has, however, shown that teamwork consists of a set of skills and attitudes that can be learned (Aronoff *et al.* 1997:1).

Investigating the most important *family-based* and *business-based* issues that impact on the success of Sibling Partnerships forms the main focus of this study. In order to facilitate the identification of the afore-mentioned factors, it is important that the situation or state which is influenced positively or negatively by these factors, namely success, is clarified and clearly understood. In other words, before investigating what it takes to make something successful it is important to first understand what is meant by “success”. In his research on group effectiveness, Hackman (1991:3) similarly emphasised that in setting out to generate findings that could help improve group effectiveness, one should first be clear about what is meant by the term “group effectiveness”.

It is important that every study that focuses on family businesses clearly states the dependent variable of interest (Zahra & Sharma 2004:333). For the purpose of this study, the *Perceived success* of a Sibling Partnership constitutes the dependent variable of interest. Although the dependent variable for this study will be described in detail in Chapter 6, the remainder of this chapter will attempt to clarify the concept of success in Sibling Partnerships.

### **3.7 SUCCESS OF SIBLING PARTNERSHIPS**

The assessment or measurement of performance and success is a common problem in the analysis of small family businesses. Two issues in success measurement are particularly challenging, namely the ambiguous definition of success and, as a consequence, the biased perception of success owing to a lack of adequate reference values (Hienerth & Kessier 2006:115,116).

The definition of success in family businesses is ambiguous, as these firms aim to achieve a variety of financial and non-financial goals. This ambiguity reduces the ability to compare the overall success evaluations of more than one small family-business owner. At the same time, the often varied list of business objectives



leads to various isolated success measures that produce different results, and is therefore also hardly comparable across many businesses. This ambiguity and lack of comparability give rise to an absence of adequate reference values of success, which in itself favours the emergence of a biased perception of success on the entrepreneur's part (Hienerth & Kessier 2006:115). In addition, Stafford, Duncan, Dane and Winter (1999) observe that ownership carries with it the option for families to define success on their own terms.

Measures such as return on assets (ROA), return on investments (ROI), sales growth, and market share are common in assessing business performance, (Astrachan 2006:v; Denison, Lief & Ward 2004:63). Many studies use the number of employees, turnover, profit, or other indicators of growth to depict the success of a business. In small family businesses, however, there may be no intention of expanding the business, and for this reason isolated partial success measures based on growth may be inappropriate indicators of success (Hienerth & Kessier 2006:117). Beyond profitability, family members may define success as the ability to live and operate the business according to a personal value system, or merely to pass the founder's legacy to the next generation (Denison *et al.* 2004:63). Hienerth and Kessier (2006:117,130) contend that isolated partial success measures, such as the number of employees or turnover, are ambiguous and are influenced by business size, age and industry. Isolated partial success measures also result in a perceptual bias, in that owners tend to overestimate the overall success of the small family business by referring to certain internal dimensions only. In addition to perceptual bias, owners also tend to suffer from attribution bias, when they measure success by means of isolated variables. Attribution bias exists when business owners attribute business success to their own person or internal strengths, while external factors are regarded as challenging and hostile, and failure is attribute to the environment. According to Hienerth and Kessier (2006:130), measuring success on the basis of a configurational fit could overcome some of the weaknesses of common success measures in small family businesses. This approach measures success by using a multidimensional approach. Small business success is not predicted by using one distinct variable only, but by examining the interplay of various variables in the business, that being its configuration (Hienerth & Kessier 2006:118).

Based on the above, it is evident that defining success and the measurement thereof is a challenging task in studies on family businesses and hence also for Sibling Partnerships. It is apparent that defining success, in this case the *Perceived success* of a Sibling Partnership, based on one variable only, for example, growth in sales or growth in market share, may be insufficient. Measurement should therefore be done from more than one perspective, taking more than one variable into account. In order to identify these perspectives and subsequent success variables, the success attributes of *succession*, *successors* and *family businesses* in general are considered. As a Sibling Partnership can also be described as a sibling team, the criteria for successful or *effective teams* are also considered.

### **3.7.1 Successful successions**

In identifying a measure for the *Perceived success* of a Sibling Partnership, one has to keep in mind that when judging whether the family business has successfully been transferred to the next generation, the perception of the success of this process is in part based on the status of the family business after the event has occurred. If the status after the event is considered successful, then the same criteria could be used to measure the success of the status itself. In a family business where the successors have entered into a Sibling Partnership, some aspects that are indicative of a successful succession could also be indicative of a successful Sibling Partnership.

There is still little consensus on what constitutes a successful or effective succession (Handler 1989a:259; Santiago 2000:20; Stempler 1988:6). According to Venter (2003:191), it appears that in order to ensure the success of the succession process, all the different stakeholders involved in the process must be satisfied with its outcomes, and the successor should have the ability to ensure the sustainability and financial security of the family business after the completion of the succession process. Venter (2003:300) contends that the more harmonious family relations are, the higher the likelihood that all role-players will be satisfied with succession. This conclusion is consistent with similar findings by Handler (1989a) and Malone (1989).

According to Venter (2003:329), it is difficult for successors to take over the family business and perceive the succession process as successful when the business does not present any economic opportunity for them. Based on her study (2003), she concludes that if the business and the owner-manager were financially secure at the time of succession, the satisfaction of both the owner-manager and successor with the succession process, as well as their perception of the continued profitability of the business, would be favourably influenced. The results of her study are supported by, amongst others, Lea (1991), and Barach and Ganitsky (1995).

In a study undertaken by Donckels (1989), succession was regarded as successful if the following objectives were achieved: business continuity; a fair arrangement for all the children; and keeping both ownership and management within the family. Handler (1989a), on the other hand, deems succession to be effective when the next-generation family member is in charge and has been designated president of the family business; organisational performance criteria indicate stability or growth; and individual performance criteria indicate competence and personal growth.

It appears that the health of the family business relies on parallel developmental processes in all three subsystems: business, family, and ownership. A succession that is regarded as successful thus requires that all three subsystems are healthy and that the boundaries between them are managed. Firstly, successful succession implies that business continuity has to be assured. Business continuity could be demonstrated by a positive trend in the growth and profit of the business, increasing revenue or at least a commitment to family business continuation. Secondly, family harmony is an important condition for success. Although family harmony is difficult to measure, mutual respect and sibling accommodation are likely indicators (Handler 1989a). Thirdly, succession is not successful until ownership has been transferred. Lastly, effective succession is associated with successor self-confidence and managerial autonomy, and with the predecessor not being involved in the day-to-day decision-making process (Flören 2002:49,50). From the above, it is evident that the requirements for successful successions are business continuity (profitability), family harmony, transfer of ownership, and the autonomy of successors. Transfer of ownership is a measure of success directly

related to the succession process. Profitability, family harmony and managerial autonomy are, however, indicators of success irrespective of whether succession is taking place or not.

### **3.7.2 Successful successors**

Churchill and Hatten (1987) contend that one of the foremost measurements of effective successors is their ability to increase revenues and profits in their organisation. Friedman (1984,1986) suggests several dimensions that define effective successors, including company reputation, turnover, succession process and financial performance. For the purpose of his study, Goldberg has defined effective successors as those who have demonstrated financial competence by increasing revenue and profits (Goldberg 1996:186). It is therefore evident that for the siblings to be effective successors, the business must remain healthy by reflecting financial success.

### **3.7.3 Successful family businesses**

Successful family businesses place great value on preserving family harmony and on honouring family members' commitment to one another (Aronoff et al. 1997:62; Lansberg 1999:341). Family harmony depends on the quality of the family relationships (Aronoff et al. 1997:65). Broken, dysfunctional family relationships are considered the greatest threat to the continuity of the family business (Lansberg 1999:335). An overemphasis on family harmony, however, may endanger the free flow of business ideas and may give precedence to personal relationships among relatives over profitable business decisions. If a certain amount of tension is required for the business, too great an emphasis on harmony could conceivably result in highly harmonious families, but under-performing businesses (Venter 2003:331; Davis 1986). According to Ward (2004:74) a bias towards the interests and welfare of the business could ultimately have a boomerang effect in that it comes back to serve the long-term interest of the family.

A study by Tagiuri and Davis (1992:55) on the other hand indicates that one of the main goals of the owner-managers of successful smaller family businesses is to provide themselves with financial security and benefits. According to Neubauer

(2003:276), as long as the family business turns a profit and has a solid equity base, it will be attractive to successors. In addition, Barach and Gantisky (1995:144,145) suggest that the health and future prospects of the family business define the offspring's opportunities and influence their decision to join the family business. A failing or threatened business could discourage them from joining. Sharma (1997:235) believes that the continuity of the family business, like the continuity of any other business, is based on the potential rewards from the business, and not on the extent of harmony that may be present among family members.

Anecdotal evidence suggests that maintaining a healthy *balance* between focusing on healthy family relationships on the one hand, and focusing on financial performance on the other, is essential for a successful family business (Lansberg 1999:335; Maas et al. 2005:103; Sharma 2004:6,7; Ward 2004:74). It is important for families in business to realise that the health of the business influences the health of the family, and *vice-versa* (Lansberg 1999:335; Ward 2004:74), and neither the family nor the business can be viewed in isolation (Denison et al. 2004:64). A family business that lacks family harmony, for example, will find it difficult to make a profit (Maas et al. 2005:26) and a failed family business cannot sustain and support the business family. Sacrificing one for the other may jeopardise the sustainability of the family business; solutions must be sought that serve the interests of both the family and the business (Maas et al. 2005:103; Lansberg 1999:335,336). Consequently, a family business is considered successful when the business is making a profit, the family is happy, the full potential of family members is realised, wealth is created for the entire family, and the continued existence of the business is ensured (Maas et al. 2005:6).

Applying the terms "family" and "business" to an organisation implies that the purpose of the organisation is to provide positive outcomes for both the family and the business. Producing positive outcomes for both, however, seems somewhat contradictory. The processes necessary to produce a successful business may disrupt a family, while the processes necessary to promote harmonious family interactions may interfere with a thriving business (Sorenson 2000:183).

Carefully designed large-scale empirical studies have revealed that the success of family firms depends on the effective management of the overlap between family and business. Recognising the intertwinement of family and business in family firms has led to a definition of high-performing family firms that takes into consideration performance in both family and business dimensions (Sharma 2004:6).

In order to understand a firm's performance in business and family harmony dimensions, Sharma (2004:6,7) developed a framework using a two-by-two matrix (see Figure 3.1). Four variations of the performance of family firms are conceptualised, based on whether a positive performance is experienced on one or both dimensions. Although good performance in the family dimension indicates firms with high cumulative emotional capital, good business performance indicates firms with high cumulative financial capital.

**Figure 3.1: Dimension of business performance**

		Family dimension	
		Positive	Negative
Business dimension	Positive	Warm hearts/Deep pockets (High emotional and financial capital)	Pained hearts/Deep pockets (High financial but low emotional capital)
	Negative	Warm hearts/Empty pockets (High emotional but low financial capital)	Pained hearts/Empty pockets (Low financial and emotional capital)

(Source: Sharma 2004:7)

Firms in quadrant I (Warm hearts/Deep pockets) are the successful family firms; they experience a profitable business as well as family harmony. In other words, they enjoy high cumulative stocks of both financial and emotional capital. Quadrant II firms (Pained hearts/Deep pockets) are characterised by business success, but are tension-prone or exhibit failed family relationships. Such firms carry high stocks of financial capital, but are low on family emotional capital. Relational issues have been found central to the sustainability and success of

family firms, as good relationships can overcome bad business decisions, but the opposite is more difficult to achieve (Sharma 2004:7; Ward 1997:328).

Quadrant III firms (Warm hearts/Empty pockets) enjoy strong relationships among family members, but are low performers. These firms are endowed with high levels of emotional capital, but low financial capital. The strength of the glue of family relationships can aid these firms to endure poor business performance. However, over longer periods of time, accumulated resources are likely to deplete, causing stress in family relationships. Quadrant IV firms (Pained hearts/Empty pockets) are failed firms that perform poorly on both the family and business ends. Failure in the business dimension can be used as a learning experience and may even enable the family to launch another venture in the future. However, failure in the family dimension is likely to create long-term, far-reaching damage that may take several years to heal, if at all (Sharma 2004:7,8).

Although the above description of the possible outcomes of family business performance is a simplification, as only two dimensions, each with only two extreme positions, are considered, the most desirable position would be those firms in quadrant I. Successful family businesses, including Sibling Partnerships, are those that make a profit and enjoy family harmony among family members. However, comprehensive scales that measure the performance of family firms along various business and family dimensions still need to be developed and validated (Sharma 2004:8).

#### **3.7.4 Successful (effective) teams**

As was mentioned previously, a Sibling Partnership is also commonly referred to as a sibling team. The requirements and measures of effectiveness or success apply to sibling teams just as they do to other teams within an organisational context. In general, a team's effectiveness is judged by the productivity and performance outcomes of the team as a whole (Mondy & Premeaux 1995:421; Northouse 2004:210). According to Guzzo and Dickson (1996:309), however, no singular, uniform measure of performance effectiveness for teams exists. Wageman, Hackman and Lehman (2005:374) suggest that criterion measures in research on team performance often consist of whatever quantitative indicators

happen to be available or are convenient to obtain. Such measures are usually unidimensional and overlook non-obvious indicators of how well a team is doing. Consequently, most studies (e.g. Barrick et al. 1998:379; Campion, Papper & Medsker 1996; Doolen, Hacker & Van Aken 2006:140; Hyatt & Ruddy 1997) make use of multiple measures to assess team effectiveness. For example, Hackman (1987) proposes that a comprehensive assessment of success in ongoing teams must capture both the current (present performance) and future effectiveness of the team (capability to continue working together). Consequently, he defines team effectiveness in terms of team performance, team viability, and team member satisfaction (Doolen et al. 2006:141; Hackman 2002:23). As such, Hackman's definition of effectiveness is three-dimensional, relating to the team's output meeting quality standards, the team's ability to work interdependently in the future, and the growth and well-being of team members (Wageman et al. 2005:2,3; Hackman 2002:23). Similarly, Gladstein (1984:500) describes team effectiveness in terms of three components, namely group performance, satisfaction of group member needs, and the ability of the group to exist over time. Campion et al. (1993:825) on the other hand, define team effectiveness in terms of productivity, employee satisfaction, and the manager's judgements of effectiveness.

Team effectiveness is a complex issue (Hitt, Miller & Colella 2006:404); whether a team is more effective than individuals working alone, or whether one team is more effective than another, depends on the criteria used for defining effectiveness. In terms of accuracy, quality of decisions, creativity, and the degree of acceptance the final solution achieves, teams tend to be more effective than individuals. However, if effectiveness is defined in terms of speed, teams are generally less efficient than individuals, because a team would take more time to reach a decision than an individual would (Robbins 2003:240).

While some form of production output is typically an important measure of team performance and effectiveness, it is not the only consideration (Ivancevich, Konopaske & Matteson 2005:335). Performance, satisfaction and development are all end results that can be measured (Ivancevich et al. 2005:324). Consequently, team effectiveness is generally measured using knowledge criteria, outcome criteria, and affective criteria (Hellriegel et al. 2004:347; Hitt et al. 2006:403). Whether the overall performance of the team is viewed as effective or



not will depend on the relative importance placed on the various effectiveness criteria. *Knowledge criteria* typically relate to the ability of the team to develop, to increase its performance capabilities, and to learn over time (Hellriegel et al. 2004:346,347; Hitt et al. 2006:403). Enhancing the capabilities of team members to work together interdependently in the future is an especially important criterion (Ivancevich et al. 2005:336). *Outcome criteria* refer to the timeliness, quantity and quality of the team's output (Hitt et al. 2006:404; Ivancevich et al. 2005:335), as well as productivity (accuracy, speed, creativity and cost) in task completion (Hellriegel et al. 2004:347; Robbins 2003:263). *Affective criteria* address the question of whether or not team members have a fulfilling and satisfying team experience. One affective criterion is the general emotional state of the team and whether the team as a whole has a positive, happy outlook on their work (Hitt et al. 2006:404; Robbins 2003:263). Team member growth and well-being are therefore important criteria for team effectiveness (Ivancevich et al. 2005:336).

According to Kreitner and Kinicki (1995:339,340), two effectiveness criteria for teams exist, namely performance and team viability. Performance relates to the acceptability of the team's output to customers and falls into the *outcome criteria* category, as described above. Team viability, on the other hand, is defined as team members' satisfaction with the team experience and as such falls into the *affective criteria* category. Gladstein (1984), Hackman (1987), Barrick et al. (1998:379), as well as Kreitner and Kinicki (1995:339,340) also describe team viability in terms of a member's willingness to continue contributing to the team effort. A team is not truly effective if it gets the job done but self-destructs in the process. Teams without long-term viability experience burn out because of unresolved conflict, as well as increased divisiveness and decreased willingness to work cooperatively (Barrick et al. 1998:379).

From the above, it is evident that the output of a team (which could be measured financially); the team members' satisfaction with being part of the team; and the team members' willingness to continue being part of the team, are all outcomes of successful teams.

### 3.7.5 Successful Sibling Partnerships

It is suggested by McCall (2002:2), that family-business shareholders generally require three things, namely family harmony, business prosperity, and personal well-being. These three requirements are supported by the discussion above, where *family harmony* (healthy family relationships) and *financial performance* were both identified as important outcomes for effective successions, successors, family businesses and teams. It could be suggested that the level of personal well-being experienced by a sibling in a Sibling Partnership is influenced to the extent that family harmony and business prosperity exist.

As previously mentioned, it is important that every study focusing on family businesses should clearly define the dependent variable of interest (Zahra & Sharma 2004:222). Handler (1991:26) defines the quality of the succession experience as the degree to which the next-generation family member's ongoing involvement in the family business is experienced as satisfying and productive. Based on the discussion in Section 3.7 above and by applying Handler's (1991) definition to the present study, it is thus plausible to assume that the existence of *family harmony* and *financial performance* will influence the level of satisfaction experienced by the siblings in their partnership, as well as their decision whether or not to continue their involvement. One can suggest that if the state of the Sibling Partnership were such that family harmony and financial rewards prevailed, the siblings involved in the Sibling Partnership would find their ongoing involvement satisfying.

From the discussion of the success of Sibling Partnerships above, it is clear that if the siblings experience their involvement in the family business as satisfying, and if they are consequently willing to continue to be involved in the family business, the Sibling Partnership could be perceived as successful. Intuitively, siblings in a Sibling Partnership characterised by disharmonious family relationships and poor financial performance would not find their involvement satisfying, let alone want to continue that involvement. For the purpose of this study, the dependent variable is thus the *Perceived success* of a Sibling Partnership. *Perceived success is defined as the degree to which the siblings find their ongoing involvement in the Sibling Partnership to be satisfying.* A satisfying and ongoing involvement in the Sibling

Partnership will depend on the existence of healthy family relationships and a healthy financial performance by the business. The factors influencing *Family harmony*, *Financial performance* and *Perceived success* will be discussed in Chapters 4 and 5, and the dependent variable, *Perceived success*, will be further examined in Chapter 6.

### **3.8 SUMMARY**

Family businesses come in three fundamental forms or stages of ownership evolution, namely the Controlling-Owner, the Sibling Partnership and the Cousin Consortium stages. These forms of ownership are essentially different in structure and culture, offer specific advantages and disadvantages, and demand different managerial skills from their leaders. As the ownership structures evolve and their complexity increases, so too does the chance of underestimating the challenges of the new ownership stage.

In a Sibling Partnership, which forms the basis of this study, ownership is shared more or less equally among two or more brothers and/or sisters, who may or may not be active in the business. Despite numerous points of view disputing and supporting their effectiveness and continued existence, evidence exists that Sibling Partnerships are increasingly being adopted among today's family businesses.

Sharing ownership and management of a family business between two or more siblings carries with it a whole new set of problems for the family business. A great deal of work lies ahead in trying to identify and understand the conditions required for the success of such arrangements. Sibling Partnerships are complex organisations, and numerous factors could have an influence on their success or failure. These factors can be *family-based* or *business-based* in that they arise from two main sources - firstly from within the family, as a result of the relationships and interactions those family members have with each other, and, secondly as a result of the teamwork and the cooperation needed for the siblings to work together. Investigating these factors forms the focus of this research.

In order to facilitate the identification of these factors, the success of a Sibling Partnership is defined as the degree to which the siblings find their ongoing involvement in the partnership to be satisfying. A satisfying and ongoing involvement in the Sibling Partnership will depend on the existence of healthy family relationships and a healthy financial performance by the business. Numerous factors could influence healthy family relationships and financial performance in the case of Sibling Partnerships. These factors are organisational, strategic and psychological in nature and arise from the emotional, financial and professional interdependence of the siblings.

The various factors influencing a Sibling Partnership can be broadly categorised into two groups, namely those factors that influence the effectiveness of teams, and those that relate to family relationships. The factors that influence the ability of the siblings to work together as a team within their family business, are further categorised into two groups, namely *task-based* and *relational-based* teamwork factors. A discussion of these factors constitutes Chapter 4. As family relationships form the foundation of the family business and thus also the Sibling Partnership, Chapter 5 will be dedicated to a discussion on these relationships or *relational-based* family factors that could influence Sibling Partnerships.

## CHAPTER 4

### FACTORS INFLUENCING SIBLING PARTNERSHIPS: ATTRIBUTES OF EFFECTIVE TEAMS

#### 4.1 INTRODUCTION

One of the most important requirements for a successful Sibling Partnership is that the siblings work together in the family business as a team. Teamwork and collaboration are critical to the success of their partnership and their business (Aronoff *et al.* 1997:11; Gage *et al.* 2004:193; Gersick *et al.* 1997:154,199; Lansberg 1999:20; Ward 2004:45). A sibling team in a family business, despite its unique nature, is basically a team just like any other within an organisational context. This being the case, the organisational concepts of effective teams are as relevant to sibling teams as they are to other teams. Concentrating on these basic concepts or core principles which constitute effective teams is vital to a successful co-leadership structure (Schneider & Schneider 2002).

Turning any group of people into a team is a difficult task. Forging two or more siblings into a team is even more difficult (Aronoff *et al.* 1997:29). Yet if they are going to have a successful Sibling Partnership in a family business, the siblings have to somehow mould themselves into a team (Ward 2004:66). Although much of the literature on teamwork and teambuilding is pertinent to Sibling Partnerships, sibling teams do have a number of qualities that make them unique as performance units. The knowledge of one's brothers and sisters that comes from growing up in the same household, and an awareness and appreciation of one another's goals, attitudes and reactions to specific circumstances, could lead to synergies and decisiveness in managing a business together. When this shared history is blended with a common sense of purpose and complementary skills, the mixture can be phenomenally powerful (Lansberg 1999:132).

Sibling partners should not only display a strong commitment to their collaboration but should also exert considerable effort in promoting it (Aronoff *et al.* 1997:7; Gersick *et al.* 1997:198; Lansberg 1999:131-132,341). At the Sibling Partnership stage, the business becomes a partnership in both the psychological and the literal

sense (Gersick et al. 1997:154), and the capacity of the siblings to deal with issues effectively will depend on their capacity to build trust and foster collaboration (Lansberg 1999:340; Ward 2004:26). A strong collaborative foundation, cemented in the second generation, is vital for a smooth transition to the third (Lansberg 1999:68).

As a partnership, the sibling team must not only develop an attitude that supports the notion of partnership, they must also develop the critical skills required of successful team members (Aronoff et al. 1997:31,32; Katz n.d.). Experience shows that the skills and attitudes required for effective teamwork can be learnt (Aronoff et al. 1997:1); most of these are addressed in the fields of Management, Psychology and Organisational Behaviour. In addition, to function effectively, certain basic elements are required to exist in the working conditions of a team; the extent to which these elements are present increases the chances of a successful team outcome (Hofstrand 2000).

The focus of this chapter is the core principles that influence the effectiveness of teams. First the nature and importance of teams and teamwork in today's business environment will be discussed. To clarify the nature of teams, the concept *team* will be described and compared to other related concepts. The growth and value of teams, as well as the stages of team development, will be examined. Models of effective teams as well as various attributes of and requirements for effective teams, as identified in the literature in Psychology and Organisational Behaviour, will then be discussed. Lastly, the attributes of effective teams, as identified in the family business literature, will be applied to sibling teams.

## **4.2 NATURE AND IMPORTANCE OF TEAMS IN A BUSINESS ENVIRONMENT**

### **4.2.1 Contextualising teams, teamwork and related concepts**

Confusion often exists between the concepts "group" and "team", with most people using the terms interchangeably (Greenberg & Baron 2000:272; Guzzo & Dickson 1996:309; Hitt et al. 2006:400). These concepts are, however, not the same; there

are several important distinctions between them (Greenberg & Baron 2000:272; Robbins 2003:258).

A *group* consists of two or more interdependent individuals who come into personal and meaningful contact with each other on a regular and continuing basis. They do this in order to accomplish a common objective or goal (Hellriegel *et al.* 2004:335; Ivancevich *et al.* 2005:321; Robbins 2003:219). Group members influence one another through social interaction (Hitt *et al.* 2006:400), but do not engage in collective work that requires joint effort. Hence, their performance does not create a positive synergy that would produce an overall level of performance greater than the sum of their individual inputs (Robbins 2003:258).

A *team*, on the other hand, is a particular type of group, a group of associated persons organised to work together to achieve a common group goal (Hogan 2007; Keen 2003:2). The concept "team" encompasses the term "group", but a group is not necessarily a team (Hellriegel, Slocum & Woodman 2001:226). A team can be viewed as a mature *group*, comprising people with interdependence, motivation and a shared commitment to accomplish agreed goals (Ivancevich *et al.* 2005:336).

The concept "team" has largely replaced "group" in the argot of Organisational Psychology, and although "group" predominates in the research literature, for example, inter-group relations, group incentives and group dynamics, the literature using "group" as its root word has great relevance for understanding virtually all forms of teams in organisations (Guzzo & Dickson 1996:309). The word team is standard terminology in business today and is used to refer to any group of people who work together in pursuit of a shared goal (Hogan 2007).

A review of the literature reveals numerous definitions of the concept "team", the most common elements of which are listed below:

- *Two or more people are present* (Hitt *et al.* 2006:400);
- *Social interaction occurs between members* (face-to-face or virtually) (Kozlowski & Ilgen 2006:79);
- *It operates within a larger social system such as an organisation* (Guzzo 1986; Hitt *et al.* 2006:400);

- *Membership is identifiable* (seen as a social entity) (Hellriegel et al. 2004:336; Hitt et al. 2006:400);
- *Commitment to a common purpose and common goals is evident* (Greenberg & Baron 2000:271; Ivancevich et al. 2005:321; Northouse 2004:203);
- *Tasks performed are relevant to the organisation's mission* (Hitt et al. 2006:400);
- *Members have complementary skills* (Greenberg & Baron 2000:271; Hellriegel et al. 2001:226);
- *Work roles require members to be interdependent* (Hellriegel et al. 2004:336; Hitt et al. 2006:400; Ivancevich et al. 2005:321);
- *Activities must be coordinated* (Northouse 2004:203; Robbins 2003:258);
- *Actions have consequences that affect others inside and outside the organisation* (Hitt et al. 2006:400); and
- *Mutually accountability among team members exists* (Greenberg & Baron 2000:271; Hellriegel et al. 2004:336).

The main differences between formal work groups and teams can be described in relation to the depth of commitment, accountability, skills, performance evaluation, culture and outcomes. As part of a team, members share a culture, a set of rituals and processes, and a philosophy of working together. They are internally accountable to each other, and because each member brings a special set of skills, the performance of a team is said to be synergistic or greater than the performance of individuals working alone (Ivancevich et al. 2005:322). The interdependency of team members is a major factor that makes them a team and not group (Guzzo 1986). The key differences between groups and teams lie in the dynamics and objective of the reason why the people are brought together (Keen 2003:2).

A concept closely related to that of "team" is "teamwork". *Teamwork* refers to the practice of working in teams (Greenberg & Baron 2000:251). Successful teamwork is the cooperative or coordinated effort of a group of people acting together as a team towards a common cause that benefits the organisation and team members (Keen 2003:5). Team building, on the other hand, is a catch-all term for a whole



host of techniques aimed at improving the internal functioning of a team (Kreitner & Kinicki 1995:342).

Teams come into existence for various reasons, and different types of teams suit different purposes. Teams are likely to be tailored depending on the needs and goals of the team at a particular time (Hellriegel et al. 2004:337). For example, they may be formed to develop new products and services, negotiate deals, act as liaisons between and among different departments within the organisation, or resolve problems. The type of team will vary depending on the reason for which it was established; consequently different types of teams exist. The most common are functional teams, problem-solving teams, self-managing work teams, cross-functional teams, and virtual teams (Hellriegel et al. 2001:228-229; Hellriegel et al. 2004:337; Robbins 2003:259,262).

Another term that is frequently used interchangeably with team is "partnership". Business associates who work together as a team and meet the criteria of a team as described above, are occasionally referred to as "business partners", even though no formal partnership agreement exists between them. A *partnership*, in the formal or legal sense, is defined as a formal association between a minimum of 2 and a maximum of 20 individuals who assemble to conduct business, and represents a legal relationship between members (Rwigema & Venter 2004:404). Bosch et al. (2006) classify a partnership as a contract in which the persons concerned agree to contribute money, labour, or skills in a common stock, and to carry on business with the object of making profit for their joint benefit. As such, business partners in the true sense are bound by a legal relationship, but still work together as a team.

From the discussion above, it is clear that although the concepts "group", "partnership" and "team" are closely related to each other and are often used interchangeably, each is a concept in its own right. A team is a group, but a group is not necessarily a team; a partnership is a team, but a team is not necessarily a partnership. In summary, a team can clearly be distinguished as a collection of individuals charged with the completion of a common objective. A partnership, on the other hand, represents a team bound by a legal relationship, and a group, a more informal gathering of people, based on a common goal or objective.

Within the context of this study on Sibling Partnerships, the concepts partnership and team are used interchangeably. The concept “sibling team” can be seen as operationalising the working relationship between the siblings, whereas the concept “Sibling Partnership” legalises the relationship between them. This legal agreement is, however, not necessarily a partnership as such and could take on the form of a close corporation, a private company, or some other legal form of business ownership. For the purpose of this study, it is not assumed that a legal relationship, with each sibling having a legal ownership in the business, exists between the siblings. Consequently, the concept “sibling team” is deemed more appropriate for the present study, as the units of study are sibling team members who are involved in the family business together, irrespective of whether or not a legal arrangement exists between them.

#### **4.2.2 Growth and value of teams**

Despite teams having existed in many countries and for many decades, work groups only became a focus of attention in the 1940s after the Hawthorne studies were published (Roethlisberger & Dickson 1939). The benefits of taking groups of people from various departments to complete tasks or solve problems, only began to surface in the early 1990s. More and more businesses began to use teams as they realised that teams of people with multiple skills sets, experience levels and technical competencies outperformed individuals acting alone (Hitt *et al.* 2006:398; Keen 2003:1). In recent years, across the globe, the use of work teams in many different types of organisations has been increasing substantially, and this trend is expected to continue (Doolen *et al.* 2006:139; Kozlowski & Ilgen 2006:78; Olukayode & Ehigie 2005:281) as organisations strive to meet the challenges of an increasingly complex environment (Hellriegel *et al.* 2004:335; Groesbeck & Van Aken 2001:1). According to Kozlowski and Ilgen (2006:78), teams are central and vital to how work gets done in modern life.

Organisations today have fewer levels of hierarchy and have fewer internal resources to operate effectively. In addition, the explosion in technological development gives managers quicker access to more information, but with less time to analyse it. Add the new global marketplace, and it becomes obvious that new and better ways of operating have had to be found. In order to stay

competitive in a global economy, businesses must continue to reduce costs, improve quality and increase production (Keen 2003:1,2). Consequently, organisations are being forced to re-examine their goals and operating principles in order for their workforce to be more productive and effective (Conrad & Murphy 1995). Both large and small businesses have successfully used teams not only to accomplish these strategies, but also to solve problems, improve efficiency and encourage innovation (Keen 2003:2).

Research has shown that effective teams develop strategies that lead to higher organisational performance (Greenberg & Baron 2000:278; Hitt et al. 2006:399) and many organisations have reported a great deal of success using teams (Hitt et al. 2006:399; Ivancevich et al. 2005:336). In addition, ample evidence (Guzzo & Dickson 1996:330) indicates that team-based forms of organising often bring about higher levels of organisational effectiveness than traditional, bureaucratic forms.

There are numerous other reasons why the use of teams has increased so significantly, most of them relating to the perceived synergistic benefits derived from using teams:

- *Improved on-time delivery of results* (Hellriegel et al. 2004:335);
- *Greater use of the knowledge and skills base available* (Robbins 2003:257);
- *Reinforced or expanded informal networks in organisations* (Hellriegel et al. 2004:335);
- *Improved customer relations* (Hellriegel et al. 2004:335; Hitt et al. 2006:399);
- *Greater flexibility and responsiveness to changing events and competitive challenges* (Hitt et al. 2006:399; Robbins 2003:257);
- *Facilitation of development and career growth of members involved* (Hellriegel et al. 2004:335);
- *Facilitation of creativity and innovation in products and services* (Hellriegel et al. 2004:335; Hitt et al. 2006:399);
- *Improved employee understanding of the business* (Hellriegel et al. 2004:335);

- *Reduced costs, improved quality and productivity* (Hellriegel et al. 2004:335; Ivancevich et al. 2005:336); and
- *Increased feelings of ownership, commitment and motivation* (Hitt et al. 2006:398,399; Robbins 2003:258).

Teams, although advantageous in many cases, are not appropriate for all organisations and are not always successful. While effective teams can produce extraordinary results, some estimate that 9 out of 10 teams fail (Keen 2003:5). Teamwork takes more time and often more resources than individual work (Keen 2003:5; Robbins 2003:262). For instance, teams have increased communication demands, conflicts to be managed and meetings to be run. For these reasons, the benefits of using teams have to exceed the costs (Robbins 2003:262). The use of teams in organisations presents numerous challenges, which may include the following:

- *Team members may not be willing to be part of a team, to cooperate, to relinquish past practices, or to set aside power and position* (Greenberg & Baron 2000:280; Keen 2003:6);
- *Conflicts can tear relationships apart, delay work and prevent the achievement of goals* (Keen 2003:6);
- *Team members exert time and energy in maintaining the team as opposed to working on the task, which is known as process loss* (Hitt et al. 2006:406; Keen 2003:5);
- *Team decision-making usually takes longer* (Keen 2003:5; Robbins 2003:241);
- *Team members may fail to receive the support they need* (Greenberg & Baron 2000:280);
- *Creativity and good decision-making can be inhibited as a result of “group think”* (Hellriegel et al. 2004:344; Ivancevich et al. 2005:335); and
- *“Free-riding”, or social loafing, may occur within the team* (Hitt et al. 2006:414; Robbins 2003:234).

Despite the numerous challenges and disadvantages of working in teams, it is suggested that teams become more effective as they develop and spend time together (Hellriegel et al. 2004:340; Nelton 1996:54; Robbins 2003:222). This

development occurs in discernable stages, each of which will be discussed in the paragraphs below.

#### **4.2.3 Stages of team development**

The nature of interactions among team members changes over time (Hitt et al. 2006:417). Team members usually need to spend some time together before the team can fall into place and begin to function effectively (Hellriegel et al. 2004:340; Keen 2003:17; Nelton 1996:54). Teams generally pass through a standardised sequence in their development to maturity (Robbins 2003:220). A widely cited (Keen 2003:17) model of team development, based on the classic approach of Tuckman (1965), is that of the five-stage model. This model assumes that teams typically proceed through five stages of development, namely the (1) forming, (2) storming, (3) norming, (4) performing, and (5) adjourning stages (Hellriegel et al. 2004:341; Hitt et al. 2006:417; Ivancevich et al. 2005:326,327; Robbins 2003:220). Another model, the punctuated-equilibrium model, suggests that teams do not go through linear stages, but that formation depends on the task at hand and its deadlines. This model best describes the development of temporary teams working on specific tasks with definite deadlines, and does not apply to all teams (Hitt et al. 2006:418-419; Robbins 2003:220,223). Within the context of this study, a sibling team is not considered to be of a temporary nature. For this reason, the five-stage model is deemed more appropriate than the punctuated-equilibrium model and warrants further discussion.

During the *forming stage*, a team focuses on orientation to its goals and procedures. There is much uncertainty at this stage, and activities tend to focus on efforts to understand and define the objectives, roles and assignments of members in the team, as well as developing procedures for performing their tasks. Team development in this stage involves getting acquainted, and understanding leadership as well as other members' roles (Hellriegel et al. 2004:341,342; Hitt et al. 2006:418). The more diverse the group, the more difficult it is to manoeuvre through this stage and the longer it takes (Ivancevich et al. 2005:326). The basic ground rules are established in this stage, and a tentative structure emerges. This stage is generally complete when the individual members view themselves as part of a team (Greenberg & Baron 2000:256; Ivancevich et al. 2005:326).

The emergence of competitive or strained behaviour marks the beginning of the *storming stage* (Hellriegel et al. 2004:342). This stage may also be characterised by a general lack of unity and uneven interaction patterns, conflict and confrontation (Hitt et al. 2006:418; Ivancevich et al. 2005:326). Conflict specifically arises over the leadership role; team leaders are often resisted and team members show hostility toward each other (Greenberg & Baron 2000:256; Hellriegel et al. 2001:234; Robbins 2003:221). Conflict resolution is often the main goal of this stage. Maintaining conflict at a manageable level encourages the team's development and ensures evolution to the next stage (Greenberg & Baron 2000:256; Hellriegel et al. 2004:342; Ivancevich et al. 2005:326).

The *norming stage* is characterised by cooperation and collaboration between team members (Ivancevich et al. 2005:327; Greenberg & Baron 2000:256). Team members develop close relationships, and group cohesiveness begins to develop significantly. A strong sense of group identity and camaraderie becomes evident (Ivancevich et al. 2005:327; Robbins 2003:221). Social behaviours centre on empathy, concern and positive expressions of feelings that result in a sense of cohesion; members also tend to avoid task-related conflicts (Hellriegel et al. 2004:342; Hellriegel et al. 2001:256). Behavioural norms are established and accepted by the completion of this stage, as are leadership and other roles in the team (Ivancevich et al. 2005:327; Robbins 2003:221).

In the *performing stage* of development, the team is fully functional and the members demonstrate how effectively and efficiently they can achieve results together (Ivancevich et al. 2005:327; Robbins 2003:221). The group structure is set, and the roles of each member are understood and accepted (Hellriegel et al. 2001:235; Ivancevich et al. 2005:327). The energies, efforts and the commitment of the team are focused on accomplishing the task at hand (Robbins 2003:221). Although leadership within the team is flexible and may shift between members depending on who is most capable of solving a particular problem (Hellriegel et al. 2004:342), good relations and acceptance of leadership enable the team to perform well (Greenberg & Baron 2000:257). This stage marks the attainment of a level of effectiveness that will remain more or less constant. For others, the process of learning and development will be ongoing, so that team effectiveness and efficiency will continue to improve (Ivancevich et al. 2005:327).

The final stage of team development is the *adjourning stage*. Many teams are ongoing and never reach the adjourning stage (Hellriegel et al. 2004:343; Ivancevich et al. 2005:327; Robbins 2003:221). Teams may adjourn because they have met their goals, because norms are no longer effective, or because members leave (Greenberg & Baron 2000:257; Hitt et al. 2006:418). This stage is characterised by the termination of task-related activities, disengaging from relationships, and focusing on achieving closure (Hellriegel et al. 2001:235; Ivancevich et al. 2005:327). The adjourning stage can be marked by positive emotions, centring on successful achievements, but may also be a source of loss and disappointment (Ivancevich et al. 2005:327; Robbins 2003:222).

Teams may not progress smoothly and predictably through all the stages described above (Hitt et al. 2006:418; Ivancevich et al. 2005:327). Numerous factors can either hinder or facilitate the process; these include the nature of the project, the continual joining of new members, and the context in which the team operates (Hitt et al. 2006:418; Ivancevich et al. 2005:327). In some cases, several stages may go on simultaneously, and in others occasionally. Teams may even regress to previous stages (Greenberg & Baron 2000:257; Robbins 2003:222). A team can be in any stage of development at any given time, and the amount of time spent in any given stage may vary (Greenberg & Baron 2000:257). The five-stage model assumes that teams become more effective as they progress through the first four stages. Although this assumption may be generally true, what makes a team effective is more complex than the model acknowledges (Robbins 2003:222). Failure can occur at any point in the sequence. Several factors influence team behaviour and effectiveness. These influences explain variations in outcomes between teams, and within specific teams over time (Hellriegel et al. 2001:236). The various factors that influence team effectiveness form the basis of this chapter.

### **4.3 MODELS OF EFFECTIVE TEAMS**

The conceptualisation of team effectiveness that has shaped the last 40 years of theory and research is based on the logic of an input-process-output (I-P-O) heuristic, originally proposed by McGrath in 1964 (Campion et al. 1993:829; Kozlowski & Ilgen 2006:79). This heuristic is recognised in the classic works of

Gladstein (1984), Guzzo (1986) and Hackman (1987), who expressed the nature of team performance according to the classical systems model, in which inputs lead to processes that in turn lead to outcomes. Consequently, the input-process-output, or I-P-O, model came into being, and is probably still the most common framework used to explain the way in which team design elements interact to enable effective team outcomes (Barrick et al. 1998:377; Campion et al.1993:829; Groesbeck & Van Aken 2001:2). In their review examining research and theory relevant to work groups and teams, Ilgen, Hollenbeck, Johnson and Jundt (2005:519) conclude that the I-P-O framework has had a powerful influence on recent empirical research, much of which either explicitly or implicitly invokes the I-P-O model.

The I-P-O model posits that a variety of inputs combine to influence intra-group processes, which in turn affect team outputs. *Inputs* refer to the composition of the team in terms of the constellation of individual characteristics and resources at multiple levels (individual, team, organisation). *Processes* refer to the activities that team members engage in, in combining their resources to resolve (or fail to resolve) task demands. These processes or interactions that take place among team members include, for example, communication patterns, personal disclosure and conflict, and efforts toward leadership and other forms of influence. Processes thus mediate the translation of inputs to outcomes. *Output* has 3 facets: performance judged by relevant others external to the team; meeting of team member needs or team-member satisfaction; and viability or the willingness of members to remain in the team. These tripartite facets capture the prevalent conceptualisation of team effectiveness (Barrick et al.1998:377; Kozlowski & Ilgen 2006:79,80).

In her model, Gladstein (1984:502), for example, categorises the various factors influencing group effectiveness into input and process variables. Input variables are further divided into *group composition* (adequate skills, heterogeneity, organisational tenure and job tenure); *group structure* (role and goal clarity, specific work norms, task control, size and formal leadership); and *resources available and organisational structure* (available training, markets served, group performance rewards and supervisory control). Open communication, supportiveness, conflict, discussion of strategy, weighting of individual inputs and



boundary management are grouped as *process variables*. Consequently, the main input and process constructs in her model are represented by sets of variables.

In Hackman's (1990) input-process-output model, *inputs* include task design, group composition, training, resources, and some elements of context. Internal *processes* include communicating, managing conflict, making decisions, and learning. *Outputs* include productivity, quality, innovation, customer satisfaction, and employee satisfaction (Howard, Foster & Shannon 2005:770). Hackman (1986) suggests that the focus should be on setting up conditions favourable to success in the team. These conditions include a *clear, engaging direction*; an *enabling performance situation* (process criteria such as ample effort, sufficient knowledge and skills, the employment of task-appropriate strategies); *group structure* (task structure, group composition, core norms that regulate member behaviour); an *organisational context*; and *expert coaching* and *process assistance* (Yancey 1998:3,4). The model of team effectiveness proposed by Hackman and his colleagues (Hackman 1987,1990,2002; Wageman *et al.* 2005:374) is unconventional in that it does not posit specific causal factors that are linked directly to their intended effects. Nor does it identify factors that moderate the size or direction of specific input-output relations. Instead, teams are viewed as semi-autonomous social systems that evolve over time, in their own idiosyncratic ways, and in interaction with their organisational contexts, into performance units that vary in effectiveness. This model (a slight variation of Hackman's 1986 model) also identifies 5 conditions for effective teams, namely, *real team*, *compelling direction*, *enabling structure*, *supportive context*, and *competent coaching*, that when present, increase the likelihood (but do not guarantee) that a team will perform well (Hackman 2002:31; Wageman *et al.* 2005:374,375). In a study of 64 analytic teams in the US intelligence community, Hackman and O'Connor (2004), found that 74% of the variance on a reliable performance criterion was controlled by the presence of the aforementioned 5 conditions.

Guzzo's (1986) model includes 3 variables that he considers essential for team effectiveness: *task interdependence*; *outcome interdependence*; and *potency*. These 3 variables, through task-related interaction, affect the group's task effectiveness and can be influenced by either group members or people outside

the group. Guzzo and Dickson (1996) have also outlined other issues relevant to work-group effectiveness. These include team *cohesiveness*, *composition*, *performance*, *leadership*, *motivation*, and *group goals* (Yancey 1998:5,6).

The conceptual framework of Campion et al. (1993) is based on a review of several literature studies addressing the topic of work groups or teams. Based on this review and the models of work group effectiveness proposed by Gladstein (1984), Guzzo and Shea (1992), Hackman (1987), and Tannenbaum, Beard and Salas (1992), a hybrid conceptual framework has been derived, consisting of 5 themes representing summaries of the key components of previous theories of team effectiveness. In addition, 19 design characteristics have been derived and used to operationalise these 5 themes (Campion, Papper & Medsker 1996:430). According to this model of Campion et al. (1993), *job design*, *interdependence*, *composition*, *context* and *process* are the 5 themes that contribute to team effectiveness (Yancey 1998:2).

Based on an analysis of the models of Campion et al. (1993), Guzzo (1986) and Hackman (1987), Yancey (1998) has identified a number of characteristics found or inferred in all 3 models. Firstly, a *social environment*, where team members are *open* and *supportive*, *committed* to team performance, and feel that they are *equals*, must exist. Secondly, the team must consist of a *variety of people*, as teams are more effective when made up of members with different experiences and areas of expertise. Thirdly, *strong interpersonal relationships* should exist, so that teams can function more *openly* and members are more willing to *share*. In addition to the aforementioned, a *supportive environment*, an element of *potency*, *equal participation*, *clearly defined goals* and *individual goal alignment*, as well as *leadership*, are all characteristics evident in the models mentioned above. Yancey (1998:7) concludes that these characteristics can be used as a checklist of sorts to ensure that all the necessary requirements are in place, to allow for highly successful teams.

I-P-O models suggest that to improve a team's effectiveness, changes must be brought about to its design elements. Guzzo and Dickson (1996:334), for example, propose that 3 primary points of leverage exist for intervening to enhance team effectiveness, namely the design of the group, group processes, and context. For

example, managers and group members can manipulate the various input variables (design elements), such as *job design*, *composition* and *context* (Yancey 1998:6). These input variables are more directly controllable than, for example, the process variables. Process variables may potentially be indirectly affected by management only through encouragement, modelling and reinforcement (Campion et al.1993:842). Gladstein (1984:514) has concluded that process changes alone are unlikely to be successful, and that structure continues to mould process.

A variation of the input-process-output model suggests that job design (structure), group characteristics (composition) and organisational context achieve increased effectiveness through group process and group psychosocial traits (Cohen & Bailey 1997). Group processes include interaction among team members, such as communication, conflict and learning activities, whereas psychosocial traits can include shared mental models, leading to collective expectations, norms and affective feelings of trust, and ownership of the work being done. Hence, for team design elements (inputs) to provide sustained increases in effectiveness, group processes and psychosocial traits must be developed, aligned and maintained in a manner consistent with desired outcomes (Groesbeck & Van Aken 2001:2).

According to Kozlowski and Ilgen (2006:80), McGrath's (1964) original I-P-O heuristic was developed to organise the research literature on small groups; it was not intended as a theory or a formal causal model of team effectiveness. Nonetheless, it has frequently been interpreted as a model to be tested. Ilgen et al. (2005:520) maintain that the I-P-O framework constrains thinking about teams. They suggest an alternative model, namely the input-mediator-output-input model (IMOI). In their model, "M" is substituted for "P", reflecting a broader range of variables that are important mediational influences with explanatory power for explaining variability in team performance and viability. Adding the extra "I" at the end of the model explicitly invokes the notion of cyclical causal feedback. Elimination of the hyphen between letters merely signifies that the causal linkages may not be linear or additive, but rather nonlinear or conditional. Similarly, Kozlowski and Ilgen (2006:80) suggest that while the I-P-O model is a useful organising heuristic, treating it as a causal model encourages taking a limited and

static perspective on team effectiveness and the dynamic processes that underpin it.

According to Hyatt and Ruddy (1997:555), models of work group performance have proliferated in recent years, providing a number of complementary models, listing numerous group and organisational characteristics proposed to be related to group performance. Researchers have recently begun to systematically study organisational work teams to better understand what makes them effective or ineffective (Northouse 2004:210), and efforts have been undertaken to take what was once a “veritable laundry list of characteristics” and organise them into relatively focused models (Robbins 2003:263). Numerous general models of effective teams have been proposed by, amongst other, Hellriegel et al. (2004:338); Hellriegel et al. (2001:237); Kreitner and Kinicki (1995:340); Mondy and Premeaux (1995:415); and Robbins (2003:264). These and the classic models discussed above (e.g. Campion et al. 1993; Gladstein 1984; Hackman 1987) condense current knowledge about what makes teams effective (Robbins 2003:263).

Although these models differ in many respects, they all, implicitly or explicitly, address similar issues and offer similar suggestions on how to design effective teams. These issues are of near-universal importance to all teams and the suggestions offered can be applied to almost any team, in almost any context (Guzzo & Dickson 1996:309,315; Yancey 1998:6).

#### **4.4 ATTRIBUTES OF AND REQUIREMENTS FOR EFFECTIVE TEAMS**

Literally thousands of studies in almost every type of organisational context have examined factors that influence team effectiveness (Hitt et al. 2006:406; Kozlowski & Ilgen 2006:77). Consequently, there is a large body of research on how to build effective teams and on identifying factors related to team effectiveness (Kozlowski & Ilgen 2006:79; Robbins 2003:263; Sheard & Kakabadse 2002:133). As previously mentioned, the various models described in Section 4.3 condense what is currently known about what makes teams effective (Robbins 2003:263). These normative models are useful for highlighting the necessary factors to be considered when teams, and the supporting organisational system, are configured

(Kozlowski & Ilgen 2006:99). It is, however, important to remember that teams differ in form and structure. Consequently any model should merely serve as a guide, and care should be taken not to rigidly apply any one model's predictions to all teams (Robbins 2003:263). For example, Hackman (1986) suggests that no strategy for performance will work equally well for different teams, as teams will create their own reality (Yancey 1998:3).

After a careful analysis of various theoretical models, team-based research and lists describing the characteristics of and requirements for effective teams, it has been found that different authors adopt different terminology and categorisation methods in their attempts to group the various attributes necessary for effective team functioning. Numerous commonalities have nevertheless been identified, and for the purpose of this study, 4 general categories or themes representing summaries of the key components of previous theories are proposed. These general categories, namely, *context*, *composition*, *structure*, and *processes*, are further delineated into either input or process variables. In addition, each general category comprises a number of underlying components.

These 4 categories reflect the necessary criteria, characteristics and essential requirements for effective teams and high levels of team performance. Each category, together with its underlying components, will be discussed in the paragraphs below. The input variables, namely, context, composition and structure, will be discussed first, followed by the process variables.

#### **4.4.1 Context**

Because it comprises the conditions that affect a team, the context in which a team finds itself can directly affect all other factors that influence effective teamwork (Hellriegel *et al.* 2001:236). Consequently, for a team to function effectively, it needs an enabling performance situation or context (Hackman & Walton 1986:87; Kerr & Tindale 2004:641), both within and outside the organisation.

The situation or context in which a team finds itself, within a business, is influenced by the context or environment in which the business as a whole finds

itself. Changes in this environment could influence the business (Cronjé et al. 2004:82; Nieman & Bennett 2002:29) and subsequently the team's context. The business environment is described as all those variables, both inside as well as outside the business organisation, which may influence its continued and successful existence (Bosch et al. 2006:43; Cronjé et al. 2004:85; Nieman & Bennett 2002:30). The business environment consists of two distinct environments, namely the external environment (market and macro environment) and the internal environment (micro environment).

#### 4.4.1.1 External environment

The external environment consists of both the market and the macro environment. The *market environment* is situated immediately outside the internal business environment and comprises all the variables in the market that determine the nature and strength of competition in the industry. Key variables in the market environment are consumers, consumerism, competitors, intermediaries and suppliers. Management has no control over these variables, but can influence them through the strategies it implements. The *macro environment* is also external to the organisation, and consists of variables relating to the technological, economic, demographic and social (including HIV/AIDS), physical, political, institutional and international environments (Bosch et al. 2006:44,45; Cronjé et al. 2004:86,87). External factors have their origin outside the business and are largely unpredictable and constantly changing (Nieman & Bennett 2002:32). Influences within these macro environments occur as a result of such things as technological innovation, economic fluctuations and emerging markets, changing legislation (labour, monetary and fiscal), increased urbanisation, changing social values, globalisation, increased poverty and crime, and changing consumer tastes (Cronjé et al. 2004:83). The individual business organisations have virtually no influence over these variables. Influence may occur, in exceptional circumstances, but with minimal effect (Bosch et al. 2006:44,45; Cronjé et al. 2004:87; Nieman & Bennett 2002:30).

It is these outside organisational conditions or the team's external context that influence the effective functioning of a team. For example, the societal culture in which the team operates can influence its effectiveness. In contrast to collectivistic

cultures, forming effective teams in individualistic cultures is much more of a challenge (Hellriegel et al. 2004:338; Hellriegel et al. 2001:236). Similarly, other external environmental influences such as political, technological and economic change, can affect the organisation either positively or negatively, and subsequently also the context of the team.

#### 4.4.1.2 Internal environment (infrastructure and support)

The micro or *internal environment* consists of all those variables that exist within the business itself and over which management has direct or indirect control. Variables include aspects such as the vision, mission and goals of the business; the various functions of management; and the resources available to the business (Bosch et al. 2006:43; Cronjé et al. 2004:86). The extent to which the goals, management and resource allocation of the business provide an internal environment or infrastructure that supports the existence of a team, will determine to a large degree whether the team is effective.

To experience the potential gains of teamwork, organisations must provide an internal organisational context that provides the necessary support for teams to function effectively (Hitt et al. 2006:420; Robbins 2003:267; Wageman et al. 2005:377). A scarcity of resources has, for example, proven to directly affect a team's ability to perform its job effectively (Robbins 2003:267).

Support includes providing the required *technology* to carry out tasks and to coordinate activities; providing timely access to appropriate *information*; providing adequate *staffing* with suitable skills and values; providing *training* for team members; giving *recognition* for accomplishments, *rewards* and encouragement; providing adequate *material resources*; and giving *leadership* and clear direction (Hitt et al. 2004:349,420,421; Robbins 2003:267; Northouse 2004:214; Ivancevich et al. 2005:341; Wageman et al. 2005:377).

#### 4.4.2 Composition

"Team composition" refers to variables that relate to how teams should be staffed (Robbins 2003:264) and addresses who team members are, and what attributes,

skills, abilities and knowledge they bring to the team (Guzzo & Dickson 1996:310; Hitt et al. 2006:406). Composition relates to the extent to which group members are alike. Homogeneous groups share a number of similar characteristics relating to demographic factors such as age, income, personality, skills and abilities or work experience. Heterogeneous groups are composed of individuals who have few or no similar characteristics. Homogeneous groups are more likely to be cohesive, but heterogeneous groups may outperform homogeneous ones in certain situations because they have a richer variety of knowledge and experience to draw upon (Ivancevich et al. 2005:328).

The presence of team members in general, or the presence of a specific individual, can have a significant influence on the behaviour of other team members. This influence, known as *social facilitation*, can have a positive impact on the individuals and consequently the behaviour of the team. Social facilitation occurs when the presence of others improves individual performance; this suggests that teamwork can lead to increased performance because others are present. One reason for this is that the presence of others creates general arousal in human beings, which then leads to better performance. Another reason is that the presence of others arouses evaluation apprehension, so that people perform better because they think they are being evaluated. Whatever the reason, social facilitation seems to occur only when people are performing simple and familiar tasks. The presence of others can actually decrease performance on tasks that are complex and unfamiliar (Hitt et al. 2006:414; Robbins 2003:238,239).

#### 4.4.2.1 Competencies and skills

For teams to function effectively, members must have the necessary technical expertise, knowledge, skills and abilities to perform the tasks at hand (Greenberg & Baron 2000:281; Hitt et al. 2006:421; Robbins 2003:264). A team's composition must be such that it fosters competent task work and maximum performance (Northouse 2004:210; Steven & Campion 1999). When composing a team, the right team members, based on skills or potential skills, should be selected (Greenberg & Baron 2000:281). Individual strengths should also be understood and kept in mind so that work allocation can match strengths and preferred styles. Once individual preferences and team role demands are matched, the likelihood



that team members will work well together increases (Robbins 2003:265).

Team members do not only need to be competent in doing their jobs; they must also be able to work together collaboratively (Larson & LaFasto 1989). A common mistake in forming teams is to assume that people who have all the necessary technical skills also have the interpersonal skills necessary to work together effectively. Members thus also need to be personally competent in interpersonal skills or teamwork (Greenberg & Baron 2000:281; Hackman 1990). Interpersonal skills include listening, feedback and conflict resolution skills (Keen 2003:25,26; Robbins 2003:264). Other skills necessary for teams to perform effectively are problem-solving and decision-making skills (Ivancevich *et al.* 2005:341; Northouse 2004:213; Robbins 2003:264). The right mix of skills is crucial in a team, as too much of one skill at the expense of others will result in lower team performance (Robbins 2003:264).

#### 4.4.2.2 Preference and personality

In selecting team members, not only should their knowledge, skills and abilities required to perform the task at hand be considered, but aspects such as preference and personality (Greenberg & Baron 2000:281; Hitt *et al.* 2006:407; Robbins 2003:266,265) should also be taken into account. Some individuals enjoy working in teams, while others prefer to work alone. High performance teams are usually those comprised of individuals who prefer working in teams (Greenberg & Baron 2000:281; Robbins 2003:266; Yancey 1998:3).

Personality also has a significant influence on individual behaviour, and can be extended to team behaviour. More specifically, teams that rate higher in mean levels of extroversion, agreeableness, conscientiousness, and emotional stability tend to perform better (Hitt *et al.* 2006:407; Ivancevich *et al.* 2005:341; Robbins 2003:265). The inclusion of just one person who is low on any of the aforementioned traits on a team can result in strained internal processes and decreased overall performance (Robbins 2003:265). According to Stewart and Barrick (2004), an ideal team is one in which all members score high on emotional stability. In addition, an ideal team is composed of a more balanced pattern of extroversion, agreeableness and conscientiousness across members, rather than

one where all members are, for example, highly extrovert. People have different qualities, and it is the suitability of their personal attributes that make it possible for them to contribute meaningfully to the team and the task they perform (McCormick & Ilgen 1980).

Selecting members who value flexibility and are open-minded can also lead to higher team performance (Keen 2003:26). Teams made up of flexible individuals have members who can complete each other's tasks. This may involve cross-training on key aspects of others' specialty areas (Greenberg & Baron 2000:281; Robbins 2003:266). This offers an obvious advantage, as it greatly improves adaptability and makes the team less reliant on any single member (Robbins 2003:266). Individuals who are open-minded also tend to be more successful in dealing with change (Ivancevich et al. 2005:341; Keen 2003:26). In addition, members need to display traits such as openness, supportiveness, action orientation, and a positive personal style (Larson & LaFasto 2001). Team members should also be chosen with values that fit well with the organisational culture (Hitt et al. 2006:421).

#### 4.4.2.3 Diversity (heterogeneity)

Studies (e.g. Ilgen 1999; Magjuka & Baldwin 1991; McGrath 1984) report different outcomes when investigating the effects of diversity among team members on team performance (Hitt et al. 2006:406). Similarities and differences among individual team members and their roles do influence the team's behaviour, dynamics and outcomes (Hellriegel et al. 2001:238). For example, diversity provides different perspectives on issues, but makes it more difficult to unify the team and reach agreements (Robbins 2003:272). Diversity is more likely to have a positive effect on team performance over the long run if members have similar performance goals and levels of commitment, and when tasks require innovation and creativity (Hitt et al. 2006:406).

Teams should be composed of the right number and mix of members, with a sufficient range of skills, information and experience among them to accomplish all the tasks of the group (Hackman & Walton 1986; Ivancevich et al. 2005:341). As a group, the members need to possess the requisite technical competence to

accomplish the team's goals (Northouse 2004:212). Because the success of a team demands that the members work together closely on a variety of tasks, teams function most effectively when composed of highly-skilled individuals who can bring a diverse set of complementary skills and experience to the task at hand (Greenberg & Baron 2000:281; Hitt et al. 2006:421; Robbins 2003:265). A well-balanced team has members with a variety of talents and perspectives, but who are still similar enough to be able to communicate and coordinate with one another competently (Hackman 2002:123).

Should the necessary mix of skills not be available among members of a team, experts in the field should be readily available to assist teams in solving problems (Yancey 1998:7). The handling of relationships with other groups or individuals, who provide inputs or absorb outputs from the group, is referred to as "boundary management". Boundary management is another task function that has been emphasised as a predictor of team effectiveness (Katz & Kahn 1978; Gladstein 1984:500).

#### 4.4.2.4 Team size

Effective teams consist of the smallest number of people needed to do the work. Coordination is difficult when teams are too large, and overload is likely when teams are too small (Greenberg & Baron 2000:281; Ivancevich et al. 2005:341). Members of larger teams generally have difficulty communicating directly with each other (Hellriegel et al. 2004:339), and the larger the group, the greater the potential for problems in interacting and making decisions (Ivancevich et al. 2005:341). As teams become larger, the emotional identification and sense of deeply shared commitment becomes more difficult to establish and maintain (Hellriegel et al. 2001:238), mutual accountability and cohesiveness declines, and "social loafing" is more likely to occur (Robbins 2003:265).

#### 4.4.3 Structure

Structure relates to the nature of the tasks (task structure) to be completed by the team, the division of roles and responsibilities (team structure) among team members, and to certain cognitive structures or knowledge organisation, such as

team climate, shared mental models and transactive memory systems. These cognitive structures enable team members to organise and acquire information necessary to anticipate and execute actions (Kozlowski & Ilgen 2006:83). According to Gladstein (1984), and Hackman and Walton (1986), a common purpose and shared goals, norms and codes of conduct, as well as leadership, are also underlying components of structure. Teams with appropriate structures can meet the needs of the team, as well as accomplish team goals (Larson & LaFasto 1989).

#### 4.4.3.1 Nature of the task (task design/work design/task structure)

The team's task is the central focus of what it does. The team's task determines two critical issues: firstly, it sets the minimum requirements for the resource pool (capabilities available across team members), and secondly, it determines the primary focus of team member activities (Kozlowski & Ilgen 2006:80). As such, the nature of the team task influences the type of information, level of coordination, and the type and level of communication required for a team to meet its performance objectives (Doolen et al. 2006:140).

It has been shown that the structure (nature) of the task to be completed is an important determinant of how teams function and perform. Tasks that can be separated into subcomponents, namely divisible tasks, are more suitable to be completed by teams than unitary tasks that cannot be divided and must be performed by a single individual. In tasks where members' inputs are additively combined or where members' individual performances are averaged together, the team's performance will often be better than that of individual members (Hitt et al. 2006:411,412). Task interdependence is one of the most crucial elements for teams to exist and to be effective (Yancey 1998:2).

The existence of certain task characteristics has also been found to enhance team members' motivation and hence increase team effectiveness. These include freedom and autonomy in completing the task, the opportunity to use different skills and talents, the ability to complete a whole and identifiable task, and a task that has significance for others. These characteristics motivate because they increase members' sense of meaningfulness, responsibility and ownership of the

work (Hackman 2002:97; Robbins 2003:264). Task variety and participation allow each member in the group to perform a number of tasks, motivating members to use different skills, as well as rotating less desirable tasks. Effectiveness is also increased when members of the group feel that their work has repercussions outside of the group. This concept is called "task significance". Task identity, or the degree to which a group completes a whole and separate task, is also necessary (Campion et al. 1993:826).

#### 4.4.3.2 Role and task allocation (team structure)

In order for a team to achieve its purpose and goals, certain functions or tasks need to be completed. The completion of a team's task requires that team members fulfil different roles and perform different task-related activities.

Successful teams are those whose members fulfil a myriad of roles. These roles include that of advisor, linker, creator, promoter, assessor, organiser, producer, controller and maintainer (Robbins 2003:265,266). In terms of Keen's Team Competency Roles (Keen 2003:42), these roles are categorised as the *doers* (organiser and analyser), the *problem solvers* (mobilisers, thinkers and stimulators) and the *people persons* (harmonisers and catalysts). Members are appointed to fill these roles based on their skills and preferences (Robbins 2003:265), but have the potential to perform each of these roles over time (Hellriegel et al. 2001:239).

Team roles are expectations shared by team members about who will perform which types of tasks, and under what conditions. All teams need to have members fulfilling *leadership roles*, *task-orientated roles* (behaviour aimed at achieving the team's goals and tasks) and *relations-orientated roles* (behaviour that supports the social aspects of the team) (Hellriegel et al. 2001:239; Hitt et al. 2006:408). *Self-orientated roles*, on the other hand, are the behaviours of individual members that occur at the expense of the team. A team dominated by individuals performing mainly self-orientated behaviours is likely to be ineffective (Hellriegel et al. 2001:239). Effective teams have clear roles for all team members (Northouse 2004:212), with members playing both task- and relations-orientated roles. The

roles of individual team members strongly influence team behaviour, and too much or too little of a certain behaviour can affect team performance and satisfaction.

In effective teams, team members mutually agree on responsibilities (Keen 2003:26; Robbins 2003:267). Job descriptions, specifying individual tasks and responsibilities, are clearly laid out (Hitt et al. 2006:408). Agreeing on the specifics of completing the task at hand and how team members fit together to integrate individual skills requires team leadership and structure (Robbins 2003:267).

Effective teams encourage the involvement and participation of all team members in all aspects of the process (Greenberg & Baron 2000:282; Hellriegel et al. 2004:344; Keen 2003:6,25). The more team members participate in making decisions, for example, the more likely they are to feel committed to those decisions. Thus, for teams to be committed to their work, all team members must be involved (Greenberg & Baron 2000:282).

#### 4.4.3.3 Cognitive team structures

In addition to structuring task-related activities, teams also structure or organise certain cognitive-related aspects or knowledge representations. According to Kozlowski and Ilgen (2006:81,525), team climate, shared mental models and transactive memory systems are team-cognitive constructs that represent in teams the structure of collective perception, cognitive structure or knowledge organisation, and knowledge or information acquisition.

Contemporary theory and research regard team climate as cognitively based, descriptive, interpretative perceptions of salient features, events and processes that characterise the “strategic imperatives” of the organisational and team context. A large and growing research base demonstrates that a collective team climate relates positively to measures of team effectiveness. A collective climate that captures the strategic imperatives reflective of the core mission and objectives of an organisation or team is a key emergent cognitive structure that shapes processes relevant to goals and their accomplishment (Kozlowski & Ilgen 2006:81-83).

Research has shown that both shared mental models and transactive memory are positively related to team effectiveness (Kozlowski & Ilgen 2006:81,84; Lewis 2003; Marks, Sabella, Burke & Zaccaro 2002). Where team climate tends to be more general in nature, team mental models and transactive memory are more specific to team tasks and work systems. Team "mental models" refer to knowledge structures or information held in common, whereas "transactive memory" refers to knowledge information distribution within a team (knowledge of who knows what). Where "climate" is about what should be aimed for, and perhaps why, team mental models and transactive memory are about how the knowledge to do something is organised, presented and distributed in the team (Kozlowski & Ilgen 2006:83).

Mohammed and Dumville (2001:89) define "shared mental models" as an organised understanding of relevant knowledge that is shared by team members, whereas "transactive memory" is defined as a combination of the knowledge possessed by each individual and a collective awareness of who knows what (Austin 2003:866). In contrast to shared mental models, transactive memory focuses on who knows what, rather than on overlapping task- or team-relevant knowledge (Kerr & Tindale 2004:626). Shared mental models emphasise common cognitive elements among group members, whereas transactive memory systems emphasise the unique and distinctive cognitive elements among group members (Ilgen et al. 2005:525).

#### 4.4.3.4 Common purpose and shared goals

Effective teams have a common mission or sense of purpose (Ivancevich et al. 2005:341; Keen 2003:25,26; Robbins 2003:268) and a clear, engaging direction (Hackman & Walton 1986:81; Hackman 2002:63,72). Members of such teams devote a tremendous amount of time and effort to discussing, shaping and agreeing on a purpose that is meaningful and belongs to them both collectively and individually. This common purpose provides focus, direction and guidance under all conditions, and should be clear and well-defined. A purpose has a broader scope than specific goals (Robbins 2003:268), but when team members have a well-defined mission, they are likely to pull in the same direction and attempt to reach the same goals (Greenberg & Baron 2000:281).

Successful teams translate their common purpose into specific, measurable and realistic performance goals that provide them with a source of focus (Keen 2003:6; Larson & LaFasto 2001). In addition, goals facilitate communication and help to energise the team (Hackman 2002:63; Robbins 2003:268).

Team goals thus need to be clear, well articulated and understood by all (Greenberg & Baron 2000:281; Northouse 2004:212; Sheard & Kakabadse 2002:138). A team's goals are the desired outcomes for the team as a whole, not the separate goals of the individual members (Hellriegel et al. 2001:237). As such, goals need to be common, mutually agreed upon, involving all, and motivating, so that the members believe them to be worthwhile and important (Keen 2003:25,26; Larson & LaFasto 1989). Goal interdependence is one of the most crucial elements for teams to exist and to be effective. "Goal interdependence" refers not only to a group having a goal, but also to the fact that group members' goals should be linked (Yancey 1998:3). Consequently, the task should allow room to "tailor the objectives of the team to fit with members' own inclinations" (Hackman & Walton 1986:81).

#### 4.4.3.5 Norms and codes of conduct

While feelings are an important aspect of working in teams, how people actually behave may be even more important (Hellriegel et al. 2004:343). For this reason effective teams have norms or codes of conduct that govern the behaviour of team members (Greenberg & Baron 2000:282; Northouse 2004:213).

"Norms" are rules or standards of behaviour that are accepted and expected by members within a team. These rules or patterns of behaviour are enforced by members of the team and regulate the team's behaviour (Hellriegel et al. 2004:343; Hitt et al. 2006:411; Ivancevich et al. 2005:330). Norms govern both task-orientated and relationship behaviours (Hellriegel et al. 2004:344). As such, norms provide clear guidance for acceptable and unacceptable behaviour under specific circumstances (Greenberg & Baron 2000:282; Hackman 2002:105; Hitt et al. 2006:411). Norms govern such things as accepted behaviour concerning attendance, giving criticism, confidentiality, setting up schedules, resolving conflict, making decisions, customer treatment and importance of quality (Greenberg &



Baron 2000:282; Hellriegel et al. 2004:344; Robbins 2003:267). Norms concerning how to handle conflicts within the team are especially important for teams that often engage in solving problems and decision-making (Hellriegel et al. 2004:344). Norms help to define the behaviours that members believe are necessary to help them achieve their goals (Hellriegel et al. 2001:242). Consequently, these standards of behaviour should be clear and concrete (Larson & LaFasto 1989). Awareness of these norms among members is important, for two reasons. Firstly, it increases the potential for freedom and maturity at both individual and group levels; and secondly, norms may positively or negatively influence the effectiveness of individuals, teams and organisations (Hellriegel et al. 2001:242).

#### 4.4.3.6 Leadership

Because effective team leadership has consistently been found to be related to team effectiveness (Northouse 2004:214), the significance of good-quality team leadership cannot be overemphasised (Sheard & Kakabadse 2002:149). A team's leadership strongly influences all aspects of its composition and behaviour (Hellriegel et al. 2001:246; Ivancevich et al. 2005:332; Keen 2003:25). Studies have confirmed that leaders who exhibit a positive mood get better team performance, and that leaders who expect good things from their team are more likely to get them (Robbins 2003:267).

A team leader can emerge naturally, be elected from among team members, be assigned based on special skills or authority, or be formally appointed by a higher authority (Keen 2003:25; Hellriegel et al. 2004:346; Hitt et al. 2006:422). Evidence, however, indicates that some teams perform better without formally appointed leaders (Robbins 2003:267), and studies of teams in organisations emphasise the importance of emergent or informal leadership in accomplishing team goals. Informal leadership exists in a team when an individual's influence in a team develops over time and reflects a unique ability to help the team attain its goals (Hellriegel et al. 2001:245). The person who becomes an informal leader is generally viewed as a respected and high-status member who embodies the values of the team, aids in accomplishing team goals, and enables members to satisfy their needs (Ivancevich et al. 2005:333).

A team's leadership is often found in one person only. Teams may, however, have different leaders over time and for different tasks. In addition, because a team often has both relational- and task-orientated goals, each requiring different skills and leadership styles, it may have two or more leaders at any one time (Hellriegel et al. 2001:245,246). According to Hackman (2004:4), team leadership involves inventing and competently executing whatever actions are most likely to create and sustain the conditions required for effective teamwork. Anyone who helps to achieve that, including team members who hold no formal leadership role, is exercising leadership. What is important is the fact that the key leadership functions are fulfilled, not who fulfils them and certainly not how they go about it (Hackman & Walton 1986).

Successful team leaders fulfil three roles, the role of liaison, direction setting and coordinating. The team *liaison* role requires that the leader network with all information sources both inside and outside the team. These include management, key clients, suppliers, and even competitors. In this role, a team leader also acts as a representative of the team and looks after the team's interest. In essence, the team leader connects the team to the outside world and actively manages relationships with all external groups (Hellriegel et al. 2004:348; Hellriegel et al. 2001:246; Hitt et al. 2006:422; Ivancevich et al. 2005:333). Another leader role involves *direction setting*. The leader develops direction for the team, based on external information and personal vision (Hitt et al. 2006:422). Effective leaders not only provide direction but also keep the team focused on its goals (Larson & LaFasto 2001). Finally, the team leader must serve as the team's operational *coordinator* (Hitt et al. 2006:422). Teams are effective only when their activities are coordinated and integrated. Simply putting people together and assigning them a task does not ensure coordination and integration; this requires the appointment of a leader (Hellriegel et al. 2004:340). Coordination involves recognising and integrating each member's contributions; monitoring team performance and functioning; making changes where necessary; and ensuring that the psychological climate facilitates effective functioning (Hitt et al. 2006:422). It is the team leader who is concerned with maintaining the group as a functioning unit (Ivancevich et al. 2005:333).

The style of a team leader is powerfully shaped by the behaviours of those who

are led. If team members are behaving cooperatively and competently, leaders tend to operate more participatively and democratically, but if members are uncooperative or seemingly incompetent, leaders tilt toward a more unilateral, directive style (Hackman 2004:2). In addition, effective leaders (Yancey 1998:4) have knowledge, expertise and ability, are emotionally mature, and possess a measure of personal courage.

#### **4.4.4 Processes**

For teams to be effective, it is important that the necessary team design elements (inputs), namely context, team member attributes and group structures, are such that they facilitate task-orientated behaviour. Important relationship behaviour must, however, also be present. Consequently, team members must direct their energies towards not only getting things done, but also to building constructive interpersonal ties and processes (Hellriegel et al. 2004:342,344). Team processes are the behaviours and activities that influence the effectiveness of teams (Hitt et al. 2006:412) and, as such, are the operations within a team that permit it to function smoothly and efficiently (Campion et al. 1993:829; Muchinsky 2003).

"Processes" refer to the interactions, both inter-workings and social, that take place among team members (Barrick et al. 1998:377; Hackman 1987:315; Yancey 1998:3). Conceptually, processes captures how team members combine their individual resources, coordinating knowledge, skills and effort, to resolve task demands (Kozlowski & Ilgen 2006:81). The variables that reflect these intragroup processes include open communication and intrapersonal disclosure, social cohesiveness and supportiveness, workload sharing, management of conflict, learning, boundary management, and efforts toward leadership and other forms of influence (Barrick et al. 1998:377; Gladstein 1984:502; Howard et al. 2005:770; Olukayode & Ehigie 2005:282). According to Kozlowski and Ilgen (2006:81), team process capabilities are not fixed, because they are compiled and improved as team members accrue experience and learn how to work together better. Although processes are clearly dynamic, over time stable process constructs, known as "emergent states", develop, providing a means to capture team processes. It has even been suggested that it is more accurate to describe the construct measure of team processes as emergent states (Kozlowski & Ilgen 2006:87).

#### 4.4.4.1 Feelings

How people feel is an important aspect of working in teams. Feelings reflect the emotional climate of the team. Four feelings are most likely to influence the effectiveness and productivity of the team, namely *trust* (members have confidence in each other); *openness*; *freedom* (members do what they do out of a sense of responsibility to the group, not because of pressure from others); and *interdependence* (members coordinate and work together to achieve common goals). The more these feelings are present, the more likely it is that the team will be effective and that the members will experience satisfaction (Hellriegel et al. 2004:343).

In effective teams, a climate of *mutual trust* exists among all team members (Hellriegel et al. 2004:342; Ivancevich et al. 2005:341; Keen 2003:25; Robbins 2003:267). The five dimensions that underlie the concept of trust are integrity (honesty and truthfulness); competence (technical and interpersonal knowledge, and skill); consistency (reliability, predictability, and good judgment); loyalty (willingness to protect and save face for a person); and openness (willingness to share ideas and information freely) (Robbins 1998:294).

*Openness* among team members is achieved when members experience a sense of *freedom* to be themselves; to state their opinions without fear; and to take risks. In effective teams, team members also *mutually respect* each other. Not only do team members show respect for and accept individual differences, they also feel respected and well regarded by other team members (Hellriegel et al. 2004:342,344; Keen 2003:25,26).

In effective teams, members are *interdependent*. The integration of individual actions is seen as one of the fundamental characteristics of these teams. Each team member has a specific and unique role, and the performance of each role contributes to collective success. Success, however, depends on members' ability to coordinate and synchronise individual contributions and work together to achieve common goals (Hellriegel et al. 2004:343; Northouse 2004:213).

According to Kozlowski and Ilgen (2006:93) the literature on team-level feelings also refers to emotions, moods and affect. The potential effects of these “feelings” on team effectiveness, however, are likely to be more distal than emergent states that are more specific and proximal. In addition, although feelings are recognised as playing an important role in team effectiveness, research in the area of affect, mood and emotions in work teams is in its infancy, both conceptually and empirically.

#### 4.4.4.2 Trust

Of the “feelings” discussed above, trust is perhaps the most important among effective teams (Ivancevich et al. 2005:341). Cook and Wall (1980:40) distinguish two components of interpersonal trust, namely *faith* and *confidence*. Trust is thus viewed as having faith and confidence in team members (co-worker trust) and refers to having “faith in the trustworthy intentions of others” as well as to having “confidence in the ability of others, yielding ascriptions of capability and reliability” (Politis 2003:57). In addition, Ilgen et al. (2005:521) suggest that for team members to have trust in the team, they must feel that the team is competent enough to accomplish its tasks, and that the team will not harm the individual or his/her interests.

According to Ilgen et al. (2005:521), trust relating to team competence is expressed in terms of constructs such as potency, collective efficacy, group efficacy, and team confidence. “Potency” refers to a team’s collective belief that it can be effective (Campion et al. 1993:830; Guzzo & Dickson 1996:313) and is characterised by a sense of likely success and ability to meet challenges (Guzzo, Campbell & Shea 1993). According to Champion et al. (1993:830), potency is similar to the lay term of team spirit and the notions of self-efficacy and high expectancy. Teams that have confidence in themselves and believe they will succeed are said to have team efficacy (Robbins 2003:268). Although many researchers view team efficacy and group potency as very similar constructs, they are distinct in that collective efficacy is task specific, while group potency is a shared group-level belief about its general effectiveness across multiple tasks and contexts (Kozlowski & Ilgen 2006:90).

Research (Ilgen et al. 2005:522) suggests that a unique reciprocal relationship between potency and group performance exists. Teams that have been successful, experience increased expectations about future success, which in turn motivates them to work harder. Success breeds success. Helping teams to achieve small successes and providing members with skills training will increase feelings of potency. Success builds team confidence, and training improves technical and interpersonal skills. The greater the competence of team members, the greater the likelihood that the team will develop confidence and consequently, the capability to deliver on that confidence (Robbins 2003:268).

In addition to trusting the team's competence, individuals must also trust the intentions of team members. Jones and George (1998) distinguish between several different kinds of trust, suggesting that levels of trust (or distrust) can be shaped by people's values, attitudes and moods/emotions, as well as by previous experience. In addition, they suggest that unconditional trust, the kind most valuable to teams, should have a strong direct, positive effect on interpersonal cooperation and teamwork.

#### 4.4.4.3 Cohesiveness

Group cohesion is considered to be a dynamic process that is reflected in the tendency for a team to stick together and remain united in the pursuit of its instrumental objectives and/or for the satisfaction of members' affective needs (Ahronson & Cameron 2007:12). Cohesiveness reflects the desire of team members to remain in the team and their commitment to it (Hellriegel et al. 2004:343; Ivancevich et al. 2005:333). Team members seem to possess a closeness or commonness of attitude, behaviour, and performance. This closeness has also been referred to as "cohesiveness" (Ivancevich et al. 2005:333). "Team cohesion" refers to interpersonal (social) cohesion, as well as task cohesion.

*Interpersonal (social) cohesion* is the team members' liking of, or attraction to, other team members (Hitt et al. 2006:413) and reflects an individual team member's feelings about personal involvement in the social interaction of the group, as well as his/her perceptions of the closeness of the team and bonding

regarding the team's social activities (Ahronson & Cameron 2007:12). Team members who are attracted to one another enjoy being around the people of their team; they get along and interact well with each other. They look forward to meetings, enjoy learning new things together, appear to have fun and laugh more than other teams, find themselves putting the team's assignments ahead of other work, and feel a real sense of progress and satisfaction (Keen 2003:25,26).

*Task cohesion*, on the other hand, refers to the attraction and commitment of team members to the tasks and goals of the team (Hitt et al. 2006:413.) Task cohesion encompasses two dimensions, namely an individual team member's feelings about involvement in the group task and his/her perceptions of the singleness of purpose regarding accomplishment of the task (Ahronson & Cameron 2007:12). Cohesiveness is, for example, influenced by the degree of compatibility between team goals and an individual member's goals. A team is highly cohesive when members have a strong loyalty to it and personally accept the team's goals (Hellriegel et al. 2004:343; Hellriegel et al. 2001:243).

Team cohesion is positively related to team performance and viability. Members of cohesive teams are more likely to be satisfied with their teams than are members of non-cohesive teams. Highest performance is evident when task cohesion exists (Hellriegel et al. 2001:245; Hitt et al. 2006:413; Keen 2003:25,26).

#### 4.4.4.4 Open communication

Clear and open communication is crucial for effective teamwork (Hitt et al. 2006:417; Ivancevich et al. 2005:341; Keen 2003:25,26), as it builds and maintains trust, facilitates the open exchange of ideas, and leads to the creation of better solutions to problems (Ivancevich et al. 2005:341; Kreitner & Kinicki 1995:342). Communication enables team members to effectively coordinate their productive efforts, and in doing so, fosters overall success (Greenberg & Baron 2000:282; Hitt et al. 2006:417). In addition to affecting task performance, communication frequency and effectiveness are related to team member satisfaction, particularly in cohesive teams. Communication becomes more rewarding as team membership increases in importance and satisfaction to members. At the same time, increased communication enhances team members'

satisfaction with their membership of the team (Hitt et al. 2006:417).

#### 4.4.4.5 Workload sharing and fairness

Effective teams ensure that all members share the workload equally (Robbins 2003:267). Workload sharing is a team process that refers to the ability of team members to do their fair share of the work. Workload sharing creates an opportunity for social interdependence and enhances team effectiveness by preventing social loafing or free-riding (Campion et al.1993:830; Olukayode & Ehigie 2005:281,281; Yancey 1998:3).

Social loafing is the tendency for individuals to expend less effort when working collectively than when working individually. There are two explanations for the social loafing effect. Firstly, team members can get away with poor performance because their individual outputs are not identifiable and, secondly, when working in teams, individuals expect their team members to loaf and therefore reduce their own efforts, in order to establish an equitable division of labour. In this case, individual team members do not have a team identity, and place their own good over the good of the team (Hitt et al. 2006:414; Robbins 2003:234,269). Social loafing is more prevalent in teams that are not cohesive and it clearly results in lower productivity (Hitt et al. 2006:415,417).

Effective teams undermine the tendency for social loafing by holding themselves accountable at both individual and team levels. Apart from individual and joint accountability, successful teams are also clear on individual and joint responsibilities (Robbins 2003:269). When individual team members accept responsibility for their own performance and contributions, team effectiveness increases (Ivancevich et al. 2005:341). Team members who feel empowered to act and make decisions, drive teamwork. By definition, "empowerment" means giving authority and responsibility to team members, enabling them to act on their own. Team members, who lack authority and responsibility to make decisions, and act autonomously, show reduced levels of commitment and are generally less effective. In addition to hindering action, lack of authority suggests to team members that they are not trusted, further reducing team effectiveness (Hellriegel et al. 2004:346; Ivancevich et al. 2005:341; Keen 2003:26). To complete



significant tasks and to function effectively, teams must coordinate their efforts and take collective responsibility (Robbins 2003:263).

People expect rewards to be proportionate to the costs incurred and the efforts expended, and when inequity is perceived, disequilibrium is created and corrective behaviour results (Robbins 2003:233). The rewards system employed by an organisation can support or hinder effective teamwork (Hellriegel et al. 2004:339). Team members have little motivation to engage with and support each other if they are rewarded only for their individual performance. The reward system needs to encourage cooperative efforts rather than competitive ones (Greenberg & Baron 2000:281; Robbins 2003:270). Consequently traditional reward and evaluation systems should be modified to reflect team performance. In addition to rewarding individual performance, management should consider rewards such as profit-sharing, group incentives and other modifications that reinforce team commitment and effort (Hellriegel et al. 2004:339; Hitt et al. 2006:422; Ivancevich et al. 2005:342; Robbins 2003:267). Team members should understand the reward system, feel that it is fair and equitable, and recognise the link between their performance and rewards (Hellriegel et al. 2004:350). Teams work best when they develop their own measures of success, which should be based on processes rather than on outcomes, and when vital contributions to the team are acknowledged and rewarded (Greenberg & Baron 2000:281,282).

#### 4.4.4.6 Conflict management

When the behaviour or beliefs of a team member are unacceptable to other team members, conflict occurs. Inter-group conflict includes personal conflict, substantive conflict, and procedural conflict. *Personal (relationship) conflict* arises when team members simply do not like each other, and may be based on personality clashes and differences. *Substantive (task) conflicts* occur when a team member disagrees with another's tasks-related analysis of the team's problems or plans. *Procedural (process) conflict* occurs when team members disagree about policies and procedures and on how to work together (Hitt et al. 2006:413; Sharma 2004:18). Conflict can have both positive and negative consequences for team effectiveness (Hitt et al. 2006:414; Ivancevich et al. 2005:341; Robbins 2003:268,269).

Conflict among team members can stimulate discussion, creativity and critical thinking. It can also lessen the likelihood of group-think (Hitt et al. 2006:414; Robbins 2003:268,269). Group-think is an “agreement-at-any-cost” mentality that results in ineffective decision-making by teams (Hellriegel et al. 2004:344; Ivancevich et al. 2005:335). While members of a team may redefine problem-solving to mean reaching agreement rather than making the best decision, members of cohesive teams may redefine it to mean preserving the relationship among team members and preserving the image of the team (Ivancevich et al. 2005:335).

Too much conflict can lead to a breakdown in communication and a decrease in team cohesion. In addition, relationship conflicts, based on interpersonal incompatibilities, tension and animosity toward others, are almost always dysfunctional. Consequently, successful teams are able to manage conflict among their members by keeping it at the appropriate level and resolving it constructively (Hellriegel et al. 2004:342,344; Ivancevich et al. 2005:341; Keen 2003:26).

#### **4.4.5 Interrelationship between factors**

Simply having people work together as a team does not guarantee positive outcomes. Teams must be effectively composed, structured, developed, managed and supported in order to become high-performance teams (Hitt et al. 2006:399). Successful teams have demonstrated their ability in respect of two common factors, namely a task and a relationship factor. The *task factor* (input variables) is the ability of a team to accomplish what it is designed to do, by having the appropriate support, composition and structure, whereas the *relationship factor* (process variables), focuses on the one-on-one and inter-group collaboration dynamics between team members (Keen 2003:25). From the discussion in Section 4.4, it is clear that within these two basic groups of factors, several influences on team behaviour and team effectiveness can be identified. These influences explain variations in outcomes between teams and within specific teams over time, and relate to the situation in which the team finds itself (*context*); the people on the team (*composition*); the task; the manner in which the team is structured (*structure*); and the interaction between team members (*processes*). These factors or influences on team effectiveness are interrelated and should be

analysed both separately and in relation to each other (Hellriegel et al. 2001:236).

Having a successful team involves selecting the right people and ensuring that the areas of influence, as identified above, are such that team effectiveness is enhanced. The degree to which one or more of these areas of influence has a negative impact will determine the extent to which a team is likely to be effective or ineffective.

#### **4.5 ATTRIBUTES OF AND REQUIREMENTS FOR EFFECTIVE SIBLING TEAMS**

As previously mentioned, a Sibling Partnership is a team within a family business that consists of two or more brothers and/or sisters working together. The basic attributes and requirements applicable to effective teams are, generally speaking, also applicable to sibling teams. Following an in-depth review of the family business literature and the literature relating to effective teams in Organisational Behaviour, the attributes of effective teams can now be applied to sibling teams.

As mentioned above, successful teams have demonstrated their mastery in respect of two common factors, namely a task and a relationship factor. The *task factor* is the ability of a team to accomplish what it is designed to do, by having a supportive context, as well as an appropriate composition and structure. The *relationship factor*, on the other hand, focuses on the one-on-one and inter-group collaboration dynamics or processes between team members. The following discussion will focus firstly on the task-based (input) aspects that influence team effectiveness and, secondly, on aspects relating to relationships (processes).

#### **4.6 TASK-BASED (INPUT) ASPECTS IMPACTING SIBLING TEAMS**

Numerous aspects relating to the business and the task at hand have an impact on the effectiveness of a sibling team. These aspects, namely *context, composition and structure*, will be discussed in the paragraphs below, with specific application to sibling teams in family businesses. Based on the extensive literature available and to facilitate discussion, the components of structure, namely a *common purpose and shared goals* (shared dream), *norms and codes of conduct*

(governance structures and policies) and *leadership*, will be examined under separate headings.

#### **4.6.1 Context**

As previously discussed (Section 4.4.1), context comprises the conditions or circumstances in which a team finds itself. These conditions can directly affect all other factors that influence effective team functioning (Hellriegel et al. 2001:236). The circumstances or context in which a team, or the business as a whole, finds itself, is influenced by variables in both the external and internal environments of the organisation.

##### **4.6.1.1 External environment**

Despite the most meticulous planning and care, unavoidable mistakes and uncontrollable events arising from the environment could affect the success of a Sibling Partnership. External factors, specifically in the economic environment (Lansberg 1999:330), such as industry conditions and the general economic cycle, can have a determining impact on the success of Sibling Partnerships (Gersick et al. 1997:130; Zheng 2002:293). The competitive environment also plays a major role in determining the success of the family business and its leaders (Goldberg 1996:187).

The survival of a Sibling Partnership, like all other business forms, is dependent on the responsiveness of its management and its adaptability to changes in the environment (Denison et al. 2004:64; Van der Heyden, Blondel & Carlock 2005:12; Ward 2004:107; Ward 1997:324). Effective adaptation to change requires, firstly, that the business continually monitors the environment to identify any changes and, secondly that the business continually investigates innovative ideas and technology (Lansberg 1999:331,338; Ward 2004:5,106), and implements those changes that will satisfy the ever-changing needs of consumers and ensure that the business retains a competitive edge.

#### 4.6.1.2 Internal infrastructure and support

Just like any other organisational team, a sibling team requires a supportive internal organisational context to function effectively (Hitt et al. 2006:419,420; Robbins 2003:267). As previously mentioned (Section 4.4.1.2), support includes providing the appropriate technology, information, staffing, training, recognition and rewards, material resources, and leadership.

### 4.6.2 Composition

Composition relates to the members who make up the sibling team, and refers specifically to the competencies and expertise they possess, as well as the diversity among them.

#### 4.6.2.1 Competencies and skills

A lack of managerial experience and competence on the part of the successor is one of the most commonly cited barriers in the succession process of family businesses (Lansberg 1999:225; Neubauer 2003:276; Ward 1997:326). Appropriate experience and qualifications are vitally important for effective successors in family-owned businesses (Goldberg 1996:193). Similarly, Sibling Partnerships are most likely to succeed when the sibling partners are all competent and well trained, possess the requisite business skills, and consider a career in the family business as an attractive option (Aronoff et al. 1997:49; Gage et al. 2004:193; Maas et al. 2005:197). Families that emphasise the preparation of members through education and experience seem to achieve greater harmony and business success (Aronoff et al. 1997:41).

To be able to establish his/her authority, each sibling team member must be competent and perform in a way that enhances the perceived competency of the group as a whole. By condoning the poor performance of one sibling, the other siblings are in essence undermining the acceptance of the authority of the entire team (Lansberg 1999:210). To promote a positive sibling relationship, the strengths and weaknesses of each sibling should be recognised (Bryck 1999:59; Handler 1991:31; Smith 2004). A Sibling Partnership will be severely strained if

one sibling aspires to a position for which the others do not believe he or she is qualified or sufficiently competent (Lansberg 1999:133).

In many family businesses, however, the heirs are not interested and/or not qualified to take over the family business (Ward 2004:5; Ward 1997:326). Most experts therefore suggest that potential successors work elsewhere for a number of years before joining the family business (Brigham 2004; Brockhaus 2004:168; Gersick et al. 1997:169; Lansberg 1999:166; Stavrou 1995:169). Some families in business have even introduced formal policies to govern work outside the family business (Lansberg 1999:16; Passing on the crown 2004).

Working outside the family business brings many advantages to the business. It enables potential successors to explore other *career options* (Gersick et al. 1997:169) and discover their own *interests* (Stavrou 1995:169) and own *identity* (Brockhaus 2004:168), as well as building *self-confidence* and gaining *credibility* (Stavrou 1995:169). It provides successors with *accurate feedback* on their performance, as well as a *better perspective of their own comparative worth* as employee in the market place. It equips them with invaluable *knowledge and experience*, which prepares them for facing a wider range of tasks and challenges in the family business. Working outside the family business also gives the potential successor an idea of the difference between working for someone else and being one's *own boss* (Brockhaus 2004:168; Lansberg 1999:166; Stavrou 1995:175). In addition, it gives them the opportunity to *observe other managerial practices* (Brigham 2004) and *bring back fresh and innovative ideas* (Fenn 1998) to the family business.

In addition, working outside the family business allows siblings to bring *different and complementary skills* to the business (McCall 2002). There is evidence that, in any case, differentiation in skills and even in personalities emerges naturally in families as a result of inter-group competition for parental attention (Lansberg 1999:133). The various family roles that siblings adopt also often bring different and complementary skills into the business (McCall 2002).

#### 4.6.2.2 Preference and personality

For a Sibling Partnership to succeed, the partners must not only be competent, but also be motivated and interested, and must actually prefer to work with their brothers and/or sisters in the family business. Many family businesses fail because successors are not interested in the business (Ward 2004:5). In some cases, inherited security or wealth also deprives next-generation family members of the vital personality attributes and drive that they need to become successful entrepreneurial business leaders themselves (Ward 1997:324).

Apart from possessing personality traits such as extroversion, agreeableness, conscientiousness and emotional stability (Hitt et al. 2006:407; Ivancevich et al. 2005:341; Robbins 2003:265), co-owning sibling partners must share fundamental values and levels of commitment (Aronoff et al. 1997:49). Even siblings raised in the same household may have personal values and preferences that are so disparate that working together becomes impossible (Gage et al. 2004:194). For example, the value a sibling places on the business versus the family will influence his/her priorities in terms of whether the business or the family should come first. Conflict is inevitable in a sibling generation when one sibling adopts a business-first attitude and devotes all his/her efforts and resources to the business, whereas the other places the family first and strives for a more balanced life (Ward 2004:58).

#### 4.6.2.3 Diversity: Complementary skills among siblings

For a Sibling Partnership to succeed, the siblings should have a more-or-less even distribution of complementary skills and talents (Aronoff et al. 1997:53; Gersick et al. 1997:197; Lansberg 1999:13; McCall 2002). When sibling partners appropriately combine and leverage their mix of knowledge, talents, unique skills and experiences, the resulting synergy will raise the team's overall level of performance and bring many benefits to the family business (Aronoff et al. 1997:53; Gersick et al. 1997:196; Lansberg 1999:132; Ward & Dolan 1998:307).

Developing the mix of skills needed for the business is a major concern facing the management of a Sibling Partnership (Gersick et al. 1997:168). The challenge is

to assemble a team which, as a group, embodies the full range of vital skills and experiences needed (Lansberg 1999:239). The ideal is that team members have different functional backgrounds so that each member will bring unique perspectives, knowledge and capabilities to the team (Pearce & Conger 2003:2). Where shortcomings are evident, the services of outside advisors and non-family employees should be engaged.

#### 4.6.2.4 Diversity: Involving non-family members

Business success can usually not be attributed to a single leader, but rather to the combined energies and collective achievement of the key people surrounding him or her (Lansberg 1999:171). Successful Sibling Partnerships are surrounded by teams of people who are loyal to the sibling partners, and understand and share their vision (Lansberg 1999:203). Outsiders or non-family members are an important stakeholder group and often make a vital contribution to the success and growth of the family business (Sharma 2004:14; Ward 2004:55). Consequently, Sibling Partnerships have complex relationships that are both business- and personal-related (Gage et al. 2004:194). Relationships with non-family members include relationships with non-family employees, the directors of the board, and professional advisors or mentors.

The biggest challenge for sibling partners, especially successor partners, is to develop good working relationships, characterised by cooperation and trust, with key *non-family employees* (Lansberg 1999:171; 6:167). Good relations with non-family employees help build self-confidence, reduce potential warfare, and contribute to a team spirit that is vitally important for the survival and prosperity of a Sibling Partnership (Barach & Gantisky 1995:140). The relationship between family and non-family members lends a unique dimension to a family business; poor relationships could cause conflict and spell disaster for the business (Maas et al. 2005:131,133).

Appointing an *advisory board of directors* and employing *outside expertise* could help establish balance and bring a much-needed outside perspective to the business and the family (Brigham 2004; Schneider & Schneider 2002). Successful family businesses tend to have strong advisory boards, which usually include a



significant number of independent and qualified outside directors (Barach & Gantisky 1995:141; Passing on the crown 2004; Ward 2004:50). Selecting its advisors and board of directors or advisory board is a key decision for a Sibling Partnership (Aronoff et al. 1997:29). A study in Australia has revealed that seeking assistance from outsiders to resolve business problems and defining the true role of the board of advisors/directors are considered critically important issues for family businesses. The vitally important role that a board of directors, which includes non-family appointees, can play as an advisory body does not, however, appear to be fully recognised (Succession matters: The Australian Family Business Survey 2000).

Actively seeking counsel from qualified and trusted outside *advisors* who are respected and accepted by all, can greatly enhance effective business decision-making in a Sibling Partnership (Barnes 1988:17; Bettis 2002b; Mount 1996). Consulting outsiders does not necessarily reflect a lack of trust in the knowledge and wisdom of those working inside the business, but rather supports the view that outsiders will be more objective, as they do not carry the burden of fear of change and new perspectives that may be felt by those who will be intimately involved in the implementation thereof (Mount 1996).

Involving collectively chosen (Aronoff et al. 1997:45,46) outsiders in the family business, whether on the board, as advisors, or in employment, does present numerous benefits for a Sibling Partnership. Non-family members are an important *source of intellectual capital* (Maas et al. 2005:134) and can play a vital role in *managing conflict* and preventing conflict from escalating between the siblings (Aronoff et al. 1997:20; Lansberg 1999:13; Maas et al. 2005:72, 94). According to Sundaramurthy (2008:95) non-family members can serve as critical “trust catalysts” building bridges between siblings and others. Consequently, they contribute to increased accountability and a more *professional standard* (Ward 2004:50). Outsiders also provide a more *holistic and objective view* of business matters, which stimulates the growth and development of the business (Friedman 1991:4; Maas et al. 2005:93,94). Furthermore, outsiders often act as mentors to siblings, by providing *encouragement and support* (Aronoff et al. 1997:40).

However, involving outsiders in the family business also presents numerous challenges for a Sibling Partnership. Stakeholders accustomed to dealing with a single owner tend to resist the movement to a Sibling Partnership (Lansberg 1999:47). *Acceptance problems* are common among employees and business partners (Neubauer 2003:276) and consequently the new power structure is often *undermined and circumvented* (Harvey & Evans 1995:7). Senior managers, customers, suppliers and employees also often see shared leadership as an opportunity to *play the siblings off against each other* (Aronoff et al. 1997:46; Lansberg 1999:61). Members of successful Sibling Partnerships are sensitive to their relationships with key non-family executives, reach consensus on the latter's involvement, and recognise that their collaboration is needed (Aronoff et al. 1997:46,48).

#### **4.6.3 Structure**

"Structure" relates to the nature of the tasks to be completed by the team, as well as the division of roles and responsibilities among team members. Assigning each sibling an area within the business, in which he or she has authority and responsibility over activities, is particularly important in a Sibling Partnership.

##### **4.6.3.1 Division of authority and responsibility**

Effective Sibling Partnerships typically have an explicit division of labour, so that each of the sibling partners enjoys a degree of autonomy in his/her specific area or division of the business (Aronoff et al. 1997:54; Handler 1991:31; Lansberg 1999:133; Ward & Aronoff 1992:52). For such an arrangement to be effective, formal roles and responsibilities need to be established (Schneider & Schneider 2002), and each team member must be allocated a separate and specific role or position, as well as an agreed area of responsibility. The levels of authority and autonomy that go with that role, position and area must also be clearly defined (Aronoff et al. 1997:54; Maas et al. 2005:106; Ward & Aronoff 1992:52). Without a clear division of work, team members may become frustrated and confused because they do not clearly recognise what their responsibilities entail, and as a result many team activities may not be carried out (Hofstrand 2000:2). Responsibilities and expectations must be in formal written format to eliminate

confusion and establish accountability (Brigham 2004). The division of work accords each partner the responsibility for a key aspect of the business, while issues pertaining to the partnership as a whole are generally discussed and agreed on by all (Aronoff et al. 1997:53).

Although it is inevitable that one sibling may have to report to another and that certain tasks will overlap, it is advisable that each sibling has his/her own area of responsibility in which no interference from other family members is condoned (Maas et al. 2005:106). Almost invariably, conflict arises between sibling partners when the boundaries of their authority are not clear or one begins to intrude on another's territory (Lansberg 1999:133).

Handler's (1991:26,29) study on succession has revealed that the more siblings accommodate rather than engage in conflict with one another in the family business, the more likely it is that they will have a positive succession experience. At its best, sibling accommodation (agreement by siblings on their relative positions of responsibility and power in the family business) enables the development of a team feeling among family members in the business. Sibling accommodation appears to be a very sensitive and subtle process. It may begin much earlier than involvement in the family business and depends on early sibling relationships, parental behaviour, and birth order. In addition, Handler (1991:30) has established that the division of responsibilities between siblings is critical for improving the quality of their experience within the family business. The division of work reduces the likelihood of comparison and provides the opportunity for individuals to be competent at different tasks.

The division of work can occur in a number of ways. In multidivisional businesses, for example, each sibling may be in charge of a division or profit centre, whether in the same or a different location. In a functional organisation, on the other hand, each sibling may lead a separate department, such as human resources or sales and marketing departments (Aronoff et al. 1997:54; Gersick et al. 1997:199; Lansberg 1999:133). In this manner the siblings do not trespass onto each other's sanctuaries and know the fields in which the others want to be acknowledged as the experts (Ward & Aronoff 1992:52).

Areas of authority and responsibility should be assigned according to the strengths and particular area(s) of expertise of each sibling. The onus is then on that sibling to assume responsibility in that area (Berry 2004:5; Maas *et al.* 2005:117). The challenge is to find the niche that best fits the talents, personality, style and birth-order of each sibling (Frankenberg 2003:11; Frankenberg 1997:30). The success of a Sibling Partnership largely depends on whether each sibling is willing to accept the role for which he or she is best suited, and whether the siblings recognise each other's natural strengths, honour these talents, have no wish to compete in another's area of competence, and work together to organise their business in such a way that their various natural strengths and competencies are harnessed (Lansberg 1999:133).

The division of work in a Sibling Partnership creates the potential risk of destructive competition between siblings in different areas, divisions or departments. In addition, siblings may become so focused on their own, separate area that they lose sight of their common objective (Gersick *et al.* 1997:199; Lansberg 1999:134). A balance must therefore be found between establishing clear boundaries and acknowledging each sibling's autonomy in his/her own domain on the one hand, and muting the competition between divisions or departments on the other (Gersick *et al.* 1997:199; Ward 2004:96). Even where rivalries do not exist between different departments, siblings can become myopic in focusing on their own domains. Sometimes, respect for another's territory can be exaggerated into separationist procedures that are detrimental to the business as a whole (Gersick *et al.* 1997:199).

#### **4.6.4 Shared dream (common purpose and shared goals)**

For a Sibling Partnership to succeed, it is essential that the sibling partners share a common vision (DeBaise 2008; Faulkner 2007; Gage *et al.* 2004:194; Lansberg 1999:76) and common goals (Bettis 2002b Brigham 2004; Hofstrand 2000:2). A shared vision encompasses what Lansberg (1999:83,87,132) refers to as "a shared dream" and a common sense of purpose (Aronoff *et al.* 1997:48; Lansberg 1999:133; Ward 2004:22). The shared vision or dream that the siblings have, drives their sense of purpose for working together (Berry 2004:5); and more than any other factor, this is what sees a family business through the generations

(Ward 2004:26). Finding and emphasising this common ground (Aronoff et al. 1997:31,66), keeping the final destination in mind, and understanding what is required to get there (Lansberg 1999:7), are key to a successful Sibling Partnership. Obviously the broader that common ground, the greater the possibility for effective collaboration (Lansberg 1999:79). Disparate family goals, values and needs are among the most serious threats to the long-term survival of family businesses (Ward 1997:325,329). Lansberg (1999:5) contends that family business continuity requires that the individual dreams of different generations be woven together in a shared collective dream. This is, of course, not always possible, and parents should not simply assume that their sons and daughters share the same family dream as their siblings or their parents; such assumptions are a recipe for disaster (Frankenberg 2002; Handler 1992:283). If siblings plan to stay together in the family business, they need to refocus and develop their own vision around the changing landscape of market conditions, as well as family and individual needs (Bettis 2002b).

#### 4.6.4.1 Nature and purpose of a shared dream

A shared dream expresses a collective vision for the future (Nelton 1996:54; Lansberg 1999:75). It describes what the business should be and where it should be headed (Gage et al. 2004:194). It defines who the roleplayers are, who they want to be, what kind of enterprise they wish to build, and how they wish to be perceived by the world. A dream must, however, not be confused with a set of goals; goals are much more specific and concrete than dreams. Dreams provide the broader psychological context within which sets of specific goals can be organised, prioritised and invested. Dreams work on a deeper emotional level, and thus have more personal significance for individuals (Lansberg 1999:75,76).

A shared dream enables families in business to face the inherent contradictions of being in business together and gives them the strength to accomplish great deeds (Lansberg 1999:333; Ward 2004:26). A family vision is the starting point for keeping the family and business systems in harmony (Maas et al. 2005:27); conflict can be avoided if everyone knows where the individual, family and business are heading (Aronoff et al. 1997:31; Gage et al. 2004:194). A shared dream provides a foundation for continuity (Lansberg 1999:83). It unites and keeps

the sibling team together (Aronoff et al. 1997:66; Brigham 2004; Lansberg 1999:4) and provides them with direction for the future (Brigham 2004; Hofstrand 2000:2; Lansberg 1999:75). Above all, a shared dream endows the family business with purpose or meaning. It conveys a profound explanation of why the family business is in business, and why continuing the business is important to the family (Lansberg 1999:76; Ward 2004:24).

Having a purpose enables family members to feel they are involved in something much larger and more significant than their individual selves, and whether their purpose is to pass on values to future generations or an opportunity to serve humanity, families that see a rationale for continuing the family business into the next generation are the ones most likely to be successful at passing on the business (Ward 2004:24-26). Whatever the purpose, continuity in the family business depends on instilling a sense of stewardship in every generation. As stewards, they are custodians of a legacy that has been created and kept alive by the hard work of others. As stewards, their responsibility is to pass on to their descendants a business that is even stronger and more admired than the one that was vouchsafed to them by their elders (Lansberg 1999:9). Emphasising common ground and focusing on a purpose larger than themselves, go a long way towards holding the siblings together as a team (Aronoff et al. 1997:31,66; Bettis 2002b).

#### 4.6.4.2 Creating a shared dream

A shared dream is not easy to create. It is forged through a visioning process, involving ongoing and open discussions between family members. It is during this process that family members can clarify their future aspirations and possibly link their individual dreams to some larger vision worthy of the family's best efforts. In some cases, however, open discussions reveal incompatible dreams and a realisation that the family members do not belong in business together. Shared dreams usually emerge from the family's fundamental values, are highly personal, and develop over time. A shared dream that is forged early in the lives of a young business family may prove to be far more powerful than one built through a visioning process later on (Lansberg 1999:75-82,102).

Holding regular family meetings to define the family's common purpose, mission

and values, as well as the family's motivation and rationale for continued business ownership, is an indispensable basis for building an effective partnership, and is of vital importance to the long-term growth of the family business (Aronoff *et al.* 1997:31; Smith 2004; Ward 1997:335). It is of critical importance, also, that family members feel free to voice their opinions and are comfortable discussing their dreams and their common future (Lansberg 1999:333; Maas *et al.* 2005:109).

It is important in a Sibling Partnership that, once identified, the shared vision and team goals are clearly specified (Hofstrand 2000:2; Lansberg 1999:235; Smith 2004). Moreover, the shared dream, like the individual dream, must be periodically checked against reality and revised in accordance with the changing circumstances in the family and the business. When conditions change and new information is assimilated, people's dreams also change. Both individual and shared dreams are dynamic, and could change, depending on an individual's life stage (Lansberg 1999:79,93,334). Consequently, in a Sibling Partnership, siblings may need to adjust their individual dreams to the shared dream (Lansberg 1999:92,208). In this process, it is helpful if the sibling group members stay focused on their common objectives (Gersick *et al.* 1997:199) and find a balance between individual expression and the collective interest of the whole organisation.

#### 4.6.4.3 Balancing individual and shared dreams

For a workable shared dream to emerge, the individual dreams of the sibling partners should preferably overlap substantially. Without a substantial overlap, there may not be enough common ground on which to build a satisfactory future scenario. The shared dream is not the sum total of the individual dreams of the siblings, but encompasses only that portion of each sibling's individual dream that he or she is willing to invest in a common cause, such as the continuity of the family business (Lansberg 1999:79). In order to establish a shared dream, individuals must first clarify their own dreams and personal vision, as the shared dream is essentially constructed from the dreams of individuals (Gersick *et al.* 1997:206; Lansberg 1999:108; McCall 2002). Each sibling must be clear about how he/she sees the future for him/herself and his/her families, and must believe that a Sibling Partnership is the best way to get there (McCall 2002).

A balance between individual and shared dreams is essential to the psychological well-being of all family members, as well as to the harmony of the family business. The ability to strike this balance requires a degree of individuation and personal maturity on the part of each family member. Whenever an individual's life drifts away from his/her dream, tension arises within that person. Individuals who succumb to family obligations and give up their individual dreams may become unhappy and frustrated, and feel a deep sense of self-betrayal. They may then tend to blame their frustrations on their parents and are unlikely to become inspiring leaders (Lansberg 1999:80,81,92). When family members feel they have not been able to freely select their own careers, both the individuals and the business suffer (Barach & Gantisky 1995:141; Lansberg 1999:81,108).

#### 4.6.4.4 Voluntary choice and personal need satisfaction

For the dreams of individual siblings to culminate in a shared dream that encompasses a future in the family business together, the choice of joining the family business or starting such a venture should be entirely voluntary (Faulkner 2007). In deciding on a choice of career, offspring in a family business should have various options. These include joining the family business, obtaining a professional qualification, or starting an own business. This is a complex decision that involves rational calculation, discussion, cooperation and accommodation by all family members (Zheng 2002:302). Offspring may, however, not know that they have a choice with regard to joining the family business: either it is not communicated to them that they are invited to join the family business, or they are pressurised by parents into becoming employees (Stavrou 1995:170). These pressures can be of an emotional or financial nature (Smith 2004). Sometimes, joining the family business is perceived as the easier option (Handler 1992:289).

When parents pressurise their children, either emotionally or financially, into joining the family business, resentment towards the business or the family may surface at a later stage (Maas *et al.* 2005:57). The probability of a successful future intergenerational succession is then considerably diminished (Stavrou 1995:170). On the other hand, freedom to choose may actually cause young family members to look more favourably on careers in their family business.



Entering the family business enthusiastically and wholeheartedly increases the likelihood that they will be successful (Lansberg 1999:105).

In some cases, offspring are neither emotionally nor financially pressurised into joining the family business. According to Handler (1992:290), next-generation family members are often socialised into the family business; they become accustomed to what the family is accustomed to, in terms of career interests. When offspring choose careers to which the family is accustomed, it suggests that the family socialisation process is a strong force that influences the development of an individual's career interest.

One of the biggest challenges facing families in business is to clarify whether the family business forms part of the dream of the younger generation and will satisfy their personal needs (Gersick et al. 1997:163). In her study on succession, Handler (1992:289,290) has established that the more the needs of a next-generation family member can be met (personal need fulfilment) in the context of the family business, the more likely it is that the individual will have a positive succession experience. An individual achieves personal need fulfilment to the extent that his/her career needs, need for personal identify, and life-stage needs are satisfied in the context of the family business. A good match between the personal goals and ambitions of siblings and the available opportunities in the family business should reflect commitment to the family business (Barach & Gantisky 1995:141). Consequently, a Sibling Partnership is most likely to succeed when a career in the family business is seen as an option for those whose abilities and ambitions are a good fit with business needs, and other siblings have the option not to join, without losing status in the family (Gersick et al. 1997:197).

In some cases, however, the decision to create a Sibling Partnership may be the reactive choice of parents in their quest to avoid the acrimony that is likely to emerge if one sibling has more power than the others (Gersick et al. 1997:197). Such reactive partnerships, formed to preserve family unity, generally do not have good prospects. Tax and estate planning issues may dictate the formation of a partnership between the siblings (Lansberg 1999:130,140) and consequently the siblings may be inadvertent partners tied together to a single business entity (Underpowered Sibling or Cousin Syndicates? 2003). However, resources should

be passed on to children without trapping them in business relationships with one another, in unsatisfying or unproductive careers, and in bondage to property (Kaye 1992:249). The choice of a Sibling Partnership can be destructive to the family business if it locks incompatible and unwilling siblings into harness together (Gersick et al. 1997:197; Kets de Vries 1993:65). Deciding whether or not to continue the family business as a Sibling Partnership is the first and most fundamental choice facing the parents and the potential sibling partners, and unless the latter make a deliberate decision to do so and commit themselves to doing the work required, the business should rather not be passed on at all (Lansberg 1999:332).

#### 4.6.4.5 Freedom to exit

Not only should offspring know that they have the choice whether or not to join the family business (Barach & Gantisky 1995:141), but they should, once involved, also have the freedom to opt out of the business, should the desire or need arise (Aronoff et al. 1997:42). Siblings opting to end the partnership should be able to do so without feeling guilty or being ostracised by the family (Aronoff et al. 1997:42; Ward 2004:69). According to Ward (2004:69), ironically, the more that freedom to exit is available, the less family members will fight for or even exercise it.

From the paragraphs above, it is clear that the success of a Sibling Partnership will be heavily prejudiced unless the involvement of the siblings in the partnership is entirely voluntary; and unless the individual dreams that the siblings have for themselves with regard to their involvement and the future of the Sibling Partnership, are aligned.

#### **4.6.5 Governance structures and policies (norms and codes of conduct)**

When the leadership/ownership of a family business moves to the next generation (of siblings), the business does not just change hands. In many cases, it moves from being an entrepreneurial, informally managed business to one governed and managed by more formalised structures, policies, procedures and systems (Aronoff et al. 1997:39; Gersick et al. 1997:165). This formalisation is often referred to as "professionalisation", which in the case of a Sibling Partnership

typically means that managers undergo significant change. Managers feel more pressure to delegate, organisational structures evolve, and the need arises for new formal systems of all types (Gersick et al. 1997:166). Business owners commit a serious error when they move their business in the direction of more complexity without putting in place the structures and policies necessary to manage the realities of the new circumstances (Lansberg 1999:336). Professionalism is essential in creating the right environment for co-leadership (Schneider & Schneider 2002). Like all strong executive teams, sibling teams must determine the practices and policies needed to guide operational and personnel decisions (Katz n.d.). Developing and using well-constructed governance structures, policies and procedures to meet the challenges they face, is a key determinant of successful Sibling Partnerships (Aronoff et al. 1997:39,48; Bettis 2002b; Gersick et al. 1997:45).

Empirical and anecdotal evidence suggests that the implementation of governance structures, policies and procedures promotes family business *success*, *stimulates growth*, and contributes to *continuity* as well as *sustainability* (Aronoff 2004:55; Aronoff et al. 1997:39,41,47; Lansberg 1999:275,282; Maas et al. 2005:41,94; McCall 2002; Ward 2004:8,16,118).

#### 4.6.5.1 The nature of governance

Governance structures consist of formal structures, systems and procedures that provide a framework for decision-making and planning, the orderly running of the business, and authority and accountability. These structures set the standards for how the business operates and how people within it conduct themselves (Aronoff et al. 1997:39).

Governance structures are mechanisms or forums for communication (Aronoff et al. 1997:22; Schneider & Schneider 2002; Underpowered Sibling or Cousin Syndicates? 2003; Ward 2004:15) and the most common structures among family businesses include *boards of directors* or *advisory boards*; various family and shareholders *meetings*; and *family councils* (Aronoff et al. 1997:40,41; Gersick et al. 1997:165,227,231; Kets de Vries 1993:70; Lansberg 1999:280; Maas et al. 2005:27; Ward 2004:17). It is through these structures that managers,

shareholders and other family members can assert their legitimate interests and concerns (Lansberg 1999:8), and it is by these means that policies, procedures and codes of conduct are decided.

Effective family businesses have *boards of directors* consisting of several independent, objective, competent and professional non-family members, as well as non-working family shareholders (Gersick et al. 1997:231; Kets de Vries 1993:70; Lansberg 1999:280; Maas et al. 2005:96; Schneider & Schneider 2002). However, given that many family businesses are small, many do not have a formal board of directors, either because of a perceived lack of need or, simply, because they have not made the effort to construct one. Such firms may use less formal *advisory boards* instead (Blumentritt 2006:66).

Effective family businesses regularly hold *meetings* (Aronoff et al. 1997:39). Research demonstrates that family meetings are used significantly more than governance practices such as written business plans or board meetings (Astrachan & Kolenko 1994:257). Two basic kinds of meetings exist, namely those where most of the attendees work in or have ownership in the business, and those that include all family members (Ward 2004:17). These two kinds of meetings are also commonly known as shareholder or *sibling team meetings* and *family meetings* (Aronoff et al. 1997:40,41; Gersick et al. 1997:227; Maas et al. 2005:2; Ward 2004:114).

A *family council* as such is a representative group of family members who meet regularly to discuss concerns created by the family's involvement in the business and to develop guidelines for decision-making (Gersick et al. 1997:165,237; Maas et al. 2005:27,108). The family council defines the rules of the game for the entire family (Kets de Vries 1993:70).

#### 4.6.5.2 Policies and procedures

Family businesses must draw up ground rules or policies (Maas et al. 2005:35; Schneider & Schneider 2002), which govern family members' actions or decisions. By developing policies, siblings are in effect agreeing on solutions to problems in advance (Aronoff et al. 1997:41). Policies that will benefit a family business include

those relating to decision-making; codes of conduct; employment participation and involvement of family members, in-laws and future generations; compensation; shareholder agreements; exit redemption; personal investment policies; retirement age; dividends; company loans to family members; ownership rights and responsibilities; conflicts of interest; ethics; publicity; communication with parents; assisting family members in need; rules for meetings; performance appraisals; disciplinary policy for underperformance and misconduct of family members; and even prenuptials (Aronoff et al. 1997:25,29,42,43,54; Gersick et al. 1997:165; Maas et al. 2005:36-39,105; Ward 2004:23,76,84). Policies regarding *decision-making* and *codes of conduct* are of specific importance and warrant further discussion.

One of the first major tasks of siblings in a Sibling Partnership is to decide how they are going to make decisions. A process needs to be developed that has integrity and credibility - one that everyone agrees is good, fair and appropriate. Sibling partners must work out specific rules for resolving arguments and breaking the impasses over major decisions that inevitably occur in any business. Agreement must also be reached that once a decision is made, it will be supported by all (Aronoff et al. 1997:35; Gersick et al. 1997:200).

To create the right environment, sibling partners must develop a *code of conduct*. A clear code of conduct draws a distinction between acceptable and unacceptable behaviour (Maas et al. 2005:106) and enables siblings in co-leadership to establish greater levels of trust (Schneider & Schneider 2002). A *code of conduct* is an agreement that states how the sibling partners will treat one another, and how they will conduct themselves in the world both inside and outside the family business (Aronoff et al. 1997:36; Maas et al. 2005:106; Ward 2004:84). According to Gage et al. (2004:195), this agreement should be in written form and could be a "partnership charter", which addresses numerous business and personal issues. Business issues include a partnership's strategic plan, ownership matters, roles, titles, authority and managing the business, how money goes into and comes out of the business, and governance. Interpersonal issues include personalities, personal values, expectations of one another, and the question of fairness. This agreement or code of conduct supports the *family constitution* (Maas et al. 2005:106), which is the real backbone of sound family business governance. The

family constitution spells out the rules for family members involved in the family business, without which misunderstandings and conflicts will persist (Maas *et al.* 2005:25). Issues included in the family constitution include, amongst others, whether spouses can work in the family business or not, who may own shares, and who sits on the advisory board or board of directors.

#### 4.6.5.3 Requirements for governance structures, policies and procedures

Governance structures and policies must promote *professional* and *rational behaviour* (Barach & Gantisky 1995:143). They must also promote *disciplined* and *mature behaviour* (Aronoff *et al.* 1997:40,41,65; Bettis 2002b). Policies must be *formal* and in *writing* (Aronoff *et al.* 1997:18; Gage *et al.* 2004:195; Gersick *et al.* 1997:154), and siblings should periodically *revisit* major issues to see if the policies governing them are still appropriate and still have the group's support (Aronoff *et al.* 1997:43). Successful Sibling Partnerships anticipate and recognise potentially conflictual issues and decisions (Aronoff *et al.* 1997:41; Bryck 1999:59; Ward 2004:23). They anticipate the ground rules that will govern these issues and decisions (Bailey 2001), and ensure that policies and procedures are in place *before they are needed* (Aronoff *et al.* 1997:39,53; Lansberg 1999:136; Ward 2004:8,23). Pre-established policies enable siblings to deal with issues before they become personal and emotional; such policies are generally more objective than those made in the heat of a crisis (Ward 2004:23,24). Guidelines and policies should also be applied *consistently* and *communicated* clearly to all family members (Maas *et al.* 2005:105). In Sibling Partnerships, however, a very strict adherence to business-first rules could create ill feelings that render teamwork impossible. On occasion, these rules must be *compromised* for the sake of preserving sibling harmony (Lansberg 1999:64). On the other hand, breaking the rules because family members are involved could have grave consequences (Mount 1996).

#### 4.6.5.4 Benefits of governance structures, policies and procedures

Governance structures, policies and procedures contribute to the success of a Sibling Partnership by promoting communication, trust and harmony, and reducing conflict. Formal mechanisms such as regularly scheduled and attended meetings

and family councils, provide venues for open communication and sharing of information (Kets de Vries 1993:70; Maas et al. 2005:106; Schneider & Schneider 2002). The sharing of information, ideas, opinions, attitudes, dreams and feelings is facilitated (Gage et al. 2004:197; Maas et al. 2005:109; Ward 2004:15). Explicit agreements and policies ensure that decision-making processes are executed in a consistent manner, contributing to commitment and trust in the family business (Schneider & Schneider 2002; Van der Heyden et al. 2005:12).

Governance structures, policies and procedures not only reduce tensions and lower the risk of conflict among sibling partners, but also contribute to the more effective management of the conflicts that will inevitably arise (Aronoff et al. 1997:31,41; Gage et al. 2004:195; Gersick et al. 1997:165,200; Maas et al. 2005:25,41,109). For example, an active board of directors or advisory board serves not only as an additional resource for the siblings by giving them feedback and providing objectivity, but also provides an incentive for managers to discipline themselves and accept a certain degree of accountability (Aronoff et al. 1997:40).

From the discussion above, there is little doubt that governance structures, policies and procedures contribute to the successful functioning of a Sibling Partnership (Aronoff et al. 1997:65; Handler 1991:31). For multigenerational survival and success, however, the focus must be on both excellent governance and leadership (Aronoff 2004:59).

#### **4.6.6 Leadership**

In collectively managed businesses, the partners constantly struggle to maintain a balance between family harmony and the need for coherent leadership and expedient decision-making (Lansberg 1999:63). It has been found in these systems that interpersonal conflict is lowest when there is a strong leader, with each team member retaining some power within a well-defined niche (Frankenberg 2002). Weak next-generation business leadership has been identified as one of the most powerful challenges to the long-term growth of family businesses (Ward 1997:325).

When siblings work together as a team, it is important that they develop a leadership and decision-making style that best suits the circumstances they find themselves in. This style may differ markedly from that of the Controlling-Owner generation (Aronoff et al. 1997:13,20,49). In a Sibling Partnership, leadership should be regarded as a comprehensive function that gets the business where it needs to be, and not about an individual person (Schneider & Schneider 2002).

#### 4.6.6.1 Leadership model

Deciding on a leadership model is one of the key decisions a sibling team should make (Aronoff et al. 1997:29), and the challenge is to find a model that will ensure the effective functioning of the business (Katz n.d.). Sibling partners can choose one of two basic models of leadership; the first is the traditional model, in which one sibling becomes the leader, or the first-among-equals, with the other siblings in key roles; the second is the increasingly popular shared leadership arrangement, in which two or more members of the next generation share or rotate the most senior position (Aron 1999:21; Aronoff et al. 1997:49; Frankenberg 2002; Lansberg 1999:216).

In a first-among-equals leadership arrangement between siblings, the lead sibling must earn his/her authority, credibility and legitimacy among all key stakeholders (Barach & Gantisky 1995:140; Lansberg 1999:203,207). Earning authority, credibility and legitimacy requires that the lead sibling continuously demonstrates his/her competence, and that the others will benefit economically from his/her leadership. Lead siblings establish legitimacy by demonstrating not only managerial competence, but also a generosity of spirit and servant leadership. In a Sibling Partnership, the person who emerges as the leader should see his/her leadership position as that of a servant leader, one who subordinates his/her personal needs and ego, and shows commitment to the long-term benefit of the whole family (Aronoff et al. 1997:50,51; Lansberg 1999:138,338; Ward 2004:96). In addition, the leader must be comfortable with exercising power. In particular, the leader(s) must be capable of forming a leadership structure and a power coalition that have stable emotional foundations and realistic goals (Swogger 1991:407).



Managerial ability alone is insufficient to establish a leader's authority. Because of the emotional intensity of a Sibling Partnership, the trustworthiness of the leader is also essential (Aronoff et al. 1997:51; Brockhaus 2004:167; Kets de Vries 1993:69; Lansberg 1999:211). Leaders earn trust when they do not abuse their power or dominate their brothers or sisters (Aronoff et al. 1997:51; Lansberg 1999:138).

In a shared leadership arrangement no ultimate authority exists, and each partner has virtual autonomy within his/her own area (Lansberg 1999:14). Depending on the family and the business, either model can work, although a single leader is much less complicated than a shared leadership arrangement (Aronoff et al. 1997:49). Having more than one person in the most senior position could lead to confused authority (Aronoff et al. 1997:53), and create the perception that the partners lack internal cohesion and direction in policy (Lansberg 1999:216).

Ideally, leadership should not be seen as involving an isolated individual, even in a Controlling-Owner firm. A leader's strength invariably depends on the quality of the people around him/her, and effective management depends upon a configuration of skills in the top executive group. Hence it is more productive to think about a profile of leadership skills and competencies that will be needed in order to manage future strategic challenges, and how they are distributed among the group of individuals who will share leadership responsibilities (Lansberg 1999:239). Successful sibling teams choose to co-own rather than just co-exist (Ward 2004:96).

#### 4.6.6.2 Emergence of leadership

In a Sibling Partnership, leadership generally emerges naturally. One member of the team is acknowledged as the more natural and gifted business leader when compared to the other siblings. This process takes time; in families where sibling relationships are harmonious, it generally occurs more quickly than where relationships are troubled (Aronoff et al. 1997:51; Bryck 1999:59; Lansberg 1999:137,138; Ward 2004:96). With the emergence of a natural leader, although all partners remain equal, one partner carries more authority and is recognised by the others as the lead sibling (Lansberg 1999:137; Nelton 1996:53).

When a leader does not emerge naturally, a more deliberate decision-making process may need to be adopted. It is the siblings themselves who should discuss and decide what kind of leadership is wanted and needed for their business (Aronoff et al. 1997:50,51). Knowing each other's management and leadership abilities, as well as the vision and needs of the business, enables the siblings to determine the most appropriate role that each one should play (Aronoff et al. 1997:51; Maas et al. 2005:63,67). A business typically needs one person to speak on its behalf, and if one sibling has superior business skills and leadership ability, he or she should come to the fore (Lansberg 1999:138). Regardless of the method followed or the outcome of the decision, all partners must agree to support the chosen leader (Aronoff et al. 1997:52).

Good leadership depends on responsible followers. Leaders cannot implement decisions or plans without the cooperation and support of many others who are in a position to influence the outcome of the process, or even derail it (Lansberg 1999:338). Whatever the method of choosing the new leader, it must be strongly endorsed by the family and the principal shareholders (Brockhaus 2004:167; Lansberg 1999:208). His/her success depends especially on the support of co-owning siblings (Aronoff et al. 1997:53; Lansberg 1999:138). For example, if one sibling becomes the lead sibling, he or she cannot simply fulfil the same role his/her parents played. The relationship among siblings is very different from that of parents and children. It takes much more time, effort and communication to maintain sibling support than to gain children's compliance (Aronoff et al. 1997:20).

#### 4.6.6.3 Leadership attributes and styles

The most dominant and charismatic people do not always make the best leaders. To face contemporary challenges, today's business leaders require special attributes, which include a desire to serve the people they lead; self-awareness; the ability to handle change, uncertainty, chaos and ambiguity; having a vision of where the business is going; possessing a clear set of values; openness and trustworthiness (Aronoff et al. 1997:50). In addition, a leader requires a clear understanding of all aspects of the business and of the industry in which it competes, as well as a capacity to motivate people to achieve the goals of the

business (Foster 1995:202). Research in Australia has shown that integrity, commitment to the business, intelligence, decision-making abilities and self-confidence rank as the most important characteristics of next-generation leaders in family businesses. Attributes concerning family standing, such as birth-order, gender and being blood-related were ranked as least important (Succession matters: The Australian Family Business Survey 2000). Similarly, Chrisma, Chau and Sharma (1998:28) have established integrity and commitment to the business as more important than gender and birth-order. Increasingly, the ability to meet the strategic plans of the business using objective criteria such as education, technological skills, managerial skills and financial management skills, is used to evaluate potential leaders (Brockhaus 2004:168,167).

Various leadership styles exist, including autocratic, participative, expert and referent leadership styles. *Participative* leadership occurs when the head of a business involves others members in making decisions and guiding the business. Levels of participation may vary from gathering information and consultation to joint decision-making and delegation. Participative leadership tends to build understanding and cohesive teamwork, increases satisfaction, resolves conflicts, increases decision acceptance, improves decision quality, develops leader and decision-making skills, increases understanding of the business, and enriches work. An *autocratic* leadership style is often contrasted with a participative leadership style (Sorenson 2000:186). Yukl (1998) categorises *expert* and *referent* leadership as personal attributes that are sources of interpersonal power in organisations. Empirical evidence indicates that both expert and referent forms of leadership enhance employee satisfaction and commitment (Kipnis 1976; Kotter 1985). *Expert* leadership derives from specialised knowledge and technical skills. Such expertise could include information knowledge, wisdom, good decision-making skills, and sound judgment. It may also include knowledge of rules, regulations, and networks of influence. Studies (Bass 1990) suggest that individuals in organisations defer to, cooperate with, and agree with perceived experts. *Referent* leadership occurs when individuals have a positive regard for the leader and a desire to please him or her (Sorenson 2000:187). Charisma might be viewed as a variant of referent leadership (Bass 1990). There is an increase in referent leadership when the leader is perceived as being fair, friendly, considerate, concerned about the needs and feelings of others, respectful, and

trusting. It is diminished when leadership is negative or arrogant. Studies demonstrate that referent leadership is associated with improved performance, satisfaction, role clarity, and work attendance (Podsakoff & Schriesheim 1985). These associations are supported by Sorenson (2000:198), who argues that there is a significant correlation between a participative, referent and expert style of leadership in family businesses and teamwork. This implies that team members in family businesses can use a variety of forms of leadership behaviour when needed.

Participative leadership significantly contributes to the financial success of small family businesses. According to Sorenson (2000:194), there may be several explanations for this finding. One is that participative leadership promotes change, allows for the integration of different perspectives into decisions, explores alternatives, allows for flexibility, and generates commitment. Individuals who participate in making decisions are likely to be committed to them. Small businesses, in particular, require commitment from family and employees to be successful. Referent leadership is also significantly associated with employee satisfaction. A referent leader is one with whom family members and employees can identify - one they can trust and rally around, because the leader knows the business, inspires loyalty, and makes employees proud to be associated with him or her. Research shows that these characteristics consistently lead to employee satisfaction (Bass 1990). Sorenson (2000:199) concludes that referent and in particular, participative leaders enable family businesses to obtain desired outcomes for both the business and the family.

#### 4.6.6.4 Leadership roles

True leaders offer a *vision* of the future that inspires employees and shareholders and gives the business a meaningful direction. The vision articulated by the leader builds on the foundation of the family's shared dream and defines values that influence the business (Lansberg 1999:206,207). *Strategic planning* is important to the visionary process and is essential for the continuity of the Sibling Partnership (Kets de Vries 1993:70; Lansberg 1999:17,206; Passing on the crown 2004; Reece n.d.). Research shows that there is a correlation between family business longevity and strategic planning (Aronoff 2004:55). To succeed, the leader must

walk ahead and constantly ask questions regarding the nature of the business, where it is going and why (Lansberg 1999:206).

In a Sibling Partnership, *decision-making* is a critical role (Gersick et al. 1997:170) and measures must be taken to increase skills in decision-making (Bettis 2002b). The challenge for a sibling team is to develop a method of decision-making about key business concerns (Aronoff et al. 1997:35,54; Katz n.d.). Effective sibling teams usually follow one of three decision-making models. The siblings may make all major business decisions jointly; they may divide the company up into clearly demarcated areas of responsibility, each covering his/her own area; or they may establish a top management group to decide with them on major issues. Whatever the process, coordination is crucial (Gersick et al. 1997:154,170).

Shared decision-making between the partners and a commitment to consensus are vital for the success of a Sibling Partnership (Aronoff et al. 1997:15,53,65; Gersick et al. 1997:198; Lansberg 1999:14; Ward 1997:328). To maintain commitment to their leader all sibling partners need to be involved in the decision-making process (Aronoff et al. 1997:36; Nelton 1997:55). A dictatorial style plants seeds of resentment that contribute to the downfall of the family business (Lansberg 1999:138). It is strongly recommended that a simple majority vote be taken on all but the most important decisions, which may require unanimity (Aronoff et al. 1997:54). Consensus is a principle for a productive and profitable partnership (Ward & Aronoff 1992:52) and to achieve this, the partners must be extraordinarily flexible and willing to compromise when deadlocks arise (Gersick et al. 1997:198).

Shared decision-making or decisions by consensus can, however, slow the process down considerably, and a partnership caught up in endless procrastination is unacceptable (Aronoff et al. 1997:36,53; Frankenberg 2002; Nelton 1997:55). For a sibling leader, a crucial leadership skill is an understanding of when to act unilaterally, when a majority is required, and when total buy-in of the group is necessary (Aronoff et al. 1997:51; Bettis 2002b). Effective leaders must, however, realise that they cannot please everyone all the time (Lansberg 1999:222).

It should be apparent to the siblings that the leader's role is not just to hold the others accountable but that the siblings, including the leader, will all hold each other accountable. The expectation that the leader should police the other siblings is a pitfall that can derail a sibling team (Aronoff et al. 1997:37,51).

#### **4.7 RELATIONAL-BASED (PROCESS) ASPECTS IMPACTING SIBLING TEAMS**

Numerous relational-based aspects impact the effectiveness of a sibling team. These factors or processes describe the interaction that takes place between the siblings and the resultant psychological climate that exists in the business. Specific relational factors that influence the one-to-one and inter-group collaboration dynamics between the siblings are mutual respect and trust, cohesiveness, open communication, fairness, and the management of conflict.

##### **4.7.1 Mutual respect and trust**

Trust and respect are critical to managing relationships within family businesses (Handler 1991:31). Both the acknowledgement and management of individual differences are the first steps towards developing mutual respect and trust.

###### **4.7.1.1 Existence of differences**

Even though siblings have the same parents and grow up in the same household, they are individuals and likely to be very different from one another (Aronoff et al. 1997:10). Studies show that siblings are almost as different from each other as are members of the general population (Smith 2004). In their efforts to differentiate themselves from one another, siblings at a very young age develop different personal, communication, decision-making and information-processing styles (Aronoff et al. 1997:11; Ward 2004:68). Differences in personalities, opinions, tastes, lifestyle or choice of spouse, and differences in skills, grow naturally in families as a result of intra-group competition for what is often experienced as a scarce resource – notably parental attention (Aronoff et al. 1997:33; Lansberg 1999:133). Consequently there will always be differences of opinion in the family business and between sibling partners (Challenges & dilemmas n.d.).

Differences between siblings are not necessarily negative and could create numerous benefits for both the family and the business (Aronoff et al. 1997:31; Berry 2004:5; Frankenberg 1997:30; Frankenberg 2003:11). Differences bring a variety of talents, perspectives and ideas to the business (Aronoff et al. 1997:31), and result in different insights and complementary ways of thinking (Ward 2004:68). Differences can strengthen the ability of the sibling team and consequently lead to better decisions (Aronoff et al. 1997:11; Lansberg 1999:22) and improved creativity (Challenges & dilemmas n.d.). Despite the numerous advantages resulting from the differences among siblings, the diversity within a sibling group may present a major challenge. Differences among siblings can cause friction, leading to inevitable conflicts and everlasting bitterness (Aronoff et al. 1997:10,11; Frankenberg 1997:28; Ward 2004:68).

#### 4.7.1.2 The management of differences

Siblings need to develop skills to deal with their differences (Aronoff et al. 1997:11). The key to this is for sibling team members to enter into dialogue that recognises and respects each person's individual personality, rather than to find fault with each other (Bryck 1999:59). Successful sibling partners are not judgemental towards each other (Aronoff et al. 1997:33; Ward & Aronoff 1992:52). The wisest families accept that it is natural and valid to disagree, and this acceptance enables them to have empathy for one another and permits real communication to occur (Ward 2004:13,14). Not being judgemental and accepting each sibling's right to his/her own feelings and conclusions provides for better communication among siblings (Aronoff et al. 1997:58). Understanding, respecting and managing these differences requires the development of high-level communication skills (Ward 2004:68).

For a successful Sibling Partnership it is important that differences among siblings, regardless of what they relate to, are *accepted, respected, understood* and *tolerated* by each member of the sibling team (Aronoff et al. 1997:11,33; Barach & Gantisky 1995:285,286; Challenges & dilemmas n.d.; Hofstrand 2000; Lansberg 1999:32,133; Ward 2004:68).

#### 4.7.1.3 Mutual respect

The teamwork essential for maintaining collaboration and managerial effectiveness in a Sibling Partnership, is built on each sibling's respect for the opinions, needs and perspectives of his/her sibling partners (Lansberg 1999:63). Sibling teams are more effective when individual members mutually respect each other and demonstrate that respect (Aronoff *et al.* 1997:32; Hofstrand 2000). According to Bork Jaffe, Dashew, Lane and Heisler (1996), mutual respect is an element necessary for the continued success of a family business, and refers to the extent to which the role and participation of each family member is valued. In a healthy family system, people accept and value each other's differences in style, perspectives and experiences (Barach & Gantisky 1995:285,286). A study conducted by McCann, DeMoss, Dascher and Barnett (2003:290) has revealed that directors of university-based programmes perceived mutual respect as one of the most important traits for healthy family businesses. Typically, mutual respect on a personal level is more important in a family setting, whereas the respect for capabilities, skills, credentials, and experience is more prevalent in a business setting. Both are important as it is hard to dedicate oneself to others if the others are not held in high esteem, either on a personal or a professional basis.

Mutual respect, however, is often absent among siblings in business together. People usually show more courtesy to co-workers and strangers than to their siblings (Aron 1999:21; DeBaise 2008). People say things to close relatives they would not dream of saying to outsiders (Berry 2004:5; Plume 2002:2). Some say that the adage "familiarity breeds contempt" is the primary factor why Sibling Partnerships fail. Siblings may not recognise each other's qualities and often do not take each other's advice as seriously as they do that of outsiders (Smith 2004).

In her study Handler (1991:26-28) has found that one of the key factors that emerge as critical to the succession process is the level of mutual respect and understanding between current and next generation family members. She describes mutual respect and understanding as the degree to which these individuals have a good working relationship that includes trust, support, communication, feedback and mutual learning. The development of mutual respect and understanding is an evolutionary process, which begins at home, prior



to the next generation family member's involvement in the family business. Mutual respect can build over time as the working relationship progresses. A key characteristic of this relationship is that the respect is mutual. For mutual respect to develop, successors must have adequate confidence in themselves and thus enable others to gain trust in their ability. To earn respect, successors are expected to prove themselves with other family members. In addition, Handler (1991:30) suggests that when next-generation family members have difficulty earning respect and understanding, they are likely also to have problems achieving individuation and differentiation from the family of origin. According to Faulkner (2007) harmonious Sibling Partnerships are based on an understanding that respect cannot be given or bequeathed, it must be earned.

#### 4.7.1.4 Mutual trust

Successful sibling teams are made up of members who trust each other (Hofstrand 2000:2; Kets de Vries 1993:69; Lee 2006a:105) and trust in each other's competence and character (Bryck 1999:59; Lansberg 1999:133). For trust to exist among sibling team members, each member must have respect for the views and actions of other team members (Hofstrand 2000). Respect builds trust (Kreitner & Kinicki 1995:342) and consequently trust and respect go hand-in-hand. In order to have respect for someone, that someone needs to be trusted; and in order to trust someone, that someone needs to be respected. To earn respect, a person is expected to prove him/herself, thus enabling others to gain trust in his/her ability (Handler 1991:27,28).

A lack of trust in the capability of a partner to perform his/her job can result in unhappiness, fighting, and the eventual demise of the partnership (Gage et al. 2004:194). A lack of trust among team members will not only shift the members' focus away from the team's goals to protect their own individual positions (Hofstrand 2000:2), but also affects job satisfaction, motivation and performance (Kets de Vries 1993:64). Building an effective sibling team requires developing and maintaining good trusting relationships among siblings (Aronoff et al. 1997:36). Trust and respect for each other's ability and position is critical to managing relationships within a family business (Handler 1991:31).

#### 4.7.2 Cohesiveness and unity

For a Sibling Partnership to succeed it is vital that the sibling partners like each other, like being with each other, and get along well (Berry 2004:5; Gersick et al. 1997:197; Smith 2004; Ward & Aronoff 1992:52). The relationship between the siblings should be one characterised by affection and caring (Lansberg 1999:63; McCann et al. 2003:286), as well as loyalty and supportiveness. In addition, it is vital that the siblings stand up for each other and stand together as a collective unit.

One of the most important requirements for sibling partners is to communicate a collective presence to stakeholders and to the community. To convey a collective presence, sibling partners need to act and communicate as a unit with their parents, other family members, non-family members, and outsiders. They must present themselves as a single and united voice where the notion of “I” is erased and the idea of “we” is emphasised (Aronoff et al. 1997:7,11,46,53,65). Ward (2004:27) suggests that “like seven arteries to the heart” siblings need to work together as a cohesive decision-making body. Committing to being a unit is a key element for a successful Sibling Partnership (Aronoff et al. 1997:65; Bettis 2002b) and successful sibling partners draw strength from their togetherness (Ward 2004:96).

##### 4.7.2.1 Promoting unity

For sibling partners to be united in their position they need to make a decision on how they are going to respond as a unit with regard to specific issues. It is suggested that siblings develop and adopt strict rules to present a united front when they have reached a decision, and when communicating with other stakeholders (Aronoff et al. 1997:46,58; Lansberg 1999:139). Regular communication between siblings plays an important part in enabling a sibling team to continuously speak with one voice (Bettis 2002b).

Sibling partners must agree to agree, and regard unity as more important in the long run than any particular decision. Even if they do not agree, siblings must agree to support each other in all decisions (Aronoff et al. 1997:33,54; Bettis

2002b). When deadlocks do arise over major issues, siblings are more likely to succeed as partners when they talk things through, and are extraordinarily flexible and willing to compromise (Gersick et al. 1997:198; Ward 1997:327). Siblings should agree never to fight in public or in front of employees nor to air complaints publicly or complain about each other to third parties. Public arguments, particularly about important decisions, can make shareholders, employees and others feel insecure (Aronoff et al. 1997:54; Lansberg 1999:139; Ward & Aronoff 1992:52).

Efforts by employees or outsiders to play one sibling off against another, frequently occur in sibling-led businesses (Gersick et al. 1997:200). A lack of awareness that someone is playing the team members off against one another, as well as efforts at triangulation (seeking an ally to support ones position in a conflict with another) can derail a Sibling Partnership (Aronoff et al. 1997:37,65). Inevitably employees and outsiders will pursue their personal agendas by exploiting differences of opinion between the sibling partners. Clients, suppliers and other business associates can play this same game. Siblings who are loyal to one another are well aware of these strategies and adopt strict rules to counteract them, and to present a united front (Aronoff et al. 1997:65; Gersick et al. 1997:200; Lansberg 1999:139).

Responding to parents as a unit is especially challenging for sibling partners. Often a cooperative bond is forged from the very need to establish a united front against the previous generation. The siblings band together to counteract the powerful authority inherent in the figure of the founder (Lansberg 1999:209). Siblings must, however, find a healthy balance between relating as a unit to their parents and, when appropriate, relating to them individually. If parents continue to intervene or disapprove of decisions, siblings must respond as a unit, and not let their teamwork be compromised by their parents (Aronoff et al. 1997:30).

For the siblings to be united and mutually supportive of each other, it is necessary that partners subordinate their own ego needs and truly appreciate and celebrate one another's achievements (Ward & Aronoff 1992:52). Siblings must be willing to share the credit for the business's successes and the blame for its failures (Gersick et al. 1997:197; Lansberg 1999:132). To ensure the success of a Sibling

Partnership, individual sibling partners must have a generosity of spirit, strive to bring out the best in each other, take pride in their siblings' achievements, be willing to share the glory, and appreciate the success of their partnership at least as much as their own personal accomplishments (Bryck 1999:59; Gersick et al. 1997:198; Lansberg 1999:138,235; Nelton 1996:54).

#### **4.7.3 Open communication**

Open communication is essential for creating the right environment for effective teamwork between sibling partners (Aronoff et al. 1997:11; Bettis 2002b; Brigham 2004; Schneider & Schneider 2002; Ward 2004:15) and increases their chances of a successful team outcome (Aronoff et al. 1997:7,36; Gersick et al. 1997:45; Handler 1991:31; Hofstrand 2000; Ward 1997:327). The most common way that family members can assess the quality of their relationships is to look at the way they communicate. Effective communication forms the basis of resolving conflicts and promoting harmony in the family as well as in the family business (Gersick et al. 1997:85,119; McCall 2002; Reece n.d.). Without communication little teamwork will occur, as good communication among team members is required to successfully implement all other elements required for effective teamwork (Hofstrand 2000).

For effective communication to exist between siblings in a Sibling Partnership, it is essential that the siblings have strong communication skills (Aronoff et al. 1997:36,65; Gersick et al. 1997:154; Lansberg 1999:235; Maas et al. 2005:68). Communication skills are the key to building relationships and determining the capacity of siblings to deal effectively with their differences and with issues. The most successful family businesses invest a great deal of time and effort into learning communication skills, and find it very effective to learn these skills together. Effective listening is an especially critical communication skill for a family, because it builds trust and creates mutual support (Aronoff et al. 1997:33,36; Ward 2004:68,86). According to Faulkner (2007) effective sibling communication depends upon a willingness to listen with understanding and not just waiting for an opportunity to speak.

#### 4.7.3.1 Trust and communication

"Communication" is defined as the exchange of information by means of verbal expression, signals, gestures, writing or behaviour. Communication can signify a close and sympathetic relationship or personal rapport between individuals. Good communication means that information, thoughts and feelings are not only conveyed but also received and understood. It means revealing oneself and being open to others. It requires trust, vulnerability, and the willingness to raise issues that might lead to disagreement and conflict. Trust is an important condition underlying all family communication, as without trust, communication cannot really be effective. Creating trust in one another by being open, sharing, vulnerable, honest, and forthright is essential behaviour for a successful Sibling Partnership (Ward 2004:15,78).

Communication between sibling partners needs to demonstrate three important characteristics: honesty, openness and consistency (Brigham 2004; Gersick et al. 1997:85). These characteristics can give an accurate picture of the quality of communication in a family business, and those whose communication displays high levels of these characteristics are able to manage conflict more effectively than those who do not. Business families need to carefully examine the communication flow to all family members, and take the steps necessary to reduce misinterpretations and increase the honesty, openness and consistency of communication in the system as a whole (Gersick et al. 1997:86,88).

#### 4.7.3.2 Open disclosure

To build trust instead of mistrust, members of successful family businesses practise the sensitive, difficult art of *full and open disclosure* with one another (Ward 2004:78). The willingness to have open communication and to share sensitive, personal information is especially important for the success of a Sibling Partnership (Aronoff et al. 1997:47; Ward 2004:20,67,103). Some partners, for example, have unrealistic expectations of their partners and feel let down by them, despite having never shared their expectations with their partners. Even people who are reasonably skilled communicators stumble when talking about things like power-sharing, authority, decision-making, money, personalities, work ethics and

values. This sensitivity escalates when family relationships are involved (Gage et al. 2004:194,195). Only through communication can sensitive issues, which inevitably come up, be addressed and resolved (Lansberg 1999:340). Such communication among siblings requires trust and a willingness to be vulnerable (Ward 2004:20).

Owners of most successful family businesses demonstrate open disclosure in three major areas: compensation, outside investment opportunities, and personal estate plans (Ward 2004:78,79). In the case of a Sibling Partnership, open disclosure concerning *compensation* is strongly recommended, and each sibling should know and accept past and present compensation arrangements (Aronoff et al. 1997:44, 47). Siblings who are partners find it essential to share information about *investment opportunities* they come across. Sharing investment opportunities with one another demonstrates commitment to the sibling group, builds trust, and conveys a generosity of spirit. Open disclosure highlights investments that are potentially hazardous for the business or the individual, as well as investments that are in conflict with the interests of the Sibling Partnership (Ward 2004:79,80,90,91). Open disclosure concerning *estate planning* is also essential to the success of a Sibling Partnership. These arrangements assure security to spouses and children, and provide insights into the implications of death taxes on the long-term viability of the business (Aronoff et al. 1997:44,48; Ward 2004:80).

Open disclosure should go beyond just those siblings working in the family business. Sibling shareholders not working in the business should also, for example, be informed on such matters as compensation, profits and the like. Some sibling teams also find it helpful to engage in open disclosure with spouses. Successful family businesses often apply open disclosure to non-family executives as well. In general, the more information that is shared the better, and the more the family is holding itself accountable (Ward 2004:81). Successful family businesses grow by sharing vital information among a large number of people, because without information and trust, creativity and loyalty are limited (Ward 1997:332).

#### 4.7.3.3 Promoting communication

Successful Sibling Partnerships promote effective communication by establishing forums, systems and structures that facilitate the open and ongoing sharing of information, ideas, opinions, attitudes and feelings among the partners (Schneider & Schneider 2002; Ward 2004:15). These structures, such as family meetings and family councils, enable discussions (sharing of information) involving sensitive and difficult issues, which sooner or later provoke conflict (Gage *et al.* 2004:197), and as such are useful for the ongoing management of their relationship (Handler 1991:29,30).

Patience and a sense of humour are also key requirements for an effective Sibling Partnership (Berry 2004:5; Frankenberg 2002; Lansberg 1999:235; Nelton 1996:54). A sense of humour plays a critical role in defusing tensions between the siblings. Humour is one way that brothers and sisters can, in a non-threatening way, make a point when certain behaviour could provoke or offend the other. The ability to talk freely and laugh, especially at old rivalries, is the clearest sign that siblings will be able to manage potential rivalries in their partnership (Berry 2004:5; Gersick *et al.* 1997:200; Lansberg 1999:136).

#### 4.7.4 Fairness

In family businesses, relationship conflicts inevitably arise with regard to the appropriate distribution or allocation rules of the advantages gained, and about the principles that govern the resolution of these conflicts. A major difficulty is that perceptions of fairness and justice differ across families and firms (Sharma 2004:19; Van der Heyden *et al.* 2005:2). Partners in general, are plagued by the belief that the arrangement between them is not fair (Gage *et al.* 2004:194), and in most family businesses quarrels are often not about money, but rather about perceived or real injustices (Bailey 2001; Gersick *et al.* 1997:165).

Taking into account the classical definition of justice, that being the equal treatment of equals (Lansberg 2001), it is not surprising that families often translate treating children “fairly” as treating them “identically” (Gersick *et al.* 1997:159). Fairness does not necessarily imply equality. If a Sibling Partnership is

going to succeed, all sibling partners must be treated fairly, and the amount of ownership should not limit or expand the authority of one sibling over another (Brigham 2004). Because of the interaction between the family and business systems (Jorissen et al. 2005:232), achieving fairness in a Sibling Partnership is a complicated process and consequently sibling partners have to find innovative ways of creating fairness in their partnership (Gersick et al. 1997:164,165). Sibling Partnerships are most successful when partners minimise differences and keep things as equal as possible between them (Ward 2004:67,68,96), especially in terms of *compensation* (Aronoff et al. 1997:43; Ward & Aronoff 1992:52) and *workloads* (Lansberg 1999:132; Stavrou 1995:173), as well as *titles, ownership* (Stavrou 1995:173; Ward & Dolan 1998:307) and *power/voice* (Frankenberg 2002; Lansberg 1999:3,132; Van der Heyden et al. 2005:10).

Siblings in business together are exceedingly attentive to each other's salaries and perks, continually monitoring how the rewards are being distributed among them. The underlying preoccupation is the fear that one sibling will take advantage of the other (Lansberg 1999:131). The more the sibling generation struggles with financial differences among themselves, the more difficult it is to hold the sibling team together (Ward 2004:90). Family businesses by nature have circumstances that can create complicated compensation decisions, and even when discussed, fairness regarding compensation can still be problematic (Compensation in a family-owned business: What's fair? n.d.). In many cases sibling partners agree to equal compensation, even if their responsibilities vary slightly, the reason being that with equal ownership positions, any differences in pay, even if objectively determined, are trivial (Aronoff et al. 1997:43; Ward & Aronoff 1992:52). When there is an imbalance between contribution and compensation, however, feelings of equity cannot be maintained (Kets de Vries 1993:64), and tensions and conflict are bound to arise (Lansberg 2001; Stavrou 1995:173).

To promote a positive sibling relationship, siblings must carefully manage their compensation and promotions (Handler 1991:31). An open and objective process for determining current and future compensation should be formally established, understood, and accepted by all parties (Compensation in a family-owned business: What's fair? n.d.). Accomplishments, workload and contributions are not necessarily equal, and being equal as owners does not imply being equally



entitled to the same compensation as managers (Lansberg 2001). Sibling partners must understand the difference between what they are entitled to receive as owners versus their compensation as managers, and their compensation system should differentiate between the two. Many experts advise families to pay family members according to market value (Aronoff et al. 1997:43; Lansberg 2001) and to practise the concept of understated wealth, which prevents salaries from escalating and compromising the family business (Ward 2004:60).

To function effectively as a sibling team, the partners have to work at comparable levels. When workloads and levels of effort are unevenly distributed, feelings of resentment may erupt, along with demands for differentials in compensation (Lansberg 1999:132,133; Stavrou 1995:173). Perceived unequal effort can undermine the human relationships that sustain a business (Ward & Aronoff 1992:52). Whatever the division of labour, titles will always be a sensitive issue, particularly in a sibling system based on more or less equal ownership. The challenge in these partnerships is to come up with titles that convey equality among the partners and yet have some meaning to subordinates and outsiders who deal with them (Lansberg 1999:216).

In a Sibling Partnership, maintaining a workable balance of power between the sibling partners is a fundamental challenge (Frankenberg 2002; Lansberg 1999:3). True partnerships equalise formal authority (Gersick et al. 1997:67) and no matter how work is divided among the sibling partners, each has a voice in major decisions (Lansberg 1999:132). Giving those concerned a voice is the first principle of fairness in the decision-making process, and consists of ensuring that all views are heard and represented (Leventhal 1980). A voice gives stakeholders a way of shaping the decision under consideration, which they are then more likely to support if they believe they have been heard and the process is fair (Frankenberg 2002; Van der Heyden et al. 2005:21). Minority investors regularly complain about a lack of voice with regard to family business decisions. This lack of voice results in frustration and lower commitment on their part (Van der Heyden et al. 2005:10).

Even if equality does not exist between the siblings, fair processes are fundamental to creating a sense of fairness for those involved. Engaging

communication from all concerned is the first step in building fairness into a process (Van der Heyden et al. 2005:2,10). In their work, Thibaut and Walker (1975) have found that fair process is critical to the generation of trust, commitment and harmony in society.

An absence of fairness can undermine the need for trust, and a lack of trust will affect job satisfaction, motivation and performance (Kets de Vries 1993:64). Improving the degree of fair process in the family business brings many benefits to the family and all stakeholders involved (Van der Heyden et al. 2005:20). This can be achieved by putting policies in place that focus on competence and earned privilege (Ward 2004:51,53), as well as guidelines that assist in achieving fair treatment for all (Gersick et al. 1997:154). Operating on merit, for example, works in the best interests of the family as well as the business, and successful business families have found that the earlier a family makes merit a part of its value system, the better (Ward 2004:51,53).

#### **4.7.5 Conflict management**

"Conflict" has been described as discrepancies, incompatible wishes, or irreconcilable desires between the parties involved (Jehn & Mannix 2001:238). As previously mentioned (Section 4.4.4.6), three types of conflict have been conceptualised: personal or relationship conflicts; substantive or task conflicts; and procedural or process conflicts. Relationship conflict is specifically detrimental to individual and group performance, reducing the likelihood that members of a team will work together in the future (Hitt et al. 2006:413; Sharma 2004:18).

The application of the three-circle model (Section 2.6.6) makes it apparent that conflict is built into the structure of the family business system (Gersick et al. 1997:102). Consequently family businesses provide fertile grounds for misunderstandings and conflict (Sharma 2004:18; Zheng 2002:289). One of the first hurdles that any family business must face is that of overcoming internal conflict among family members (Zheng 2002:289), especially among the sibling partners in the case of a Sibling Partnership. Conflict is an inevitable aspect of family life (Brigham 2004; Gersick et al. 1997:89; Lansberg 1999:136), a normal phenomenon, which is to be expected when brothers and sisters work together in

a Sibling Partnership (Aronoff et al. 1997:30; Maas et al. 2005:104). Conflict is heightened when the siblings have positions of seniority and work together as an executive team (Katz n.d.; Zbar 2004:93). In most cases conflict between sibling partners is an intricate blend of interpersonal complaints as well as financial, management or ownership issues. As such, conflict spans both the personal and business realms (Gage et al. 2004:194).

Disagreements and conflict can undermine the relationships that sustain a family business (Ward & Aronoff 1992:52), family members grow apart, sapping the business of energy, aligned goals, and commitment to continuity (Ward 2004:5). Many Sibling Partnerships have been weakened or destroyed by conflict among family members (Berry 2004; Brigham 2004; Gage et al. 2004:193,194). Internal conflict does not facilitate sibling cooperation (Zheng 2002:293) and collective systems are almost certain to fail when the relationships between siblings are riddled with destructive family conflict and rivalry (Lansberg 1999:15). Interpersonal conflict among sibling team members is regarded as one of the most serious threats to the future of the family business (Ward 1997:329).

#### 4.7.5.1 Reasons for conflict

Because sibling partners have to interact with each other frequently about a wide range of family and business issues (Katz n.d.), conflict among them is inevitable, and occurs for various reasons. These may be that they have different personalities, agendas and perspectives, and cannot work out these difference (Aronoff et al. 1997:30; Gage et al. 2004:194; Gersick et al. 1997:102; Maas et al. 2005:104); because underlying family issues exist (Katz n.d.; McCall 2002) and they cannot get along on a personal level; and sometimes because of conflicting personal values and unrealistic expectations of each other (Gage et al. 2004:194). Relationship conflict may also be caused by allocation rules of distributive justice that prevail in a family; differences in fundamental norms guiding a family's values about the nature of the relationship among siblings; or disagreements in terms of choices made along other dimensions of life such as mate selection (Sharma 2004:19). Most conflicts, however, are the result of differing expectations or lack of communication. Messages are easily mixed, and when one hears family and

business messages together, the chances of miscommunication are even higher (McCall 2002).

Sibling conflict is frequently an issue when succession is being considered or executed (Brockhaus 2004:170; Gersick et al. 1997:102). Even when there is agreement and acceptance of the succession plan, conflict can result (Gersick et al. 1997:89). As the Sibling Partnership ages and the next generation moves towards taking over the family business, parental concern can suddenly and significantly increase conflict in the sibling team. Even sibling partners who have been collaborative and generous with each other over the years feel the pressure to protect the interest of their own children as those offspring approach adulthood (Gersick et al. 1997:46).

#### 4.7.5.2 Resolving and managing conflict

Sibling Partnerships can be effective if the siblings can work out their differences and are able to resolve conflicts that arise between them (Aronoff et al. 1997:47; Berry 2004; Brigham 2004). Consequently the chances of sibling team success are enhanced with the development and possession of conflict resolution and conflict management skills among team members (Aronoff et al. 1997:15,65; Lansberg 1999:235; Ward 2004:96). Families that can resolve conflict effectively have a much deeper understanding of each other (Frankenberg 2003:11) and moreover, effective resolution of conflict is likely to influence firm performance in terms of financial and non-financial dimensions (Sharma 2004:19).

Disagreements are common, and consequently conflict is an inevitable aspect of family life that cannot and should not be avoided or ignored (Brigham 2004; Gersick et al. 1997:89; Maas et al. 2005:105). Avoidance can create dissent, confusion and a lack of accountability throughout the organization. The key to successful conflict resolution is not only realising that conflict is normal but also recognising and confronting conflict in the early stages when it occurs, as well as diagnosing its source (Brigham 2004; Gersick et al. 1997:104; Maas et al. 2005:105). Sorenson (1999) has examined five conflict management strategies used by family businesses, namely competition, collaboration, compromise, accommodation, and avoidance. Collaboration strategies lead to positive

outcomes on both family and business dimensions, whereas avoidance and competition strategies perform poorly on both dimensions. Compromise and accommodation are better for the family-related outcomes but not for the business-related ones (Sharma 2004:18).

According to Lansberg (1999:134,136), long-lasting partnerships adopt a diversity of conflict-management strategies. The particular mechanism of conflict resolution is not as important as the existence of accepted pre-established dispute-resolution processes. Pre-established mechanisms work, in most cases, because they openly acknowledge that disagreements are inevitable, and because they promote a sense of fair play and equity over time. A good pre-understanding of how key issues will be addressed can keep routine business issues from becoming conflicts (Aron 1999:21; Berry 2004).

The sibling partners must have a clear code of conduct that draws a distinction between acceptable and unacceptable behaviour. This code should clearly define potential conflicts of interest and explain how each should be handled (Maas et al. 2005:106). Family councils are a helpful structure for resolving conflict (Gersick et al. 1997:90). Astrachan and McMillan (2003) have suggested that systems for regular collective encounters among family business stakeholders aid in the development of shared perceptions. In turn, these shared perceptions enable prediction and pro-active management of conflict, thus increasing the effectiveness of intervention strategies, should these be used (Sharma 2004:18,19).

Since conflict is predictable, siblings should agree to disagree, disagree without being disagreeable, and should not let disagreements fester (Aronoff et al. 1997:58; Frankenberg 2002). They should learn how to fight fair (Frankenberg 2002) and not regard criticism as a personal attack (Brigham 2004). Sibling partners should avoid voting on contentious issues, as voting leaves the minority unhappy. More typically successful Sibling Partnerships place a strong emphasis on consensus (Lansberg 1999:134). Sibling teams must also learn how to separate differences of opinion concerning business issues from those based on long-standing conflict within the family (Katz n.d.).

The management of family conflict is essential so that it is productive and not destructive, and so that it does not spill over uncontrolled into the business and ownership dimensions (Gersick *et al.* 1997:104). The sibling partners must also find ways to manage conflict in their business relationships (Lansberg 1999:134). If managed appropriately, conflict can be constructive and serve as a productive force for siblings in business (Brigham 2004; Frankenberg 2002; Frankenberg 2003:11; Gersick *et al.* 1997:89). Constructive conflict promotes creativity and innovation (Sharma 2004:18); creates change and teamwork (Brigham 2004); allows family members to regain some distance in overwhelming relationships; and may help family members work through difficult decisions (Gersick *et al.* 1997:89). Conflict can be a powerful source of energy for positive change, especially if it is focused on intolerable behaviour, or honest differences in ideas or values, and not on destroying the other person (Frankenberg 2003:11).

#### **4.8 SUMMARY**

One of most important requirements for a successful Sibling Partnership is that the siblings work together in the family business as a team. Consequently teamwork and collaboration are critical to the success of the partnership and the business. A sibling team in a family business, despite its unique nature, is basically a team just like any other team within an organisational context. Therefore the organisational concepts of effective teams are as applicable to sibling teams as they are to other teams. Concentrating on the basic concepts that constitute effective teams, which are also vital for a successful co-leadership structure, formed the basis of this chapter.

Firstly, the nature and importance of teams in the business environment was discussed. Although groups, partnerships and teams are concepts closely related to each other and often used interchangeably, each is a concept in its own right. A team can clearly be distinguished as a collection of individuals charged with the completion of a common objective. Teams come into existence for various reasons, and different types of teams suit different purposes. Teams are likely to be tailored depending on the needs and goals at a particular time. A partnership, on the other hand, represents a team bound by a legal relationship, and a group is a more informal gathering of people based on a common goal or objective. In the

context of this study on Sibling Partnerships, the concepts "partnership" and "team" are used interchangeably. The concept "sibling team" can be seen as operationalising the working relationship between the siblings, whereas the concept "Sibling Partnership" legalises the relationship between them.

Secondly, the growth and value of teams, as well as the stages of team development, were elaborated on. The use of teams has increased significantly in recent times. This has been attributed to the increasingly complex and rapidly changing business environment, as well as the increasing belief that teams can achieve outcomes greater than those of individuals working alone. Despite these numerous synergistic benefits, teams have been found to be inappropriate in certain circumstances and unsuccessful in certain organisations. It is suggested that teams become more effective as they develop over time, and that this development occurs in discernable stages, namely the forming, storming, norming, performing, and adjourning stages.

Various models summarise what is currently known in terms of what makes teams effective. These normative models are useful for highlighting the necessary factors to be considered when teams, and the supporting organisational system, are configured. The input-process-output, or I-P-O model is probably the most common framework used to explain the way in which team design elements interact to enable effective team outcomes. The I-P-O model posits that a variety of inputs combine to influence intra-group processes, which in turn affect team outputs.

After a careful analysis of various theoretical models, team-based research and lists describing characteristics of, and requirements for, effective teams, four general categories or themes representing summaries of the key components of previous theories were proposed for this study. These general categories, namely, *context*, *composition*, *structure* and *processes* were further grouped into either input or process variables. It was found that two groups of common factors, namely *task-based* factors (input variables) and *relational-based* factors (process variables) influence successful teams. The *task-based* factors relate to enabling a team to accomplish what it is designed to do by having the appropriate support, composition and structure. The *relational-based* factors (process variables)

influence the interaction that takes place between the siblings and the psychological climate that exists in the business. Specific relational factors that influence the interaction between the siblings are mutual respect and trust, cohesiveness, open communication, fairness, and the management of conflict. These task- and relational-based factors reflect the necessary attributes, characteristics and criteria, as well as the essential requirements or conditions for effective teams and high levels of team performance. Finally the above-mentioned attributes necessary for effective teams, as identified in the Psychology and Organisational Behaviour literature, and supported in family business literature, were applied to sibling teams.

Although much of the literature on teamwork and teambuilding is pertinent to Sibling Partnerships, sibling teams do have a number of unique qualities (Lansberg 1999:132). The knowledge of one's brothers and sisters resulting from a shared childhood can lead to synergies and decisiveness in managing a business together. When this shared history, together with a strong sibling bond, is combined with the elements of effective teams, the results can be incredibly powerful. Working out the issues relating to their family relationships makes teamwork among siblings unique (Aronoff *et al.* 1997:30). Many researchers have looked at issues inherent in family businesses, like succession and balancing familial with professional expertise. Most have eventually begun to realise the importance of the psychological underpinnings of family dynamics (Dyer 1986; Lee 2006b:176). Chapter 5 addresses these family relationship issues and their impact on the ability of siblings to work together as a team.



## CHAPTER 5

### FACTORS INFLUENCING SIBLING PARTNERSHIPS: FAMILY SYSTEMS THEORIES AND FAMILY RELATIONSHIPS

#### 5.1 INTRODUCTION

Most researchers would probably agree that family businesses derive their special nature from the influence of family on business (Hall & Nordqvist 2008:51). This being said, the greatest threats to the growth, success and survival of a family business, including a Sibling Partnership, are primarily issues related to family relationships (Goldberg 1996:187; Mount 1996; Ward 1997:329; Ward 2004:5). From biblical times, stories about families, whether they be about Cain and Abel, Jacob and Esau, or Joseph and his brothers, are filled with conflict, treachery, and deceit, rather than family harmony. In the context of a family business, differing views within a family about the distribution of ownership, compensation, risk, roles, and responsibilities may make the family business a battleground where family members compete with one another (Dyer 2006:260). Interpersonal dynamics among family business members have for example been identified as a critical factor in the low number of successful multi-generational transfers among such businesses (Friedman 1991:4; Kepner 1991:445; Rodriguez *et al.* 1999:454).

The majority of past researchers have addressed relationship issues more than any other aspects of succession (Brockhaus 2004:169). Family members often act out their intense personal and interpersonal issues in the family's business (Rodriguez *et al.* 1999:455). This overflow of family conflicts into the business, and coalition politics among family members are, for example, key problems in family businesses (Kets de Vries 1993:63). Running the family business is often more about managing family relationships than managing any other aspect of the business (Mount 1996; Ward 2004:5; Zbar 2004:93).

The success of a Sibling Partnership, just like the success of the succession process, will depend on the quality of family relationships (Lansberg 1999:151). Wise family-business leaders will invest substantial energies in nurturing and strengthening family-member harmony, trust and satisfaction (Ward 1997:329)

because they know that when things go wrong in a family business, both business success and family relationships are put on the line (McCall 2002).

This chapter focuses on the family members that specifically influence the ability of siblings in a Sibling Partnership to work together, namely: the parents, the spouses, the non-active sibling shareholders, and the siblings themselves. In order to obtain an understanding of how these different family relationships influence each other, and consequently the success of the Sibling Partnership, a brief overview of the most prominent family systems theories is firstly presented. The views of Bowen (1976), who is considered to be one of the pioneers in family systems theory, are particularly valuable in understanding family businesses and hence numerous concepts relating to Bowenian theories are highlighted. Secondly, stakeholder theory is addressed as a means of identifying key family stakeholders (relationships) to the Sibling Partnership. Finally the key family relationships impacting a Sibling Partnership, as well as the requirements for the effective functioning of (or factors influencing) these relationships, are discussed.

## **5.2 CONCEPTUALISING THE FAMILY AND FAMILY RELATIONSHIPS**

Psychologists, sociologists, historians and economists consider family as one of the critical building blocks of the systems they study (Gersick *et al.* 1997:57). In Chapter 2 (see Section 2.5) a family was described by Flören (2002:28) as a social system consisting of individuals, related both by blood, by marriage or by legal adoption, interacting with and influencing the behaviour of each other. The family is the primary group from which each person derives meaning, and is the context in which most people live (Becvar & Becvar 2000:12; Sund & Smyrniotis 2005:155).

The purpose of a family is to care for, nurture and develop its members, and in order to do this the family must not only provide for the economic security of its members, but must also provide for their social and emotional needs, such as the need for belonging, affection, intimacy and identity. Belonging to and being accepted as a member of a family provides a sense of self-worth as well as orderly access to affection and intimacy. Belonging to a family gives a sense of identity that includes experiencing oneself as distinguished from others, and as a source

of influence and power (Kepner 1991:448,449; Sorenson 2000:183,184; Sund & Smyrnios 2005:155).

How a particular family interprets its purpose and carries it out, is highly unpredictable and depends on culture, social class, values and personal idiosyncrasies. Family norms, operating procedures, roles and decision-making processes are seldom explicit, and in most cases need to be inferred from a family's behaviour and patterns of communication (Kepner 1991:447).

### **5.2.1 The necessity of understanding family and family relationships**

A strong, cohesive and well-functioning family brings a multitude of potential strengths to a business. Business families enjoy a sense of shared identity, benefit from common interests and a shared language, know much about each other's strengths and weaknesses, and have abundant opportunities to support each other. An even more powerful feature of families in business, but less understood, is the multi-generational history of ancestors, events and relationships that families share. This history conveys powerful behavioural patterns that influence both the present and the future. These ways of perceiving, feeling and behaving are woven even more deeply into the fabric of family legacy than nationality or ethnicity, and when families reach a point of significant stress, for example, these family patterns can surface in significant ways (Whiteside, Aronoff & Ward 1993:1,2). Understanding the dynamics within a family and the powerful family patterns that so strongly influence family behaviour creates a greater understanding of how individual family members influence each other and the family as a unit, as well as the family business.

Families in business need to be concerned with the workings of the family because, although the cultures of the family and the business can be nearly opposite, the wall that divides them can rapidly collapse because of the overlap between family and business issues. Although many owners see great benefit in rigorously separating the two realms, a growing number of business owners are acknowledging the powerful relationship that exists between business and family. Family business ownership means that family members share the same economic destiny, and family history leaves a deep mark on the business. Because many of

the employees in the family business share the same family history, the family business is more deeply affected than non-family businesses by employees' ways of thinking, acting and relating to each other. Understanding how families work can facilitate the process of integrating business and family, and subsequently create new synergies than can benefit both the business and the family (Whiteside et al. 1993:5-7).

Understanding how a family works creates an appreciation of the value of a healthy, well-functioning family; it helps to avoid being victimised by unknown forces or hereditary tendencies that can affect the welfare of the family; and it enables members to cultivate positive attributes and develop a greater appreciation and tolerance for each other. This brings family members closer to each other and enables them to be calmer and less threatened by family conflicts. In addition, understanding how families work can be a powerful vehicle for appreciating strengths and values as well as for change and for growth. Above all, it can cultivate empathy, a capacity for understanding and an appreciation of each other both as a family unit, and as individual products of the same family unit (Whiteside et al. 1993:9).

### **5.2.2 Approaches to understanding families and family relationships**

Scholars from various disciplines have developed a variety of frameworks for studying and understanding families. Of these frameworks, five formed the theoretical orientation of Christensen's (1964) influential work on marriage and family, namely the institutional, structural-functional, situational, symbolic-interactional, and developmental frameworks (Nichols, Pace-Nichols, Becvar & Napier 2000:3).

In the *institutional* approach, the major focus is on the family as an institution. The emphasis is on the origin and development of the family institution and on comparisons between family institutions in various cultures as well as in different time periods. The *structural-functional* approach focuses on the family as a social system and how it operates, being concerned with whether any particular elements in the family either add to or subtract from the system's operations. Interaction and interdependence connect these constituent parts of the family with

other social systems as well as with the family's internal operations. The situational settings that affect the behaviour of family members provide the focus of the *situational* approach. Although the family is also viewed as a unity of interacting personalities, the emphasis is on the social situation. It is this social situation which provides external stimuli that act upon family members, rather than on the family's interaction as such. The *symbolic-interactional* approach focuses on the interaction among family members, and defines the family as "a unity of interacting personalities". The emphasis of this approach is on the internal processes in the family, such as communication, status relations, role-playing, decision-making, stress reactions and related phenomena. The fifth approach to understanding families, namely the *developmental* approach, defines family development in terms of the progressive structural differentiation and the related transformations that the family unit experiences as it moves through the family life cycle. The developmental theoretical framework approaches the exploration of family phenomena in ways that account for both chronological and family process time. Family process time, for example, would refer to the time during which the family is going through the process of getting an education (Nichols et al. 2000:4).

Despite the existence of different approaches to studying and understanding families, as described above, several prominent works in the context or field of family business (Swogger 1991; Whiteside et al. 1993) have suggested the need to use family systems theory to solve problems in family-owned businesses (Rodriguez et al. 1999:456). Family systems theory, also known as *structural-functional theory (approach)*, which focuses on the family as a social system, has been successfully applied in working with family-owned businesses and the difficulties they face (Rodriguez et al. 1999:456). Embracing any one approach or theory does not require or imply the rejection of a different theory; rather it should be recognised that each theory gives meaning to the other, and each has value relative to a given context (Becvar & Becvar 2000:11). A "system" is defined as a regularly interacting or interdependent group of items forming a unified whole; a group of interacting bodies under the influence of related forces. Understanding how the family works as a system as well the various underlying systems theories and concepts has proved to be very useful to some business-owning families (Whiteside et al. 1993:17).

From a systems perspective one cannot consider the family business without assuming that the behaviour of any one part of the system will influence and be influenced by all other parts of the system. The family may act upon and influence the business, but at the same time, the family is influenced by the communications it receives from the business (Kepner 1991:446). Adopting a family systems perspective can assist family members in creating healthier alliances and interactions, and subsequently help the family business (Rodriguez *et al.* 1999:465). The use of the developmental approach, or more specifically the lifecycle theories, as a means to understanding families in business, is also evident in the family business literature (Dunn 1999; Gersick *et al.* 1999; Neubauer & Lank 1998). The present study, however, focuses on a family business at a particular stage and time in the lifecycle of the family and the business, namely the Sibling Partnership. Consequently the family systems theories will be discussed in more detail as a means to understanding families and family relationships. Where appropriate, the lifecycle theories will be addressed.

### **5.3 FAMILY SYSTEMS THEORIES**

In the past, psychological analysis focused on the individual as the emotional meaningful unit. The family was seen as having meaning as a collection of related individuals. But beginning in the 1950s and continuing to the present, psychologists have begun to study families themselves as a unit (Whiteside *et al.* 1993:17). In essence, two worldviews exist with regard to understanding and dealing with human behaviour, namely individual psychology and systemic family therapy (Becvar & Becvar 2000:3). Individual psychology focuses on the individual and the individual's specific behaviour, and is built on particular assumptions consistent with values such as individual responsibility and autonomy. Systems theory, on the other hand, directs the attention away from the individual and individual problems viewed in isolation, towards relationship and relationship issues between individuals (Becvar & Becvar 2000:8).

The family is a social system that has laws and customs to take care of its members' needs (Kepner 1991:448). Each family has a unique style, structure, beliefs, patterns of relating, cultural requirements, role relationships and unique rules or ways of dealing with stress and expressing emotions. Family systems

theory regards the family as a whole, unique unit, and sees the family group operating as an open and dynamic system (Whiteside et al. 1993:17). The glue that holds the family together is the emotional bonds and affectionate ties that develop among its members, as well as a sense of responsibility and loyalty to the family as a system (Kepner 1991:448).

Family systems theories hold that individuals are best understood through assessing the interactions within an entire family. The systems perspective does not preclude dealing with the dynamics within the individual, but it broadens the traditional emphasis. This perspective is grounded on the assumption that the problematic behaviour of an individual family member may serve a function or purpose for the family, be a function of the family's inability to operate productively, especially during developmental transitions, or be a symptom of dysfunctional patterns handed down across generations. Because a family is an interactional unit, it has its own set of unique traits. It is thus not possible to assess individual concerns without observing the interaction of the other family members, as well as the broader context in which the person and the family live. To focus on an individual without considering interpersonal dynamics yields an incomplete picture. Family systems theories view the family as a functioning unit that is more than the sum of the roles of its various members. The family provides a primary context for understanding how individuals function in relationship to others and how they behave. Actions by any individual family member will influence all the others in the family, and their reactions will have a reciprocal effect on the individual (Corey 1996:367-369; Kepner 1991:448; Whiteside et al. 1993:18).

Learning about families as systems provides family members with an understanding as to why they behave in certain ways under stressful conditions. This understanding can assist them in choosing a more logical and more effective way of dealing with stress in the future. Learning about family systems can clarify and demystify the tension, obstacles and communication problems affecting a family. It enables family members to step back from individual relationships and see the family as a unit that is deeply influenced both by individuals within it and by the generations that have gone before it. Family systems theories help to determine and understand the ways that family members talk and relate to one another (Whiteside et al. 1993:18,27).

In the family therapy movement no single comprehensive integrated theory has yet been developed. Systematic therapists generally practise using more than one approach or creatively employ various perspectives. According to Corey (1996:371), six major systematic (systems) theories exist, namely: the multigenerational family systems model (psychodynamic approach), also known as Bowenian theories; the human validation process model (communications approach); the experiential/symbolic approach; the structural approach; the strategic approach; and recent innovations such as social constructionism (Corey 1996:370-371). The approaches mentioned above are considered to be core groups of therapies or branches of development in the field of family therapy and reflect its earliest being. Many approaches adopted today typically assume an integrative stance rather than one based on these earliest categorisations. A generic core of strategies and interventions derived from the first generation of models does, however, serve as the basis for all of the modern therapies (Lebow 2005: XV).

Although numerous persons and models could be selected to illustrate the major systematic theories mentioned above, this falls beyond the ambit of the study. Introducing and highlighting the work of representative figures of each of the major approaches is deemed sufficient. To this end, each of the above-mentioned systematic theories or approaches will be introduced below. Specific emphasis will be placed on the approaches that contribute to the understanding of families in business.

### **5.3.1 Psychodynamic approach - Multigenerational family systems model**

Psychodynamic approaches to dealing with and understanding families are a mixture of systemic thinking and psychodynamic or analytical psychology (Becvar & Becvar 2000:155). Although numerous models illustrating the psychodynamic approach to family therapy exist, Becvar and Becvar (2000:156,157) are of the opinion that the family systems theory of **Murray Bowen** is very rich and perhaps the only true theory in the field. The Bowenian theory, also sometimes referred to as multigenerational (or transgenerational) family therapy, operates on the premise that a family is understood when analysed from at least a three-



generation perspective, because a predictable pattern of interpersonal relationships connects the functioning of family members across generations. According to Bowen, the cause of an individual's problems can best be understood only by viewing the role of the family as an emotional unit. A basic assumption of Bowenian systems theory is that unresolved emotional fusion to one's family must be addressed if one hopes to achieve a mature and unique personality (Corey 1996:371). Bowen identifies eight key concepts as being central to his theory, namely: differentiation of the self; triangulation; the nuclear-family emotional system; the family-projection process; emotional cutoff; the multigenerational transmission process; sibling position; and societal regression. Of these the major contribution of Bowen's theory are the core concepts of differentiation of the self and triangulation (Corey 1996:374).

According to Swogger (1991:399), Bowen's conceptualisation of the family system is the most useful in understanding sibling and intergenerational relationships. Bowenian concepts, when applied to the family business environment, can help the family develop healthier behaviours and interactions (Rodriguez *et al.* 1999:457). The views of Bowen are particularly applicable to family businesses (Correll 1989:18; Whiteside *et al.* 1993:19) and for this reason the concepts underlying Bowen family systems theories are discussed in detail below.

#### 5.3.1.1 Differentiation of the self

A key concept of Bowen's family systems theory is that of differentiation of the self. The concept holds that all individuals fall at some point on a continuum between the extremes of high and low differentiation. As such, individuals and families can be characterised by their degree of differentiation along a spectrum ranging from fused or enmeshed to well-differentiated, autonomous, and individuated (Rodriguez *et al.* 1999:457; Swogger 1991:399). According to Bowen, the concept "differentiation of the self" is best understood by taking two important aspects into account.

The first aspect of the differentiation process is the differentiation of feeling processes from intellectual processes, which involves a psychological separation or inner boundary between the intellect and emotion (Swogger 1991:399;

Whiteside et al. 1993:23). The emotional process includes states ranging from contentment and satisfaction to anger and sadness. The intellectual process includes the ability to think, reason and reflect, and enables people to govern their lives according to logic, intellect and reason. Differentiated individuals are able to choose between being guided by their feelings and by their thoughts. Even under stress they are able to recognise the difference between emotion and rational thought, and can react in a way that takes into account both the reality of the situation and the reality of a person's emotional response (Whiteside et al. 1993:23).

People who cannot distinguish between the emotional and the intellectual process are described as having a high degree of fusion, as their emotions and intellect are fused and they may be trapped in either a feeling or a rational world. Those dominated by either emotional or rational thought may have great difficulty with the functioning of their lives. Undifferentiated people have a low degree of autonomy, react emotionally, and are unable to take a clear position on issues (Becvar & Becvar 2000:157,158; Corey 1996:374,375; Whiteside et al. 1993:23,24). Undifferentiated people have difficulty separating themselves from others, and tend to fuse with dominant emotional patterns in the family. They form opinions primarily in reaction to others and react involuntarily to every concern or viewpoint expressed by the family (Corey 1996:374; Rogal 1989:239; Swogger 1991:399). Differentiated individuals, on the other hand, can transcend not only their own emotions but also those of the family system. Such people can extricate themselves from emotional entanglements, and are able to maintain a degree of objectivity and a degree of emotional distance from others (Becvar & Becvar 2000:157,158; Corey 1996:374,375; Whiteside et al. 1993:23,24). Someone who is well differentiated is able to respond caringly to family needs but will not alter his or her own beliefs reflexively in response to their attitudes (Rogal 1989:239; Swogger 1991:399).

The second aspect of the differentiation process involves differentiation of the self or gaining independence of oneself from others, which Bowen refers to as "defining oneself" (Rogal 1989:239). In family systems theory, the key to being a healthy person encompasses both a sense of belonging to one's family and a sense of separateness and individuality. The process of individuation, or

psychological maturity, involves a differentiation whereby individuals acquire a sense of self-identity. The differentiation from the family of origin allows one to accept personal responsibility for one's thoughts, feelings, perceptions, and actions (Becvar & Becvar 2000:157,158; Corey 1996:374,375). Differentiation as such is an instinctive life force, which propels a developing child to grow to be an emotionally separate adult person, with the ability to think, feel and act for him or herself (Kerr 1988). It is the struggle to define one's own identity and one's unique sense of self, and to achieve individuality (Correl 1989:17).

Simply leaving one's family of origin does not imply that one has become differentiated. People who are psychologically or emotionally mature are clear about the boundaries between themselves and others, and are able to take responsibility for themselves in relation to others. People who are differentiated are also flexible, adaptable and more self-sufficient, whereas undifferentiated individuals are more rigid and emotionally dependent on others for their well-being (Becvar & Becvar 2000:157,158; Corey 1996:374,375; Whiteside *et al.* 1993:23). The more differentiated an individual, the better that individual can identify his or her own competencies, needs, and goals, and act accordingly (Bowen 1976). In their relationships with others, well-differentiated persons can assess others realistically, and empathically understand how others are different from themselves. At the same time, well-differentiated persons are resistant to the emotional pressures from others to conform to their needs and expectations (Swogger 1991:399).

In some families individuation (acquiring a sense of self-identity) may not be accepted, tolerated or encouraged. Family members may be pressurised to think and feel as all the others do. In those cases where non-differentiation is extreme, the identity of one person becomes fused or enmeshed with that of another (Kepner 1991:452; Rodriguez *et al.* 1999:458). Relationships where none of the individuals can move independently of the other or from the whole, are referred to as fused relationships (Whiteside *et al.* 1993:41).

According to Bowen, differentiation is counterbalanced by a kind of gravitational force that locks family members into dependent orbits around each other (Rogal 1989:239). It is this inherent rhythm that pulls people together and pushes them

apart, that every family must manage. If there is too much individuation, with each person doing his or her own thing, the system suffers. On the other hand, too much unity and merging causes the individual to become so enmeshed in the family that he or she cannot separate and become an autonomous and competent adult (Kepner 1991:449). In such families, parent-child relationships are symbiotic and each cannot, or will not, get along without the other (Kepner 1991:452). The capacity to differentiate is necessary for persons to enter into deep and enduring intimate relationships with their siblings and others (Swogger 1991:399).

#### 5.3.1.2 Triangulation

According to Bowen (1976), anxiety can easily develop in intimate relationships. Under stressful situations, two people (a dyad or two-person system) may recruit a third person into the relationship to reduce the anxiety and gain stability. This is called triangulation. Triangulation is a basic process occurring in all families and other social groups. A vulnerable third party may become triangulated when one of the members of the dyad seeks a third party as an ally to support his or her position in a conflict with the other member of the dyad. In cases where the anxiety is too great for this threesome, others may become involved, forming a series of interlocking triangles. Although triangulation may lessen the emotional tension between the two people involved, the underlying conflict is not addressed, and in the long run the situation worsens. Triangulation prevents any direct attempts by the primary parties to resolve their differences. Triad patterns will become more rigid when the family is facing a change or undergoing stress, and will be more flexible in periods of calm. Triangles allow people to avoid facing the need to change or acknowledging their contribution to the problem, and actually tend to prevent resolutions, resulting in continuous instability. With more family members participating, the emotional field becomes increasingly unstable (Becvar & Becvar 2000:159; Corey 1996:375; Whiteside *et al.* 1993:20). In a fused family, triangulation is a common pattern, and being in a triangle implies some level of undifferentiation. The greater the triangulation, the lower the level of differentiation and the more intense the involvement with the family of origin (Becvar & Becvar 2000:159).

### 5.3.1.3 Nuclear family

To Bowen the family is an emotional system composed of the nuclear family, and includes all those living in a household, as well as the extended family, whether living or dead, and regardless of where they reside. All of these living or deceased, absent or present members, "live" in the nuclear family's emotional system in the here-and-now, in the processes that define the family's unique configuration. That is, the family as an emotional system is a universal and transgenerational phenomenon (Becvar & Becvar 2000:157).

### 5.3.1.4 Emotional cutoff

Emotional cutoff refers to the way people handle their attachments to their parents or their families of origin at the point of separation. As was mentioned earlier, in the fused family, triangulation is a common pattern, and being in a triangle implies some level of undifferentiation. The greater the triangulation, the lower the level of differentiation, the more intense the involvement with the family of origin and thus the more challenging the separation process. Bowen refers to the lack of differentiation at the point of departure from the family of origin as "unresolved emotional attachments" (Becvar & Becvar 2000:159,160).

All people are attached to their parents as children, and they separate from them in a variety of ways. In some cases the bond loosens in a healthy, conscious way as children gradually gain self-sufficiency with the support and guidance of parents. In others, people sever the ties abruptly by isolating themselves, withdrawing or running away. This does not resolve the child's needs to go through a detachment process and it also denies the importance of the parental family. This phenomenon is called emotional cutoff (Whiteside *et al.* 1993:39,40). Emotional cutoff is a passive form of creating the needed distance from the family system (Davis 1983:52). The way an individual handles the process can resonate through generations. The person who runs away emotionally from his family of origin is as dependent as the one who never leaves home. The more intense the cutoff with the past, the more likely the person is to experience the same family problems in his or her adult partnerships that existed in the parental home. Sometimes the cutoff of a family member can be a symptom of a larger family

problem. In such cases one individual becomes the target for all the tension arising from a problem, even though he or she is not solely responsible for the family's emotional circumstances (Whiteside et al. 1993:39,40.)

#### 5.3.1.5 Multigenerational transmission

Another important concept of Bowenian theory is that of multigenerational transmission, which holds that emotional processes are transmitted across generations. The level of undifferentiation or fusion transmitted across generations is not constant. That is, there is an increasing lack of differentiation and an increase in emotional fusion with each subsequent generation. The multigenerational transmission process will continue until unresolved emotional attachments and cutoffs are dealt with successfully (Becvar & Becvar 2000:159,160). Bowenians contend that problems that are manifest in one's current family will not significantly change until relationship patterns in one's family of origin are understood and directly challenged. Emotional problems will be transmitted from generation to generation until unresolved emotional attachments are dealt with effectively (Corey 1996:375).

Families share a multigenerational history of ancestors, events and relationships. That history conveys potent behavioural patterns that influence the present and future (Whiteside et al. 1993:2). Patterns within the family are drawn from those of past generations and lay a foundation for the generations to come (Whiteside et al. 1993:19). Levels of differentiation, for example, tend to be passed on from one generation to the next within a family system (Correl 1989:18). It is through the family projection process that parents transmit or project their lack of differentiation to their children. Emotional fusion between spouses produces anxiety, which is evidenced in marital conflict and tension. Parents then turn to their children in an attempt to seek stability and assurance. The children actually need stability and assurance from the parents. In this way the lack of differentiation evident in the parent is projected onto the child where it manifests itself, and the children then also show signs of a lack of differentiation (Becvar & Becvar 2000:159).

Family behaviour that impedes growth, such as poor communication, controlling behaviour and pressure for unnecessary conformity, are often rooted in powerful

and unconscious family patterns of the past. Many of the multigenerational patterns that influence family members' behaviour are largely unconscious, making them immensely powerful. When people are unaware of influences from the past, they are more likely to be trapped in old patterns. For some, these patterns from the past may be positive, whereas for others they are constraining or even destructive (Whiteside et al. 1993:10).

#### 5.3.1.6 Sibling position

According to Bowenian theory, children develop certain fixed personality characteristics on the basis of their sibling position or birth order in the family. These include such roles as the oldest brother of brothers, the middle child, twin and so forth. Bowen notes that the concept of sibling position enables one to predict the part a child will play in the family's emotional process, as well as which family patterns will be carried over into the next generation (Becvar & Becvar 2000:160). The ordinal position of birth exerts a profound influence upon a child's personality development (Forer 1978:4,5). According to Forer (1978:4,5), the position held in the family of origin is one of many environmental influences in the development, adoption, and maintenance of a specific lifestyle and role in life. This position held by the individual in the family of origin, is significant in light of the fact that he or she adopts a certain attitude and behavioural pattern, with distinctive characteristics in that position, in order to survive. This action is necessary to maintain him- or herself in a meaningful relationship system (Alpaslan 1997:27). A family systems approach holds that people born in the same sibling position tend to have common characteristics (Whiteside et al. 1993:32).

In addition to Bowenian theory, the Alderian approach is unique in giving special attention to the relationships between siblings and the position in one's family. Alfred Adler (1870-1937) identified five psychological positions: oldest, second of only two, middle, youngest, and only child. The actual birth order itself is less important than the individual's interpretation of his or her place in the family. Children in the same family differ widely and it is a fallacy to assume that children of the same family are formed in the same environment. Although children in the same family group share common aspects, the psychological situation of each child is different from that of the others because of the order of their birth (Corey

1996:138). Generally accepted features exist for each particular position in the family of origin, and these features are unique to that position (Alpaslan 1997:27). Given the influence that birth order has on an individual's personality, the characteristics unique to the positions of oldest, second, middle, youngest and only child are briefly referred to in the present study.

The *oldest child* generally receives a good deal of attention, and during the time as an only child is typically spoiled and at the centre of attention. Oldest children tend to be dependable and hard-working, and strive to keep ahead. Upon the arrival of a sibling, oldest children find themselves ousted from their position of favour and consequently feel threatened and rejected (Alpaslan 1997:28; Corey 1996:138). Parents are inclined to subject the first child to a more conservative style of upbringing and a stricter discipline. As a result the eldest child develops a rigid, established value structure and norms, being strongly guided by conscience. The eldest child is also burdened with more responsibilities compared to his/her siblings, and is inclined to play the role of a parent when the other children arrive. As a result oldest children tend to dominate their partners and act in a prescriptive manner (Alpaslan 1997:28). Firstborn children are also often trained to take on responsibility and leadership roles (Whiteside et al. 1993:32).

From the time of birth the *second child* shares the attention with another child. The typical second child behaves as if in a race, and is generally under full steam, as though training to surpass the other sibling. This competitive struggle between the two first children influences the later course of their lives. The second-born is often opposite to the firstborn and proceeds to win praise by achieving where the older sibling has failed (Corey 1996:139).

*Middle children* often have a hard time getting noticed. They tend to look outside the family for recognition or satisfaction, or learn how to exert a lot of pressure within the family to get attention. Because the middle child has to compete with two special siblings on either end of the birth order, he or she often becomes skilled in negotiating for resources and attention (Whiteside et al. 1993:32). Continually competing with other siblings for parental attention and love results in middle children being much more diplomatic and more competent in negotiations in order to create meaningful relationships. The middle child has conflicting



feelings of inferiority towards the older sibling and superiority towards the younger sibling, but has more role models than oldest and only children. Parents are also less tense and demanding in the style of upbringing of the middle child (Alpaslan 1997:28,29). Middle children often feel squeezed out and may become convinced of the unfairness of life and feel cheated. They can assume a “poor me” attitude and can become problem children. In families characterised by conflict, middle children often become peacemakers and the person who holds things together (Corey 1996:138).

*Youngest children* are usually in the company of others so they grow up seeking to be understood by others. They tend to focus inward rather than on the outside world. They may have more freedom to experiment because other siblings are busy caring for family responsibilities, and although youngest children are competitive, they know how to give in to someone older and more powerful (Whiteside et al. 1993:32). The youngest child is always the baby of the family and tends to be pampered the most. Youngest children tend to go their own way and often develop in ways no others in the family have thought about (Corey 1996:139). Everyone is always concerned about the well-being of the youngest child, and this could lead to a feeling and attitude of helplessness. Such a child is always dependent and will prefer a dominating partner in a relationship, where the need to be dependent can be satisfied. The youngest child's position is never threatened, and these children seem to be good friends and often have agreeable personalities (Alpaslan 1997:28).

*Only children* share the same high achievement drive as oldest children. Only children learn how to deal well with adults, as adults make up their original familial world (Corey 1996:139). They often seek the attention of authority figures, since they are accustomed to interacting with adults. Although they may cultivate a sense of self-sufficiency, only children have less opportunity to cooperate and collaborate with others (Corey 1996:139; Whiteside et al. 1993:33). They are inclined to build up self-confidence, may seem to be very dominant and verbally strong, and are inclined to be perfectionists. Only children are subject to loneliness, and if social networks are not created can become selfish and find it difficult to share (Alpaslan 1997:29). Often an only child is pampered by his or her parents and may become dependently tied to one of both of them. Only children

want to have centre stage all the time, and if their position is challenged they feel that is unfair (Corey 1996:139).

Birth order and the interpretation of one's position in the family have a great deal to do with how adults interact in the world. People acquire a certain style of relating to others in childhood, and they form definite pictures of themselves that they carry into their adult interactions. Although it is important to avoid stereotyping individuals into a category, it does help to see how certain personality trends, that began in childhood as a result of sibling rivalry, do have a way of following one throughout the rest of one's life (Corey 1996:139).

#### 5.3.1.7 Societal regression

With the concept process of society or societal regression, Bowen extended the principles of the emotional dynamics of the family to hypothesise that the same processes of dysfunction observed in the family can be seen in the larger society. Under conditions of chronic stress, both the family and society will lose contact with intellectually determined principles and will resort to an emotional basis for decisions that offer short-term relief. According to Bowen (1976), good intentions at any social level, without an appropriate distance that allows for a relatively objective view of the whole pattern of the family or the society, tend not only to be unhelpful but also to foster helplessness (Becvar & Becvar 2000:160,161).

#### 5.3.3 Communication approach - The human validation process model

**Virginia Satir's** (1983) human validation process model grew out of a mission to release the potential that she saw in every family (Corey 1996:380-383). Her process model is premised on the view that families are balanced, rule-governed systems that through the basic components of communication and self-esteem, provide a context for growth and development (Becvar & Becvar 2000:224). Like Bowen, Satir believes in looking at three generations of family life. Unlike him, she works to bring those patterns to life in the present (Corey 1996:380). Satir's approach to family therapy focuses on communication as well as the experiencing of emotions, and emphasises aspects such as family life and family rules; functional versus dysfunctional communication in families; defensive stances in

coping with stress; and family roles and family triads (Corey 1996:380-383).

#### 5.3.2.1 Family rules

Children enter families that are already loaded with rules, and as they grow up, more rules are developed to help the family system function properly and prosper. Rules can pertain to any part of human living and interaction, but the most important rules, according to Satir (1983), are the ones that govern communication. Rules may be spoken or unspoken, and are embedded in the behavioural responses and interactions of the system. These rules become strong messages that govern interactions within a family. Parents tend to set rules in an attempt to control a situation and rules may initially assist children in handling anger, helplessness and fear. It is impossible for children to grow up without rules, and children have to make decisions early in their lives whether to accept or fight against these rules. When one is a child, rules are learnt through observing the behaviour of parents. When rules are presented without choice and as absolutes, they typically pose problems. For a child, rules may be accepted for reason of physical and psychological survival, but when such patterns are carried over into adult interactions they may be self-defeating and dysfunctional. In healthy families, rules are few and are consistently applied. Rules ought to be humanly possible, relevant, and flexible depending on changing situations. According to Satir and Baldwin (1983), the most important rules are the ones that govern individuation (being unique) and the sharing of information (communication). These rules influence the ability of a family to function openly, allowing all members the possibility of change (Corey 1996:380,381).

Families can be described in cultural terms by the way in which they manage differences and conflicts, individuation, emotional expressiveness, the congruence of their perception of reality, and separation and loss. They develop rules to enforce their culture; these rules are usually covert, but can be inferred from behaviour and communication (Kepner 1991:451).

#### 5.3.2.2 Functional versus dysfunctional communication

For Satir, all behaviour is communication. Since communication involves the

sending and receiving of information, messages must be sent and received clearly within families if individuals are to survive and flourish. Communication lies at the heart of Satir's perspective of dysfunction (Becvar & Becvar 2000:226).

Satir (1983) distinguishes between functional and dysfunctional communication patterns in families. In families that are functioning relatively well, each member is allowed to have a separate life as well as a shared life within the family group. Different relationships are encouraged, and change is not viewed as a threat. The structure of the family system is characterised by freedom and flexibility and by open communication. All the members in the family have a voice and can speak for themselves. In healthy families, individuals are encouraged to share experiences and feel support for taking risks. Members are secure enough to be themselves and to allow others to be who they are (Corey 1996:381,382).

In contrast, dysfunctional families are characterised by closed communication, poor self-esteem of one or both parents, and by rigid patterns. There is little support for individuality, and relationships are strained. In such families members are incapable of autonomy or genuine intimacy. Rules are rigid, and frequently inappropriate in meeting given situations. The members are expected to think, feel and act in the same way. Parents attempt to control the family by using fear, punishment, guilt, or dominance. Eventually the system breaks down because the rules are no longer able to keep the family structure intact (Corey 1996:381,382).

#### 5.3.2.3 Family roles (formal and informal)

In families, members assume various roles that characterise their behaviour and influence family interactions. These roles may be formal ones, determined by the family members' birth order, gender, marital status, or relationship to siblings, parents or spouses. These roles may also be informal ones, relating to a particular style, personality or way of behaving that the individual has carved out for him or herself within the family. A common example is that of the "black sheep" in the family, this being the family member who defies the family standards of conduct in favour of rebellion. Either way, roles, whether they are parental roles, child roles, spousal roles, gender roles, sibling and/or other roles, including informal ones, influence an individual family member's behaviour and can have a powerful impact

on the workings of the family, particularly if members are unconscious of them (Whiteside *et al.* 1993:30;38). For example, the youngest brother could assume the role of the victim where he typically feels picked on, whereas the sister can assume the role of peacekeeper and everyone looks to her to solve family difficulties. The roles that parents play in relation to each child, are especially important as children see their parents as essential to their survival (Corey 1996:383; Whiteside *et al.* 1993:30,38). Fixed-role perceptions are often maintained despite evidence to the contrary. These roles are internalised by the individuals involved and although they are distortions of present reality and needs, they continue to operate in the roles that these individuals play out in their adult lives (Kepner 1991:454).

#### 5.3.2.4 Family triads

Like Bowen, Satir acknowledges that a child can be brought into the parents' relationships and that the resulting triadic process will be dysfunctional for everyone (Corey 1996:383). The cornerstone of Satir's model is the primary survival triad, which includes the child and parents. For Satir, each child acquires identity and self-esteem relative to the constructive or destructive interactions characteristic of this triad (Becvar & Becvar 2000:225). Unlike Bowen, however, Satir also sees the possibility of parents forming a nurturing triad with each of the children. In such a triad, roles become flexible and open to change. Children are encouraged to make a place for themselves that fits the various situations they are in; they are supported, allowed to make mistakes, and engage in congruent communication; most importantly, each child's self-esteem is tended and enhanced. They are heard, acknowledged, appreciated, allowed to complain, and given the information they need to handle life both within and outside the family (Corey 1996:383).

#### 5.3.3 Experiential/symbolic approach

**Carl Whitaker** (1976) is the best-known exponent of the experiential approach, which stresses choice, freedom, self-determination, growth and actualisation (Corey 1996:387,388). The experiential approach focuses on the subjective needs of the individual in the family as attempts are made to facilitate family interaction

that will result in the individuality of each member (Hanna & Brown 1995). The family is seen as an integrated whole, and it is through a sense of belonging to the whole that the freedom to individuate and separate from the family is derived. Thus the power of the family, as manifested in either negative or positive ways, is the key to individual growth and development (Becvar & Becvar 2000:184). An underlying assumption is that all members have the right to be themselves, but that the needs of the family may suppress this individuation and self-expression (Corey 1996:388).

#### **5.3.4 Structural approach**

The theory and practice of the structural family therapy approach, developed by the family systems theorist **Salvador Minuchin** (1974), focuses on the interactions of family members as a way of understanding the structure or organisation of a family. Structural family therapists concentrate on how, when, and to whom family members relate (Corey 1996:392). This allows an assessment of the structure of the family and the problems they face. This orientation is based on the notion that most symptoms are a by-product of structural failings within the family organisation (Guerin & Chabot 1992). Minuchin's central idea is that an individual's symptoms are best understood from the vantage point of interactional patterns within a family and that structural changes must occur in a family before an individual's symptoms can be reduced or eliminated. Individuals are viewed in a societal context, and the emphasis is on structural change. Structural family therapy is an approach to understanding the nature of the family, the problems they face, and the process of change. In this perspective the key concepts are family structure, family subsystems and boundaries, each of which is briefly described below (Corey 1996:392).

##### **5.3.4.1 Family structure**

According to Minuchin (1974), a family's structure is the invisible set of functional demands or rules that organises the way family members talk and relate to one another. The structure that governs a family's transactions can be understood by observing the family in action and paying specific attention to who says what to whom and in what way, with what results. Essentially, family structure is the way in

which family patterns of relating are organised. These patterns reflect the degree to which individual family members are emotionally connected to one another, comprising a kind of "social network" that orders family relationships. Family structure has a major impact on how families work together and solve problems. A father might, for instance, talk only to his sons about business, and only to his daughters about emotional matters, despite his daughters also being involved in the family business. If the family structure becomes too rigid, individuals may feel confined, frustrated or rebellious. In times of stress, the family structure may hamper important communications needed in the business (Becvar & Becvar 2000:197; Corey 1996:393; Whiteside *et al.* 1993:27).

#### 5.3.4.2 Subsystems

The family is considered to be a basic human system, which is composed of a variety of subsystems. The term "subsystem" encompasses various categories: spousal (husband and wife), parental (mother and father), sibling (children) and extended (grandparents, other relatives and even reaching into the church and school). These subsystems are defined by rules and boundaries (Corey 1996:393). The rule among these subsystems, for the functional family, is that of hierarchy, and this theory insists on appropriate boundaries between the different subsystems (Becvar & Becvar 2000:198; Kepner 1991:449).

Subsystems are typically determined by factors such as gender, age, common interests, and role function. It is important to note that each family member plays roles in different subgroups. A man could, for example, be a husband in a spousal subsystem, a father in the parental subsystem, and a brother in the sibling subsystem of his own family of origin (Corey 1996:393). Each subsystem has its own identity, its own function, and its own pattern of relationships within it. The identity, functions and patterns of relationships within a subsystem are governed by relationships between subsystems. Thus what happens between subsystems affects what happens within subsystems and vice versa (Becvar & Becvar 2000:200). Members who join together do so to perform tasks that are essential for the functioning of the subsystems as well as the overall family system (Corey 1996:393). For instance, to satisfy and manage the need for belonging, intimacy and identity, the family organises itself by dividing labour and allocating

responsibility to different parts or subsystems. Each of these subsystems thus has appropriate tasks and functions for the family (Corey 1996:393; Kepner 1991:449).

#### 5.3.4.3 Disengaged versus enmeshed boundaries

Part of each family's internal structure or organisation is a system of invisible barriers that determines family members' emotional distance from each other and from the outside world (Whiteside et al. 1993:28). These emotional barriers protect and enhance the integrity of individuals, subsystems and families, and are referred to as "boundaries". The demarcation of boundaries governs the amount of contact with others. These interpersonal boundaries can best be conceptualised on a continuum ranging from rigid boundaries (disengagement) to diffuse boundaries (enmeshment) (Corey 1996:393,394; Whiteside et al. 1993:28,30).

According to Minuchin, families display varying degrees of cohesiveness. Some families become so attached and dependent at an emotional level, or enmeshed, that they lose a sense of individual boundaries. Rigid boundaries lead to impermeable barriers between subsystems and with subsystems outside the family. In some cases, because of the generational gap, parents and children may be unable to understand or relate to each other. In this process of disengagement, individuals or subsystems become isolated, and relationships suffer or even deteriorate. Disengaged families sanction independence, privacy and individualism. Their members share little information and avoid interfering in each other's lives. Extreme forms of disengagement could lead to physical as well as emotional cutoff (Corey 1996:393,394; Whiteside et al. 1993:28,30).

At the other end of the spectrum are diffuse interpersonal boundaries, which are blurred to the extent that others can intrude into them. A diffuse boundary leads to enmeshment, which is characterised by family members' over-involvement in one another's lives. There is an extreme of giving support, and there is too much accommodation. Each individual's activities tend to be known and discussed by other members, and everyone seeks advice from other family members. Keeping something private is seen as a hostile, withholding act. Although overly concerned parents invest a great deal of interest in their children, they often tend to foster dependency and make it difficult for the children to form relationships with people



outside of the family. This results in a loss of independence for both the children and the parents (Corey 1996:393,394; Whiteside et al. 1993:28,30).

The level of emotion is low in disengaged families, while it is extremely high in enmeshed families. Neither an enmeshed nor disengaged style of family interaction is “healthy” or “unhealthy”. Only at the extremes is either viewed as unhealthy. Most families fall between the two extremes (Whiteside et al. 1993:30). In the middle of the continuum between rigid and diffuse boundaries are clear or healthy boundaries, which consist of an appropriate blending of rigid and diffuse characteristics. Clear boundaries help individuals attain a sense of their own identity yet allow a sense of belongingness within the overall family system. In healthy families there is an ability to cope effectively with the various stresses of living by maintaining a sense of family unity, and at the same time there is the flexibility that allows for restructuring of the family and meeting the individual developmental needs of its members (Corey 1996:394). Clear boundaries increase the frequency of communication between subsystems. Negotiation and accommodation can therefore occur successfully in order to facilitate change, thereby maintaining the stability of the family. The theory thus suggests an ideal balance between support, nurture and inclusion on the one hand, and freedom to experiment, individuate and to be one’s own person on the other hand (Becvar & Becvar 2000:201).

#### **5.4.5 Strategic approach**

The strategic family therapy approach, developed by **Jay Haley** and **Cloé Madanes** in the 1970s, has its foundations in communications theory, and designs strategies for change. In strategic therapy, the problem is not addressed as a symptom of some other systematic dysfunction, as Bowenian or structural family theories do, but as a real problem to be solved. The focus of this approach is not on growth or resolving issues from the past, but rather on solving problems in the present. Considerable emphasis is given to power, control and hierarchies in families. Strategic family therapy stresses some of the same key concepts as the structural approach to family therapy. Haley and Madanes are, however, primarily concerned with how power is distributed in a family, how members communicate with one another, and how the family is organised (Corey 1996:399).

#### 5.4.6 Recent innovations

According to Corey (1996:405), what most of the family system therapy approaches discussed so far have in common is a belief in some essential function(s) of family systems. Each has a claim to its own version of “reality”. Bowen emphasises the need for differentiation of self, the power of families to transmit problems over generations, and the difficulties caused by triangulation. Satir stresses congruent communication, nurturance, connection, and support through the process of change. Whitaker’s approach consistently aims at enlarging a family’s ability to experience by creating interpersonal stress and coaching members in alternative ways of relating. Both Minuchin and Haley believe to varying degrees in the foundational nature of family structure and the use of problems within family systems to maintain structure, as well as more-or-less fixed family processes. Each of these approaches to family therapy rests on the assumption that there is something essential about a system (expressed in processes, structures, or rules) that can be discovered and, if discovered, will reveal the universal principles that explain all human behaviour in the system (Corey 1996:405). To complete the discussion of family systems theories, two recent innovations in understanding individuals and families are worth mentioning, namely behavioural approaches and social constructionism

**Behavioural approaches** to family therapy are a more recent entrant into the field, and are more a technology than a coherent theory. Behaviour therapy grew out of laboratory research, with its ultimate goal being the understanding, prediction, and control of behaviour (Becvar & Becvar 2000:40,261). Behavioural approaches to family therapy are built on assumptions characteristic of individual psychology, and do not as such qualify as examples of family therapy. These approaches have proved effective in a variety of situations and thus cannot be disregarded on the basis of systemic inconsistency (Becvar & Becvar 2000:278,279). Behavioural approaches have been augmented by an awareness of cognitive factors that affect behaviour. For example, cognitive-behavioural therapy is concerned with the impact of modes of thought on feeling and behaviour as well as with individuals’ worldviews (Becvar & Becvar 2000:40).

Post-modern thinking has led to **Social constructionism**, which emphasises the way in which people make meaning in social relationships. This approach signals a shift in emphasis in both individual and family therapy, and does not identify with either systemic perspectives or marital and family therapy. In social constructionism, points of view about families are pluralistic. Gender awareness, cultural outlooks, developmental processes, and even an interest in the impact of mental illness on families, are all entertained as important perspectives in understanding how individuals and families construct their lives (Corey 1996:406).

## 5.5 APPLYING FAMILY SYSTEMS THEORIES TO FAMILY BUSINESSES

Family systems theory perceives the family group as an open and dynamic system. As a result of this perception, an overlap exists between the family and the business systems; events in the family system are influenced by events in the business system and vice versa. There are certain influences that the business will have on the dynamics of the family because the business is a part of the psychological, if not the actual environment, of the family.

Family systems theories provide useful insights for understanding how different family members influence each other, either positively or negatively, and hence influence or impact their ability to work together in the family business, and then, of course, the subsequent influence on the family business. Most of the family systems concepts discussed in Section 5.4 of this chapter, especially those relating to Bowen's theories, have on more than one occasion been used by authors and researchers in the family business literature and research, as a means of understanding and explaining the interactions between family members within the family business. These authors and researchers include, amongst others, Friedman (1991:6); Kepner (1991:449); Rodriguez et al. (1999:457,458); Swogger (1991:399); Whiteside et al. (1993:19;41); as well as Aronoff et al. (1997:9,10); Gersick et al. (1997:78,79); Lumpkin, Martin and Vaughn (2008:127); and Lansberg (1999:173,174). In addition, the *three-circle model* of Tagiuri and Davis (1992), which has for the past decade-and-a-half been the primary conceptual model explaining the nature of family businesses (Astrachan 1992:81; Gersick et al. 1999:287; Westhead et al. 2001:380), describes the family business

as three independent but overlapping subsystems: *business, ownership and family*.

Numerous concepts arising from the different family systems theories are applicable when identifying the factors or conditions, of a family or relational nature, that have an impact on the ability of siblings to work together in a Sibling Partnership. The key family relationships impacting a Sibling Partnership, as well as the requirements for the effective functioning of these relationships, will be discussed in Sections 5.6 and 5.7. Many of these requirements for effective family relationships have their origins in the family systems theories and for identification purposes the family systems concepts will be highlighted in **bold**.

To identify and justify which family relationships are key to a successful Sibling Partnership, an explanation of “stakeholder theory” and its relevance to a Sibling Partnership is warranted.

## **5.6 STAKEHOLDER THEORY AND KEY FAMILY STAKEHOLDERS**

In order to understand the value of stakeholder theory in identifying key family relationships, stakeholder theory and the term “stakeholder” are described. In addition, the requirement of stakeholders and the value of attending to their needs are addressed.

### **5.6.1 Stakeholder theory**

Traditional input-output models of economic activity propose that businesses convert the inputs of investors, employees, and suppliers into usable outputs, which are then sold to customers and consequently result in capital benefits for the business. According to this model, businesses only address the needs and wishes of those four key parties, namely investors, employees, suppliers, and customers. Stakeholder theory, on the other hand, recognises that there are other parties involved as well (Stakeholder Theory 2006). The core conviction of those committed to a model such as stakeholder theory is that businesses have more extensive duties to key stakeholder groups like employees, communities, customers, suppliers and so on, than is strictly required by law. This theory stands

in opposition to a supposedly more classical conception of managerial obligation where the only social responsibility of business is to maximize profits, and where shareholders are the pre-eminent stakeholders (Heath & Norman 2004:249). Stakeholder theory attempts to ascertain which groups are stakeholders in a business and thus deserve management attention (Stakeholder Theory 2006). Instrumental approaches towards stakeholder theory hold that to maximise shareholder value over an uncertain time frame, managers ought to pay attention to key stakeholder relationships. Firms have a stake in the behaviour of their stakeholders, and attention to stakeholder issues may help a firm to avoid decisions that might prompt stakeholders to undercut or thwart the firm's objectives (Strategic stakeholder management 1999).

The focus of stakeholder theory is articulated in two core questions (Freeman 1994). Firstly, it asks, what is the purpose of the business? This question encourages managers to articulate the shared sense of the value they create, and what brings its core stakeholders together. This shared sense of value propels the firm forward and allows it to achieve an outstanding performance, determined both in terms of its purpose and marketplace financial metrics. Secondly, stakeholder theory asks, what responsibility does management have to stakeholders? This question pushes managers to articulate how they want to do business, specifically, what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose (Freeman, Wicks & Parmar 2004:364)

To get a clearer picture of both stakeholder theory and its classical alternatives, one needs to distinguish between several different, yet sometimes interrelated, theories (Heath & Norman 2004:249). Consequently there is a debate in the literature over whether it makes sense to talk about a unified stakeholder theory, or whether there are really many different kinds of theories that come into play. Without taking sides in this debate, one may conclude that thinking about the role of stakeholders in business involves a tremendous range of different theories, disciplines and methodologies, from economics, law, ethics, political philosophy, and all of the social sciences underlying the managerial sub-disciplines, not to mention metaphysics. When discussing any particular category of so-called stakeholder theory, even the use of the term "theory" is often very loose indeed. It can thus be suggested that "stakeholder theory" denotes not a theory *per se* but

“the body of research which has emerged in the last 15 years by scholars in management, business and society, and business ethics, in which the idea of ‘stakeholders’ plays a crucial role” (Jones, Wicks & Freeman 2002:19). According to Scholl (2001:10), it may be possible to conclude that stakeholder theory is a hybrid with unclear parenthood, and therefore a unified stakeholder theory does not exist (Freeman 1999).

### **5.6.2 Describing stakeholders**

The term “stakeholder” indicates a biased perspective. Rather than defining the unit of analysis as “interest groups” or “constituencies”, the term “stakeholder” deliberately denotes a contrast to “shareholders” (Freeman 1999). Although Stakeholder theory can be many things to many people, it does not follow that one should cast it as everything “non-shareholder-orientated.” It is important to remember that shareholders are stakeholders and dividing the world into “shareholder concerns” and “stakeholder concerns” is roughly the logical equivalent of contrasting apples with fruit (Freeman *et al.* 2004:365). Just as shareholders have a stake in, and are affected by, a business's success or failure, so are customers, suppliers, employees and local communities (Heath & Norman 2004:248).

The definition of a stakeholder can take on a narrow or broad scope. The classical (and most frequently cited) definition is that of Freeman (1984:25), namely that “a stakeholder in an organisation is (by its definition) any group or individual who can affect or is affected by the achievement of the organisation’s objective”. This definition has been accepted and simultaneously, criticised, depending on the person’s academic position. Mitchell, Agel and Wood (1997:857) define stakeholders as those with legitimate claims, regardless of their power to influence the firm or the legitimacy of their relationship to the firm. In a similar approach, Alkhafaji (1989) is of the opinion that when defining stakeholders one should only refer to those groups that have a vested interest in the survival of the firm.

At a minimum, stakeholders are those groups from whom the organisation has voluntarily accepted benefits, and to whom the organisation has therefore incurred obligations of fairness. Typically, stakeholders include groups such as financiers,

employees, customers, suppliers and even local communities. However, other constituents do exist from which most organisations have not accepted benefits, for example competitors or even activist groups. Theories of Strategic Management would surely grant these constituents some consideration because they can significantly influence the organisation's success. In addition, stakeholder theory maintains that normative or legitimate stakeholders (those stakeholders to whom the organisation has an obligation) are owed an obligation by the organisation and its leaders, while derivative stakeholders hold power over the organisation and may exert either a beneficial or harmful influence on it (Phillips 2004:2).

### **5.6.3 The value of attending to stakeholders**

Stakeholder theory is primarily a theory of the private-sector firm, and maintains that those firms that are managed for optimal stakeholder satisfaction thrive better than those firms that only maximise shareholder (profits) interests (Scholl 2001:19). Numerous examples of how managers understand the core insights of stakeholder theory and use them to create outstanding businesses exist in practice. These firms see the importance of values and relationships with stakeholders as a critical part of their ongoing success (Freeman et al. 2004:364). It is argued that firms that create and sustain stakeholder relationships based on mutual trust and cooperation will have a competitive advantage over those that do not (The normative approach: Intrinsic stakeholder commitment 1999). Managers who do not devote time and resources to their stakeholders may have reason to find that the commitment of their stakeholders is in doubt (Phillips 2004:3).

From the discussion above, a stakeholder can be described as any group or individual that is affected by the firm's success or failure (Heath & Norman 2004:248); has a vested interest in the survival of the firm (Alkhafaji 1989); can affect or is affected by the achievement of the organisation's objective (Freeman, 1984:25); has a legitimate claim (Mitchell et al. 1997:857); from whom the organisation has voluntarily accepted benefits, and to whom the organisation has therefore incurred obligations of fairness; holds power over the organisation, and may exert either a beneficial or a harmful influence on it (Phillips 2004:2).

#### **5.6.4 Key family member stakeholders in a Sibling Partnership**

Against the background of the aforementioned descriptions of stakeholders, as well as the family business, it is clear that in addition to having the same stakeholders as other non-family businesses, key stakeholders to Sibling Partnerships are: family members, both those having an investment in the business, such as parents (Lansberg 1999; Ward 2004); non-active shareholders, (Aronoff et al. 1997; Gersick et al. 1997); and those that do not, such as retired owners and spouses (Aronoff et al. 1997; Gersick et al. 1997; Lansberg 1999; Schiff Estess 1999). Not only do the actions of these family members influence the success of a Sibling Partnership, but the success or failure of the Sibling Partnership in turn may also have important emotional and financial ramifications for them.

Poza, Alfred and Maheshwari (1997) regard both family and non-family employees, as well as family members who are not actively involved in the family business, as stakeholders in the family business. In addition, owing to the economic bonds of marriage, a spouse becomes a critical stakeholder in a Sibling Partnership. Regardless of a spouse's degree of direct participation in the business, spousal attributes permeate family relationships, and can affect business financial performance by influencing the entrepreneur's attitudes, resources, and motivation toward the business (Poza & Messer 2001; Van Auken & Werbel 2006:50). According to Van Auken and Werbel (2006:51), a spouse's willingness to contribute to the family business, directly or indirectly, can be seen as a core family variable, influencing financial performance. Family business owners frequently do not recognise that, although spouses may not be shareholders in the family business, they definitely have a stakeholder's role that should not be denied (Schiff Estess 1999).

Stakeholder theory, which holds that to maximise the value of the business, managers ought to pay attention to stakeholder relationships, clearly has important implications for family businesses. The stakeholders of a Sibling Partnership specifically include those with familial bonds. Paying attention to family stakeholder issues and relationships may help the sibling partners avoid decisions that might prompt stakeholders to sabotage their partnership. Maintaining constant



communication with parents, non-active shareholders and spouse stakeholders is good for the partnership as it allows sibling partners to be in a better position to assess organisational goals, to take advantage of unforeseen but mutually advantageous opportunities, and possibly to avert conflict before it reaches a critical stage.

From the discussions above on family systems and stakeholder theories, one can propose that *stakeholder theory* assists in identifying *who* the key family member stakeholders in a Sibling Partnership are, and *why* attention to them is necessary, whereas *family systems theories* explain *how* these key family stakeholder relationships impact the Sibling Partnership. The discussion below will address these key family relationships and how they impact the ability of the siblings to work together as a team.

## **5.7 KEY FAMILY (STAKEHOLDERS) RELATIONSHIPS IMPACTING ON A SIBLING PARTNERSHIP**

Numerous researchers (e.g. Dyer 1986; Ward 1987; Lee 2006b; Lumpkin et al. 2008) have focused their attention on the impact of family relationships on family businesses. Without family relationships the challenges of family businesses are no different from those faced by non-family businesses (Lee 2006b:177). According to Hoover and Hoover (1999:1), “a family business is the business of relationships” and “relationships are at the heart of a family business”. The key element of a family system that usually has the strongest influence on the operations of the business is the social ties that exist among family members (Aronoff & Ward 1995; Pollack 1985; Lee 2006b:177). The greatest threat to the family business is the family itself; if the family does not function, the business is doomed to failure (Bailey 2001).

Four key family relationships or relational-based family factors are identified as influencing a Sibling Partnership, namely: the siblings; the parents; the non-active sibling shareholders; and the spouses (Aronoff et al. 1997:1,44; Gersick et al. 1997:45; Handler 1991:29,31; Maas et al. 2005:104). Focusing on these four key family relationships does not imply that other people or relationships with friends, children and/or colleagues, do not impact the ability of siblings to work together.

For the purpose of this study, and based on the literature and anecdotal evidence, these other relationships are either not considered as family-based (for example friends and colleagues) or are not considered as key at this stage in influencing the ability of siblings to work together (for example children).

Numerous family interactions and relationships exist between the four key groups of family members influencing a Sibling Partnership. The siblings, for example, do not only have a relationship with and interact with each other, but also with their parents (in some cases with only one parent), with their spouses (possibly more than one) and with their non-active sibling shareholders (possibly more than one). In the same manner individuals in another group, for example spouses, also interact with each other as well as family members in other groups, for example the parents. It is these numerous interactions that contribute towards the complex family dynamics that plague many family businesses. Stable relationships, at least in the long run, seem generally to contribute to feelings of happiness among family members. Developing and maintaining enduring and deeply intimate relationships does, however, demand time and effort (Sund & Smyrniotis 2005:162).

The characteristics, history and structure of the family business are rooted in the personalities of those who shape the family (Neubauer 2003:271) and it is these various family members who positively or negatively impact the success of a Sibling Partnership. This impact occurs through the relationships and interaction that these family members have with each other. As these interactions are relational in nature, they are categorised as relational-based factors for the purpose of this study.

To summarise, four key groups of family members influence the successful functioning of a Sibling Partnership. This influence manifests itself through the various interactions and relationships that the siblings have with each other as well as with the other groups. From the family business literature specific examples have been identified of how these four groups of family members can influence the success of a Sibling Partnership. The various relationships and their impact on success, and the conditions that contribute to the effective functioning of a Sibling Partnership, are discussed in the paragraphs that follow.

### 5.7.1 Siblings

Sibling relationships are a special **subsystem** of the family system (Whiteside et al. 1993:32). The sibling subsystem is the first social laboratory in which children can experiment with peer relationships, and it is in this system that they learn to negotiate, cooperate and compete (Minuchin 1974:59; Rodriguez et al. 1999:463). The sibling relationship usually lasts longer than any other family relationship. Siblings enter each other's lives long before their spouses do, and most of them outlive their parents (Frankenberg 1997:28; Frankenberg 2003:11; Gersick et al. 1997:77). Fate binds the lives of brothers and sisters through both the genetic material they share and the common family culture they inherit (Friedman 1991:3). No-one gets to choose how many siblings they will have, their genes, ages or their idiosyncrasies (Frankenberg 1997:28; Frankenberg 2002). Although no two siblings are exactly alike, for most people there is no other person who shares genetically, environmentally and historically, as much as siblings do (Frankenberg 2002; Gersick et al. 1997:77).

In the sibling subsystem, siblings take up different **positions** that can be significant in the subsequent course of their lives (Minuchin 1974:59; Friedman 1991:6). Siblings play an important role in the moulding of each other's personalities (Alpaslan 1997:27; Reece n.d) and much of a child's development depends on interactions with siblings (Forer 1978:4,5). According to Friedman (1991:6), sibling relationships can have a great deal of significance in the formation and continuing development of an individual's identity across his/her life span. As such **patterns** are set in motion during childhood and tend to persist into adulthood (Whiteside et al. 1993:32). Sibling relationships within family businesses carry enormous emotional power, especially among siblings of the same gender, those close in age, or those who had a great deal of access to each other during their formative experiences of childhood and adolescence. In many cases the bonds forged over the countless childhood rivalries and shared joys "endure well beyond death" (Frankenberg 2003:11).

In many ways relationships between siblings in business together are just like any other relationships in business. When the relationships work well the business benefits, but everyone suffers when they do not. However, when siblings are in

management positions or heirs to the family business, tense relationships can damage the business and open warfare can destroy it (Berry 2004:5). One of the main drawbacks of a Sibling Partnership is that when the working arrangement between the siblings goes wrong, both business success and family relationships could be jeopardised (McCall 2002).

Numerous factors influence the relationships between siblings and subsequently their ability to work together as partners in the family business. These include aspects such as: the degree of differentiation between the siblings; the history and values they share; their order of birth and the roles they are assigned; and the existence of healthy boundaries between them. All these aspects influence the extent of their bond or relationship as well as the rivalries between them. Many of these aspects are concepts that have their origins in the family systems theories. Some are not family systems concepts as such, but justify their inclusion in this study by inferring meaning similar to existing concepts or showing relationship to existing concepts.

#### 5.7.1.1 Degree of differentiation between the siblings

Among the many aspects of a sibling relationship, an aspect that is especially important is the extent of **differentiation** (Gersick *et al.* 1997:78) that exists between them. An increased level of differentiation is a worthy and important goal for anyone, but particularly so for stakeholders in a family business (Rogal 1989:240). As previously discussed under family systems concepts (Section 5.3.1.1), differentiation is a force acting to pull the sibling group apart, whereas sibling identification is the opposite force that holds them together (Gersick *et al.* 1997:79).

All sibling groups demonstrate some balance between wanting to be together and wanting to be separate individuals. The differentiating pressures move siblings to want to work in different parts of the business and have different interests and perspectives. At the same time the identification pressure encourages them to visit each other unexpectedly, to rally to one another's support when in trouble, to defend one another against parental criticism or attack, and sometimes to agree to co-management of the business even if the individual would rather have

unchallenged control. Both the influences of differentiation and identification must be taken into account in assessing the real collaborative potential of the sibling group when entering the business (Gersick et al. 1997:80).

If siblings learn during childhood to respect and accept each other's rights and differences, they can help each other prepare for adulthood. As adults, if they can relate to each other as **autonomous** persons and are treated fairly by their parents, with respect shown for individual differences, sibling relationships can foster creative collaborations (Whiteside et al. 1993:35). To foster collaborative relationships among adult siblings in family businesses, siblings need to see themselves and their siblings as individuals with unique needs and abilities. Conflicts of interest resulting from failure to meet siblings' **differentiated** needs or concerns can remain active into adulthood for siblings in family businesses, and thus inhibit their **individuation** (Friedman 1991:12,13).

According to Bank and Kahn (1982:315), a satisfying, reasonable and flexible sibling relationship allows for **separateness** and **differentiation** without isolation, and allows for cooperation, closeness and intimacy without **enmeshment**. When family members are too dependent upon each other, Swogger (1991) asserts that poor communication, conflict among family members, and ineffective leadership by the next generation can occur. The literature suggests that in an ideal arrangement, siblings identify partially with one another, they are not too distant or too close, and they engage in a constructive dialectic that encourages their **individuation** and emotional growth (Bank & Kahn 1982:11). Abnormal sibling relationships, on the other hand, can hinder individual development and destabilise a family (Friedman 1991:6).

Emotional **individuation** and **differentiation** will result in siblings who are clear about their personal needs and goals, less prone to fulfilling parental expectations or roles in family dramas, and more capable of working together realistically (Swogger 1991:409). From the other perspective of the differentiation process, namely the differentiation of feeling processes from intellectual processes, differentiation between siblings should be such that business decisions are based on current realities (rational thinking) and not on rigid loyalties to family traditions, parental conceptions and business practices (Rodriguez et al. 1999:464; Swogger 1991:406). Swogger (1991:406) asserts that it is only when a process of

**differentiation** within the incoming generation has occurred that a constructive process of succession and the formation of new leadership can occur.

According to Swogger (1991:400), apart from autonomy versus dependency, another useful dimension to the differentiation concept with regard to understanding sibling relationships, is bonding versus rivalry. Excessive **sibling rivalries**, which arise from the needs of siblings to gain parental approval and independent identities, indicate a lack of **differentiation**, whereas strong positive **bonds** between siblings and their common experiences form the basis for leadership and a satisfying cooperation (Rogal 1989:240; Swogger 1991:400). Both sibling rivalries and sibling bonds, and their impact on successful Sibling Partnerships will be discussed in subsequent paragraphs.

#### 5.7.1.2 Shared history

Sibling partners share a history long before they become business partners (Mount 1996) and their relationship can either be positively or negatively influenced by this (Handler 1991:30). Succession involves not only the transferring of ownership and power to the next generation but also the family legacy and traditions, **role** expectations involving **sibling positions** and genders, and all the other feelings, hurts, dreams and conflicts that are part of any family. The inheriting generation thus has to struggle with its emotional inheritance as well as its inheritance of stock, ownership, control, as well as positions and titles within the business (Rodriguez et al. 1999:465; Swogger 1991:408). The emotional content and conflict in Sibling Partnerships are almost always related to “early” family interactions as opposed to “pure” non-family business issues (Reece n.d.).

Having being brought up together siblings are emotional involved and intimately connected (Aronoff et al. 1997:7), and their business partnership can benefit enormously from this shared experience. They are familiar with one another’s preferences and views (Lansberg 1999:141), know each other's strengths and weaknesses (Gersick et al. 1997:3) and have a great understanding of one another’s goals, values and attitudes (Lansberg 1999:132,141; Smith 2004). Family businesses draw special strength from this shared history, identity and common language of families. When key managers are relatives, their traditions,

values and priorities spring from a common source, and both verbal and non-verbal communication can be greatly enhanced (Gersick et al. 1997:3). Their common history and close personal ties hold sibling partners together (Gersick et al. 1997:46), and the mutual knowledge they have of one another's general attitudes and business philosophy can unleash powerful synergies (Gersick et al. 1997:212; Lansberg 1999:22,132). An important requirement for a successful Sibling Partnership is the ability to capitalise on this shared history (Nelton 1996:54). Retaining a connectedness to the past and simultaneously adapting and living the founder's vision is a tremendous and under-exploited asset in family businesses (Denison et al. 2004:62).

One of the most difficult issues sibling teams are confronted with, however, is the "baggage" that brothers and sisters bring to the workplace as a result of having grown up together (Aronoff et al. 1997:33; Handler 1991:30; Lansberg 1999:106; Smith 2004). Feelings of envy, preconceived ideas about one another, and misunderstandings and opinions that linger from childhood, can interfere with their business relationships (Aronoff et al. 1997:7,8; Kets de Vries 1993:65; Lansberg 1999:106; Reece n.d.). To succeed as partners it is essential for siblings to renegotiate old rivalries and stereotypes from their childhood, clear up any misunderstandings, and put the past behind them (Aronoff et al. 1997:33,58; Frankenberg 1997:28).

#### 5.7.1.3 Shared values

When partners are relatives their traditions, values and priorities spring from a common source, namely the history they share (Gersick et al. 1997:3). These shared values are perceived to be high in importance among healthy family businesses and are a source of great synergy (Denison et al. 2004:61; McCann et al. 2003:290). Children have a tendency to adopt values from their parents, and values affect attitudes, which in turn affect behaviour (Sund & Smyrniotis 2005:166,168). The shared history and shared identity of family members provide a connectedness to time-tested core values and standards of behaviour that lead to bottom-line success in family businesses (Denison et al. 2004:61). The entrenched values, culture and structure that arise from the family involvement in

the business over time provide a base for sustainable competitive advantage (Chua, Chrisman & Chang 2004:38).

Family businesses should, however, take care that historically rooted family-based values do not become barriers to strategic change (Chua et al. 2004:38) and should take note that the values of siblings can change. Despite being raised in the same household some siblings may have personal values that are so disparate that they cannot work together in a cooperative manner (Gage et al. 2004:194). Many Sibling Partnerships fail because their personal values are in conflict (Gage et al. 2004:194).

Values or ethics are about the standards of behaviour that society demands for people to live together in an agreeable manner. Although each person develops his or her own standards, there need to be commonly accepted rules (Brockhaus 2004:172). The personal values of siblings come into conflict, for example, when they have different values regarding the importance of the family versus the family business. A business-first orientation can be a painful source of conflict for Sibling Partnerships, especially when one sibling emulates the parent's model of placing the business first, and the other wants to enjoy a more balanced life, without being perceived as not being committed to the business (Ward 2004:57).

Family business owners, including sibling partners, can be faced with a dilemma that forces a choice between two conflicting sets of ethical principles or values. They are forced to choose between what might be the best decision for the business and what might be the best decision for the family or for an individual family member. This is a very difficult yet common ethical decision facing many family business owners (Brockhaus 2004:173). Broadly speaking, the dilemma is that as the head of a family, the parent is altruistic towards his or her family members, but as manager he or she is motivated to follow sound business practices (Lee 2006a:105).

When major importance is placed on the business at the expense of family, it is not unusual to find conflict between generations and conflict within generations (Ward 2004:58). Specifically in a Sibling Partnership, a business-first orientation can create ill feelings that eventually make teamwork impossible (Lansberg



1999:64). Ward (1997:328) suggests that when brothers and sisters work together in the family business, it is sometimes more important to preserve their relationship than to make optimal business decisions. A family's emotional issues and loyalty to the family can thus obstruct the effective conduct of the business and significantly increase the risk of business failure. Consequently the family's cohesiveness is maintained, but effective business management is obstructed (Davis 1983:48,50).

The key to success in the family business is to run a good business that applies sound business principles (Davis 1983:53), and not to confuse family preferences with good business practices (Mount 1996). The goal should be for families to learn to make good business decisions that also enhance family harmony. Regardless of whether a family-first or business-first orientation is adopted in the Sibling Partnership, it is vital that the sibling partners have similar values in this regard.

#### 5.7.1.4 Birth order

Factors such as birth order, gender and age can significantly contribute to who people are, how they are treated and how they behave (Frankenberg 2003:11; Reece n.d.). Between the first and last child, especially if a considerable amount of time has lapsed, parents can change both physically, psychologically and economically. Children of the same parents can therefore be raised in effect by "different parents" (Frankenberg 1997:30).

**Birth order** and the subsequent age spacing between siblings can be a tremendous asset to a family business, fostering a rich variety of personality traits and types needed to run a business (Whiteside et al. 1993:33). It can also deeply affect the ability of brothers and sisters to work together as a team. It is important to look at how these age differences affect the team, and to find ways to compensate for various perspectives, levels of maturity and extent of experience or knowledge (Aronoff et al. 1997:9,10). Birth order alone, which is an especially important aspect of a sibling relationship (Gersick et al. 1997:78), establishes such a powerful pecking order that it affects personality throughout life (Frankenberg 1997:28; Frankenberg 2003:11). The later a child comes in the birth order the

more he or she is compared to other siblings, and the less likely the child is to be treated as a unique human being (Kaye 1992; Rodriguez et al. 1999:463). Birth order can intensify sibling rivalry to destructive levels, especially when children in the family business remain subordinate to their parents or feel locked into birth-order positions (Whiteside et al. 1993:35).

Some research has found a correlation between offspring involvement in the family business and their birth order in the family (e.g. Goldberg & Wooldridge 1993; Lansberg 1988; Van der Merwe 1999). Older children are the first to enter the business, and get tremendous advantages in a situation where the family is trying to develop an equal team. Those who are first to enter, generally the first-born, establish an early claim over certain opportunities and resources, and move up the organisational hierarchy more rapidly. Entering the family business first, elevates the oldest child in the family social hierarchy, confirming or introducing in the minds of the other siblings worries about parental favouritism. An elevated status can stir up rivalries and leave siblings with resentment that will influence their relationships for the rest of their lives (Aronoff et al. 1997:10; Gersick et al. 1997:78,79; Lansberg 1999:173,174).

If the family has not yet learned how to manage the steps of entry by a child into the business, the first to enter the family business may become a guinea-pig for the rest to follow. Parents are less likely to pressure the younger sibling to join the family business, and those who do can expect to get more support and assistance from their parents, because parents love their children equally and feel that the oldest has had a head start (Gersick et al. 1997:79; Lansberg 1999:173,174).

When daughters and younger sons rank higher than older or eldest sons in the family business they become figures in incongruent hierarchies. Their positions in two **hierarchies** (family and the business) are often out of line with each other. One hierarchy, which reflects the individual's position within the family, is incongruent with the other hierarchy, which represents the individual's positions in the business. Siblings may, for example, feel uncomfortable when siblings whom they regard as peers have authority over them. This incongruence complicates relationships and can lead to discomfort, tension and pain for all members of the family (Barnes 1988:9-20; Smith 2004). Often after succession, individuals are

accorded new positions in the family owing to their new positions in the business, and a re-ordering in the family pecking order can naturally create conflict among members affected by the business succession (Harvey & Evans 1995:6). Family businesses with siblings in positions of authority can easily lead to conflicts, as power struggles can pit younger against older or can allow lifelong rivalries to surface (Zbar 2004:93).

#### 5.7.1.5 Roles

In all families children assume certain **roles** and as a result obtain certain labels. Even as adults siblings often relate to each other in ways defined by childhood roles (Aronoff et al. 1997:29; Reece n.d.). Fixed-role perceptions are often maintained despite evidence to the contrary. These roles are internalised by the individuals involved, and although they are distortions of present reality and needs, they continue to operate in the roles these individuals play out in their adult lives, including those they take into the family firm (Kepner 1991:454).

To succeed as partners or members of a sibling team, the siblings need to let go of childhood roles and learn to treat each other as equal responsible adults, capable of running a business together (Aronoff et al. 1997:9,30; Nelton 1997:55). They need to recognise their new adult identities and redefine their relationships based on current realities rather than those of the past. This will enable them to make decisions and work together objectively (Aronoff et al. 1997:33; Frankenberg 1997:32; Frankenberg 2002).

The parental generation transfers not only the power and ownership to the next generation, but also a family legacy and tradition, as well as role expectations involving sibling position and gender (Swogger 1991:408). Siblings need to make sense of the roles assigned to them by their parents in order to determine both whether the roles are personally appropriate, and whether these roles meet their own and the future needs of the family business (Rodriguez et al. 1999:464). Roles in the family business must be created that serve each child's interest and add value to the business (Friedman 1991:13). A task of the sibling successor generation is to define business and family roles in relation to each other in a manner that is appropriate to the talents and desires of each (Swogger 1991:410).

Because of overlapping roles inherent in growing up within a family business system, the task of **differentiation** is likely to be harder (Rogal 1989:240).

Siblings who face role conflict posed by incongruent **hierarchies** struggle to build a new identity in the eyes both of those around them and of themselves. As adults they need to renegotiate the earlier expectations and perceptions of parents, siblings, friends and business colleagues so as to build a new identity and emerge from their subordinate position in the family hierarchy (Barnes 1988:13-20; Venter 2003:146).

#### 5.7.1.6 Boundaries

According to Bork et al. (1996), a healthy family allows for the privacy of individuals and has healthy interpersonal **boundaries** between family members. Without private space people lose trust, feel violated, and moderate their loyalty (McCann et al. 2003:286). "Familiarity breeds contempt" is a saying often aptly associated with family businesses (McCall 2002; Smith 2004). When family members feel empowered to confront inappropriate personal moods or styles, they draw boundaries. Drawing boundaries is a sign of empowerment based on people feeling that they have a sense of control, predictability and safety in their relationships (McCann et al. 2003:285). Boundaries protect the **differentiation** of the relationships (Deacon 1996) and sibling teams are more effective when the siblings know themselves as well as the boundaries between themselves and others (Aronoff et al. 1997:32).

Families with their own business chronically suffer from "institutional overlap" (Rogal 1989:240). The boundary between family and business activities is often vague and overlaps; this can produce tensions for individuals involved in either system (Handler 1992:299,300). If the **boundaries** between family and business goals are ill-defined, it becomes difficult for the family members to clearly distinguish business from familial issues (Rogal 1989:240). One of the keys to the success of a family business is the establishment of clear boundaries separating the family's emotional issues from the tasks required for the successful development and operation of the business. Boundaries serve as the **rules** that

define which individual family members participate in the business and how they do so (Rodriguez et al. 1999:458).

According to Handler (1992:302), separation strains occur when family and business boundaries overlap and permeate each other. This overlap produces tensions in the family and/or in the business. The greater this overlap between family and business boundaries, the less likely it is that the individual will have a positive succession experience. Business strains are associated with separating business and family, and manifest in such things as family conflict, unrealistic expectations of family members, emotionality, and informal policies. Family strains, on the other hand, are due to business issues being brought home, resulting in little separation between family and business outside of work.

#### 5.7.1.7 Sibling rivalry

Two of the most challenging issues that sibling partners have to work through are sibling rivalry and the history that brothers and sisters have (Aronoff et al. 1997:33). Although not a specific concept of family systems theory, sibling rivalry has its origin within the systems theories. It is important to investigate and understand the issue of sibling rivalry (Leach 1994:56), as it has been a crippling obstacle to the successful development of many family businesses (Friedman 1991:4,16; Frankenberg 1997:28; Handler 1991:29; Lansberg 1999:130,136).

Sibling rivalry, in its mildest form, manifests itself as ongoing comparisons between siblings (Handler 1989a:167). At its worst, it manifests itself in intense rivalry, with potentially damaging consequences for the business, the family and the succession process (Handler 1989a:249; Matthews, Moore & Fialko 1999:164). Sibling Partnerships may be difficult to manage because the natural competitiveness of brothers and sisters often carries over into adulthood (Lansberg 1999:129). As siblings enter the family business, unresolved rivalries tend to play themselves out in the business (Fenn 1998; Frankenberg 1997:28; Rodriguez et al. 1999:464) and the pressure of working together daily can intensify rivalry (Lansberg 1999:129). Competitive tensions are common when more than one sibling is involved in the family business (Handler 1991:29).

The sibling relationship is the first social environment in which children can experiment with relationships, and it is an important vehicle through which social skills are learnt. In the sibling world children learn how to negotiate, cooperate and compete (Friedman 1991:6) and as in all intimate relationships, conflict among siblings is as normal as cooperation (Brigham 2004; Friedman 1991:3,4). While a certain amount of sibling rivalry can foster creativity and growth, it has a damaging impact if taken to extremes (Whiteside et al. 1993:41).

Sibling rivalry has its basis in children's competition for parental love and attention (Friedman 1991:6; Kets de Vries 1993:65; Maas et al. 2005:104). It begins when the second child is born and continues throughout their lives (Lansberg 1999:129; Rodriguez et al. 1999:463; Whiteside et al. 1993:41). When brothers and sisters feel that their parents have always favoured one child over another, a serious barrier to sibling cooperation is raised, and feelings of envy and resentment remain troublesome throughout life (Frankenberg 1997:29; Kets de Vries 1993:65; Lansberg 1999:210).

Sibling rivalry is an expression of the individual differences and needs of siblings (Friedman 1991:4). Excessive sibling rivalry indicates a lack of **differentiation** arising from the need to gain parental approval and favours (Swogger 1991:400). Intersibling comparisons can result in stereotypical behaviour and rigid family role assignments (Friedman 1991:12). When siblings lack freedom to choose their family roles, rivalry can become destructive (Friedman 1991:10). **Roles** and rewards conferred by parents on the children who come into the business are experienced as symbols of the parents' love, regard and preference, which exacerbates the original rivalries (Kepner 1991:456).

Adult siblings continually compare one another along a number of critical dimensions including wealth, achievement, sexuality and social relations. In business this can take on many forms. Brothers compete as to whose department is more efficient, who makes better decisions, and who earns the most money (Lansberg 1999:131). These rivalries arise from many years of competing for their parents' approval, as well as from their parents' inability to allow them to solve their own problems (Reece n.d.).

Rivalry or competitiveness is an important source of conflict among siblings. The urge to compete may well reflect a need for mastery, a high energy level and a universal tendency to compare. But competitive strivings become more rigid and more suffused with hostility when they are driven by excessive narcissistic needs or when a son or daughter is playing a role in an oedipal drama or enacting some parental wish or ambition. Such driven competitiveness can be a major obstacle to cooperative work relationships among siblings (Bank & Kahn 1982; Swogger 1991:402). Exaggerated competitions between siblings when they enter the family business can make it very difficult to form a viable Sibling Partnership when parents are not longer around to act as referees (Gersick et al. 1997:79).

The ability to manage rivalries constructively is an important requirement for an effective Sibling Partnership (Berry 2004:5; Nelton 1996:55), as destructive sibling rivalry can bring about the end of a business (Friedman 1991:3,4). According to Friedman (1991:3), sibling rivalry need not be fundamentally destructive. Rather, it could serve as a constructive force, stimulating siblings' intellect and emotional development throughout their lives. Sibling rivalry only becomes destructive when siblings lack the freedom to choose their family **roles**, when they feel resentment towards one another, and when they have been denied opportunities for learning to resolve disagreements because parents intruded in their attempts to do so (Friedman 1991:11). The critical challenge for a Sibling Partnership is to assess whether rivalries are too deeply entrenched to preclude any possibility of a collaboration (Lansberg 1999:131) between the siblings.

Displays of favouritism by parents can aggravate existing rivalries (Lansberg 1999:191), and individual siblings should consciously strive for less dependence on parental approval so as to minimise the rivalry felt towards brothers and sisters (Aronoff et al. 1997:9). Anticipating sibling tensions may prove useful for the ongoing management of the sibling relationship (Handler 1991:29), and maintaining a humorous perspective on rivalry issues can contribute to making a Sibling Partnerships not only survive, but thrive (Reece n.d.).

Through a better understanding of the causes of their rivalry and of each other's feelings of resentfulness, siblings can develop a means for understanding and accommodating their differences (Friedman 1991:14). According to Friedman

(1991:11), adult siblings who have examined and worked through their rivalry, are better equipped to make decision and collaborate in solving problems than those who relate to each other in ways that are no longer appropriate or useful.

#### 5.7.1.8 Sibling bond

Siblings who are born into the same family and grow up together are emotionally connected through the intimacy and experiences they have shared. These ties or bonds between the sibling partners are an important requirement for the success of a Sibling Partnership (Smith 2004; Maas *et al.* 2005:67; Lansberg 1999:238). It should, however, not be concluded that all family bonds are strong. Research suggests that healthy sibling bonds are a rarity (Bailey 2001) and the record of unsuccessful family businesses is testimony to the lack of respect, trust and confidence that frequently exists among family members (Harvey & Evans 1995:10).

One of the most important tasks of sibling team members is to maintain and strengthen the bond between them. A strong bond between siblings as well as their common experiences form the basis for leadership and a satisfying cooperation (Swogger 1991:400). The strength of the sibling bond can stabilise a business and enable adult siblings to enjoy a lifetime of rewarding experiences together (Frankenberg 1997:28,32; Frankenberg 2003:11).

#### 5.7.1.9 A good relationship

A "good sibling relationship" refers to the extent to which personal relationships and friendship exist between the siblings in the Sibling Partnership. The sibling relationship can affect the viability and continuity of the family business (Goldberg 1996:187). According to Barach and Gantisky (1995:141), good relationships contribute to the team spirit that must prevail for the family business to prosper, and it is vital that the sibling partners like each other, like being with each other, and get along well (Berry 2004:5; Gersick *et al.* 1997:197; Smith 2004; Ward & Aronoff 1992:52). Sibling Partnerships often fail because the relationship between the siblings is riddled with conflict and rivalry, because they do not get along on a personal level, cannot work out their individual differences, have personalities that



rub each other up the wrong way, have personal values that are in conflict with each other, or simply do not like each other (Gage et al. 2004:194; Lansberg 1999:15). Apart from having affection and genuinely caring for each other (Lansberg 1999:63,86; McCann et al. 2003:286), it is also vital for the success of their partnership that the siblings trust one other (Aronoff et al. 1997:36; Lansberg 1999:63). Trust can only be created between siblings if they are open, vulnerable, honest and forthright with each other. This behaviour is absolutely essential in a Sibling Partnership (Ward 2004:78). It is, however, critical to recognise that the unique relationships often evident among siblings are difficult to replicate (Steier 2001:353).

The rapport that siblings have with each other as children will be the foundation of their business relationship as adults (Fenn 1994; Lansberg 1999:83). If as children, the siblings never saw eye-to-eye with each other, the stresses of operating a business together will only make things worse (Berry 2004:5), and battles that began in the playpen will ultimately be dragged into the boardroom (Fenn 1994). As much as parents may want to have all their children in the business together, they should be wary of relationships that are unlikely to improve (Berry 2004:5). Locking incompatible siblings in business together can have disastrous consequences for the family business (Gersick et al. 1997:197).

The most successful Sibling Partnerships exist when sibling partners invest in their relationship and share interests other than the business, spend leisure time together, enjoy each other's company, and just have plain fun together (Aronoff et al. 1997:37,59,65; Handler 1991:31; McCann et al. 2003:286; Ward 2004:57,58). Spending time with each other and each other's families can increase interpersonal comfort with each other, enhance interpersonal communication, take the edge off business differences, and enable siblings to better know and understand each other (Aronoff et al. 1997:37,59; Ward & Aronoff 1992:52). Siblings who make a point of getting away from business for informal time together are also able to exercise their sense of humour in casual situations, which helps preserve their healthy relationship (Berry 2004:5). On a similar note, siblings in a Sibling Partnership should not compromise time at home or time as parents. In the most successful family businesses parents find ways to disconnect from the business and focus on the family (Ward 2004:57,58). Siblings should also

make a conscious effort to keep personal matters out of the business and vice versa (Plume 2002:60).

### **5.7.2 Parents**

Part of the challenge of a family business is not just to build the business but also to bring up the children who are intimately involved in the future success of the enterprise (Ward 2004:28). The effect of good parenting on the future of the family business should never be underestimated (Ward 2004:27), and if parents have done a good job bringing up the children, the children will enter the family business with humility and respect (Lansberg 1999:168). Numerous aspects relating to the behaviour of parents and their parenting style, impact the ability of the siblings to work together as a team. These will be discussed in the paragraphs that follow.

#### **5.7.2.1 Multigenerational transmission**

A family's "culture" is its way of perceiving or thinking, or way of judging, evaluating and feeling, its way of acting in relation to others, and its way of doing things and solving problems. This culture tends to be passed on to successive generations as a preferred set of solutions. The pattern of culture that has been adopted or inherited serves to reduce anxiety by providing a set of guidelines as a basis for actions (Kepner 1991:451). The behaviour and actions of parents reflect the family culture and provide powerful examples and lessons for children (Aronoff *et al.* 1997:16; Sund & Smyrnios 2005:158). Although children are not passively programmed, they frequently develop patterns in reaction to what they see their parents doing (Corey 1996:383). How parents treat their own siblings and own parents, for example, influences how children respond to each other and their treatment of their parents (Lansberg 1999:161). Rigid patterns of competition and conflict, as well as the extent of differentiation of parents, also tend to be passed on from one generation to the next within a family system (Correl 1989:18). One of the tasks of the new generation is to understand and resolve the hurts and conflicts of the preceding generation, at least as regards their impact on the new generation (Swogger 1999:403).

### 5.7.2.2 Degree of differentiation from parents

As mentioned earlier (Section 5.3.1.1), "differentiation" refers to the ability to maintain an independence of self from others, and the ability to acquire a sense of self-identity (Corey 1996:374,375). Swogger (1991:406) asserts that there is a relationship between the capacity of siblings to work together and the extent to which they have become **emotionally independent** of their parents. Rigid emotional ties to parents can paralyse a successor generation. Earlier, Cicirelli (1980) found that parents who promote a family culture with balanced independence and loyalty among siblings, foster respect for each person's differences and allow each family member to cultivate a healthy self-esteem. Consequently, individuals with sufficient freedom come together for work or pleasure because they want to, and not out of guilt (Rodriguez et al. 1999:463).

In family businesses parents often maintain control over their children in their adult work roles and the childhood feelings of dependence and powerlessness are all too readily intertwined in the objective reality of relationships in family businesses. As a result, individuation in family business may be harder to achieve. In non-family businesses siblings generally emerge from under parental control when they grow up and leave home. Psychological dependence on the family diminishes when the child becomes economically independent and establishes a career outside the boundaries of family influence (Friedman 1991:10; Kepner 1991:458).

In her research on a satisfactory succession process, Handler (1992:289,291) concludes that the degree of **individuation** or **differentiation** that children have from their parents has important implications for the successor's quality of experience of the succession process. An individual's inability to conceptualise his/her **role** in the family as distinct from his/her parents has an important effect on his/her personal experience in the family business. Individuals with inadequate **boundaries** between them and their parents find it hard to feel good about their contributions to the business.

Sibling relationships in adulthood are most effective and most conducive to collaboration when driven by the needs of the siblings acting as **autonomous** adults, not as children still vying for parental approval and attention. To the extent

that parents still control the relationship, even if only psychologically, it is difficult for siblings to develop the competence needed to maintain responsible relations with one another (Friedman 1991:10).

### 5.7.2.3 Behaviour and characteristics of parents

One of the theories propagated by Ward (1997:324) as to why family businesses rarely survive over the long term is that children growing up in a family dominated by a successful, hard-working, self-reliant and decisive entrepreneur, do not learn the vital social skills of co-operation, shared decision-making and unselfish collaboration. The more successful the business, the more consuming and exhausting the founder's job, the more forceful and authoritative the founder parent is likely to be at home (Ward 2004:45). The manner in which siblings are treated by autocratic parents does little for building team skills and problem-solving experience among them (Ward 2004:67).

According to Friedman (1991:7), three aspects relating to parental behaviour influence the quality of sibling relationships, namely intersibling comparisons, the mode of justice (equity and fairness), and interference in conflict resolution. How parents respond to their tendencies to compare siblings; whether a sense of fairness prevails in how siblings feel they are treated by their parents; and parental interference in siblings' attempts at resolving conflict all have an impact on the relationships between siblings. When parents compare siblings, allocate attention equally but not equitably, and intrude on siblings' attempts to resolve conflict, siblings develop hostile rivalries in childhood that can and do persist over the life span (Friedman 1991:8,9).

Whether each child is valued for his or her own unique qualities, but not rigidly classified and thus stereotyped, influences how children ultimately value themselves. Comparisons of their children by parents are inevitable, but can lead to a self-fulfilling distinction among siblings that may become fixed in the family **role** system and may not fit with the developing needs and interests of siblings as they grow, change and become adults. The ability to control the dimension on which one is compared to another sibling promotes **individuation** and growth, whereas a lack of control inhibits such development and results in stereotypes that

may be unnecessary and difficult to break. Explicit recognition and acceptance of differences among siblings should be based on an appreciation for the inherent values of each child's individual qualities (Friedman 1991:7). Kaye (1992:248) suggests that, starting from when their children are very young, parents need to promote a family culture that achieves a balance between independence and loyalty among brothers and sisters. The key is to foster such respect for their differences and interests that there is plenty of self-esteem to go around; no family member has to seek it at the expense of another.

According to Ward (2004:67), children of entrepreneurial parents tend to grow up in homes where conflict is not accepted or where conflict is not allowed to run its course. Entrepreneurial parents will often autocratically resolve any conflict between their children. Consequently siblings are deprived of learning opportunities on how to deal with it themselves and thus develop the necessary skills (Ward 2004:45). It is within the protected environment of the home that siblings learn how to handle aggression and keep anger within limits. They also learn how to defend themselves in future confrontations with strangers. Siblings who, as children, are encouraged to express strong differences directly, are likely to find common ground and get over it at a later stage. They ultimately experience more intimacy because their fights are honest and out in the open. Parents who fight fair teach their children valuable lessons in how to disagree and resolve differences without humiliating or dominating each other (Frankenberg 1997:30; Frankenberg 2003:11). Parents themselves, however, do not serve as good models for relationships as the relationship between spouses is very different to that between siblings (Smith 2004). Healthy sibling loyalty is taught by nurturing parents who have learned how to resolve their own conflicts and have enough love left over to offer their children (Frankenberg 1997:31,32).

Children of entrepreneurial parents also lack parental role models for the teamwork and servant leadership skills necessary for the next generation to work together or even own a business together as a partnership of siblings (Ward 1997:324). The autocratic and controlling behaviour of entrepreneurial parents affects how the siblings work together as a team (Aronoff *et al.* 1997:9). Ward (2004:66) theorises that the people least likely on earth to learn the skills of working together as a team are the children of entrepreneurial parents. Successful

Sibling Partnerships cannot work unless parents nurture the spirit of cooperation in their children from an early age (Frankenberg 1997:32). The most successful Sibling Partnerships come from families that are not dominated by an autocratic, take-charge entrepreneur, and where the non-business parent (usually the mother) clearly controls the upbringing of the next generation and does so with a culture that is powerfully supportive of teamwork (Ward 2004:45,46).

In successful Sibling partnerships, parents start early in encouraging the development of skills such as sharing and collaboration that will be necessary for a sibling system to survive when the children begin working together as adults (Aronoff *et al.* 1997:9-16; Lansberg 1999:97; Ward 2004:197). Skills such as the capacity to communicate, to think outside of own interests, make decisions and seek consensus, as well as the capacity to want fairness and justice for all, are the skills that are best learnt growing up in one's own family (Ward 2004:28). The survival and success of the Sibling Partnership team comes largely from the interpersonal skills that the siblings learn as youngsters at home (Ward 1997:328). Parents must create a home environment where children are free to talk of aspirations, and imagined possibilities are nourished. Parents who are judgemental and who attempt to control the behaviour of their children, can be particularly destructive (Lansberg 1999:160,333). What children need most is a stable, consistent, and loving environment in which they can grow as individuals and from which they can, with caring guidance, explore the outside world (Sund & Smyrnios 2005:159)

The behaviour and characteristics of parents as founders or business owners, also influence the upbringing and orientation of the succeeding generation (Ward 2004:45). Founder behaviour relates specifically to how the business is managed by the founder or owner, with specific references to the leadership, communication and decision-making style adopted.

Leadership is a driving force for business growth. Establishing leadership in children is a key element in maintaining a family business. In his study, Zheng (2002:299) found that many respondents had tried to foster their children's leadership when the heirs were very young. Siblings who model themselves on the leadership style of a dominating founder may find it to be counterproductive to the

long-term effectiveness of their Sibling Partnership (Lansberg 1999:45; Ward 2004:45). The very leadership qualities of the founder, that served the business well, may well hinder its continuity (Lansberg 1999:265). Siblings thus need to learn new skills and adopt personal behaviour patterns that support a Sibling Partnership (Aronoff et al. 1997:13).

Controlling Owners are often marked by a belief in individualism, a need for personal control, and the desire for secrecy and privacy (Ward 2004:45). When founders are secretive, they set a precedent of secrecy among those around them. Such secrecy may be harmful to the Sibling Partnership. Being open, sharing, vulnerable, honest and forthright with each other is behaviour that is absolutely essential for the Sibling Partnership (Ward 2004:78). Apart from a willingness to openly share information, the values that work for a Sibling Partnership are collectivism and mutual dependence. What the sibling generation must do to assure a thriving business is often in direct contradiction to the way the business was run by the dominant founder. Most sibling groups find that they have to overcome their upbringing and turn away from some of their founder parent's most entrepreneurial instincts in order to function as a team (Ward 2004:66,67).

Successful Sibling Partnerships emerge from environments in which founders do not follow the typical decision-making style that puts an emphasis on the entrepreneur's priorities, and instead a decision-making style is created that puts the family first (Ward 2004:46). Founding entrepreneurs must be able to balance their attention between work and family. By not being at home, founders have little opportunity to be a formative influence on their children (Barach & Gantisky 1995:137). Founders who are stressed out, focused primarily on their own agendas, or lacking the emotional reserves to nurture each child, may stimulate competition among siblings (Frankenberg 1997:31).

#### 5.7.2.4 Childhood perceptions of the family business

In a family business the mother and father plays an important role in establishing the desirability for entrepreneurial action among the children (Lansberg 1999:78). A young person's career choice is influenced by the impression he/she has of whether his/her parents were satisfied with their choices (Lansberg 1999:161).

Parents can do much to convey the challenges and joys of working in the family business (Lansberg 1999:152), and there is a growing awareness that what is conveyed to young children about the business, and how it is conveyed, will ultimately affect their desire to be part of that world (Fenn 1994). Too few parents convey the fun and joy of the family business to their children, possibly discouraging them from joining the business in the future (Stavrou 1995:172). Parents should share family stories that inspire their children and openly talk of their dreams and aspirations (Lansberg 1999:78,79). Children will internalise their parents' attitudes and values about the firm, the sense of quality of life it provides, and the impressions of the impact that the business has on their parents' marriage and family relationships. The lesson learned at this stage, intentionally or unintentionally, will determine in a large part the potential for the business's continuity in the future (Gersick et al. 1997:71). Even the style of parenting influences the juniors in their expectations and attitudes towards the business (Lansberg 1999:88).

Children most interested and enthusiastic about going into the family business are those who have had a positive exposure to the business from an early age. The earlier the exposure to the family business, together with no pressure to join it, the more likely the children will be to join the family business when they are older (Ward 2004:83,84). This is a critical period for forming their impression of the family business (Gersick et al. 1997:71), and early contact introduces the children to the business and teaches them that it is a special place (Lansberg 1999:159). According to Goldberg (1996:192), both qualitative and quantitative results suggest that effective successors were introduced to the business at an early age, and began working full-time in the business at a comparatively early age too.

#### 5.7.2.5 Parental influence on sibling rivalry

According to Friedman (1991:4), parental behaviour is often the cause of difficulties in sibling relationships. Friedman (1991:6,7) and Sharma et al. (1997:15) argue that although competition for parental love and attention spurs sibling rivalry, how parents treat their children has a major influence on the type of relationships that develop among the children. Sibling rivalry in adults generally reflects patterns taught by parents to offspring during childhood (Friedman



1991:16). For example, if parents show favouritism, rivalries are aggravated between children (Lansberg 1999:191). Favouritism arouses conflict between siblings and weakens their mutual cooperation (Zheng 2002:290).

In conflict-averse families children do not learn to resolve their differences autonomously. Instead, they remain dependent on their parents to do so for them, thus perpetuating a vicious cycle in which the needs of parents to inhibit their children's individuation and separation are reinforced, and their motivation to persist in interfering is strengthened. Parental interference in siblings' attempts at resolving conflicts can exacerbate rivalry. It is the **triangle** (child-interfering parent-child) that keeps sibling rivalry alive as a negative experience, and when the parent reinforces the rivalry, the children will continue the pattern. By interfering in sibling conflicts, parents deny children the opportunity to solve their own disagreements. Consequently as adults the rivalry among them can be destructive, as they have never learnt to solve their own disagreements. As a result siblings remain dependent on their parents to find collaborative solutions to the problems each faces in coexisting with others (Friedman 1991:8-14). Parents should avoid intruding on the boundaries of the sibling subsystem and hence interfering with the efforts of siblings to resolve conflicts, at the risk of prolonging and reinforcing the rivalry (Whiteside *et al.* 1993:36).

#### 5.7.2.6 Parents as moderating force

According to Kets de Vries (1993), there is a good reason to fear that conflict between the siblings may arise when the founder's generation is no longer there to act as family arbiters (Davis & Harveston 1999:313,315). Davis and Harveston (1999:317,319), however, found that although conflict was higher in second-generation-led firms than in founder-led firms, the difference was not significant. Their research did reveal that conflict was higher among second-generation family firms when the founder or spouse remained active in the family business, and lower when the founder or spouse was no longer active in the family business.

Sibling rivalries and conflict typically break into the open shortly after the death of "mom" or the individual who serves as the family leader who holds the family together emotionally. The moral leadership provided by this person has often

bridged sibling differences and contained or suppressed sibling conflicts (Ward 2004:68). Mothers have a tendency to “save the family” and thus tend to manipulate and moderate situations (Aronoff et al. 1997:10). Mothers also play a crucial role in harmonising competitive dynamics among rival siblings. In many family businesses the death of the mother becomes the most traumatic hurdle to overcome in the process of generational change (Aronoff et al. 1997:253,254).

Sometimes the mere fact that the parents are alive can keep siblings from confronting one another. That can be positive, but the presence of parents can also cause offspring to forgo discussing and working through issues in a way that they must if they want to be an effective team. Adult children sometimes involve their parents in the hope that the parents will intercede and tell them how they should work together (Gage et al. 2004:195). In other cases, where tensions arise as a result of the siblings working together, parents are approached to act as a go-between in an effort to ease these tensions (Whiteside et al. 1993:20,21). This kind of involvement and control on the part of parents, and the subsequent dependence on the part of adult children, is not easy to outgrow, but it is exactly what families in these circumstance need to do if they want the next generation to be successful on their own (Friedman 1991:14; Gage et al. 2004:195).

#### 5.7.2.7 Triangulation

**Triangulation** is most often observed among parents and children (Rodriguez et al. 1999:458). When spouses are unable to meet each other’s needs or resolve conflict, they form alliances with one of their children, drawing their child in as a third party. The child then becomes overly involved or **enmeshed** with that parent, causing the healthy generational boundaries to be breached (Kepner 1991:450; Rodriguez et al. 1999:458). Unresolved conflict between two parents is thus deflected onto their children in a way that defers the issues (Whiteside et al. 1993:20,21). Triangulation and the development of individual relationships with children on the part of the parents, is detrimental for a Sibling Partnership. Parents have a natural inclination to develop individual relationships with each of their children. This can be fun and enriching for parents and children, but in a family business, where efforts are being made to develop a Sibling Partnership, such relationships could sabotage team development (Aronoff et al. 1997:16-

17,37). Triangulation in the family and in the family business is also likely to occur when siblings turn to a parent to act as a mediator to ease the tensions of their working together (Whiteside et al. 1993:20,21).

#### 5.7.2.8 Continued post-succession involvement

If parents are alive they can continue to exercise enormous influence on the sibling team (Aronoff et al. 1997:7). Research conducted by Davis and Harveston (1999:315,321) has revealed that the continued post-succession presence of the senior generation in the family business has a major influence on the level of conflict in the organisation. Ideally, the continuous involvement of the founder in the business should create a working environment with more patience, empathy, support, reinforcement, and harmony. Unfortunately, the preponderance of evidence suggests the opposite. Even though there is no intention on the senior generation's part to interfere with its successors, the successors' confidence and self-images may need the physical freedom from their parents to develop fully (Handler 1990; Harvey & Evans 1995:6).

Successors need to be able to manage the family business without interference, intended or unintended, from the past head of the family business (Harvey & Evans 1995:7). The continued presence of the senior generation can act as an irritant to the family members or the employees (Davis & Harveston 1999:314). Even after the next generation has been installed, stakeholders may still recognise that the real power remains in the hands of the predecessor. Confusion, conflict and challenge to the rightful power of the new leadership of the family business creates a fertile environment for disaster for both the management and the business. The behaviour of the older generation can compound this problem if they remain heavily involved in the day-to-day activities of the family business (Harvey & Evans 1995:9). Overruling a successor's decision, for example, seriously weakens the heir's leadership (Zheng 2002:290). The blessing of elders is crucial for new leaders to establish authority, and employees need to know that elders endorse the readiness of the next generation (Lansberg 1999:205). If parents want information and use it constructively, siblings should keep them up to date as to what is going on in the business. They should, however, not be

permitted to interfere inappropriately with the decisions of the sibling team (Aronoff *et al.* 1997:57).

#### 5.7.2.9 Existence of a generational shadow

A "generational shadow" is cast when the founder is such a legendary figure that the children do not want to or cannot follow in his footsteps, or live up to his expectations (Kets de Vries 1993:66; Ward 2004:45,52). In such a situation succession is considered incomplete, may constrain successors, and may have dysfunctional effects on the performance of the firm (Sonfield & Lussier 2004:194). Davis and Harveston (1999:311) confirm that the existence of the generational shadow of the founder is the primary mechanism driving increased conflict in second generation-led family businesses.

Numerous studies have suggested that sons and daughters can have difficulty building their own **identity** in their father's shadow (Handler 1992:290). Sons of fathers usually find it more difficult to test out and gain a sense of their own competency under their father's shadow (Kepner 1991:458). Younger family members experience strong pressure to live up to the achievements of their parents, whose reputations seem to grow as time passes. To escape the shadow and stigma of being the owner's child, heirs are often driven to establish their own reputations outside the family business or to make radical changes to the business itself (Farhi 1990; Stavrou 1995:170).

Sonfield and Lussier (2004:199) have found that generational shadow remains a force beyond the first, and even the second generation of a family firm. Davis and Harveston (1999:320), however, have found that no extension of the generational shadow effect can be made beyond that associated with the founder. This supports Davis's (1968) earlier argument that the generational shadow cast by the founder will be much greater than the generational shadow cast by subsequent generations (Davis & Harveston 1999:320). A generational shadow may also have a positive impact on the family business, by providing a clear set of values, direction, and standards for subsequent firm managers (Sonfield & Lussier 2004:194). Founders can also reduce the negative impact of a generational shadow and attract heirs to the family business by seeing their role as stewards.

A spirit of stewardship makes them selfless and thus less intimidating heroes (Ward 2004:44).

#### 5.7.2.10 Security of retiring founder

With the onset of old age, business owners often become increasingly concerned about their financial security, and as a result cling to power to assure personal security and control over economic resources (Ward 1997:327). To avoid this insecurity, attention needs to be given to providing a continuing infrastructure, with adequate financial security, to the retiring senior generation (Harvey & Evans 1995:10, Ward 2004:19). Siblings who inherit the family business from their parents should not only take cognisance of the financial security of their retiring parents, but also of their emotional security, or peace of mind, with regard to the family business. Siblings are to an extent adopting their parents "other" child, namely the family business (Aronoff et al. 1997:57,58), and if parents want to stay connected and are constructive, they should be given the opportunity to continue an involvement in this "other child's" life.

#### 5.7.2.11 Succession preparedness of parents

Many entrepreneurial parents are reluctant to let go of the family business. This forms one of the chief frustrations for succeeding generations (Lansberg 1999:202; Ward 2004:44). Distrust of the successors' competence and ability can be detrimental, resulting in the founder being less eager to release control and consequently giving successors less opportunity to build up leadership experience (Zheng 2002:289,290). The retirement style of the founder has significant consequence for families of departing CEOs (Lansberg 1999:266). Their willingness and ability to hand over the family business could have a significant impact on the successful transfer of management (Maas et al. 2005:64).

Not only must founding parents be willing to let go of the family business, they must also prepare their successors adequately. The preparedness of the next generation and their relationship with the senior generation has a significant influence on the performance of the next generation (Sharma 2004:13). Healthy sibling relationships in business are usually the result of the founder's efforts to

plan for, instruct and model the next generation. Wise family owners acknowledge the impact that their efforts have on healthy sibling relationships, and continually consider this impact as they select and mould their business's next generation of leaders (Berry 2004:5).

Successful transitions depend on planning by the parents (Aronoff et al. 1997:13; Lansberg 1999:6). If succession planning is done, the next generation is more likely to succeed (Flören 2002:51). Exit planning by the founder involves not only planning for leadership succession, but also for financial and estate planning (Aronoff et al. 1997:18). A precondition for a successful departure is that the founder should have articulated and supervised the formulation of business principles regarding management accountability, policies, objectives and strategies (Maas et al. 2005:73). The chances of success for a Sibling Partnership are increased if formal policies and practices, as well as governance structures, are put in place by the parents prior to the Sibling Partnership taking over (Aronoff et al. 1997:13,17,18; Zbar 2004:93).

The best succession plans are probably those put together jointly by owner-manager, potential successor(s), the family members active in business, and key non-family employees. If a family has not prepared for succession it is likely the business will not succeed (Bailey 2001). Starting the succession process as early as practically possible enhances the chances that the process will be successful (Maas et al. 2005:65,66).

#### 5.7.2.12 Transfer of networks and knowledge by parents

Over the years of managing the family business, the founding generation has built up a vast amount of knowledge and experience, and a wide network of contacts, with regard to the business and the industry in which it operates. Often the success of the family business sits perilously on the knowledge in the founder's head (McCall 2002). An over-concentration of business networks and personal ties in the founder's hands can be dangerous for the family business, as no one can really fill his shoes should he depart. The transmission of social capital (personal ties and business networks) from fathers to sons can enhance the business competitiveness (Zheng 2002:292,302). The performance of the next generation is

influenced by the extent to which this knowledge, as well as the network, is transferred from the founding generation. A supportive relationship with the senior generation, characterised by mutual respect, enables the smooth transition of knowledge, social capital and networks across generations (Sharma 2004:13).

### 5.7.3 Non-active sibling shareholders

The existence of non-active sibling shareholders presents additional challenges for a Sibling Partnership. A key relationship exists between those siblings working in the family business and those who are not (Gersick *et al.* 1997:165). Successful Sibling Partnerships pay close attention to the dynamics created by this relationship. Some parents leave shares in the family business to only those who work in the business (active members), whereas others distribute the family business ownership among all their offspring, both active and non-active family members (Gersick *et al.* 1997:45). Siblings may then be tied together as partners in the family business whether they are willing or not. Parents need to attend to why or why not certain siblings enter the family business and how the non-active siblings feel about it (Gersick *et al.* 1997:165).

Unwilling sibling shareholders who are unable to cash out their equity, or dissatisfied sibling shareholders who are receiving a poor return on equity, can sabotage operations and create considerable conflict between themselves and active sibling shareholders working in the business (Underpowered Sibling or Cousin Syndicates? 2003). Non-active sibling shareholders often interfere in operations and make comments from the sidelines. These actions exacerbate conflict between active family members and themselves (Maas *et al.* 2005:104). Non-active siblings are able to exercise a considerable influence, either positive or negative, in the family and among minority shareholders not in the family (Lansberg 1999:338). As a result **triangles** are common in families where one or more than one sibling is not employed in the family business (Whiteside *et al.* 1993:21). In some cases non-active shareholders, who may also be minority investors, complain about a lack of voice with regard to family business decisions. These complaints lead to frustration and lower commitment on their part (Van der Heyden 2005:10). Consequently non-active siblings could take out their feelings of not being valued on those siblings working in the family business (Whiteside *et al.*

1993:20,21). It is therefore important that siblings manage the relationships with their non-active sibling shareholders appropriately.

Inactive sibling shareholders need to be comfortable with their roles relative to the business, as dissatisfaction can complicate the process of agreeing on positions of responsibility and power in the firm (Handler 1991:29). Finding a process that responds to the needs of both active and non-active siblings is probably the most difficult challenge of the Sibling Partnership stage. Successful Sibling Partnerships try to respond to the varying individual needs (Gersick *et al.* 1997:45) of both active and non-active partners. To promote a positive relationship, the siblings not working in the Sibling Partnership need to be involved, informed and educated with regard to business activities (Aronoff *et al.* 1997:44; Handler 1991:31). In addition, their roles, responsibilities, voting rights and shareholding, amongst other issues, should be clarified in a participation agreement or family constitution. Non-active siblings and their families should also be included in all non-business family gatherings (Aronoff *et al.* 1997:44,48,59). Keeping all shareholders happy and committed to the business is good for both the business and the family (Lansberg 1999:279).

It is however best to limit the number of inactive shareholders. Active sibling shareholders often perceive themselves as doing all the work, while inactive siblings think that the salaries and benefits of those active in the business are excessive. Not having inactive shareholders eliminates such resentments between active and non-active sibling partners (Brigham 2004). Sibling Partnerships that resolve the communication and role issues between employed and non-employed sibling owners are among the most satisfying and impressive family businesses ever seen (Gersick *et al.* 1997:45).

#### **5.7.4 Spouses/life-partners (brothers and/or sisters in-law)**

Marriage and similar unions usually have a profound affect on the family business, and it is safe to say that spouses (or life-partners) inevitably influence the family business, whether for good or bad, for better or worse (Aronoff *et al.* 1997:10,21; O'Bee 2001:28). Family business owners frequently do not recognise that spouses/in-laws have a role that should not be denied (Schiff Estess 1999).



The behaviour of spouses/in-laws is an important factor that has an influence on whether the sibling group will be able to work together successfully and in a manner that is reasonably harmonious. The relationship between the spouses themselves and between them and other family members present numerous challenges for a Sibling Partnership. Spouses/in-laws can either strengthen or weaken the sibling group and are thus critical to the success of a Sibling Partnership (Aronoff et al. 1997:1,17; Gersick et al. 1997:47).

It is very difficult to be an in-law in a business-owning family (Aronoff et al. 1997:21), but the family business needs the in-law spouses to be supportive of both the family and the business (Ward 2004:91). An unhappy and angry spouse can threaten the success of a Sibling Partnership, whereas a happy spouse can support it and contribute to its strength (Aronoff et al. 1997:22; Lansberg 1999:137). Numerous factors influence the behaviour of spouses and the subsequent impact on the ability of siblings to work together. Their acceptance into the family and the respect shown to them as individuals, their being kept informed and their involvement in business matters, as well as their ability to remain objective when facing family grievances, are all factors that influence their behaviour. One of these influencing factors can be the "different backgrounds" of spouses.

#### 5.7.4.1 Different backgrounds

Spouses/in-laws are often received into their new family with apprehension, suspicion and skepticism by parents and other family members. Their presence is viewed as a threat to the future of the business, and the family. Spouses/in-laws are perceived as "foreigners" who create a rift between family members, or as "strangers" responsible for breaking up the close-knit family. Because of the high divorce rate their presence creates a sense of unease in business-owning families. Especially if no prenuptial agreements are set up, an embittered spouse can cripple the family business financially. As a result some in-laws (spouses) are overwhelmed by the tightly knit families into which they have married, and feel like outlaws instead of part of the family (Aronoff et al. 1997:21,22).

Spouses/in-laws often experience a culture shock when entering their new families, especially business-owning families (Aronoff et al. 1997:22). This is especially the case if they themselves were not brought up in a business-owning family (Maas et al. 2005:119; O'Bee 2001:28), where the family often revolves around the business and the business around the family. Each time the family gets together, the family business is often the central topic of conversation. At these get-togethers, spouses/in-laws who are not closely involved in the family business feel isolated and left out (Aronoff et al. 1997:22; O'Bee 2001:28).

Because they have grown up in different environments and family cultures, spouses bring their own emotional baggage, hidden agendas and personal interests into the family business (Maas et al. 2005:118,119). Efforts should be made not to ignore the spouses of offspring; rather each should be encouraged to be constructive in converting anxieties and concerns into favourable views, instead of echoing and amplifying them (Barach & Gantisky 1995:142). Family members should be urged to view the situation from the perspective of the in-laws, with empathy and understanding (Aronoff et al. 1997:22). Their opinions and perspectives should be taken into account, and efforts should be made to understand their particular needs and dreams. Knowing and addressing how spouses feel about certain matters is better than avoiding these issues and consequently allowing them to seethe and develop into disputes that may split up the family (Maas et al. 2005:119).

#### 5.7.4.2 Degree of involvement

Spouses may work in the family business as employees or management, or they may have no formal role at all. A spouse's status with the firm may even change through the firm and/or the family cycle; a spouse may for example be an employee during the business's start-up phase and shift to other roles as the family grows and the business matures. No matter what the title or stage in the business cycle, spouses play important roles in the life of the family business (Poza & Messer 2001:26).

If spouses/in-laws become a negative force in a family business, it is often the result of the behaviour or neglect on the part of the siblings and/or the siblings'

parents. Parents can do much to set the tone for the acceptance of in-laws by welcoming them into the family and acculturating them into the business (Aronoff et al. 1997:17,22). Acculturating the new in-laws helps them to feel like valued family members (Aronoff et al. 1997:22), and by fostering solid relationships with them from the beginning, it is possible to prevent problems, conflicts or misunderstandings that may occur (Schiff Estess1999). Spouses who do not feel part of the team or feel welcome in the family are a pitfall that can derail the Sibling Partnership (Aronoff et al. 1997:37).

Spousal support can lead to a family social support structure for the sibling partners. This family support facilitates business success. Weak spousal commitment can create work and family conflicts because sibling partners may be forced to choose between spousal demands and business demands. This additional stress that comes from work and family conflicts is likely to exacerbate the already high levels of stress of being in business. The increased stress on the sibling is likely to inhibit the financial performance of the business (Van Auken & Werbel 2006:49-54).

In-laws (spouses) need to be involved in and educated about the family and the family business (Lansberg 1999:137; Schiff Estess 1999; Ward 2004:91), and efforts should be made to ensure that spouses of offspring are not ignored (Barach & Gantisky 1995:142). Spouses should be included in family meetings and involved in all non-business family gatherings (Aronoff et al. 1997:25; Lansberg 1999:137; Maas et al. 2005:118). At such gatherings family members get to know each other better, see each other from a different perspective, and grow in appreciation of one another. This appreciation of each other supports the sibling team (Aronoff et al. 1997:25).

Parents and siblings must reach consensus with regard to the role of spouses/in-laws and the extent of their involvement in the family business. Their involvement thus becomes a matter of policy and not personality (Aronoff et al. 1997:17,18). Ignoring or mistreating in-laws (spouses) can have serious consequences for a Sibling Partnership (Lansberg 1999:137). According to Galbraith (2003), marital dissolution could have an impact on the financial performance of a family business (Sund & Smyrnios 2005:160).

#### 5.7.4.3 Objectivity and avoidance of family grievances

The joining of in-laws (spouses) makes family relationships more complicated. Family conflict normally intensifies when children marry, and bickering between in-laws, brothers and sisters is a frequent occurrence (Zheng 2002:290). Spouses/in-laws are often seen as the creators of conflict (Lansberg 1999:137) and are blamed as the culprits (Aronoff et al. 1997:21). Research conducted by Davis and Harveston (1999:319) has revealed that conflict was higher among second-generation family firms when the spouse remained active in the family business and lower when the spouse was no longer active in the family business.

Spouses/in-laws are very prone to being drawn into the emotional dynamics of the family business, without the benefit of the information or access to each other that their spouses, who are in the business, share (Gersick et al. 1997:88). Spouses learn most about what is happening in the family business from their husbands (or wives) and as a result **triangulation** is likely to occur (Aronoff et al. 1997:22; Whiteside et al. 1993:20,21). Spouses sometimes receive distorted or one-sided information on matters that concern them. Consequently wrong conclusions are drawn and family feuds are fuelled (Aronoff et al. 1997:22; Lansberg 1999:137; Maas et al. 2005:119). Brothers and/or sisters in a Sibling Partnership should thus agree to always speak positively of each other to their spouses (Ward & Aronoff 1992:52), especially with regard to work situations involving each other (O'Bee 2001:28).

Problems can occur when in-laws promote and defend spouses, or battle for status and rewards (Aronoff et al. 1997:22). Spouses often become the loudest voice of conflict between siblings and may stimulate conflict between siblings and retired parents over financial and other matters (Gersick et al. 1997:165). Siblings are often unable to resolve conflict between them because of meddling in-laws (Underpowered Sibling or Cousin Syndicates? 2003). Special problems develop when there is more than one in-law. The potential for conflict between the spouses of siblings increases the more spouses there are (O'Bee 2001:28). They may, for example, resent each other because of fears that their children will be professionally or financially disadvantaged in comparison with their cousins (Gersick et al. 1997:165).

Spouses/in-laws can, however, play a positive role in both the lives of the siblings and their family business, because they have grown up in a different environment and are therefore not so closely involved with the emotional baggage of the family. They are often more objective and may have a keen understanding of the causes and effects of conflict in the family business. Experience has shown that when in-laws get involved, family business problems can be solved more promptly and more effectively. The presence of in-laws also inspires family members to watch their own behaviour at meetings and to criticise less (Maas et al. 2005:119).

## **5.8 SUMMARY**

Family relationships can greatly influence the ability of siblings to work together and subsequently succeed in their Sibling Partnership. The family relationships that are specifically important in the case of a Sibling Partnership are those between the siblings themselves and between the siblings and their parents, their spouses/in-laws and their non-active sibling shareholders.

Knowledge about the relationship dynamics within a family enables a greater understanding of how individual family members influence each other and the family as a unit, as well as the family business. The major approaches to studying and understanding families are the institutional, structural-functional (or family systems theories), situational, symbolic-interactional and developmental frameworks. The underlying theories and concepts of family systems theory specifically, have been applied successfully in working with family-owned businesses and solving the difficulties they face. Of particular importance are family systems concepts such as differentiation of the self, triangulation, multigenerational transmission, emotional cutoff, birth-order, rules, roles, family structures, subsystems and boundaries. Many of these concepts, arising from the different family systems theories, especially those relating to Bowen's theories, are applicable when identifying the relational factors that have an impact on the ability of siblings to work together in a Sibling Partnership. Some factors are not family systems concepts as such, but justify their inclusion by inferring meaning similar to existing concepts or showing relationship to existing concepts.

Factors that influence the relationships between siblings and subsequently their ability to work together as partners in the family business include aspects such as the degree of differentiation between the siblings; the history and values they share; their order of birth and the roles they are assigned; as well as the existence of healthy boundaries between them. All of these influence the extent of their bond or relationship, as well as the rivalries between them.

Numerous aspects relating to parents, their behaviour and their parenting style also impact the ability of the siblings to work together as a team. These include aspects such as multigenerational transmission; the degree of differentiation of the siblings from their parents; the behaviour and characteristics of the founders as parents and as founders; childhood perceptions created of the business; parental influence on sibling rivalry; the role of parents as moderating force; triangulation; continued post-succession presence; generational shadow; security of the retiring founder; the succession preparedness of parents; and the transfer of networks and knowledge by parents.

Successful Sibling Partnerships pay close attention to the dynamics created by the relationship between those siblings involved and those not involved in the family business. Non-active sibling shareholders are able to exercise a considerable influence, either positive or negative, on other family members. The behaviour of non-active sibling shareholders can be positive if they are involved, informed and educated with regard to business activities, their individual needs are attended to, and a participation agreement is clearly laid out.

Numerous factors influence the behaviour of spouses/in-laws and their subsequent impact on the ability of siblings to work together. Their acceptance into the family and the respect shown to them as individuals; their being kept informed and their involvement in business matters; and their ability to remain objective when facing family grievances, are all factors that influence their behaviour.

Chapter 4 focused on the factors that influence the ability of the siblings to work together as a team, within an organisational context, that being their Sibling Partnership. These factors were then further categorised into two groups, *task-based* and *relational-based* teamwork factors. Chapter 5 was dedicated to a

discussion of the family relationships or *relational-based* family factors that influence the success of a Sibling Partnership. Chapter 6 attempts to combine the various *task-based* and the *relational-based* factors (both *relational-based* teamwork and family factors) into a comprehensive conceptual model, which describes the conditions necessary for the effective functioning of a sibling team.

## CHAPTER 6

### A CONCEPTUAL MODEL OF FACTORS THAT INFLUENCE THE FUNCTIONING OF SIBLING PARTNERSHIPS

#### 6.1 INTRODUCTION

Various factors influence the success or failure of Sibling Partnerships, most of which were identified and discussed in Chapters 4 and 5. These factors were identified as those that influence the ability of siblings to operate as an effective team (Chapter 4), and those that relate to family relationships (Chapter 5). For the purpose of this study these factors influencing the success of Sibling Partnerships are broadly categorised into 2 groups, namely *task-based* and *relational-based* factors. *Task-based* factors relate specifically to organisational factors that influence the ability of the siblings to complete the task at hand. *Relational-based* factors are factors that influence the dynamics and interaction between people, particularly siblings, when they work together as a team. By their nature these relational-based factors also influence family relationships and the interaction between family members. Although the external environment does impact the context in which the team finds itself, and possibly the successful functioning of the Sibling Partnership, the focus of this study is on the factors relating to teamwork and relationships. External environmental factors have thus not been empirically investigated in this study.

In this chapter a conceptual model of selected variables or factors that are hypothesised to influence the success of Sibling Partnerships will be presented. The independent variables, as well as the dependent and intervening variables, which form the basic building blocks of the model, will be discussed, together with the resulting hypothesised relationships. These variables have been identified from secondary sources using a triangulation of theories from both the fields of Psychology and Organisational Behaviour. In addition, this study proposes a model that incorporates stakeholder, team effectiveness and family systems theories. For discussion purposes the variables identified are grouped into 3 categories. The dependent and intervening variables, namely, *Perceived success*, *Financial performance* and *Family harmony*, are grouped into one category,

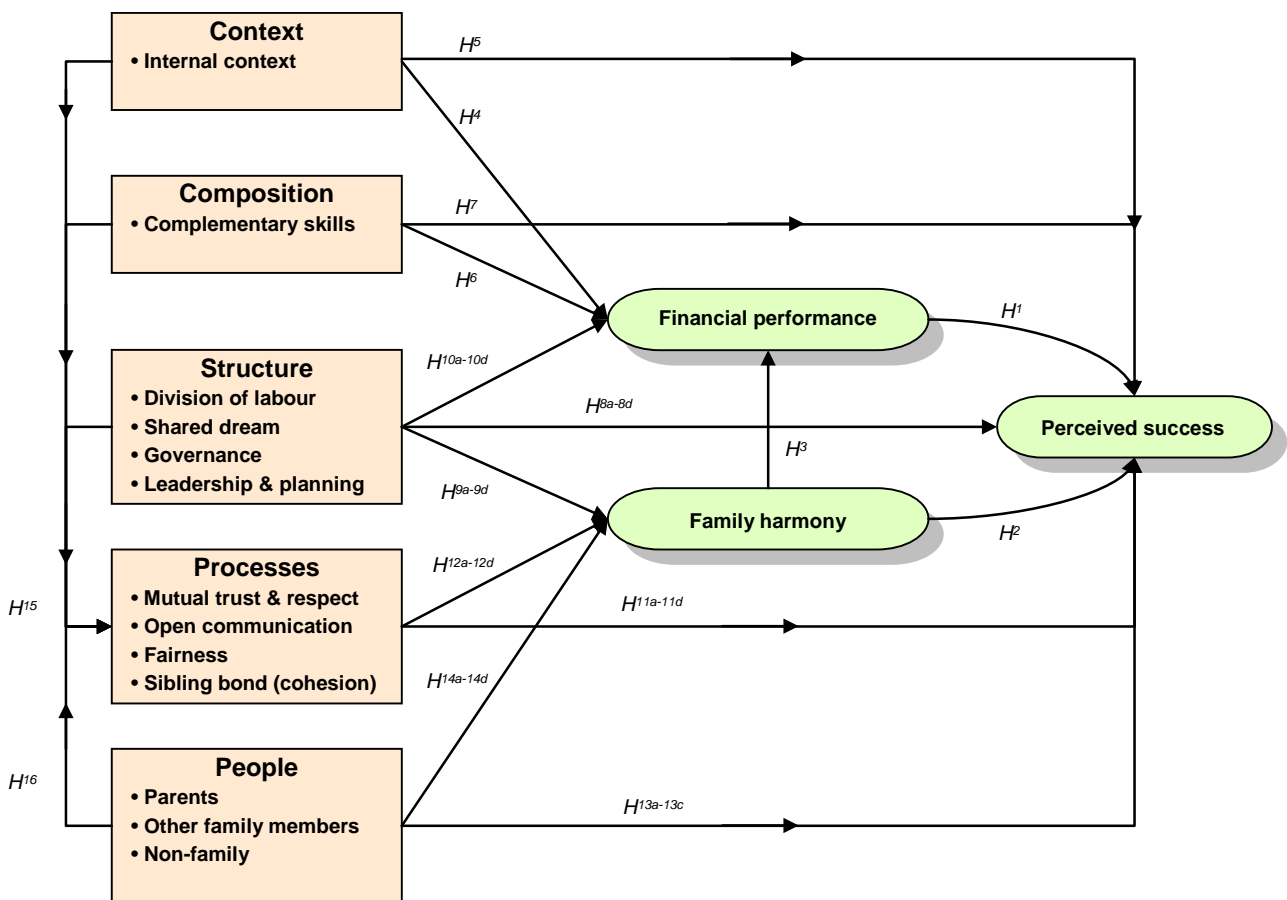


whereas the independent variables relating to the task at hand are grouped into a second category. The third category for discussion relates to the independent variables of a relational nature.

## 6.2 THE CONCEPTUAL MODEL

The conceptual model (Figure 6.1) proposed in this study is based on the models of Gladstein (1984), Hackman (1987) and Campion *et al.* (1993), as well as on a review of the team effectiveness and family business literature. The various task and relational-based factors are divided into 5 main categories of constructs. Thirteen underlying independent variables which could possibly influence the *Perceived success* of sibling teams, are derived from these 5 constructs.

**Figure 6.1 Proposed conceptual model: Factors influencing the Perceived success of Sibling Partnerships**



(Source: Researcher's own construction)

A similar approach has been adopted in other studies and by numerous other authors (e.g. Campion et al. 1993:825; Doolen et al. 2006:139; Hyatt & Ruddy 1997; Yancey 1998:1), in their attempts to develop conceptual models and to investigate team effectiveness in organisations. For example, Gladstein (1984:499) has integrated prior research on groups into a comprehensive model and tested its ability to predict ongoing team effectiveness. In her model, Gladstein (1984:502) proposes that 22 variables, comprising 6 larger level constructs, influence group effectiveness. Based on confirmatory factor analysis her final model, however, consists of 5 constructs and 12 variables (Gladstein 1984:508,509). Similarly, Campion et al. (1993) have developed a conceptual model based on a review of several literatures that address the topic of teams in organisations, as well as on the models of work group effectiveness proposed by Gladstein (1984); Guzzo and Shea (1992); Hackman (1987); and Tannenbaum et al. (1992). The conceptual framework of Campion et al. (1993) consists of 5 themes that represent summaries of the key components of previous theories. In addition, 19 design characteristics have been derived and used to operationalise these 5 themes (Campion et al. 1996:430).

For the purpose of this study, 5 main categories (or larger level constructs) of independent variables influencing the *Perceived success* of sibling teams are identified. The variables in 3 of these categories are task-based, namely, the *context*, *composition* and *structure* categories; whereas the variables in 2 of the categories are relational-based, namely the *processes* and *people* categories. Each of these 5 categories consists of numerous underlying components that are hypothesised to relate to measures of effectiveness of sibling teams. In this study 13 underlying components or variables are thus identified.

Several studies on general team effectiveness show that the underlying components of the input variables (or task-based variables as categorised in this study), namely *context*, *composition* and *structure*, are highly correlated. Similarly, studies show that the underlying components of the process variables (relational-based) are also highly correlated (Barrick et al. 1998:386; Olukayode & Ehigie 2005:288). Some studies even consider these as one construct (e.g. Campion et al. 1993; Gladstein 1984). In this study, however, the individual variables underlying the broader input and process constructs are not pooled together to

form one input or one process construct. The variables underlying the construct *people* (relational-based), which take into account the influence that both other family and non-family members have on the ability of the siblings to work together, are also measured individually. Underlying components or variables hypothesised to influence the *Perceived success* of Sibling Partnerships are measured individually in order to establish a clear understanding of the impact of each.

In summary, the conceptual model proposes that 13 independent variables influence the effectiveness of sibling teams. Effectiveness in this study is measured using 3 variables: the dependent variable, *Perceived success*; and 2 intervening variables, namely *Financial performance* and *Family harmony*. Anecdotal, editorial and empirical support has been found in both the teamwork and in the family business literature for the relationships hypothesised between the 13 independent variables, and the 3 measures of sibling team effectiveness (namely the intervening and dependent variables). This support is presented below.

In this study the attempt to categorise the factors influencing the *Perceived success* of Sibling Partnerships reflects a judgement of best fit. Some factors could, however, fit into an alternative category. The factors included are justified by sufficiency of theory in both the teamwork and family business literature. In addition, no claim is made of exhaustive coverage of every possible factor influencing the *Perceived success* of a Sibling Partnership. Certain cognitive constructs, that guide interpersonal interactions among team members, such as team climate, team mental models, transactive memory and team learning, have for example not been included in this study. Similarly, although the external environment does impact the context that the team finds itself in, the focus of this study is on the factors relating to teamwork and relationships among sibling team members in family businesses. Consequently, external environmental factors have not been empirically investigated.

A number of hypotheses can be formulated with regard to relationships between the various individual input (task-based) and process (relational-based) variables themselves, for example between context and structure, or between trust and communication. Cooper and Schindler (2007:45) warn that unless a researcher

curbs the urge to include additional elements, a study can become diluted by trivial concerns that do not answer the basic questions posed by the problem statement. As this study focuses on investigating the factors influencing the *Perceived success* of Sibling Partnerships, hypotheses are formulated to address these relationships only.

### **6.3 PERCEIVED SUCCESS OF SIBLING PARTNERSHIPS**

Ambiguous definitions and biased perceptions make the assessment and measurement of success a challenging task for any family business (Hienerth & Kessier 2006:115,116). No single measure of performance adequately expresses family and business needs and utilities, and no measure is likely to capture the complexities of the family business in particular (Astrachan 2006:v). Consequently, success, like beauty and fairness, is in the eye of the beholder. To justify its inclusion in the conceptual model as proposed by this study, the dependent variable, *Perceived success*, as well as 2 criteria (independent variables) commonly associated with success, namely *Financial performance* and *Family harmony* will be considered. The latter serve as intervening variables in this study.

#### **6.3.1 Dependent variable: Perceived success of a Sibling Partnership**

Following on the discussion in Chapter 3, the *Perceived success* of a Sibling Partnership, for the purpose of this study, is defined after having taken cognisance of “success” as ascribed to a successful succession process, successful successors, successful family businesses, and successful (effective) teams.

Little consensus exists in the literature as to what constitutes a successful succession (Handler 1989a:259; Santiago 2000:20; Stempler 1988:6). According to Venter (2003:191), a successful succession requires that all stakeholders involved in the process are satisfied with its outcomes. In addition, from anecdotal evidence it is evident that for stakeholders to be satisfied with the succession process, business continuity (profitability), family harmony, transfer of ownership, and the autonomy of successors must be evident. The success of successors (including sibling partners) is, however, generally measured by the financial performance of the family business after succession (Goldberg 1996:186). In

addition, a family business is considered successful when the business is making a profit, the family is happy and satisfied, the full potential of family members is realised, wealth is created for the entire family, and continued existence of the business is ensured (Maas et al. 2005:6; Sharma 2004:8).

Perhaps the most appropriate interpretation of *Perceived success* in the case of a Sibling Partnership can be found in the literature on effective teams. As previously mentioned, a Sibling Partnership is also commonly referred to as a sibling team. While some form of production output is typically an important measure of team performance and effectiveness, it is not the only consideration (Ivancevich et al. 2005:335). Performance, satisfaction and development are all end results that can be measured and are indicators of team success (Ivancevich et al. 2005:324). Consequently, team effectiveness is generally measured using knowledge, outcome and affective (emotional) criteria (Hellriegel et al. 2004:347; Hitt et al. 2006:403).

Following on the discussion in Chapter 3, as well as the paragraphs above, success in the case of a successful Sibling Partnership can be described using various criteria, namely family harmony, financial performance, satisfaction of stakeholders, and family business continuity. *Perceived success* can, however, not be equated with family harmony or financial performance as such. *Family harmony* and *Financial performance* are independent variables in their own right, whose existence influences the psychological outcome or levels of satisfaction of those involved in the family business.

As *Family harmony* and *Financial performance*, as criteria for success, will be accounted for as intervening variables in this study, another description of *Perceived success*, based on the satisfaction levels of sibling team members, is required. The answer lies partially in the teamwork literature that adopts a set of affective (emotional) criteria to measure team effectiveness. This criterion poses the question whether or not team members have a fulfilling and satisfying team experience (Hellriegel et al. 2004:347; Hitt et al. 2006:404; Robbins 2003:263). Team member satisfaction, as a measure of team effectiveness, has been used in a number of studies assessing team effectiveness in organisations (e.g. Campion et al. 1996; Campion et al. 1993:825; Doolen et al. 2006:140; Howard et al. 2005).

In addition to the team members' satisfaction with the team experience, Kreitner and Kinicki (1995:339) propose that the team members' willingness to continue contributing to the team effort is also a measure of team effectiveness. Similarly Hackman (1987) regarded a team's capability to continue functioning as a unit (called team viability) as a critical measure of team effectiveness. Teams without long-term viability experience burnout because of unresolved conflict, as well as increased divisiveness and decreased willingness to work cooperatively (Barrick *et al.* 1998:379). Numerous studies (e.g. Barrick *et al.* 1998:379; Gladstein 1984; Hackman 1987) investigating teams in organisations have used team "viability" as a measure of team effectiveness. In describing the dependent and independent variables used in their studies involving family businesses, both Handler (1991) and Lee (2006b) emphasise the influence on success of the satisfaction of those involved as well as their ongoing involvement in the family business.

The interaction between family relationships and family business has been associated with various psychological outcomes (Burke 1989; Wiley 1987; Lee 2006b:178). In her study, Lee (2006b:178) describes these psychological outcomes as organisational commitment, satisfaction (both job and life satisfaction), and propensity to leave. Similarly, Handler (1991:26) defines the quality of the succession experience as the degree to which the next generation family members' ongoing involvement in the family business is satisfying and productive.

Satisfaction and commitment are measures of outcome common to both the family and business literature. Satisfaction and commitment are gauges of willing effort, and have long been used as measures of desired outcomes of organisational practices. Empirical evidence indicates that satisfaction and commitment are indicators of employee willingness to contribute to the organisation beyond role expectations (Organ & Ryan 1995; Sorenson 2000:185,186). Within the family business context, commitment can be described as the desire to continue relationships at work to ensure the continuance of the family business (Wilson 1995:2). The commitment of the family to continue the business influences both the succession process (Lansberg & Astrachan 1994:46; Seymour 1993:265), and the satisfaction of the successor with the succession experience (Handler 1989a:249). Based on their research, Sharma (1997) and Handler (1989a)

conclude that the family's commitment to continue the business may have either a positive or negative effect on the individual's succession experience. In her study on successful successions Venter (2003), however, has found no significant relationship between agreement to continue the business and satisfaction with the succession process or continued profitability of the business. She concludes that agreeing whether to continue the business as a family business or not, has no impact on the profitability of the business or satisfaction with the succession process.

It is evident that the satisfaction of family members involved and business continuity are key outcomes of a successful family business. According to Astrachan (2006:v), despite limitations to research, survival of the family business and survival on one's own terms are the ultimate measure of performance. Consequently, the dependent variable for the purpose of this study will be the *Perceived success* of a Sibling Partnership, as shown in Figure 6.1. *Perceived success* in turn is defined as *the degree to which the siblings find their ongoing involvement in the Sibling Partnership to be satisfying*.

Experiencing their involvement in the family business as satisfying, as well their willingness to continue being involved can plausibly be indicative of the sibling partners perceiving their partnership as successful. Intuitively, siblings in a Sibling Partnership characterised by disharmonious family relationships and poor financial performance would hardly find their involvement satisfying, let alone want to continue being involved. A satisfying and ongoing involvement in the Sibling Partnership will depend on the existence of a healthy financial performance by the business and harmonious family relationships. In addition to direct effects, the model thus implies that *Financial performance* and *Family harmony* act as mediating variables between the other factors and *Perceived success*.

In her study, Venter's (2003:272) original dependent variable, perceived success, is split into 2 separate dependent variables, namely continued profitability of the business and satisfaction with the succession process. The factor analysis thus indicates that profitability and satisfaction are separate constructs. The proposal that *Financial performance* and *Family harmony* are separate constructs is also supported by Politis (2003:58), who argues that measures of team effectiveness in

organisations in general, should be related to both human (non-financial) and financial dimensions. In addition, the factor family harmony has been regarded as an independent variable influencing the dependent variable in several studies on family business (Adendorff 2004; Sharma 1997; Venter 2003:300). The aforementioned studies thus support the existence of *Financial performance* and *Family harmony* as 2 underlying independent measures of success, as suggested in this study.

### **6.3.2 Intervening variable: Financial performance**

*Financial performance* is one of two intervening variable used in this study and refers to positive trends of growth in number of employees and profit, as well as increasing revenue experienced by the Sibling Partnership.

Financial performance is commonly regarded as a measure of success, and has been used by many researchers to distinguish between successful and unsuccessful successions, successors, family businesses, and even teams. A positive trend of growth and profit, and increasing revenue for the business, are regarded as important requirements for successful successions and successful family businesses (Flören 2002:49,50; Millman & Martin 2007:233). According to Venter (2003:191), the success of succession requires not only that all stakeholders are satisfied with the outcomes of the process, but also that the successor is able to ensure the sustainability and financial security of the family business after the succession process has been completed. Venter (2003:315) reports a positive relationship between the financial security of the owner-manager and the business and the satisfaction with the succession process, as well as between the financial security of the owner-manager and the business and the continued profitability of the business after the succession. Financial performance has also been used by other researchers as a measure to describe successful successors (e.g. Churchill & Hatten 1987; Goldberg 1996:186) and successful family businesses (e.g. Maas et al. 2005:6; Sharma 2004:6). For example, profitability and financial strength (Goldberg 1996:186; Maas et al. 2005:6; Sharma 2004:7; Ward 2004:8) have both been described as requirements for, or indicators of, successful family businesses. Team performance and team effectiveness in general, are also typically judged using some form of performance (production



output) measure (Ivancevich et al. 2005:335; Mondy & Premeaux 1995:421; Northouse 2004:210).

A study by Tagiuri and Davis (1992:55) has indicated that one of the main goals of the owner-managers of successful smaller family businesses is to provide themselves with financial security and benefits. For example, Adendorff's (2004:426) research has revealed a positive relationship between profitability and the ability to satisfy stakeholders' interests (one of his measures of perceived good governance). Stavrou (1995:173) and Fox, Nilakant and Hamilton (1996:19) argue that a factor that could draw offspring closer to or alienate them from the family business is the overall compensation that they will gain from their involvement in the business. In other words, the enjoyment, personal satisfaction and financial security perceived to be associated with the family business would make the business more or less attractive to potential successors. Many studies confirm this relationship between financial performance and opportunities, and its influence on the decision of offspring or successors to join the family business (e.g. Barach & Gantisky 1995:144,145; Dumas, Dupuis, Richer & St.-Cyr 1995:114; Neubauer 2003:276). Sharma (1997:234), however, has found no evidence that a relationship exists between rewards from the business and the propensity of the successor to take over the business. Based on the anecdotal and empirical evidence presented above, the following hypothesis has been formulated:

*H<sup>1</sup>: There is a positive relationship between the perceived Financial performance of the Sibling Partnership and the Perceived success of the Sibling Partnership.*

#### **6.3.4 Intervening variable: Family harmony**

In this study the second intervening variable between the independent variables and *Perceived success* is *Family harmony*. *Family harmony* is defined as mutual relationships among family members, which are characterised by closeness, caring and support, appreciation of each other, and concern for each other's welfare.

A family business is considered successful when, apart from the business making a profit, the family is happy, and harmonious family relationships exist (Maas et al. 2005:6; Sharma 2004:7,8). Considerable value is thus placed on preserving family harmony and family members' commitment to one another (Aronoff et al. 1997:62; Lansberg 1999:341). A family business characterised by a high degree of harmony among family members is regarded as one of the most valued environments in which to work (Malone 1989:344). Harmony does, however, depend on the quality of the relationships between family members (Aronoff et al. 1997:65) and healthy and amicable family relations are prerequisites for success and longevity of the business (Fahed-Sreih & Djoundourian 2006:231). According to Van Auken and Werbel (2006:59), successful family businesses are likely to have supportive family relationships, whereas unsuccessful family businesses are likely to have relationships characterised by conflict.

Both anecdotal and empirical evidence (Flören 2002:49,50; Morris et al. 1997:385; Santiago 2000:29; Sharma 1997:64; Sharma 2004:7,8; Ward 2004:5-8,20,57) suggest that harmonious relationships between family members are important for successful successions and successful family businesses. For example, Malone (1989:349) reports a positive correlation between perceived family harmony and continuity planning. In other words, the greater the family harmony, the higher the probability that business continuity planning will occur. Santiago (2000:29) has found that the preservation of the family unit is considered of very high value, and consequently, the more cohesive the family, the greater the desire to share the responsibility of perpetuating the business. Santiago's (2000:30) research also reveals that highly committed families view the business as a continuing legacy and are clear about the positive link between the longevity of the business and the well-being of the family. His results are consistent with that of Lansberg and Astrachan (1994:55), who have found that cohesive families are generally committed to the perpetuation of the family business, plan for succession and train the successor. Dyer (1986) has also found that collaborative families, families in which members are mutually supportive and work well together, are more likely to effectively transfer the business to the next generation. Similarly, Handler (1991:29) has observed a relationship between a positive succession experience and an accommodatory approach (lack of conflict) between siblings regarding the family business.

Sharma (1997:233,234), however, has found that no relationship exists between perceived family harmony and the satisfaction with the succession process nor between the commitment to continue the business and perceived family harmony. Stempler's (1988) research supports the findings of Sharma in that family stability and relationships may have some influence on succession, but are not necessarily predictors of successful or unsuccessful successions.

In her study, Venter (2003:300) reports a significant positive relationship between family harmony and satisfaction with the succession process. In other words, the more harmonious family relations are, the higher the likelihood that all role-players will be satisfied with succession. This relationship identified by Venter (2003) is consistent with similar findings of Handler (1989a) and Malone (1989). Venter (2003:301) also reported that family harmony is strongly related to agreement by family members to continue the business as a family concern. Sharma (1997), however, reports that family harmony has no significant impact on the agreement of family members to continue the business.

Based on their research, Lansberg and Astrachan (1994:55) suggest that mediating variables should be used to understand the impact of family relationships on organisational behavior. This contention is supported by Adendorff (2004:427), who finds a positive relationship between family harmony and family commitment and communication. Family commitment and communication act as an intervening variable between family harmony and perceived good governance in his study. No significant relationship between family harmony and perceived good governance, or between family commitment and communication and perceived good governance is reported.

Lee (2006b:185-187) reports that family cohesion (degree of closeness and emotional bonding experienced by members in a family) is a positive but insignificant predictor of organisational commitment, work satisfaction and life satisfaction. In addition, she finds that family cohesion is a negative but insignificant predictor of propensity to leave. On the other hand, family adaptability is a positive and significant predictor of organisational commitment, work satisfaction, and life satisfaction. However, propensity to leave is not related to family adaptability. Furthermore, organisational commitment is found to be

negatively and significantly related to propensity to leave. Lastly, job satisfaction is a significant predictor of organisational commitment, life satisfaction and propensity to leave. Despite Lee (2006b) reporting that family cohesion is a positive yet insignificant predictor of organisational commitment, work satisfaction and life satisfaction, other studies (e.g. Dunn 1995) have found harmonious family relationships to be an important predictor of successful family businesses.

Assessing the success of teams in general is a complex issue (Hitt *et al.* 2006:404) and while some form of production output (financial performance) is typically used as a measure of team success, it is not the only consideration (Ivancevich *et al.* 2005:335). Team success is also measured using affective (emotional) criteria, one of which is the general emotional state of the team and whether the team as a whole has a positive, happy outlook on their work (Hitt *et al.* 2006:403,404). One could thus plausibly suggest that harmonious relationships between team members in general, contribute to a positive emotional state within the team and consequently, a positive (satisfied) outlook on their work. Based on the anecdotal and empirical evidence presented above, it is hypothesised that:

*H<sup>2</sup>: There is a positive relationship between Family harmony and the Perceived success of the Sibling Partnership.*

It is important for families in business to realise that neither the family nor the business can be viewed in isolation (Denison *et al.* 2004:64). The health of the business influences the health of the family and *vice versa* (Lansberg 1999:335; Ward 2004:74). A family business without family harmony will find it difficult to make profits (Maas *et al.* 2005:26), and a failed family business does little to support the business family.

Venter (2003:301), however, finds no relationship between family harmony and continued profitability of the business. She finds that whether family members get along or not will have no influence on the continued profitability of the business. Various other authors have, however, suggested that an important relationship between family harmony and the viability and continuity of the family business does exist (e.g. Barach & Ganitsky 1995; Dumas *et al.* 1995; Friedman 1991; Santiago 2000). For example, Adendorff (2004:426) finds a positive relationship

between family harmony and profitability, and concludes that profitability will increase when the family harmony is enhanced. Barach and Gantisky (1995:141) are of the opinion that good relationships contribute to the team spirit that must prevail for the family business to prosper. In their research on predicting business tensions, Danes, Zuiker, Kean and Arbuthnot (1999:247) investigate whether selected family and business characteristics help to explain business tensions. They find overwhelmingly that the health of the family predicts the level of tension within family business, and conclude that when family health is good, tensions are low. Danes et al. (1999:249) also finds that the total tension level in the family business predicts success in achieving the business's goals, and the health of the family predicts the success in achieving the family goal. Despite Venter's (2003) contradictory evidence, it is therefore hypothesised that:

*H<sup>3</sup>: There is a positive relationship between Family harmony and the perceived Financial performance of the Sibling Partnership.*

#### **6.4 TASK-BASED (INPUT) INDEPENDENT VARIABLES RELATING TO EFFECTIVE SIBLING TEAMS**

Considerable research has examined various inputs of the I-P-O model (Howard et al. 2005:771). For example, Campion et al. (1993) have found that almost all of their proposed input variables or design characteristics (context, interdependence, composition and job design) of work groups, relate to one or more of their three criteria of team effectiveness. These results have been confirmed in a follow-up study (Campion et al. 1996).

In Chapter 4 (Section 4.4 and 4.6), 3 input variables relating to the business and the task to be completed, that may influence the effectiveness and subsequent *Perceived success* of a sibling team, were identified and discussed, namely, *context, composition and structure*. For the purpose of this study, these 3 input constructs, which are also described as task-based, are divided into 6 underlying independent variables, namely: *Internal context; Complementary skills; Division of labour; Shared dream; Governance; and Leadership and planning*. Anecdotal and empirical evidence supporting the inclusion of these task-based (input) factors in

the conceptual model, as well as the hypothesised relationships, will now be considered.

#### **6.4.1 Context**

From the literature is evident that from a broader perspective, the context or situation that a sibling team find itself in is determined and influenced by both the internal environment (Hitt et al. 2006:420; Robbins 2003:267) and the external environment (Lansberg 1999:224,331,338; Van der Heyden et al. 2005:12; Ward 2004:5,106) to the family business. Changes or variables in the external environment, such as political events, economic fluctuations and physical catastrophes influence a business either positively or negatively. An investigation of these external influences warrants a study of its own, and does not fall within the ambit of this current investigation. Consequently, for the purpose of this study, *Internal context* will make reference only to the internal environment or internal infrastructure supporting the sibling team.

##### 6.4.1.1 Internal context

In this study the factor, *Internal context* refers to the internal environment or circumstances in which the sibling team finds itself, in terms of access to adequate and suitable resources, information, equipment, employees and working conditions.

For a sibling team to perform successfully, an internal organisational context should exist that provides team members with the necessary support and infrastructure to complete the task at hand effectively (Hackman 1990; Hackman & Walton 1986:87; Hitt et al. 2006:419,420; Hyatt & Ruddy 1997; Robbins 2003:267). The support that a team receives from the organisation is perhaps one of the most important factors related to the effective performance of such a team. This support includes, amongst others, timely information, technology, adequate staffing, encouragement, and administrative assistance (Robbins 2003:267). In general, organisational context variables measure the extent to which an organisation provides a team with the resources or support it needs to be successful (Doolen et al. 2006:140).

Numerous empirical studies have found support for a significant positive relationship between a supportive internal context and measure of team effectiveness. For example, Doolen *et al.* (2006:148) report significant relationships between multiple aspects of organisational context and team member satisfaction. Organisational context variables include resource allocation, organisational support for the team, feedback and recognition, as well as access to training and information. Direct significant relationships have also been found between resources allocation, feedback, access to training, and team member satisfaction, as well as between access to information and team performance (Doolen *et al.* 2006:143,145). Similarly, Campion *et al.* (1993:839), Hyatt and Ruddy (1997:578), as well as Howard *et al.* (2005:786), find significant positive correlations between measures of team context and measures of team effectiveness. Hyatt and Ruddy (1997:572) conclude that organisational context must be considered when implementing a work group strategy, and systems must be put in place to support a work group if it is to be successful. In addition, some evidence exists that a group's context might be a more important requirement for success than either team composition or team processes (Howard *et al.* 2005:770).

In her study on management teams in small businesses, Cowie (2007:82), however, finds no significant relationship between context and either the ability of the team to operate efficiently, their willingness to cooperate with and support each other, or financial performance. Despite the contradictory findings of Cowie (2007), the following hypotheses are formulated:

*H<sup>4</sup>: There is a positive relationship between Internal context and the perceived Financial performance of the Sibling Partnership.*

*H<sup>5</sup>: There is a positive relationship between Internal context and the Perceived success of the Sibling Partnership.*

#### **6.4.2 Composition**

As discussed in Chapter 4 (Section 4.4.2), team composition refers to numerous variables that relate to the nature and number of team members included in the team. Aspects such as competencies and skills, preference and personality, as

well as heterogeneity and team size, describe team composition. Team composition has been identified in previous research as an important variable that relates to various aspects of team performance (Campion et al. 1996; Goodman, Ravlin & Argote 1986; Guzzo & Shea 1992; Doolen et al. 2006:140). For example, Campion et al. (1993:839) have found significant positive correlations between a composite measure of composition and measure of team effectiveness. Education, seniority, work experience, skill level, and ethnic background are a few of the demographic group composition variables described in previous research.

Previous research (e.g. Campion et al. 1993; Guzzo & Dickson 1996:311; Barrick et al. 1998:378) has found team size to be positively related to team effectiveness. Magjuka and Baldwin (1991) report that amongst other variables, larger team size is positively associated with team effectiveness. Relationships between size and team effectiveness have not been completely consistent across all studies or all group tasks (Guzzo & Dickson 1996:311,334). For example, Doolen et al. (2006:145) find no significant relationships in bivariate correlations between actual team size, average organisational tenure, team member satisfaction, and team processes. Consequently, team size and organisational tenure have been ruled out as potential explanatory factors for the results obtained in their study. In addition, although team size is not necessarily seen as a primary determinant of team effectiveness, it cannot be ruled out as a potential explanatory factor in team performance (Guzzo & Shea 1992; Doolen et al. 2006:140). Based on the contradictory evidence above and the lack of reference to size and age as influencing factors in the family business literature, team size and team member tenure are not hypothesised as relationships in the conceptual model proposed for this study. These factors are, however, accounted for as demographic factors in the statistical analysis.

In addition, although some studies (e.g. Burchfield 1997; Huszyczko 1996) indicate that the personality and preference of team members is associated with team effectiveness, these aspects of composition do not form part of the conceptual model in the present study. For the purpose of this study it is assumed that the personality and preference of team members are accounted for in other variables, namely the *Sibling bond* (cohesion) and *Shared dream*.



Studies show that certain aspects of personality such as emotional intelligence (Ratzburg 2002; Williams 2000), agreeableness, extraversion and emotional stability (Barrick et al. 1998:382; Ilgen et al. 2005:528) are correlated with social cohesion (sibling bond). Because personality traits reflect differences in approaching and developing interpersonal relationships, Barrick et al. (1998:382) hypothesise that social cohesion will mediate relationships between interpersonally orientated personality traits and team viability. They maintain that the more agreeable each team member is, the more socially cohesive the team will become, and the higher the levels of extraversion, the higher social cohesion. Barrick et al. (1998:382) find partial support for these hypotheses that social cohesion mediates the relationship between certain personality attributes and team effectiveness. Although Olukayode and Ehigie (2005:285,289) find no significant bivariate correlation between emotional intelligence and social cohesion, they do find positive associations between emotional intelligence and team communication as well as between emotional intelligence and overall team interaction processes. In addition, while it is relatively easier to determine the professional composition of a team, it is not easy to derive the psychological factors for effective and efficient team member composition. According to Olukayode and Ehigie (2005:283), studies on personality are commonly done at an individual level, and the extent to which results obtained on individual level can be generalised to team level, needs to be examined.

According to Robbins (2003:266) and Greenberg and Baron (2000:281), preference for working in teams should also be taken into account when compiling effective teams. In their study, Campion et al. (1993:839) find no significant correlation between preference for teamwork and measures of team effectiveness. Consequently, they have eliminated this composition variable from further analysis as well as subsequent studies (Campion et al. 1996:436). In this study, the factor *Shared dream* incorporates the extent to which the involvement of the siblings in the Sibling Partnership is *entirely willing and voluntary* (it is what they want to do or dream of doing), therefore implying that it is their preference to do so. For the purpose of this study, it is thus assumed that the preference of the siblings to be involved in the sibling team is accounted for in the factor *Shared dream*.

As mentioned above, team size, preference for teamwork, and personality, as underlying components of the input variable composition, are not included as individual factors in the conceptual model. Other aspects of composition, namely competencies, skills and heterogeneity are accounted for in the factor *Complementary skills*.

#### 6.4.2.1 Complementary skills

Team composition addresses who the team members are and what skills, abilities and knowledge they bring to the team (Hitt *et al.* 2006:406). As such, composition describes the make-up of the sibling team. For the purpose of this study, the composition of the sibling team is measured using a single factor, namely *Complementary skills*. This factor incorporates both competencies and heterogeneity among team members. Complementary skills refers to the extent to which the siblings are competent and are competent in different areas (i.e. they have diversity in their team). Diversity exists in that the siblings have strengths in different areas and consequently, their competencies complement each other's.

For teams to function effectively, members must have the necessary competencies to perform the tasks at hand (Hitt *et al.* 2006:421; Northouse 2004:212; Robbins 2003:264). Studies among teams in organisations show that measures of team member competence (knowledge, skills and ability) correlate positively with measures of team effectiveness (Barrick *et al.* 1998:384; Stevens & Campion 1994; Olukayode & Ehigie 2005:282). For example, Barrick *et al.* (1998:384) have found that teams with high levels of general mental ability and high levels of conscientiousness receive higher supervisor ratings for team performance.

A lack of management experience and competence on the part of the successor is one of the most commonly cited barriers in the succession process of family businesses (Lansberg 1999:225; Neubauer 2003:276; Ward 1997:326). In the field of family business research, much evidence exists to reinforce this, in that the competence (preparedness) of the successor is positively related to a successful succession. Except for the study of Stempler (1988:98), who has reported a non-significant correlation between the preparation level of the successor and a

successful succession process, there is overwhelming anecdotal and empirical support for the existence of a positive relationship between these 2 variables (e.g. Aronoff & Ward 1992:18; Ciampa & Watkins 1999:166; Dickinson 2000:92; Kaye 1999:16). From their research Morris *et al.* (1997:386) conclude that in successful transitions, heirs are generally reasonably well prepared. This finding is consistent with the findings of Weinstein (1999:2) and Rosenblatt, De Mik, Anderson and Johnson (1985:188), who have also indicated that the development of the next generation has a positive effect on succession. From a study among 200 family businesses, Ward (1987) has concluded that successor development is one of the most important characteristics associated with businesses that are able to survive a generational transition. In addition, Goldberg (1996:193) has found that the majority of the effective successors in his study have had a university degree, while most of the less effective successors have possessed only a college certificate.

In her study, Venter (2003:230) describes the preparation level (competence) of successors as the preparedness to successfully manage the family business, including aspects such as external and internal business experience, mentoring, networking, and formal and less formal education and training. Her study shows, that the internal preparation level of the successor has no significant impact on satisfaction with the succession process, and she concludes that the internal preparation level of the successor has no influence on the success of succession (Venter 2003:295). A significant negative relationship between the preparation level of the successor and the continued profitability of the business is found, however, implying that the more time spent on preparing the successor internal to the business, the less likely the business is to remain profitable after the succession. In interpreting this surprising finding, Venter (2003:312) suggests that respondents in her study realised that internal business exposure is insufficient in providing the necessary skills and experience required to ensure that the business remains profitable.

The external preparation level of the successor, which Venter (2003) defines as the extent to which the successor has an academic qualification, has attended business-related courses and seminars, and has obtained relevant business experience outside of the family business (Venter 2003:275), has proved to have a

significant influence on the continued profitability of the business but not on the satisfaction with the succession process. She concludes that the perception that the successor is well trained and prepared (competent) to take over the family business, through experience obtained outside of the business, will positively influence the continued profitability of the business (Venter 2003:299). These results correspond with various other studies (e.g. Lansberg 1999; Rosenblatt *et al.* 1985; Ward 1987; Weinstein 1999), which have also found a correlation between a well-prepared successor and a successful succession process. Some researchers (Byrne 1998; Goldberg 1996; Howorth & Assaraf Ali 2001) have, however, found that while outside experience may be important, it is not the most important factor in determining perceptions of competence.

From the discussion above it is evident that a positive relationship exists between successor competence (or preparedness) and successful succession. Similarly, a positive relationship can be inferred between the competence of sibling team members (partners) and the *Perceived success* of their partnership. In other words, as in the case of successions, Sibling Partnerships are most likely to succeed when the sibling partners are all competent, well trained, possess the requisite business skills, and consider a career in the family business as an option which is in line with their personal goals (Aronoff *et al.* 1997:49; Gage *et al.* 2004:193; Maas *et al.* 2005:197). According to Venter (2003:299), the external preparation level of the successor, which can be interpreted as the competence of the successor, proves to have a significant influence on the continued profitability of the business. A relationship between competence and financial performance can thus be inferred, and suggests that a potential relationship could exist between the competence of the sibling partners and the financial performance of their family business.

Teams function most effectively when composed of highly skilled competent individuals who can bring a diverse set of complementary skills and experiences to the task at hand (Greenberg & Baron 2000:28; Hitt *et al.* 2006:421; Robbins 2003:265). According to Wageman *et al.* (2005:376), a well-composed team ensures that members have the full complement of knowledge and skills that are required to achieve the team's purpose, and increases the ability of members to apply their complementary talents to the collective work. For a Sibling Partnership

to succeed, the siblings must have a more-or-less even distribution of complementary skills and talents among them (Aronoff et al. 1997:53; Gersick et al. 1997:197; Lansberg 1999:13; McCall 2002). The literature on group performance shows that the most successful teams have little redundancy and much complementarity in the skills and experience of their members (Lansberg 1999:132). Participants interviewed in a study conducted by Van Stormbroek (2007:97), among eight sibling partners, all reported possessing complementary skills to their sibling partners. Incidentally, only one of these partnerships reported both low levels of family harmony and financial performance (Van Stormbroek 2007:106).

Team membership heterogeneity, in terms of abilities and experiences, has been found to have a positive effect on team performance. This is especially the case when tasks assigned to the group are diverse, because a wide range of competencies are needed (Gladstein 1984; Hackman 1987; Campion et al. 1993:828). Jackson, May and Whitney (1995) have reviewed and summarised empirical evidence from a number of related disciplines about the relationship between diversity and team effectiveness. They conclude that heterogeneity is positively related to the creativity and the decision-making effectiveness of teams (Guzzo & Dickson 1996:311). Similarly, O'Connell, Doverspike, Cober and Philips (2001:123) find that heterogeneity of team member's cognitive ability is significantly and positively related to team performance. Beckman and Burton (2005:7) also find evidence that links the type and amount of prior experience among founding teams, to entrepreneurial success. In the same manner, Bunderson and Sutcliffe (2002) find that information-sharing is more effective in the teams that contain within-person diversity (group members have experience in different functional areas), relative to between-person diversity (team members have a different functional background), and this, in turn, is related to higher team performance. Although relationships between the diversity of team membership and team effectiveness have been found, they are not completely consistent across all studies or all group tasks (Guzzo & Dickson 1996:334). Campion et al. (1993:841), for example, have found heterogeneity of team members' background and expertise to be unrelated or negatively related to effectiveness. Similarly, Beckman and Burton (2005:18) find weak support for the hypothesis that founding and top management teams with functional background diversity will reach

business outcomes more quickly than teams with fewer such experiences. In her study, Cowie (2007:82) also finds no significant relationship between the composition of the team as described by diversity and complementary competencies, and the ability of the team to operate efficiently, their willingness to cooperate with and support each other, or financial performance.

The effects of diversity on team performance seem to depend on several factors. Diversity is most beneficial when the team's tasks require innovation and creativity. Diversity may have a positive effect on performance but a negative effect on members' reactions to the team and subsequent behaviour. Diversity can also have negative effects in the short run but positive effects in the long run. If team members are diverse regarding certain factors that lead them to have different performance goals or levels of commitment to the team, the relationship between diversity and performance will be negative (Hitt *et al.* 2006:406).

Despite the contradictory findings discussed above, it is evident that the competencies and the diversity of these competencies (complementary skills) among the siblings involved in the Sibling Partnership, impact the ability of the siblings to work together effectively. Consequently, it was decided to subject this relationship to further testing and the following hypotheses have been formulated:

*H<sup>6</sup>: There is a positive relationship between Complementary skills among siblings and the perceived Financial performance of the Sibling Partnership.*

*H<sup>7</sup>: There is a positive relationship between Complementary skills among siblings and the Perceived success of the Sibling Partnership.*

#### **6.4.3 Structure**

Structure is an input variable in the I-P-O model of team effectiveness, which relates to aspects such as the nature of the task (task identity and task interdependence), role and task allocation, common purpose and shared goals, norms and codes of conduct, and leadership. Structure has also been referred to as task, job or work design, as well as task structure. Campion *et al.* (1993:839) has found significant positive correlations between a composite measure of job

design (task structure) and measures of team effectiveness. They conclude that job design characteristics are very useful in predicting team effectiveness (Campion et al. 1993:840). Campion et al. (1996:443) has confirmed these results in a follow-up study. In contrast, however, Gladstein (1984:509) has found no support for a relationship between the structure variables, role and goal clarity, work norms, task control, and measures of team effectiveness.

When investigating team effectiveness, it is important to consider the nature of the task being performed by a team. The nature of the task determines, at least partially, what the definition of effectiveness entails, the criteria against which group effectiveness is measured, and the importance of certain characteristics of effective groups (Hyatt & Ruddy 1997:557). In her study, Gladstein (1984:508) reports that the task variables (task complexity, environmental uncertainty and task interdependence) do not moderate the process-effectiveness relationship, and suggests that insufficient variance in the task is a possible explanation for her findings. Therefore, she has excluded these variables relating to the nature of the task, from further analysis. Similarly, Campion et al. (1993:839) find no significant positive correlation between the group structure variables task identity and task interdependence, and measures of team effectiveness. Consequently, structure variables relating to the nature of the task have been excluded in subsequent studies (Campion et al. 1996:436). Based on the important findings of Gladstein (1984:508) and Campion et al. (1993:839), the nature of the task is not included as an aspect of structure or as an independent factor in the present study.

For the purpose of this study the input variable *structure* consists of 4 underlying components, namely *Division of labour*, *Shared dream*, *Governance*, and *Leadership and planning*. Consequently, the following relationships are hypothesised:

- $H^8$ : *There is a positive relationship between structural factors (Division of labour, Shared dream, Governance, Leadership and planning) and the Perceived success of the Sibling Partnership.*
- $H^9$ : *There is a positive relationship between structural factors (Division of labour, Shared dream, Governance, Leadership and planning) and Family harmony.*

*H<sup>10</sup>: There is a positive relationship between the structural factors (Division of labour, Shared dream, Governance, Leadership and planning) and the perceived Financial performance of the Sibling Partnership.*

In addition to the hypotheses above, it is also hypothesised that positive relationships exist between each of the individual aspects of structure identified in this study, namely *Division of labour, Shared dream, Governance, and Leadership and planning*, and the dependent and intervening variables, namely *Perceived success, Financial performance and Family harmony*. These sub-hypotheses, together with supporting evidence, will be presented below.

#### 6.4.3.1 Division of labour

In this study the variable *Division of labour* refers to the extent to which each sibling is assigned a clearly demarcated area of authority and responsibility. The extent to which the sibling partners agree on these areas of authority and responsibility is also incorporated into this construct.

In effective teams, team members mutually agree on responsibilities (Keen 2003:26; Robbins 2003:267), and job descriptions specifying these individual responsibilities, are clearly laid out (Hitt *et al.* 2006:408). Previous research (e.g. Ancona & Caldwell 1992; Keck 1997; Beckman & Burton 2005:8) reveals that functional assignment diversity (the existence of distinct organisational roles or positions) impacts business outcomes, including business performance. Magjuka and Baldwin (1991) find that greater heterogeneity, in terms of the kinds of jobs team members held, is positively associated with team effectiveness. Roure and Keeley (1990), also report that the degree to which team members hold a range of key positions is associated with entrepreneurial success. In addition, Beckman and Burton (2005:19) find strong support for their hypothesis that management teams with functional assignment diversity (the range of organisational positions in the firm) will reach important business outcomes more quickly than teams that do not. They conclude that creating a broad array of organisational roles and developing clear functional structures is more important than bringing in executives with varied backgrounds. Similarly, Cowie (2007:82) reports a



significant positive relationship between clear responsibilities and the willingness of team members to cooperate with and support each other.

Effective Sibling Partnerships typically have an explicit agreed-to division of labour, so that each of the sibling partners can enjoy a degree of autonomy in his or her specific area (Aronoff et al. 1997:54; Handler 1991:31; Lansberg 1999:133; Maas et al. 2005:106). The levels of authority and autonomy that go with that role, position and functional area are also clearly defined and accepted by all (Aronoff et al. 1997:54; Maas et al. 2005:106; Ward 1992:52).

Research by several authors has confirmed that the acceptance of individual roles in the context of the family business is an important variable that may influence the succession process (Hume 1999:28; Sharma 1997:61; Swogger 1991:408). Empirical proof of this relationship is offered by Handler (1989a:163), Sharma (1997:230) and Santiago (2000:30), who argue that family members' acceptance of their relative position of power and responsibility in the family business will positively influence their satisfaction with the succession process and lead to a more successful process.

In a Sibling Partnership division of labour reduces the likelihood of comparison and provides the opportunity for individual siblings to be competent at different tasks. A lack of clarity about roles and responsibilities is a breeding ground for conflict in a family business (Maas et al. 2005:105). Consequently, harmony in a Sibling Partnership requires a clear division of labour (Lansberg 1999:133). In her study, Handler (1991:30,31) concludes that separate positions and areas of responsibility promote a positive relationship between siblings. Based on the anecdotal and empirical evidence discussed above, it is hypothesised that:

*H<sup>8a</sup> : There is a positive relationship between Division of labour among the siblings and the Perceived success of the Sibling Partnership.*

*H<sup>9a</sup> : There is a positive relationship between Division of labour among the siblings and Family harmony.*

*H<sup>10a</sup> : There is a positive relationship between Division of labour among the siblings and the perceived Financial performance of the Sibling Partnership.*

#### 6.4.3.2 Shared dream

In this study, the factor *Shared dream (common dream/vision)* refers to the extent to which the dreams that individual siblings have for themselves in the Sibling Partnership are *aligned with each other's dreams* (hence they are agreed on and shared), and that their involvement in the Sibling Partnership is entirely *willing and voluntary* (it is what they want to do or dream of doing). The extent to which the siblings have agreed on the future direction (vision and goals) of the Sibling Partnership, is also a dimension of this construct.

Effective teams in general have a common mission or shared sense of purpose (Greenberg & Baron 2000:281; Ivancevich et al. 2005:341; Keen 2003:25,26; Robbins 2003:268). Like any team, for a sibling team to succeed it is essential that the sibling partners share a common vision (Gage et al. 2004:194; Lansberg 1999:76,132; McCall 2002) and common goals (Bettis 2002b; Brigham 2004; Hofstrand 2000:2).

For a shared dream to exist among sibling partners, all partners should demonstrate a voluntary willingness to be involved in a partnership together, and a voluntary association will only occur if the individual needs of sibling partners are satisfied by being involved in the family business. In his study, Adendorff (2004:351) defines personal needs alignment as the alignment of personal needs with career interests in relation to opportunities offered through and by the family business. His study among Greek family businesses reveals that personal needs alignment has a significant and positive influence on the shared vision of the business. In addition, he also finds a positive relationship between needs alignment and perceived good governance, as well as between a shared vision and perceived good governance (Adendorf 2004:421).

Both anecdotal evidence (Bjuggren & Sund 2000:4; Fox et al. 1996:19; Handler 1994:145; Matthews et al. 1999:165) and empirical results (Birley 1986:43; Goldberg 1991:165; Sharma 1997:237; Stavrou 1999:51) have emphasised that the successor's interest in and willingness to take over the family business plays a role in the successful transition of the business from one generation to the next. Many designated successors are, however, subjected to overt family pressure to

take over the family business and are thus reluctant to do so (Barach & Gantisky 1995:134; Correll 1989:17; Lansberg 1999:109). A study conducted by Birley (1986) has revealed that 58% of college students intended to join the family business at some point during their careers. Significantly, Birley (1986:39-42) reports that neither any influence exercised by the parents nor the intention of the offspring to join, is based on the birth order or gender of offspring.

In her study, Stavrou (1999:51) reports that the intentions of offspring to join or not to join the family business are significantly related to individual needs, goals, skills, and abilities. A study among university students in different countries reveals a relatively low degree of willingness among potential successors to take part in the family business. One of the most important reasons for this state of affairs is that they wanted to start their own businesses rather than join that of their families (Bjuggren & Sund 2000:4). The results of a study by Ambrose (1983:53) of 35 terminated businesses, reveals that the main reason why the children did not assume the ownership of the family business was that they had no interest in the business.

In her study on succession, Handler (1992:289-291) finds that the more a next-generation family member's individual needs can be met (personal need fulfilment) in the context of the family business, the more likely it is that the individual will have a positive succession experience. An individual achieves personal need fulfilment to the extent that one's career needs, one's need for personal identity and one's life-stage needs are satisfied in the context of the family business. Similarly, Sharma (1997:234) finds that the alignment of career interests of successors in the context of the family business has an influence on their willingness to take over the family business. According to Sharma and Irving (2005:15) the extent to which a family member's sense of self (individual identity) is strongly aligned with their family business, one can expect them to exhibit higher levels of affective commitment (want to pursue a career in the family business).

In her study, Venter (2003:227-229) defines the willingness of the successor to take over the family business as the degree of willingness, interest, choice, motivation and confidence the successor has in taking over the family business. She reports a positive relationship between the willingness of the successor to

take over the family business and the satisfaction with the succession process, as well as with continued profitability of the business. The more willing the successor is to take over the family business, the higher the level of satisfaction with the succession process will be, as well as the likelihood that the business will continue to remain profitable after succession. Sharma (1997) and various other researchers (e.g. Dumas *et al.* 1995; Shepherd & Zacharakis 2000; Van der Merwe 1999) have reported similar findings. The finding of Venter's (2003) study also supports the suggestion made by Handler (1989a) and Stavrou (1999) that the more a successor can satisfy his/her personal development goals within the business, the more likely it is that he/she will have a positive succession experience (Venter 2003:298). Venter (2003:311) also finds that the willingness of the successor to take over the business is positively related to the agreement of family members to continue the business as a family business.

A successor not willing to take over the family business can be equated with a sibling not willing to continue being involved in a Sibling Partnership. The empirical evidence above thus supports the notion that if the personal needs and dreams of the siblings involved are satisfied within the context of their Sibling Partnership, their dreams can be considered as being shared, and their continued involvement in the business will be more likely. It can also be inferred that if the needs and dreams of individual siblings are met within the context of the Sibling Partnership, their dreams are to a certain extent aligned with each other's. Based on the anecdotal and empirical evidence presented above, it is hypothesised that:

*H<sup>8b</sup>: There is a positive relationship between the existence of a Shared dream among the siblings and the Perceived success of the Sibling Partnership.*

The influence of goals on team dynamics and team outcomes becomes even more complex when the possible compatibilities and conflicts among member goals, broader team goals, and even broader organisational goals are considered (Hellriegel *et al.* 2001:237). According to Guzzo and Dickson (1996:315), team goals often coexist with individual goals, but when team and individual goals are in conflict with one another, dysfunctions can result. The beliefs, goals and aspirations of the next generation of family members can influence family

relationships and the long-term survival of the family business (Stavrou 1995:177). Stavrou (1995) has found that the decision not to enter the business is related to family issues and not to business issues.

A shared vision promotes coherence in stakeholders' expectations and opinions on organisational goals, and consequently promotes cooperative behaviour through clarified role interactions (Ring & Van de Ven 1994). Established role interactions and shared vision reduce the threat of opportunistic behaviour and help establish a social norm of reciprocity, which reinforces commitment to jointly agreed decisions (Uzzi 1996; Mustakallio, Autio & Zahra 2002:209). A balance between individual dreams and the shared dream is essential to the psychological well-being of all family members, as well as to the harmony of the family business (Lansberg 1999:80). For example, the ability to resolve conflict that arises in a family business is based on the collective desires of family members to "maintain unity and preserve their wealth" (Hauser 2004:55). In addition, Leana and Van Buren (1999) contend that a shared vision among the members of the owner family demonstrates to other constituencies that the family is cohesive and that there is cooperation with respect to realising their collective ownership-related goals. Consequently, it is hypothesised that:

*H<sup>9b</sup>: There is a positive relationship between the existence of a Shared dream among the siblings and Family harmony.*

When all constituents share a common vision, opportunism is reduced and the sharing of information increases (Dyer & Singh 1998). Ward (1997) has found that "disparate" family goals and values hinder family business growth; he proposes that defining a family's purpose, mission, and values is the most important best practice to ensure the long-term growth of the family business (Mustakallio *et al.* 2002:209). In their research, Mustakallio *et al.* (2002:218) find support for their hypotheses that a greater shared vision is associated with increased strategic decision quality and increased managements' decision commitment respectively. They conclude that a shared vision among the key owners may play an important role within family firms because owner-family members' equity holdings are typically long-term in nature.

In a family business, a shared vision involves family members' collective ideas about the future of the business, including desired business domains, desired growth rates, and financial performance (Adendorff 2004:323). According to Denison *et al.* (2004:65), associations between mission (a business's goals and vision) amongst other aspects describing corporate culture, and indicators of corporate effectiveness, namely, ROA, ROI, sales growth, market share, quality, employee satisfaction, and product/service development, have been found to be significant.

Studies among teams in general show a significant relationship between the existence of clear goals and measures of team effectiveness (Doolen *et al.* 2006:145; Guzzo & Dickson 1996:314). For example, Hyatt and Ruddy (1997:572,578) have found a significant positive correlation between commitment to common goals and goal orientation among team members, and team effectiveness. In addition, the relationship between a shared vision or dream (represented by a willing involvement in the family business) and financial performance, is further supported by Venter (2003:229), who concludes from her study that the more willing the successor is to take over the family business, the higher the likelihood that the business will continue to remain profitable after succession. These findings are similar to those of Cowie (2007:83) who reports a significant positive relationship between the commitment to and existence of clear and challenging goals, and financial performance (measured in terms of growth in turnover, profits and employees in her study). Based on the above it is hypothesised that:

*H<sup>10b</sup>: There is a positive relationship between the existence of a Shared dream among the siblings and the perceived Financial performance of the Sibling Partnership.*

#### 6.4.3.3 Governance

In this study the factor *Governance* refers to the overall existence of governance structures, policies and procedures in the Sibling Partnership. The extent to which these are formal and pre-determined has also been incorporated in this construct.

The construct *Governance* incorporates the existence of conflict resolution policies, as well as written business, estate and succession plans.

Effective teams in general have norms or codes of conduct that govern the behaviour of team members (Greenberg & Baron 2000:282; Keen 2003:6, Northouse 2004:213). For example, Hyatt and Ruddy (1997:572) have found a significant positive correlation between norms and roles among team members, and measures of team effectiveness. Consequently, the development and use of well-constructed governance structures, policies and procedures is a key element for a successful Sibling Partnerships (Aronoff *et al.* 1997:39,48; Bettis 2002b; Gersick *et al.* 1997:45). Governance structures such as advisory boards, boards of directors and frequent family meetings, are increasingly emphasised as important correlates with both business longevity over multiple generations and firm performance (Aronoff 1998:181; Astrachan & Aronoff 1998:72; Astrachan & Kolenko 1994:260; Fahed-Sreih & Djoundourian 2006:226).

Empirical and anecdotal evidence suggests that the implementation of governance structures, policies and procedures promotes family business success, stimulates growth, and contributes to continuity as well as sustainability (Aronoff 2004:55; Aronoff *et al.* 1997:39,41,47; Maas *et al.* 2005:41,94; Lansberg 1999:275,282; McCall 2002; Ward 2004:8,16,118).

A general absence of governance structures (specifically boards of directors and family councils) has been indicated in a number of studies on family businesses (Dean 1992:385; Dunn 1999:53; Maas 1999a). In their research, Astrachan and Kolenko (1994:257) have found that with regard to family business governance practices, family meetings are used significantly more often than written business plans or board meetings. Similarly in her study, Van Stormbroek (2007:97) finds that none of the Sibling Partnerships interviewed have had any formal agreements between the sibling partners, and only one partnership has indicated having structured meetings between them. None have had boards of directors or held family meetings.

Cowie (2007:82) does not find a relationship between the existence of norms (codes of conduct) for team members and either the ability of the team to operate

efficiently, their willingness to cooperate with and support each other, or financial performance. In contrast, Astrachan and Kolenko (1994:259) have found a positive correlation between governance practices and organisational survival across family generations as well as between governance practices and firm success (gross revenues). Ward's (2004:16) research on the link between independent boards and family business success, reveals that those who have independent boards grow faster, are more likely to be international and to have succession plans, and are more likely to have family business policies in place to guide and govern decision-making. He concludes that having an independent board makes a big difference in family business success.

According to Hauser (2004:55), well-governed families run well-governed businesses, which earn consistently high profits. Similarly Poza *et al.* (1997:140) conclude from their research that communication and mechanisms to make such communication more systematic, such as family meetings, seem to be important components of both a positive family culture and a well-run family firm. In addition, the findings of Poza *et al.* (1997:141) support the notion that family retreats and family councils can play an important role in family-owned business effectiveness and continuity. In her study, Venter (2003:295) reports a positive relationship between the existence of governance processes and planning and the continued profitability of the business. She concludes that the more the family business makes use of governance processes and planning, the more likely it is that the business will remain profitable in the future. Her empirical findings have been supported by prior research conducted by Aronoff (1998), Astrachan and Kolenko (1994), and Ward (1997b). Adendorff (2004:426) also reports a positive relationship between profitability and perceived good governance. Venter (2003), however, finds no relation between governance processes and planning and satisfaction with the succession process. The respondents in her study were of the opinion that their satisfaction with the succession process was independent of whether or not any use was made of governance processes and planning.

*Perceived success*, as defined for the purpose of this study, refers to the extent that the *siblings find their ongoing involvement in the Sibling Partnership to be satisfying*. Giving cognisance to this definition, as well as the discussion above and the finding of Venter (2003) relating to the satisfaction of respondents with the



succession process, family business success and family business longevity in the discussion on governance are associated with both financial performance and satisfaction of stakeholders. For this reason hypotheses are formulated between governance and both *Perceived success* and *Financial performance*.

*H<sup>8c</sup>: There is a positive relationship between the existence of Governance structures and the Perceived success of the Sibling Partnership.*

*H<sup>10c</sup>: There is a positive relationship between the existence of Governance structures and the perceived Financial performance of the Sibling Partnership.*

Sound governance can go a long way towards avoiding many of the typical situations that can erupt in a family business (Martin 2001:95). Governance structure, policies and procedures not only reduce tensions and lower the risk of conflict among sibling partners, but also contribute to the more effective management of the conflict that does inevitably arise (Aronoff et al. 1997:31,41; Gage et al. 2004:195; Gersick et al. 1997:165,200; Hauser 2004:55). An infrastructure of governance, policies and procedures supports harmony in the team (Aronoff et al. 1997:65) and promotes a positive sibling relationship (Handler 1991:31).

In his research, Sorenson (2000:194,198) finds that regular family retreats, which vary from family vacations to highly structured meetings, are significantly correlated with family outcomes. He concludes that family retreats help maintain interpersonal relationships and reinforce family values. They enable family members to develop the trust and rapport necessary to work as a team. Similarly, Mustakallio et al. (2002:205) reports that family businesses should develop governance structures that promote cohesion and shared vision within the family, and reduce harmful conflict. Based on the empirical and anecdotal evidence presented above, it is hypothesised that:

*H<sup>9c</sup>: There is a positive relationship between the existence of Governance structures and Family harmony.*

#### 6.4.3.4 Leadership and planning

In this study, the factor *Leadership and planning* refers to the extent to which leadership attributes exist in the Sibling Partnership. Leadership attributes may be evident in a single lead sibling or in a specific sibling at a specific time, and for the purpose of this study it refers to the person(s) having a consultative or participative leadership style, having referent and expert leadership, and being visionary in terms of undertaking strategic planning. Participative leadership and the extent of strategic planning undertaken by the sibling partners, is therefore incorporated into this construct.

Effective team leadership has been found to consistently relate to team effectiveness (Northouse 2004:214), and the significance of good-quality team leadership cannot be over-emphasised (Sheard & Kakabadse 2002:149). Emerging meta-analytic findings provide a useful indication of the potential value of leadership in the promotion of team effectiveness (Kozlowski & Ilgen 2006:107). Gladstein (1984:509,511) has found support for a positive relationship between leadership and team satisfaction, but she has found no relationship between leadership and team performance (measured in terms of sales). In their study Jacobs and Singell (1993) have investigated the effect of leadership on team performance. They have found that superior leaders are effective by exercising excellent tactical skills or by improving the individual performances of team members (Guzzo & Dickson 1996:313). Similarly, Cowie (2007:81) reports a significant positive relationship between leadership (coordination, organisational and directional roles) and the ability of the team to operate efficiently. She also reports a significant positive relationship between team member coordination and the willingness of team members to cooperate with and support each other.

The literature indicates that leadership in a Sibling Partnership should allow for *shared decision-making, shared accountability, flexibility, credibility, legitimacy, and servant leadership* (Aronoff et al. 1997:20-65; Gersick et al. 1997:170,197,198; Lansberg 1999:8,14,337,338; Maas et al. 2005:63; Ward 2004:96). These leadership attributes clearly suggest that the style of leadership most appropriate for a Sibling Partnership is one characterised by a participative, referent and expert leadership style. Adopting such leadership styles is supported

by the findings of Sorenson (2000:198), who finds a significant correlation between a participative, referent and expert style of leadership in family businesses and teamwork.

In his research on contributions of leadership styles to family business success, Sorenson (2000:192) finds that expert leadership does not influence either employee satisfaction or commitment. Participative leadership, however, is positively and significantly related to both employee satisfaction and commitment; and referent leadership is positively and significantly associated with employee satisfaction but not with employee commitment. In addition, he reports that participative leadership is significantly and positively associated with financial performance. However, neither an expert nor a referent leadership style is positively associated with financial performance. Sorenson (2000:199) concludes that referent, and in particular, participative leaders, enable family businesses to obtain desired outcomes for both the business and the family. Erez, Lepine and Elms (2002) report that the rotation of the leader's role and the provision of peer feedback, promote higher participation levels, and positively impact team performance (Ilgen *et al.* 2005:524).

It is the role of a family business leader to be *visionary* (inspirational and directional) (Lansberg 1999:206) and to undertake *future planning* for the family business (File & Prince 1996:181; Lansberg 1999:337; Ward 2004:17). *Strategic planning*, as a task of leadership, is important to the visionary process, and is essential for the continuity of the Sibling Partnership (Lansberg 1999:17,206; McCall 2002; Make sure the business doesn't die with Papa 2003; Passing on the crown 2004).

Taking a long-term strategic perspective contributes to a family business's success (Aronoff 1998:181; Lansberg 1999:8; Neubauer & Lank 1998:13). Research consistently shows that there is a correlation between family business longevity and strategic planning (Aronoff 2004:55; Blumentritt 2006:65). Robinson (1982:316) has established that small businesses that engage in outsider-based strategic planning experience significantly higher increases in effectiveness than their control group counterparts not engaging in such planning. Astrachan and Aronoff (1998:72), Ward (1988:106,117), as well as Astrachan and Kolenko

(1994:251) report that strategic planning is positively correlated with business longevity over multiple generations. Astrachan and Kolenko (1994:251,260) conclude that strategic planning, boards of directors, and regular family meetings can be more important to the long-term survival and success of the family business than, for example, written succession plans. Similarly, Malone (1989) reports that the level of strategic planning is positively associated with a higher level of continuity planning, i.e. the more strategic planning there is, the higher the probability that business continuity will be planned.

A study among 4 000 SMEs in Belgium, however, has revealed that family businesses rarely have clear answers to the question of where they should be heading in the next three years, and even less frequently have committed this subject to writing (Donckels & Lambrecht 1999:174). Many owners often do not have written strategic plans, but simply carry them in their minds (Handelsman 1996:38), as has been confirmed by an empirical investigation undertaken by Van der Merwe (1999:267).

The importance of *estate planning* to a family is well documented in the family business literature (Benson et al. 1990:232; Bjuggren & Sund 2001:19; Handler 1994:148-150; Hume 1999:28). Ryan (1995:13) suggests that retirement and estate planning, and managing the wealth created by the family business are important elements in ensuring the success of the family business. In her study, Venter (2003:235,302) defines estate planning as the extent to which explicit decisions are made about how ownership of the business will be distributed among heirs after succession, and whether the independent retirement of the current owner is planned. Her study reveals that estate planning negatively influences the continued profitability of the business. These findings concur with those of Morris et al. (1997). Venter (2003:30) suggests that one could argue that if estate planning *does* take place, a perception among family members may arise that estate planning may negatively influence the profit potential of the business. On the other hand if estate planning *does not* take place, the continued profitability and therefore the continuity of the family business will be jeopardised (Bjuggren & Sund 2001; File & Prince 1996; Handelsman 1996; Neubauer & Lank 1998). In addition, Venter (2003:303) does not find a relationship between estate planning

and satisfaction with the succession process. She therefore concludes that estate planning is not very important in ensuring satisfaction with the succession process.

Ample evidence can be found in the literature to support the argument that *succession planning* in general, and management succession planning in particular, significantly influence the continuity of the family business from one generation to the next (e.g. Hume 1999:28; Sharma 1997:239; Stavrou 1995:175). For example, Ward (1987) has found that planning for succession and successor development, are among the most important characteristics associated with businesses that have been able to survive a generational transition. Sharma (1997:239) reports a positive relationship between management succession planning and the satisfaction of both owner-managers and successors with the succession process. Adendorff (2004:420) finds a positive relationship between management succession planning and perceived good governance, implying that the more a family plans for management succession, the more effective the family business will be in controlling risk, adhering to the conditions of the internal regulatory environment, and looking after the stakeholders' interests.

Numerous studies, however, support the view that most owners do not plan for succession (Santiago 2000:30; Stempler 1988:98; Van der Merwe 1999:249). Some researchers have even suggested that the importance of management succession planning to business continuity has been overstated (Astrachan & Aronoff 1998:72; Kirby & Lee 1996:75; Santiago 2000:15). Although succession planning dominates the family business literature, Poza (1995) affirms that strategic planning can be more supportive of business continuity than traditional succession planning (Poza *et al.* 1997:148). A study by Astrachan and Kolenko (1994:251) reveals that while boards of directors, strategic planning and frequent family meetings are correlated with business longevity over multiple generations, management succession planning is not. Similarly, Santiago (2000:15) is of the opinion that management succession planning is not necessarily important for the survival of family businesses.

Although estate planning and management succession planning are important areas of planning in general, the discussion above creates some uncertainty as to the value of such planning for the *Perceived success* of a Sibling Partnership as

defined for this study. Taking into account the definition of *Perceived success* (the degree to which the siblings find their ongoing involvement in the Sibling Partnership to be satisfying), the findings of Venter (2003:303), Santiago (2000), and Astrachan and Kolenko (1994:251), as well as the strategic planning role of a leader (Lansberg 1999:17,206; Passing on the crown 2004), the factor *Leadership and planning*, for the purpose of this study, will make reference to strategic planning only, and not to estate and management succession planning. It is therefore hypothesised that:

*H<sup>8d</sup>: There is a positive relationship between Leadership and planning, and the Perceived success of the Sibling Partnership.*

*H<sup>9d</sup>: There is a positive relationship between Leadership and planning, and Family harmony.*

*H<sup>10d</sup>: There is a positive relationship between Leadership and planning, and the perceived Financial performance of the Sibling Partnership.*

## **6.5 RELATIONAL-BASED (PROCESS) INDEPENDENT VARIABLES RELATING TO EFFECTIVE SIBLING TEAMS**

Because of the relationship between the sibling partners or the interaction that takes place between them, certain relational-based aspects (processes) influence how effectively they can work together as a team. These factors were identified and discussed in Chapter 4 (Section 4.4.4 and Section 4.7). Intra-group processes refer to the interactions that take place among team members and include aspects such as communication patterns, personal disclosure of information, decision-making, managing conflict, supportiveness, mutual respect, social cohesion, team flexibility and workload sharing (Barrick et al.1998:377,386; Doolen et al. 2006:140; Gladstein 1984:502; Hyatt & Ruddy 1997:578,579). According to Doolen et al. (2006:140), team processes refer to both the level of collaboration between team members, and to the type of activities used by teams to achieve their objectives.

The process component of the I-P-O model has been the focus of most team-related research (Howard et al. 2005:771). Campion et al. (1993:839), as well as Hyatt and Ruddy (1997:578, 579), have all found a significant positive correlation

between interpersonal processes and team effectiveness. The conclusion of these studies is that teams tend to perform better when they have well-developed processes in place (Howard *et al.* 2005:771). Both Doolen *et al.* (2006:149) and Gladstein (1984:509) find support for a positive relationship between team processes and team-member satisfaction. In contrast to these findings, Gladstein (1984:509) has found no support for a positive relationship between intra-group processes and team performance.

According to Barrick *et al.* (1998:382), research suggests that there is substantial overlap among the various measures of process. For example, in Gladstein's study (1984:507) the items measuring open communication, supportiveness, conflict, weighting of individual inputs and discussion of strategy, loaded onto one construct, which she named intra-group process. Similarly, Olukayode and Ehigie (2005:288), as well as Barrick *et al.* (1998:386), have found positive associations among measures of team interaction processes, implying that a composite score of all the measures can be used as a single measure of a team's interaction processes. Barrick *et al.* (1998:382) in fact believe that many of a team's processes are reflected in the construct of social cohesion, and they regard social cohesion as an indicator of positive interpersonal dynamics within the team. Social cohesion has been defined as the resultant of all forces acting on members to remain in the group (Kozlowski & Ilgen 2006:88) and thus reflects synergistic interactions between team members, including positive communication, conflict resolution and effective workload sharing (Barrick *et al.* 1998:382). Based on the discussion above, the following hypotheses have been formulated:

*H<sup>11</sup>: There is a positive relationship between the process factors (Mutual respect and trust, Open communication, Fairness and the Sibling bond) and the Perceived success of the Sibling Partnership.*

*H<sup>12</sup>: There is a positive relationship between the process factors (Mutual respect and trust, Open communication, Fairness and the Sibling bond) and Family harmony.*

For the purpose of this study 4 process variables have been included in the conceptual model. These specific relational-based (process) factors that influence the one-to-one and inter-group collaboration dynamics between the sibling

partners are *Mutual respect and trust*; *Open communication*; *Fairness*; and the *Sibling bond*. In line with the reasoning of Barrick *et al.* (1998:382), it is assumed that all other process variables not individually included in the conceptual model, are accounted for in the factor *Sibling bond* (cohesion).

### 6.5.1 Mutual respect and trust

In this study the factor *Mutual respect and trust* refers to the extent to which the sibling partners respect each other and each other's opinions, as well as trusting each other's integrity and abilities. For team members to trust each other, they must feel that the team is competent enough to accomplish its tasks and that the team will not harm the individual or his or her interests (Ilgen *et al.* 2005:521). According to Ilgen *et al.* (2005:521), trust in the competency of the team is expressed in terms of constructs such as potency, collective efficacy, group efficacy, and team confidence. Gonzalez, Burke, Santuzzi and Bradley (2003) find that task cohesion mediates the relationship between collective efficacy and group effectiveness. Marks (1999), on the other hand, finds that high levels of communication partially mediate the positive relationship between collective efficacy and team performance when the task environment is controlled (Ilgen *et al.* 2005:522). Consequently, for the purpose of this study, potency and team efficacy are not considered as individual factors, but are incorporated and accounted for in the factor *Mutual respect and trust*.

In effective teams a climate of mutual trust exists among all team members (Hellriegel *et al.* 2004:342; Ivancevich *et al.* 2005:341; Keen 2003:25; Robbins 2003:267). Empirical evidence has shown that collaborative problem-solving in organisations presupposes interpersonal trust, and specifically co-worker trust (Politis 2003:58). In their study Hyatt and Ruddy (1997:572) have found a significant positive correlation between trust among team members and measures of team effectiveness. Researchers also recognise that trust potentially contributes to lower transaction costs, while contributing to more effective managerial coordination and collaboration within a business (Adendorf 2004:339; Mayer, Davis & Schoorman 1995; Steier 2001:353). Steier (2001:354) further indicates that, given its important role within organisations, trust should be of interest to all of those concerned with business performance. In her study, Cowie (2007:79,83)



reports a significant positive relationship between the existence of trust among management team members, both in each other and each other's abilities, and financial performance. She also reports significantly higher levels of trust among family business management teams than non-family business management teams. Politis (2003:62), however, finds that the variables of interpersonal trust among team members are not related to financial team performance, suggesting that interpersonal trust alone cannot contribute to the competitive advantage of an organisation.

Trust based on respect, amongst other factors, appears to be essential for building a collaborative climate (Northouse 2004:213). Consequently, in effective teams, team members not only mutually trust each other but also mutually respect each other. Not only do they show respect for and accept individual differences, they also feel respected and well regarded by other team members (Hellriegel et al. 2004:344; Keen 2003:25,26).

To consider the impact of *Mutual respect and trust* between the sibling partners, on the *Perceived success* of a Sibling Partnership, research on the impact of trust on successful successions was also consulted. A father not trusting his son's ability will evoke the same reaction and uncertainty as one sibling partner not trusting the abilities of another.

Trust in the successor's ability and intention to manage the family business effectively in the future is an important determinant of effective successions (Correll 1989:24; Dickinson 2000:37; Donckels & Lambrecht 1999:177). In her research Sharma (1997:237) reports that the owner-manager's trust in the successor's abilities and intentions influences the willingness of the owner-manager to hand over the business, as well as the willingness of successors to take over the business; the extent of satisfaction experienced with the succession process; and the extent of succession planning undertaken. These results partially confirm the suggestions made by Handler (1989a:48) that the quality of a successor's experience with the succession process is strongly influenced by the mutual respect and understanding between the founder and the next-generation family members. In their research, Goldberg and Wooldridge (1993:63) also suggest that effective successions are influenced by the owner-manager's

perception of the potential successor's performance when he/she becomes a staff member of the family business. Byrne's results (1998) indicate that successor credibility has the strongest positive correlation with employee organisational commitment. These results illustrate that the perceived competency of the successor is important not only to the owner-manager, but also to the other employees working in the family business.

From his study, Stempler (1988:80) concludes that respect, understanding, and complimentary behaviour between the next-generation family members and the organisational leader are critical to effective successions. He finds strong evidence that a sound understanding between successor and successee, and catering to each other's needs, affects the success of the succession. Handler's study (1989a), which supports these findings, emphasises that mutual respect and understanding between the founder and next-generation family member are important components of good succession outcomes. She further suggests that if the next-generation family members actively working in the family business are to be valued, the development of mutual respect must extend to non-family members as well (Handler 1989a:159).

Venter (2003:296), however, does not find a relationship between trust in the successor's abilities and intentions, and continued profitability of the business or satisfaction with the succession process. She concludes that whether the owner-manager has trust in the abilities of the successor or not will have no impact on the continued profitability of the business after succession has taken place or on stakeholders' satisfaction with the succession process. She does, however, find that trust in the successors' abilities and intentions has an indirect influence on the success of succession by influencing the internal preparation level of the successor, his or her willingness to take over the family business, and the relationship between the owner-manager and the successor. Based on both the anecdotal and empirical evidence provided above, it is therefore hypothesised that:

*H<sup>1a</sup>: There is a positive relationship between Mutual respect and trust between siblings and the Perceived success of the Sibling Partnership.*

Several authors have described trust and relationship commitment as vital components for maintaining harmonious relationships. In family business relationships, where results depend on the behavioural intent of partners, trust is particularly crucial (Johnson & Cullen 2002). Trust in business relationships presents a component of integrated knowledge of relationship variables, which involves a belief that one relationship partner will act in the best interests of the other partner (Morgan & Hunt 1994; Adendorf 2004:340). Researchers and practitioners alike recognise that trust potentially contributes to more effective managerial coordination and collaboration within a firm (Steier 2001:353).

Handler (1989a) identifies mutual intergenerational respect and the management of family and business boundary issues as the key relational factors that affect the succession experience of the respondents in her study. From her later research, Handler (1991:31) concludes that communication, trust and respect for each other's ability and position is critical to managing relationships between family members within the firm. Santiago (2000:30) also finds that family members who respect one another, regardless of generation, gender, or birth order, and who exert efforts to understand each other, are likely to cooperate with one another and support each other's decisions, both in the family and in the family business. In addition, the research of Filbeck and Smith (1997:350) shows that interpersonal conflicts are aggravated in family businesses where personality differences are either not understood or not respected. They conclude that personality differences do exist in family businesses and have dramatic effects on the way family members process information, make decisions, and interact with others. Conflicts resulting from such differences will always exist, but they may be more easily resolved when the individuals involved learn to be more tolerant of and open-minded to others.

Team members who like each other or are attracted to each other enjoy being around the people of their team; they get along and interact well with each other (Keen 2003:25; Greenberg & Baron 2000:281). According to Hellriegel *et al.* (2004:343), the greater the degree to which trust, openness, freedom and interdependence are present among team members, the higher the degree of team cohesiveness. In addition, Simons and Peterson (2000) interpret their findings as indicating that team trust is useful for helping team members tolerate

task conflict without it spilling over into destructive relationship conflict. Thus, team trust may play an important role in how teams manage different forms of conflict, and may have the potential to be an important conflict-management tool (Kozlowski & Ilgen 2006:94).

In her research, Venter (2003) finds that the owner-manager's trust in the abilities and intentions of the successor is positively related to the nature of the relationship between the owner-manager and successor. Therefore, the more the owner-manager trusts the successor and his/her abilities, the better the relationship between them will be (Venter 2003:311). According to Venter (2003:306), overwhelming support for her result is evident in previous research investigating the importance of the owner-manager-successor relationship (e.g. Handler 1989a; Lansberg & Astrachan 1994; Morris et al. 1997; Santiago 2000; Seymour 1993). Based on the anecdotal and empirical evidence presented above, the following relationship is hypothesised:

*H<sup>12a</sup> : There is a positive relationship between Mutual respect and trust among the siblings, and Family harmony.*

### **6.5.2 Open communication**

In this study *Open communication* refers to the degree to which the siblings are able to openly communicate and share all information with each other.

Clear and open communication is crucial for effective teamwork (Hitt et al. 2006:417; Ivancevich et al. 2005:341; Keen 2003:25,26) and enhances team members' satisfaction with their membership of the team (Hitt et al. 2006:417). Numerous studies (e.g. Barrick et al. 1998:386; Doolen et al. 2006:146; Hyatt & Ruddy 1997:572; Olukayode & Ehigie 2005:293) among teams in organisational contexts have found positive correlations between team communication and measures of team effectiveness. For example, both Campion et al. (1993:839) and Gladstein (1984:511) have found that team ratings of (open) communication are positively associated with measures of team effectiveness. Cowie (2007:79,82,83) reports a significant positive relationship between open communication among management team members and perceived success, the ability to operate

efficiently, and their willingness to cooperate and support each other. She also reports significantly higher levels of open communication among family business management-teams compared to non-family business management-teams. Similarly, Doolen *et al.* (2006:146) find a direct relationship between positive inter-team interaction and team member satisfaction. They conclude that inter-team communication is essential to creating empowering experiences for teams.

Effective and open communication is also important for promoting effective teamwork between siblings in a Sibling Partnership, and increasing their chances of a successful team outcome (Aronoff *et al.* 1997:7,11,36; Brigham 2004; Gersick *et al.* 1997:45; McCall 2002; Smith 2004; Ward 2004:15). The willingness to share sensitive and personal information is especially important for the success of a Sibling Partnership (Aronoff *et al.* 1997:47; Ward 2004:20,67,103). According to Van Stormbroek (2007:118), the majority of sibling partners who participated in her study reported that they were able to communicate effectively with each other. Incidentally, the partners who reported an inability to communicate effectively, were also the only ones to report a poor level of financial performance and poor levels of family harmony in their business. Although limited empirical evidence exists in the family business literature, sufficient anecdotal evidence exists to hypothesise that:

*H<sup>1b</sup>: There is a positive relationship between Open communication among the siblings and the Perceived success of the Sibling Partnership.*

Effective communication, characterised by honesty, openness and consistency, forms the basis of resolving conflicts and promoting harmony in the family as well as in the family business (Brigham 2004; Gersick *et al.* 1997:85,86,119; McCall 2002). The most common way that family members can assess the quality of their relationships is to look at the way they communicate (Gersick *et al.* 1997:85). A high-quality relationship between two people suggests understanding and open communication. A poor-quality relationship, on the other hand, involves infrequent communication, an unwillingness to explore differences of opinion, and the withholding of important information (Seymour 1993:265,268).

In his study, Adendorff (2004:427) reports a positive relationship between family harmony, and family commitment and communication. Similarly, Olson (1988) finds that a high level of cohesion (degree of connectedness and emotional bonding between family members) and adaptability (ability to change) are associated with healthier family relationships and effective communication (Lansberg & Astrachan 1994:42). In addition, Poza et al. (1997:140) conclude from their study that communication seems to be an important component of both a positive family culture and a well-run family firm.

Filbeck and Smith (1997:351) suggest that family business leaders would do well to foster improved communication between the diverse elements of a work team. Such improvements will inevitably result in improved morale, reduced conflicts and increased productivity. According to Fahed-Sreih and Djoundourian (2006:226), the success of a planning effort is heavily dependent on open communication among family members. Conflict in family businesses typically arises owing to lack of communication. In their study Fahed-Sreih and Djoundourian (2006:232) find that over 60% of their respondents have indicated knowledge of each other's estate plans, with a significant difference between young and mature firms. They suggest that knowledge of each other's estate plans may be an indicator of the level of transparency in the family relationships. Based on the anecdotal and empirical evidence presented above, the following relationship is hypothesised:

*H<sup>12b</sup>: There is a positive relationship between Open communication among the siblings and Family harmony.*

### **6.5.3 Fairness**

In this study the factor *Fairness* refers to the degree to which the working arrangement between the siblings is considered as fair in terms of workload, compensation and status. Sibling Partnerships are most successful when the sibling partners minimise differences and keep things as equal as possible among them (Ward 2004:67,68,96).

Various studies (e.g. Barrick et al. 1998:386; Campion et al. 1993:839; Campion et al. 1996:443; Olukayode & Ehigie 2005:293) among teams in organisational

contexts have found a significantly positive correlation between workload sharing and measures of team effectiveness. For example, Naumann and Bennett (2000) find that leaders who promote procedural justice and apply rules consistently are able to minimise relationship conflict between team members. Cowie (2007:81,83) also reports a significant positive relationship between fairness in workload among management team members and perceived success. No significant relationship between fairness and the ability to operate efficiently or the willingness of team members to cooperate with and support each other, has been found, though. In their research on business issues that are a source of tension among members of family businesses, Danes *et al.* (1999:246) have identified unfair workloads in family businesses as generating the highest level of tensions among family relationships. According to Ward and Aronoff (1992:52), perceived unequal effort can undermine the human relationships that sustain a business.

Fahed-Sreih and Djoundourian (2006:231) find that the predominant mode of compensation among family businesses that have participated in their study is that of equal payments to all family employees. This equal payment mode reflects on the intention to keep family relations amicable and to preserve equality in the family, stemming from the concept of fairness. However, the equality principle does not always mean fairness, particularly when different family members have different competencies and different qualifications.

In their work Thibaut and Walker (1975) find that fair process is critical to the generation of trust, commitment and harmony in society. Greenberg (1986) applies fair process ideas to business issues and finds that organisations, like societies, are very sensitive to fair processes, and whenever fair process prevails, trust, commitment and harmony soon follow. In the same manner Kim and Mauborgne (1998) find that managers who believe their company's processes to be fair, display a higher level of trust in, and commitment to, their organisation (Van der Heyden *et al.* 2005:4). Based on the evidence presented above, it is hypothesised that:

*H<sup>1c</sup>: There is a positive relationship between Fairness among the siblings and the Perceived success of the Sibling partnership.*

*H<sup>12c</sup>: There is a positive relationship between Fairness among the siblings and Family harmony.*

#### **6.5.4 Sibling bond**

In this study the factor *Sibling bond* refers to the existence of a cohesive relationship or bond between the sibling partners, which is characterised by mutual support, managed conflict and an understanding of each other. A large volume of anecdotal evidence suggests that a high-quality relationship between the sibling partners is vital for a successful Sibling Partnership (Berry 2004:5; Gersick et al. 1997:197; Lansberg 1999:15,83; Maas et al. 2005:68; Swogger 1991:400; Ward 2004:7,58,88,89).

According to Ilgen et al. (2005:526), bonding reflects the affective feelings that team members hold toward each other and the team. Bonding goes beyond trust and reflects a strong sense of rapport and a desire to stay together, even extending beyond the current task context. Constructs such as group cohesiveness, social integration, satisfaction with the group, person-group fit, and team commitment can all be categorised as a form of bonding as they share a common core that deals with the strength of the members' emotional and affective attachment to the larger collective. Meta-analytic evidence suggests that bonding is necessary for high levels of team performance, particularly when workflow interdependence is high (Ilgen et al. 2005:527; Beal, Cohen, Burke & McLendon 2003). A meta-analysis statistically combines the findings from many primary studies that examine the same relationship to provide an estimate of the magnitude of the relationship, correlation, or "effect size" in the population (Kozlowski & Ilgen 2006:79).

As previously mentioned, interpersonal cohesion in a team occurs when team members are attracted to each other, enjoy being around each other, get along, and interact well with each other (Greenberg & Baron 2000:281; Hitt et al. 2006:413; Keen 2003:25). Team cohesion is positively related to team performance and viability, and members of cohesive teams are more likely to be satisfied with their teams than are members on non-cohesive teams (Hellriegel et al. 2001:245; Hitt et al. 2006:413).



Several recent meta-analyses indicate that cohesive teams generally tend to be more productive and that cohesion is a determinant of job performance (Ahronson & Cameron 2007:11; Beal *et al.* 2003; Kerr & Tindale 2004:626; Oliver, Harman, Hoover, Hayes & Pandhi 1999). Similarly, Gladstein (1984:511) and Campion *et al.* (1996:443) find that support among team members is positively correlated with measures of team effectiveness. According to Barrick *et al.* (1998:381), research shows that cohesion is related to team member satisfaction but not to performance. Similarly, Gladstein (1984:511) finds that group rating of supportiveness is positively associated with group rating of satisfaction, but not with actual sales revenue. Smith, Smith, Olian, Sims, O'Bannon and Scully (1994), however, report a positive correlation between a cohesiveness-like measure of top management teams in small high technology firms and firm financial performance. In addition, some evidence indicates that teams composed of individuals who are familiar with one another carry out their work with greater effectiveness than teams composed of strangers (e.g. Barsade, Ward, Turner & Sonnenfeld 2000:809; Guzzo & Dickson 1996:310,312).

In families, cohesion refers to the degree of connectedness and emotional bonding that family members experience within the family. Highly cohesive families tend to stick together during times of distress, and are capable of recognising and maintaining clear boundaries between family subsystems, and between the family and the business (Lansberg & Astrachan 1994:42-44). Olson (1988) has found that high cohesion and adaptability (ability to change) are associated with healthier family relationships and effective communication. Santiago (2000:30) reports that the preservation of the family unit is considered of very high value, and consequently, the more cohesive (united) the family, the greater the desire to share the responsibility of perpetuating the business.

A large amount of empirical support for the importance of a high-quality relationship between family members and the impact of these relationships on the survival of the family business can be found in the literature on succession. For example, the quality of the relationship between the outgoing leader and the successor is, in many literature reviews, argued to be a critical determinant of the success of the succession process (Barach & Gantisky 1995:133; Dickinson 2000:70; Handler 1989a:33; Lansberg & Astrachan 1994:40,41). Various elements

have been used to describe the relationship between the stakeholders in a succession process (incumbent and the successor), *inter alia*, the ease of their work interaction; the enjoyment they derive from their work relationship; how much they accomplish when they work together; how much they learn from working with each other; a willingness to acknowledge each other's achievements; autonomy to make decisions; and the degree of trust, mutual support, open and earnest communication and complementary behaviour (Harvey & Evans 1995:10; Neubauer & Lank 1998:142; Rogal 1989; Seymour 1993:268). These relationship attributes are as applicable to the relationships between any family members working together, including between sibling partners, as they are to succession stakeholders.

In her study, Venter (2003:223-224) defines the relationship between the outgoing owner-manager and the successor as the extent of respect, trust, support and open communication that exists between them. Her empirical results reveal a positive relation between the factor relationship between the owner-manager and the successor, and satisfaction with the succession process. This finding would indicate that the more harmonious and positive the relationship between the owner-manager and the successor, the more satisfied those affected will be with the succession process. From his research, Goldberg (1996) concludes that effective successors have significantly better relationships with their fathers (the owner-managers) than less effective successors.

Despite overwhelming support for a positive relationship between the continued profitability of the business after succession and a harmonious relationship between the owner-manager and the successor (e.g. Barach & Ganitsky 1995; Handler 1989a; Lansberg & Astrachan 1994; Santiago 2000; Seymour 1993), upon re-specification of her model, Venter (2003:312) finds no significant influence of the relationship between the owner-manager and the successor, on the continued profitability of the business. In the same manner, Venter (2003:312) finds no significant relationship between family harmony and the relationship between the owner-manager and the successor.

Seymour (1993:276) reports a significant correlation between the quality of the work relationship and succession planning for owner-manager respondents, but

not for successor respondents. Her results concur with those of Lansberg and Astrachan (1994), who suggest that the quality of the work relationship between owner-manager and successor mediates the association between successor training and both family cohesion and family adaptability.

Despite the findings of Venter (2003) that no significant relationship exists between family harmony and the relationship between the stakeholders in the succession process, or the support offered by Seymour (1993) and Lansberg and Astrachan (1994), that the relationship between the owner-manager and successor acts as a mediating variable, ample anecdotal evidence does exist to support a positive relationship between a *Sibling bond* and *Family harmony*. According to Aronoff et al. (1997:65), family harmony depends on the quality of the relationships between family members. Consequently, it is necessary to subject the strong anecdotal evidence to further empirical testing and it is therefore hypothesised that:

*H<sup>11d</sup>: There is a positive relationship between a Sibling bond and the Perceived success of the Sibling Partnership.*

*H<sup>12d</sup>: There is a positive relationship between a Sibling bond and Family harmony.*

## **6.6 RELATIONAL-BASED (PEOPLE) INDEPENDENT VARIABLES RELATING TO EFFECTIVE SIBLING TEAMS**

In Gladstein's (1984:513) study, the team process construct formed two components, namely intragroup processes and boundary management. This finding implies that team members saw the behaviour necessary to interact with the organisational environment as separate and distinct from internal activities. The teams in Gladstein's (1984) study, like many other organisational teams, needed to procure resources and information, manage interdependencies, and transfer group output to others. Yet group members who work well together may not be aware of the need, or have the ability, to transfer information and enthusiasm for their work to outsiders. Clearly, in organisational settings, many groups cannot work in isolation and need to manage their boundaries and adapt to their organisational environment.

Research indicates that the succession process is not limited to the founder and the successor, but is a complex process that includes all stakeholders, inside and outside the family business. Resistance to succession comes from multiple levels, including individuals, groups, the family business organisation and its external environments. Resistance can, for example, derive from the founder-entrepreneur, successors, siblings, and other family and non-family members (Yan & Sorenson 2006:235). Similarly, in a Sibling Partnership, the siblings are not the only stakeholders in their partnership. Sibling partners are, for example, not isolated from or unaffected by the emotions and actions of other family or non-family members, specifically those who are key stakeholders in the business. Taking cognisance of stakeholder theory and the descriptions of stakeholders as discussed in Chapter 5 (Section 5.6), it is clear that other family members as well as non-family members constitute key stakeholder groups of Sibling Partnerships. Consequently, the following hypotheses are formulated:

*H<sup>13</sup>: There is a positive relationship between the involvement of other people (Parents, Other family members and Non-family members) in the family business and the Perceived success of the Sibling Partnership.*

*H<sup>14</sup>: There is a positive relationship between the involvement of other people (Parents, Other family members and Non-family members) in the family business and Family harmony.*

The quality of the relationships and interactions not only between the siblings themselves (sibling bond), but also between the siblings and other family members such as parents, spouses and non-active sibling shareholders, impacts on the ability of the sibling partners to work together as an effective team (see Section 5.7). Similarly, the relationships and interactions between the siblings and non-family members, as discussed in Chapter 4 (Section 4.6.2.4), impact on the ability of the siblings to work together. Anecdotal and empirical evidence supporting the inclusion of each of these *relational-based* (people) factors in the conceptual model, as well as the (sub) hypothesised relationships, will now be discussed.

### 6.6.1 Parental involvement

*Parental involvement* refers to the present and the past involvement of parents in the relationship between the sibling partners. This construct incorporates the present involvement and interference of parents in the business and in the relationship between the siblings, as well as the past involvement of parents in the relationship between the siblings, while the siblings were growing up.

An overwhelming amount of anecdotal evidence exists, suggesting that parents impact the success of a Sibling Partnership (Aronoff *et al.* 1997:1; Swogger 1991:406; Ward 2004:89). This influence of parents on the ability of siblings to work together, on their relationship and on the success of the family business, occurs as a result of both the *past* (Aronoff *et al.* 1997:9; Friedman 1991:16; Lansberg 1999:78,159; Ward 2004:28,45) and the *present* (Friedman 1991:4; Harvey & Evans 1995:6,9; Lansberg 1999:256; Sharma 2004:10) behaviour of parents.

According to Swogger (1991:406), a relationship exists between the capacity of siblings to work together and the extent to which they have become emotionally independent of their parents. Rigid emotional ties to parents can paralyse a successor generation. Cicirelli (1980) finds that parents who promote a family culture with balanced independence and loyalty among siblings, foster respect for each person's differences and allows each family member to cultivate a healthy self-esteem. Consequently, individuals with sufficient freedom come together for work or pleasure because they want to and not out of guilt (Rodriguez *et al.* 1999:463).

Handler (1992:289,291) concludes that the degree of individuation or differentiation that exists from parents has important implications for the successor's quality of experience of the succession process. Handler (1992) asserts that an individual's inability to conceptualise his/her role in the family as distinct from his or her parents, has an important effect on his or her personal experience in the family business. Individuals with inadequate boundaries between them and their parents find it hard to feel good about their contributions to the business.

If parents are alive they can continue to exercise enormous influence on the sibling team (Aronoff *et al.* 1997:7). For example, the continued presence of the senior generation in the family business can act as an annoyance to other family members and employees involved in the business (Aronoff *et al.* 1997:57; Davis & Harveston 1999:314; Harvey & Evans 1995:9). Davis and Harveston (1999:319,321) reveal that the continued post-succession presence of the senior generation in the family business has a major influence on the level of conflict in the organisation. They report that conflict is higher among second-generation family firms when the founder or spouse remains active in the family business, than when they are no longer active. The continuous involvement of the founder in the business should ideally create a working environment with more patience, empathy, support, reinforcement, and harmony. Unfortunately, the preponderance of evidence suggests the opposite. In their study Davis and Harveston (1999:311) confirms that the existence of the generational shadow of the founder is the primary mechanism driving the increased conflict in second-generation-led family businesses.

Sharma (1997) has established that while the propensity of successors to take over the business is an important influencer of the owner-manager's satisfaction with the succession process, it does not influence the successors' satisfaction with the process. However, the propensity of owner-managers to step aside is an important influencer of the successors' satisfaction with the succession process (Sharma 1997:232; Sharma, Chua & Chrisman 2000:241). Ciampa and Watkins (1999:162) also find that a reluctance on the part of the founder to step down is one of the dominant drivers of failed successions. Venter (2003:305) reports that the financial security of the owner-manager and the business is an important determinant of the respondents' satisfaction with succession, as well as their perception of the continued profitability of the business. She concludes that the more financially secure the owner-manager and the business are at the time of the owner-manager's departure, the more likely the business is to continue to be profitable, and the more satisfied all the stakeholders will probably be with the succession process.

Despite that most anecdotal and empirical evidence suggests that parents have a negative influence on the functioning of a Sibling Partnership, the following is hypothesised:

*H<sup>13a</sup> : There is a positive relationship between Parental involvement and the Perceived success of the Sibling Partnership.*

*H<sup>14a</sup> : There is a positive relationship between Parental involvement and Family harmony.*

### **6.6.2 Involvement of other family members**

The factor *Involvement of other family members* refers to the involvement and interference of non-active sibling shareholders and spouses of sibling partners, both in the business and in the relationship between the sibling partners.

Non-active sibling shareholders are able to exercise considerable influence on the ability of the siblings to work together, and on the success of the Sibling Partnership (Aronoff et al. 1997:44; Brigham 2004; Gersick et al. 1997:45; Lansberg 1999:338; Maas et al. 2005:104; Van der Heyden et al. 2005:10). The influence of dissatisfied non-active sibling shareholders manifests itself in a variety of ways, amongst others, through the sabotaging of business operations, interfering with business decisions, and stimulating conflict (Underpowered Sibling or Cousin Syndicates? 2003; Maas et al. 2005:104). Non-active sibling shareholders, whose financial and participation needs are satisfied, are, however, good for both the business and the family (Gersick et al. 1997:45; Lansberg 1999:279).

The behaviour of spouses/in-laws is an especially important factor that influences whether the sibling team will be able to work together successfully and in a manner that is reasonably harmonious (Aronoff et al. 1997:1; Gersick et al. 1997:47). An unhappy and angry spouse can threaten the survival of a Sibling Partnership, whereas a happy spouse can support a Sibling Partnership and contribute to its strength (Aronoff et al. 1997:22,37; Galbraith 2003; Lansberg 1999:137; Schiff Estess 1999). Regardless of a spouse's degree of direct participation in the business, spousal behaviour permeates family relationships

and can affect business performance by influencing the entrepreneur's attitudes, resources, and motivation toward the business (Poza & Messer 2001; Van Auken & Werbel 2006:50).

The joining of spouses/in-laws makes family relationships more complicated, conflict normally intensifies (Zheng 2002:290) and in-laws are often seen as being responsible for this (Aronoff *et al.* 1997:21; Gersick *et al.* 1997:165; Lansberg 1999:137; O'Bee 2001:28). Spouses often become the loudest voice of conflict between siblings (Gersick *et al.* 1997:165), and in many cases siblings are unable to resolve conflict between them because of meddling in-laws (Underpowered Sibling or Cousin Syndicates? 2003). Davis and Harveston (1999:319) reveal that conflict is higher among second-generation family firms when the spouse remains active in the family business and lower when the spouse is no longer active in the family business. In her study, Van Stormbroek's (2007:94) reports mixed feelings concerning the impact of spouses on the ability of siblings to work together. Most siblings agreed that the involvement of in-laws was not a good idea. In their study Fahed-Sreih and Djoundourian (2006:232) find that non-family members in leading positions seem to be more acceptable than spouses/in-laws in these positions. They ascribe this finding to a lack of conflict history with non-family members, as would be more likely in the case of family members and (or especially) spouses.

Spouses/in-laws can be trusted as employees (Schiff Estess 1999), are often more objective than family members, and usually have a keen understanding of the causes and effects of conflict in the family business (Maas *et al.* 2005:119). Although the issue of whether to include spouses in family governance structures continues, the so-called "best practices" seem to have settled on a determination that, all things considered, its better to include spouses (Hauser 2004:50). Despite the findings of Davis and Harveston (1999), and given that most anecdotal evidence suggests that other family members have a negative influence on the functioning of a family business, the following is hypothesised:

*H<sup>13b</sup> : There is a positive relationship between the Involvement of other family members and the Perceived success of the Sibling Partnership.*

*H<sup>14b</sup> : There is a positive relationship between the Involvement of other family members and Family harmony.*



### 6.6.3 Non-family involvement

In this study the factor *Non-family involvement* refers to the extent to which non-family members are involved in the family business. This involvement could be either as an employee, advisor or member of the board of directors, amongst other positions.

Outsiders or non-family members have an important impact on the success and growth of the family business (Sharma 2004:14; Ward 2004:55). For example, the use of non-family or outside advisors such as jurists, fiscal experts, business economists, psychologists, and therapists has been advocated among family businesses (Barach & Gantisky 1995:141; Donckels & Lambrecht 1999:183; Passing on the crown 2004; Ward 2004:50). Robinson (1982:315) has established that the small businesses participating in his study, that engaged outsiders in their strategic planning, experienced significantly higher increases in effectiveness than their counterparts that had not. Malone, (1989) finds a positive correlation between the percentage of outsiders on the board of directors and the level of continuity planning in the business.

The use of external perspectives during the succession process, for example, is also becoming increasingly popular (Barnes & Hershon 1989; Smyrnios, Tanewski & Romano 1998; Venter 2003:210). In his research, Sorenson (2000:197) finds that consulting with outside professionals is highly correlated with both business (financial) and family outcomes. Similarly, Gladstein (1984:514) reports that technical consultation with others by team members is positively associated with self-reported measures of team effectiveness. Outsider expertise improves the quality of discussions about strategy, improves decision-making, and increases the chances of business survival (Mustikallio *et al.* 2002:210).

Respondents in Van Stormbroek's study (2007:95) cite numerous advantages arising from employing non-family members; these include non-family employees being less emotional and more objective, as well as providing additional resources (skills and assistance). Disadvantages cited relate to untrustworthiness, dishonesty, causes of frustrations, and often being difficult to keep happy.

Family businesses have been strongly encouraged to bring in outsiders to balance management teams and boards. According to Dunn (1999:54), although this is clearly good advice, it seems that a proviso should be added to ensure that families and advisors learn how to tell when an advisor has lost his or her objectivity. Her findings are consistent with Lansberg's (1988) succession conspiracy theory, in which non-family people in the system can sabotage management and leadership transitions (Dunn 1999:54). Despite the reservations suggested by Dunn (1999) and Lansberg (1988), concerning the involvement of non-family members in the family business, sufficient anecdotal and empirical evidence is presented above to hypothesise that:

*H<sup>13c</sup> : There is a positive relationship between Non-family involvement and the Perceived success of the Sibling Partnership.*

*H<sup>14c</sup> : There is a positive relationship between Non-family involvement and Family harmony.*

## **6.7 PROCESSES AS MEDIATING VARIABLES**

As previously mentioned (in Chapter 4), the dominant way of thinking about team effectiveness is the input-process-output (I-P-O) model. The I-P-O model posits that a variety of inputs combine to influence intra-group processes, which in turn affects team outputs (Barrick et al. 1998:377). According to Campion et al. (1993), Gladstein (1984), Hackman (1987), as well as Landy and Conte (2004), inputs have a direct effect on team outputs, as well as an indirect effect on outputs through team processes. Process variables thus contribute towards team effectiveness and act as a mediator between input and output (Gladstein 1984; Hackman 1987; Doolen et al. 2006:140). As mentioned in Section 6.5, intra-group processes refer to the interactions that take place between team members. *Mutual respect and trust*, *Open communication*, *Fairness*, and the *Sibling bond* are the process variables that reflect the interaction between the sibling partners in the present study.

### **6.7.1 Input and process variables**

In their study, Doolen et al. (2006:146,149) find evidence to support the contention

that team processes mediate the relationship between input variables, such as resource allocation, management support and access to information, and team member satisfaction. Doolen et al. (2006:148) also suggest that the effects of organisational context variables, as they relate to team member satisfaction, may not be accurately reflected by looking at the direct relationship between organisational context and satisfaction. Rather, it may be necessary to look also at the relationship between organisational context and task processes. Similarly, Kozlowski and Ilgen (2006:100) conclude, after evaluating the model of Campion et al. (1993,1996), that the process factors tend to have stronger bivariate relationships with team effectiveness than the other characteristics do, suggesting the possibility of a more complex model with processes as mediating factors.

In her study, Gladstein (1984:509,511,514) finds that the relationship between group structure and process is well supported by the data. The degree of structuring of activities (roles and goals clarified, norms set for how to do the work, and team control over work), the behaviour of the team leader, as well as size, influence both intragroup processes and boundary behaviours. She concludes that there is limited support for the structure-process-effectiveness relationship, and that process changes alone are unlikely to be successful, while structure continues to mould process. Governance structures, for example, are an input variable that facilitates and influences various process variables, including communication, fairness, and mutual respect and trust.

Governance structures facilitate communication by ensuring the open and ongoing sharing of information, ideas, opinions, attitudes, dreams and feelings (Gage et al. 2004:197; Maas et al. 2005:109; Schneider & Schneider 2002; Ward 2004:15). In addition, governance structures facilitate discussions involving sensitive and difficult issues (Gage et al. 2004:197). A culture of open family communication, reinforced by structured processes, is an integral precondition to creating a successful (family) governance process (Martin 2001:92).

Mustakallio et al. (2002:208,214) find support for their hypothesis, which posits that a larger variety of family institutions is associated with increased social interaction. They conclude that family institutions create opportunities for family members to meet and discuss issues, leading to increased interactions among

members of the owner family. Similarly, Poza et al. (1997:140) finds a positive correlation between the frequency of family meetings and the freedom to raise sensitive issues for discussion among family members. According to Sundaramurthy (2008:96), family meetings, councils, retreats and assemblies are systematic communication forums that are critical to positive family culture and also enable family firms to reinvest in inter-personal trust as the family and the business grows.

In matters of organisational governance, too much or too little trust can be problematic, and family businesses are challenged to develop governance mechanisms that permit the social building and sustaining of optimal trust (Steier 2001:354). Steier (2001:364,365) proposes that trust is a particularly prominent feature in the governance of family firms in the early stages of their development, and as family firms evolve through the stages of Sibling Partnerships and Cousin Consortiums, they often need to reinvest in trust and trust-building activities.

Explicit agreements and policies ensure that decision-making processes are run in a consistent and fair manner, contributing to commitment and trust in the family business (Schneider & Schneider 2002; Van der Heyden et al. 2005:12). According to Steier (2001:353) a significant body of literature emphasises the role of trust in organisational governance. Sundaramurthy (2008:96), for example, suggests that transparent rules, as well as transparent compensation and performance appraisal policies, offer opportunities to build trust within family businesses. Although family businesses are challenged to develop governance mechanisms that permit the building and sustaining of optimal trust, relatively little is known about the dynamics of trust within these unique businesses (Adendorff 2004:340). According to Adendorff (2004:333), a culture of open family communication, reinforced by structured processes, is an integral precondition to creating a successful (family) governance process (Martin 2001:92; Neubauer & Lank 1998; Ward 1997). His research, however, reveals a negative relationship between trust and perceived good governance. Adendorff (2004:430) suggests that the respondents in his study were probably of the opinion that increased governance would negatively influence feeling of trust among family members.

Engaging communication from all concerned is the first step in building fairness into a process (Van der Heyden *et al.* 2005:10). A person's capacity to accept an unequal allocation is invariably enhanced if he/she feels that he/she understands the issues and has participated in determining the distribution of rewards (Lansberg 2001). Fair processes can be achieved by putting policies in place that focus on competence and earned privilege (Ward 2004:51,53), as well as guidelines that assist in achieving fair treatment for all (Gersick *et al.* 1997:154).

Based on the discussion above it is necessary to subject the relationships between the various input and process variables to further testing. Consequently, it is hypothesised that:

*H<sup>15</sup>: There is a positive relationship between the input variables (the context, composition and structure categories) and the process variables.*

### **6.7.2 People and process variables**

Sibling relationships in adulthood are most effective and most conducive to collaboration, when driven by the need of the siblings acting as autonomous adults, not as children still vying for parental approval and attention (Handler 1991,1992; Friedman 1991). To the extent that parents still control the relationship, even if only psychologically, it is difficult for siblings to develop the competence needed to maintain responsible relations with one another (Friedman 1991:10). According to Friedman (1991:9), when parents compare sibling, allocate attention equally but not equitably, and intrude on siblings' attempts to resolve conflict, siblings develop hostile rivalries in childhood that can and do persist through their entire lives. Friedman (1991:6,7) and Sharma *et al.* (1997:15) argue that although competition for parental love and attention spurs sibling rivalry, the response of parents has a major influence on the type of relationship that develop among the children. Friedman (1991:4) concludes that parental behavior is often the cause of difficulties in sibling relationships.

Siblings who, as children, are encouraged to express strong differences directly, ultimately experience more intimacy because their fights are honest and out in the open. Healthy sibling loyalty is taught by nurturing parents who have learnt how to

resolve their own conflicts and have enough love left over to offer their children (Frankenberg 1997:32; Frankenberg 2003:11). Consequently, the survival and success of a sibling team comes largely from the interpersonal skills that the siblings learn as youngsters at home (Aronoff *et al.* 1997:9,13,14,16; Lansberg 1999:97; Ward 1997:328; Ward 2004:197).

Much anecdotal and editorial evidence suggests that non-active sibling shareholders are able to exercise considerable influence on the ability of the siblings to work together (Aronoff *et al.* 1997:44; Brigham 2004; Gersick *et al.* 1997:45; Handler 1991:29,31; Lansberg 1999:338; Maas *et al.* 2005:104; Van der Heyden *et al.* 2005:10; Whiteside *et al.* 1993:20,21). The behaviour of spouses in particular, is an important factor that influences whether the sibling team will be able to work together successfully and in a manner that is reasonably harmonious (Aronoff *et al.* 1997:1; Gersick *et al.* 1997:47). Spouses can either strengthen or weaken the sibling group and are thus critical to the success of a Sibling Partnership (Aronoff *et al.* 1997:17; Challenges & Dilemmas n.d.; Gersick *et al.* 1997:47,165; O'Bea 2001:28; Underpowered Sibling or Cousin Syndicates? 2003).

Given the anecdotal and editorial evidence presented above, as well as the discussions in Section 6.6.3, suggesting that other people (both family and non-family members) have an influence on the interaction or processes between the siblings, the following is hypothesised:

*H<sup>16</sup>: There is a positive relationship between the involvement of other people (Parents, Other family and Non-family members) and the process variables.*

## **6.8 INFLUENCE OF ADDITIONAL ELEMENTS**

This study attempts to assess the impact that factors identified in the teamwork, family systems and family business literature have on the *Perceived success* of Sibling Partnerships. These selected factors pertain to certain task-based or input variables (*Internal context, Complementary skills, Division of labour, Shared dream, Governance, and Leadership and planning*), as well as to certain relational-based or process factors (*Mutual respect and trust; Open*

*communication; Fairness; and the Sibling bond*). In addition, other relational-based factors have also been identified (*Parents, Other family and Non-family members*) as impacting the *Perceived success* of a Sibling Partnership. Based on secondary sources, however, it is suggested that certain demographic factors also have a significant influence on the ability of siblings to work together. These demographic factors relate to, amongst others, birth-order, age and gender of the siblings; stage of team development and levels of education; size, age and nature of the business; and ethnicity.

### **6.8.1 Birth-order, age and gender of the siblings**

Factors such as birth-order, gender and age gap can significantly contribute to who people are, how they are treated, how they behave, and how they interact in the world as adults (Corey 1996:139; Frankenberg 2003:11; Reece n.d.). Birth-order alone, which is an especially important aspect of a sibling relationship (Gersick et al. 1997:78), establishes such a powerful pecking order that it affects personality throughout life (Frankenberg 1997:28; Frankenberg 2003:11). Consequently, birth-order and the subsequent age gap between siblings can affect the ability of brothers and/or sisters to work together as a team (Aronoff et al. 1997:9,10; Whiteside et al. 1993:33).

Some empirical research has found support for a relationship between offspring involvement in the family business and birth-order (e.g. Goldberg & Wooldridge 1993; Lansberg 1988; Van der Merwe 1999). Older children are the first to enter the business, and get tremendous advantages, which can stir up rivalries and leave younger siblings with resentments that will influence their relationships for the rest of their lives (Aronoff et al. 1997:10; Gersick et al. 1997:78,79; Lansberg 1999:173,174).

When daughters and younger sons rank higher than older or eldest sons in the family business they become figures in incongruent hierarchies. This incongruence complicates relationships and can lead to discomfort, tension and agony for all members of the family (Barnes 1988:9-20; Harvey & Evans 1995:6; Smith 2004; Zbar 2004:93). To preserve family harmony, choosing a younger son or daughter as successor is often discouraged (Brockhaus 2004:168). Succession practices,

such as those found among certain ethnic groups in South Africa, where the family business is handed over to the youngest son, can be problematic for sibling relationships (Raphaely 1993:270). Similarly, in Chinese culture, even though older and younger brothers are not equal in their relationship, they have equal rights to inherit family property. The result is coparcenary, which means that the family equally divides or equally shares ownership (Yan & Sorenson 2006:239). This, too, can be problematic for sibling relationships.

Venter (2003:322) does not find a relationship between the age of her respondents (the owner-manager and successor) and the continued profitability of the business. In contrast, Davis (1982) has found support for his hypothesis that the life stages of fathers and sons who work together directly, influence the quality of their work relationship. Each life stage has key developmental tasks relating to acceptable relationships, careers, and personal aspirations or “life structures” (Levinson 1978). Having a less-than-satisfactory life structure can impede the progress of the next series of developmental tasks (Dunn 1999:44). Similarly, it can be expected that if the age gap between sibling partners is such that they are in different life stages, this can be problematic for their working relationship.

Poza et al. (1997:145,147) find that when compared to other demographic variables, such as length of work experience in the firm, salary, gender, or years of college education, an individual’s age is a better predictor of that individual’s perception of the organisation’s practices and culture. They conclude that age is a more important factor in understanding family and family-business practices and processes than is generally assumed.

Cowie (2007:74) reports a significant difference between the demographic variable gender and norms within the management teams that participated in her study. Female team members experienced clearer norms and expectations within their management teams than males did.

### **6.8.2 Stage of team development and level of education**

The nature of interactions between team members changes over time (Hitt et al. 2006:417). Team members usually need to spend some time together before the



team can fall into place and begin to function most effectively (Hellriegel et al. 2004:340; Keen 2003:17; Nelton 1996:54). A widely cited model of team development is the five-stage model (Tuckman 1965; Keen 2003:17), which assumes that teams typically proceed through five stages of development, (Hellriegel et al. 2004:341; Hitt et al. 2006:417; Ivancevich et al. 2005:326; Robbins 2003:220), and that they become more effective as they progress through the stages one to four (Robbins 2003:222).

According to Van Stormbroek (2007:112,113), only one of the Sibling Partnerships interviewed in her study reports poor levels of both financial performance and family harmony in their business. This same partnership also reports a poor personal and working relationship between the sibling partners. Incidentally, this Sibling Partnership was in existence for less than a year, whereas all the others, who reported satisfactory levels of harmony and financial performance, were in existence for eight years or more.

According to Cowie (2007:73-80), respondents with a management qualification perceive their management team to hold more constructive team meetings and possess a more effective feedback system than respondents without a management qualification. She does, however, report no significant differences with regard to operational abilities or perceived success of the management team and management qualifications.

### **6.8.3 Size, age and nature of the business**

Storey (1994) and Porter (1980) find a significant influence of demographics such as firm size, industry, firm age, and location type on management practices and firm performance (Jorissen et al. 2005:230). Like individuals, families are unique. Both the societal culture and the upbringing of the family members affect the configuration of a family business. The age and size of the business, its ownership structure, and its objectives also affect the configuration (Santiago 2000:32).

Effective teams consist of the smallest number of people needed to do the work. Coordination is difficult and members have difficulty communicating directly with each other when teams are too large (Hellriegel et al. 2001:238, 239; Ivancevich et

al. 2005:341). As teams become larger the emotional identification and sense of deeply shared commitment becomes more difficult to establish and maintain (Hellriegel et al. 2001:238), mutual accountability and cohesiveness decline, and social loafing is more likely to occur (Robbins 2003:265). Similarly, Mustakallio et al. (2002:208,214) find support for their hypothesis proposing that family size is negatively associated with social interaction. As the owner-family grows larger, natural occasions for interaction diminish and social ties become weaker.

Cowie (2007:74-76) reports higher annual turnover to be associated with teams that possess clearly established norms and expectations, are better composed, and experience greater levels of freedom. She also finds that in businesses employing large numbers of employees, a greater ability of management team members to operate efficiently exists. Venter (2003) and Malone (1989), however, finds no significant relationship existing between the number of employees and the continued profitability of the business or business continuity planning.

In their study on predicting business tensions, Danes et al. (1999:247) investigate whether selected family and business characteristics statistically help to explain business tensions. Their results reveal that the age of the business has a positive and statistically significant contribution to tensions over lack of role clarity and unfair workloads among business managers; older businesses, for example, experience more tensions over lack of role clarity and unfair workloads. The age of the business is also a factor in explaining the variance in issues of unfair compensation and workloads among household managers. In older businesses, for example, household managers express higher tensions over issues of compensation and workloads. Murphy (2005:131) finds that neither the size nor the age of the family business have any significant influence on responses concerning the most important issues facing the family business. Cowie (2007:73,80) also reports that there are no significant differences between the demographic variables tenure (how long the business has been in operation) and the factors operational efficiency (both the ability and desire to operate efficiently) or perceived success. This finding implies that the age of the business has no impact on the operational efficiency of the management team or perceived success of the business.

In addition, Cowie (2007:73,80) does not find any significant differences between the demographic variable nature of the industry and operational efficiency or perceived success. Her finding implies that the nature of the industry in which the business operates, has no impact on the operational efficiency of the management team or perceived success of the business. She does, however, report significant differences between the demographic variable forms of business enterprise, and the operational efficiency of the management team, the levels of coordination among team members, the freedom and openness that exists between the management team members, and with perceived success. Venter (2003:320), on the other hand, does not find any significant differences between both the demographic variables business sector (nature of industry) and form of business enterprise, and the factor continued profitability of the business. Her finding implies that the sector in which the business operates and the form of business enterprise adopted, have no significant effect on the continued profitability of the business.

#### **6.8.4 Ethnicity**

Ethnicity provides important cultural foundations for norms and expectations in family businesses (Yan & Sorenson 2006:235). For example, Sorenson (2000:198) concludes that cultural characteristics (undoubtedly) influence the nature of leadership and its effect on the family businesses that participated in his research. In addition, it has been found that even the interpretation of what constitutes a family business varies across cultures (Birley 2001; Getz & Petersen 2004:260).

The general success of Chinese firms operating overseas has raised interest in the influence of Chinese ethnicity on business performance (Yan & Sorenson 2006:235). Studies have shown that traditional Chinese family values and interpersonal patterns contribute to business success (Richter 2002; Yan & Sorenson 2006:236). There are, however, significant differences between the Chinese and Western cultures with regard to business activities (Tsai, Hung, Kuo & Kuo 2006:11).

Patterns of communication, modes of conflict resolution, the importance given to education, the divorce or separation rate, and the position of women vary between different ethnic and religious groups. It has been suggested that these differences

have a significant influence on many characteristics of family businesses (Perricone, Earle & Taplin 2001:116; Sharma 1997:39), and could indirectly influence the ability of the siblings to work together.

Cowie (2007:74,75) reports that Black and Asian management teams experience lower levels of trust between team members and also perceive their context (infrastructure) to be in a poorer state than that of other racial groups. White respondents in her study experience higher levels of freedom and openness among members of their management team than do other racial groups. Cowie (2007:73-79) also reports a significant difference between the factor operational efficiency-desire and the variable population group. In her study the factor operational efficiency-desire measures the extent to which managing team members are willing to share work-related information, cooperate with each other to get the work done, help each other when necessary, and support each other in tasks. White management teams are found to have a greater desire to operate efficiently than other racial groups. She also reports that white respondents in her study indicate a better ability to coordinate efficiently with other members of their management team, than do respondents from other racial groups. However, she reports no significant differences with regard to operational efficiency-ability or perceived success and population group. Based on the discussion above, it was decided to test the influence of selected demographic variables on the outcomes of a successful Sibling Partnership. Consequently, it is hypothesised that:

*H<sup>0a</sup>: There is no relationship between Demographic variables and the Perceived success of a Sibling Partnership.*

*H<sup>0b</sup>: There is no relationship between Demographic variables and Family harmony in a Sibling Partnership.*

*H<sup>0c</sup>: There is no relationship between Demographic variables and the perceived Financial performance of a Sibling Partnership.*

## 6.9 SUMMARY

In this chapter a conceptual model was presented of various factors impacting the effective functioning of a Sibling Partnership. This conceptual model was based on existing I-P-O models as well as on a review of team effectiveness and family business literature.

For the purpose of this study 5 main categories of independent variables influencing the *Perceived success* of sibling teams were identified. The variables in 3 of these categories are task-based (input variables), namely, the *context*, *composition* and *structure* categories; whereas the variables in 2 of the categories are relational-based, namely the *processes* and *people* categories. Each of these 5 categories consists of numerous underlying components that are hypothesised to relate to measures of effectiveness of sibling teams. Anecdotal, editorial and empirical evidence from both the teamwork and the family business literature was presented to support the hypothesised relationships between the 13 underlying *input*, *process* and *people* components, and the 3 *effectiveness variables* (*Perceived success* of a Sibling Partnership, *Financial harmony* and *Financial performance*). In line with existing I-P-O models of team effectiveness, it was also hypothesised that certain process variables mediate the relationship between both the input and people variables, and measures of sibling team effectiveness.

Based on the aforementioned factors, 16 relationships were hypothesised. A number of sub-hypotheses were also elaborated on. In addition, it was hypothesised that demographic variables have no significant influence on the outcomes of a successful Sibling Partnership, namely *Family harmony*, *Financial performance* and *Perceived success*.

In Chapter 7 the research methodology used for this study will be presented. Specific attention will be given to the population studied and the sampling technique; the data collection method; the design, reliability and validity of the measuring instrument; and the data analysis techniques employed.

## CHAPTER 7

**RESEARCH METHODOLOGY****7.1 INTRODUCTION**

Valid research generates dependable data that is derived by professionally conducted practices and standards of scientific method (Cooper & Schindler 2007:22). The features and purpose of research evolve around the fact that research entails a process of thorough and rigorous enquiry and investigation, which is systematic and methodical in nature, and aimed at fulfilling the need for knowledge (Collis & Hussey 2003:1; Han 2006:18; Zikmund 2003:5,6).

The outcomes of research and the quality of the findings are directly related to the validity of the research methodology employed (Mouton & Marais 1991:198). Consequently, it is important that the data sourcing and data collection methods are clearly outlined. According to Cooper and Schindler (2007:23) the omission of significant procedural details makes it difficult or impossible to judge the validity and reliability of the data, and justifiably weakens the confidence that can be placed in the results, as well as any recommendations based on those results.

In Chapter 1 the primary objective of this study was presented, namely to investigate and empirically test the influence of various factors on the success of Sibling Partnerships among South African small and medium-sized family businesses. The purpose of this chapter is to describe the research methodology that was employed to address this primary objective.

In this chapter a brief description of the preliminary assessment that was undertaken of the proposed conceptual model, will firstly be provided. Secondly, an introduction to the population studied, as well as a description of the sampling unit and sampling technique is given. This is followed by the operationalisation of the independent, intervening and dependent variables, as well as an explanation of how the measuring instrument was developed and administered. In addition, the demographic information pertaining to respondents is summarised. The statistical analysis performed, to assess the validity and reliability of the results, will be

explained; and finally a brief description of the Structural Equation Modelling (SEM) technique, which was used to verify the proposed conceptual model, will be presented.

## **7.2 PRELIMINARY ASSESSMENT OF THE MODEL**

Upon completion of the literature study, a conceptual model of factors hypothesised to influence the success of a Sibling Partnership was constructed. It is this proposed conceptual model and the factors from which it is built that constitute the focus of the empirical investigation. Prior to developing the measuring instrument, the opinions were solicited of a number of academics specialising in the field of family businesses and small and medium-sized enterprises, as well as several practising sibling partners, concerning the proposed conceptual model. In addition, the model was presented at two national and one international academic conference. The ensuing discussions focused on identifying potential shortcomings to the model, the face validity of the proposed theoretical model, measuring instruments that could be used to measure the constructs, and potential difficulties inherent in the research methodology.

At the end of the preliminary assessment a few minor changes were made to the proposed conceptual model. The model was then subjected to formal testing among sibling partners currently operating as Sibling Partnerships, as well as among sibling partners who had previously been in business together.

## **7.3 QUANTITATIVE TESTING AND ANALYSIS**

### **7.3.1 Population studied**

A *population* or *universe* refers to any *complete group* or body of people, or any collection of items under consideration for the research purpose (Collis & Hussey 2003:155; Zikmund 2003:369). For the research in question, however, the population, or complete body of Sibling Partnerships in South Africa, could not be ascertained. Despite the fact that family businesses make up a substantial proportion of South African businesses, accurate figures on the size of this population are not available (Venter 2003:220). In addition, no lists distinguishing

family from non-family businesses are available in either South Africa or in most other countries (Flören 2002:70; Van Der Merwe & Ellis 2007:27; Venter 2003:220). This lack of existing databases of family businesses, together with their traditionally secretive nature, has made family businesses a problematic unit of study (Santiago 2000:18).

Two databases of family businesses were, however, identified and used to initiate the sampling process. The first database used is one developed by Venter (2003) in her study on the succession process of small and medium-sized family businesses in South Africa. Venter's (2003) database contains a list of 1 038 family businesses throughout South Africa. The second database of family businesses used, was one developed by the Department of Business Management at the Nelson Mandela Metropolitan University. This database has been developed over the period 2001-2008 and is continually being updated. The names and details of 749 small and medium-sized family businesses, most of which operate within the Nelson Mandela Metropole, appear on this list. These two databases served as an initial sampling frame (list of names) from which the sampling units were identified. In addition, an advanced Google search of South African websites, using word combinations such as *brothers and business*, *sons and business*, *sisters and business*, *broers en besigheid*, and *susters en besigheid*, resulted in the names of 185 businesses involving siblings. In comparison to the aforementioned databases, the Google search resulted in the largest number of successful Sibling Partnership identifications.

### **7.3.2 Sample unit and sampling method**

A *sample* is a subset of a population or group of participants carefully selected to represent the population (Cooper & Schindler 2007:717; Collis & Hussey 2003:56), whereas the sampling unit or unit of analysis is the case to which the variables under study and the research problem refer, and about which data is collected and analysed (Collis & Hussey 2003:121; Zikmund 2003:262). According to Zikmund (1994:262), the *sampling unit* is a single element or group of elements subject to selection in the sample. For the purpose of this study, the Sibling Partnerships (businesses) were first identified and selected as the sampling unit, thereafter the sibling partners themselves were selected as respondents. Consequently the



sampling unit contained more than one element, the business representing the primary sampling unit and the sibling partners in the business, the secondary sampling unit.

Sampling methods can be divided into two main categories, namely probability and non-probability samples. Probability sampling occurs when every member of the population has a known-in-advance, non-zero probability of selection. Non-probability sampling, on the other hand, occurs when units of the sample are selected on the basis of personal judgment or convenience (Zikmund 2003:379). Convenience snowball (non-probability) sampling rather than pure random (probability) sampling was used in the present study, as is appropriate when sample populations cannot be readily identified using probability sampling methods (File & Prince 1996:173).

Convenience sampling (also called haphazard or accidental sampling) refers to the procedure of obtaining respondents (units or people) who are most conveniently available. Researchers generally use convenience samples to obtain a large number of completed questionnaires quickly and economically. Convenience sampling does not, however, always lead to representative samples (Zikmund 1994:367; Zikmund 2003:380). Snowball sampling, on the other hand, refers to a variety of procedures in which initial respondents may or may not be selected by probability methods, but in which additional respondents are then obtained from information provided by initial respondents. This technique is used to locate members of rare populations by referrals (Cooper & Schindler 2007:425; Zikmund 1994:370). In her study, Venter (2003:221) found that following up on referrals proved to be the most effective approach, and yielded the majority of respondents who participated in her study.

In order to implement convenience snowball sampling and to ensure sufficient respondents, the sampling process in the present study was initiated by contacting family businesses on the two databases, as well as those identified via the Google search, as was previously mentioned. Respondents from the databases as well as research associates, family and friends throughout South Africa were requested to identify potential sibling partner respondents. Once identified, suitability and willingness to participate in the study were confirmed telephonically, details were

captured on a database, and respondents were requested to identify other Sibling Partnerships that could be approached to participate in this study. These potential respondents were then also contacted telephonically and the process was repeated. This sampling technique and methodology is consistent with that of other family business researchers who have been constrained by the lack of a national database on family firms (Sonfield & Lussier 2004:195; Van Der Merwe & Ellis 2007:27; Venter 2003:221).

The sampling technique and procedure followed resulted in the identification of 1 323 potential sibling partners, either currently or previously involved in Sibling Partnerships.

### **7.3.3 Method of data collection**

The most common method of generating primary data is through surveys. A survey is a research technique in which information is gathered from a sample of people by using a questionnaire (Zikmund 1994:43). Surveys are chiefly used in studies that have individual people as the units of analysis, and are probably the best method available to the social scientist interested in collecting original data for describing a population too large to observe directly. Surveys are also excellent vehicles for measuring attitudes and orientations in a large population (Babbie & Mouton 2001:232).

In the present study the survey technique was employed to collect the raw data on the factors that potentially influence the success of Sibling Partnerships. A self-administered structured questionnaire was distributed to potential respondents by postal mail and email. The questionnaire was also made available to respondents online via the Internet. A self-administered questionnaire is common to a positivistic research paradigm (Collis & Hussey 2003:66) and is thus appropriate for this study.

In the sections below, the development of the measuring instrument will be explained. This discussion includes identifying the questions that determine whether respondents qualify to participate in the study or not, as well as operationally defining the variables of interest. The process followed to develop

valid and reliable scales of measure is also described, and the questionnaire-administering process is summarised.

#### 7.3.3.1 Instrument development

As mentioned above, a survey is a method of generating primary data by using a questionnaire. The task of developing a questionnaire, determining the list of questions, and designing the exact format of the printed questionnaire is an essential aspect of the development of a survey research design (Zikmund 1994:43). Collis and Hussey (2003:173) describe a questionnaire as a list of carefully structured questions, chosen after considerable testing, with a view to eliciting reliable responses from a chosen sample. The purpose of the measuring instrument in the present study was to source primary data to test the hypothesised relationships depicted in the conceptual model, and consequently to identify the factors influencing the *Perceived success* of a Sibling Partnership.

The measuring instrument developed for the present study (see Annexure A) comprised a covering letter and 3 sections. The cover letter provided details concerning the purpose of the study and the type of information being solicited. In addition, assurances of confidentiality, as well as instructions on how to respond to the statements and how to return the completed questionnaire, were provided in the cover letter. The survey was conducted under the auspices of the Unit for Applied Business Management, a registered research centre at the NMMU. The cover letter was printed on the official stationary of this unit.

Section 1 consisted of 94 statements (items) relating to various task and relational-based aspects influencing a sibling team, whereas Section 2 consisted of 6 statements relating to involvement of spouses and non-active siblings in the Sibling Partnership. In contrast to the other 94 statements, the 6 items in Section 2 were negatively phrased and contained words such as “do not” and “are not”. In order not to confuse respondents, these 6 items were placed together in a section separate from the other statements, and were not randomised.

Using a 7-point Likert-type interval scale, respondents were requested to indicate their extent of agreement with regard to each statement. Items were designed to

assess the factors influencing the success of the sibling team as perceived by the respondent. The 7-point Likert-type interval scale was interpreted as 1 = *strongly disagree* and 7 = *strongly agree*. Adopting an interval scale for the measuring instrument enables the required inferential statistical data analysis to be undertaken (Cooper & Schindler 2003:227-228; Leedy & Ormrod 2005:26-27) as interval measurement scales allow for the use of more advanced statistical procedures such as product moment correlation, t-tests, F-tests and other parametric tests (Blumberg, Cooper, Schindler 2005:376). The ability to undertake the aforementioned statistical tests was a strong motivation for using an interval scale in the present study.

Demographic information pertaining to both the respondent and the family business was requested in Section 3. This section included requesting information on gender, the number of siblings involved in the business and the gender make-up of the sibling team; ethnicity; age, age difference and birth-order; as well as sibling involvement, leadership and shareholding in the business. In addition, information was requested regarding the business itself, namely the time-span that the siblings had been working together as well as the tenure of the business itself; the number of full time employees; and the nature of business activities.

Preliminary tests or pilot tests are trial runs with a group of actual respondents, for the purpose of detecting problems in the questionnaire's instructions or design (Cooper & Schindler 2007:76). Preliminary testing could also involve screening the questionnaire with other research professionals (Zikmund 1994:216) such as colleagues, friends and respondent surrogates, to provide feedback in order to evaluate and possibly refine the instrument (Babbie & Mouton 2001:244; Cooper & Schindler 2007:76).

For the purpose of this study the questionnaire was subjected to a preliminary test among 29 actual and 10 surrogate respondents, to ensure ease of understanding, the relevance of the items included, the ease with which questions could be answered, and the time required for completing the questionnaire. In order to assess the content validity of the measuring scales, two research experts were also requested to scrutinise the questionnaire. These research experts were given the construct definitions of the different factors and asked to judge whether the

items in the measuring instrument were considered relevant, necessary, meaningful, and correctly worded. According to Nunnally (1978), the use of experts is an acceptable method for ensuring content validity. The first 29 questionnaires returned by actual respondents were subjected to a preliminary reliability assessment. Based on these initial reliability estimates and on feedback received, minor changes and corrections to the original questions were made before the questionnaire was finalised. The final items were then randomly sequenced, after which the questionnaires were printed and distributed.

#### 7.3.3.2 Qualifying questions

As previously mentioned, the unit of analysis is the case to which the variables under study and the research problem refer, and about which data is collected and analysed (Collis & Hussey 2003:121). For the purpose of this study a *sibling partner* is considered the unit of analysis. Sibling partners own and/or manage a family business in which at least 2 brothers and/or sisters, with a *familial bond*, are *actively involved* (but not exclusively) in the management and/or decision-making of the business, and exercise considerable *influence over decision-making*. This delineation places the *decision-making authority* of the family business in the hands of 2 or more siblings, regardless of whether or not they have legal ownership of the business.

If a person had previously been involved in such a Sibling Partnership, he/she also qualified to participate in the study. These respondents were requested to respond to the statements in a manner that related to how it was in the final year that they were involved with their sibling(s) in the business.

In order to ensure that the respondents qualified to participate in this study, a number of qualifying questions were posed to potential respondents when telephonically being asked to participate in the study. Similar questions were also included in the questionnaire. As this study focused on Sibling Partnerships in small and medium-sized family businesses, a number of questions in Section 3 of the questionnaire requested respondents to confirm that their family business could be described as a Sibling Partnership, either currently in operation or which had been in the past. Respondents were requested to indicate the number of

siblings with a familial bond, who had significant influence over the management and/or decision-making of the business as well as the amount of family shareholding. To confirm that the Sibling Partnership also qualified as a small or medium-sized family business, respondents were asked to indicate the number of full-time employees working in their business. Based on these qualifying questions, it was possible to limit response error to a minimum.

#### 7.3.3.3 Scale development and operationalisation of the dependent and intervening variables

Research involves the measurement of concepts and constructs, which requires more rigorous definitions than, for example, those found in a dictionary. Such definitions are known as *operational definitions*, which are stated in terms of specific criteria for testing or measurement. These definitions must specify the characteristics that can be counted or measured, and how they are to be observed. The specifications and procedures must be clear enough for anyone using these concepts to classify the object in the same way, as confusion about the meaning of concepts can destroy the value of a research study (Cooper & Schindler 2007:38). According to Hair *et al.* (2006:735), the process begins by defining the constructs, which provides a basis for selecting individual indicator items. The constructs are then operationalised by selecting the appropriate measurement scale items and the measurement scale type.

In the actual practice of social research, variables are often operationalised when researchers ask questions as a way of getting data for analysis and interpretation. Questionnaires represent a common and concrete illustration of the operationalisation process, and the questions themselves serve as the operationalisation of variables (Babbie & Mouton 2001:233). To operationalise the latent variables with specific constructs, a combination of the teamwork and family business literature discussed in Chapters 4 and 5, as well as exploratory factor analysis, was used in the present study.

A good measurement theory is essential to obtain useful results in any study and measurement quality enables valid conclusions to be drawn (Hair *et al.* 2006:735). In order to ensure the validity and reliability of the measuring instrument for the

present study, it was essential to define the variables of the proposed model accurately and clearly. According to Babbie and Mouton (2001:122), using established measures which have proved to be reliable in previous research, enhances reliability. In the present study, items from existing measuring instruments, that have proved to be reliable and valid in previous research studies, were used where possible. Where sufficient items were not available, the researcher formulated additional questions based on an intensive analysis of secondary sources to ensure that every variable in the measuring instrument was represented by at least 5 items. New scale development is appropriate when studying something that does not have a rich history of previous research (Hair et al. 2006:735).

The various operational definitions of the dependent and intervening variables will be given below. These definitions are based on an interpretation of secondary sources as well as existing empirical studies. A description will also be given of how the scales were developed to measure the selected variables.

(a) Perceived success

*Perceived success*, for the purpose of this study, is defined as the degree to which the siblings find their ongoing involvement in the Sibling Partnership to be satisfying. The extent to which the siblings experience their involvement as fulfilling and rewarding, as well as the extent to which the siblings are satisfied with the way that they work together, is incorporated into this construct. In developing the scale to measure the *Perceived success* of a Sibling Partnership, the literature (Handler 1991; Hellriegel et al. 2004; Hitt et al. 2006; Kreitner & Kinicki 1995; Lee 2006b; Sharma 2004; Sorenson 2000) regarding the outcome, namely satisfaction, for both family businesses and effective teams was consulted.

Both Sharma (1997:172) and Venter (2003:276) developed scales to measure the satisfaction of stakeholders with the succession process. Although Sharma's (1997:172) scale returned a high Cronbach-alpha coefficient (0.93), only one item from her 12-item scale requested respondents to indicate their extent of satisfaction with the succession process in general. Similarly Venter's (2003:276) 3-item scale measuring the satisfaction with the succession process, reported a

Cronbach-alpha coefficient of 0.71. Only 2 of Venter's items, however, related to measures of satisfaction. Even though the items developed by both Sharma and Venter related specifically to levels of satisfaction of stakeholders with the succession process, with adjustments to the wording these items are deemed appropriate to measure the level of satisfaction of the siblings with the functioning of their Sibling Partnership.

In his study Sorenson (2000:190) measured employee satisfaction and commitment using adapted measures of attitudes, originally developed by Cammann, Fichman, Jenkins Jr. and Klesh (1983). This measure of employee satisfaction included 3 items linked to a 7-point scale and returned a Cronbach-alpha coefficient of 0.91. Employee commitment included 2 items measured on a 7-point scale. The reliability for these 2 items was also high (Cronbach-alpha coefficient = 0.87). With adjustments to the wording, one of Sorenson's items was considered appropriate to measure the *Perceived success* of a Sibling Partnership in this study.

The Team Diagnostic Survey (TDS), designed by Wageman et al. (2005), assesses the various concepts of their model of team effectiveness. The TDS has 2 scales that measure team-member satisfaction, each of which is linked to a 5-point scale. The first scale of the TDS consists of 3 items that assess the satisfaction of team members with within-team relationships, and reports a Cronbach-alpha of 0.76. The second TDS scale measures the overall satisfaction of team members with the team. This second scale also consists of 3 items and reports a Cronbach-alpha of 0.84 (Wageman et al. 2005:387,388,391). Two items from these scales were deemed suitable to measure the *Perceived success* of a Sibling Partnership.

In order to measure the factor *Perceived success* of a Sibling Partnership in this study, a 5-item scale has been developed. These items were derived from those used by Sorenson (2000) and Wageman et al. (2005) to measure team-member satisfaction, as well as from items used by Sharma (1997) and Venter (2003) to measure satisfaction with the succession process. In most cases the wording of the aforementioned items had to be reworded and positively phrased to make the items more appropriate for the present study.



(b) Financial performance

In this study the factor *Financial performance* refers to positive trends of growth in number of employees and profits, as well as increasing revenue experienced by the Sibling Partnership.

In her study Lee (2006a:110) measured the financial performance of family businesses by looking at figures relating to employment growth, revenue growth, gross income (before taxes) growth, and net profit margin over a 10-year period. As revenue and profitability figures are difficult to obtain, File and Prince (1996:174) adopted an indirect method, which relied on self-reports by respondents of firm growth in the 5 years prior to the failure of the business. Sorenson (2000:185,190) measured financial performance by using 3 items. Respondents were required to compare their financial performance to major competitors in their industries to indicate whether they had earned profits in the past 5 years, and how these profits in the past 5 years could be characterised (declined or increased). Sorenson (2000:190) combined the 3 items because they represented long-term financial profits and because they loaded on the same factor in a principal-component factor analysis. He reported a Cronbach-alpha coefficient of 0.79 for this factor.

In her study, Venter (2003) used a scale that measured the continued profitability of the business, with 2 items on a 7-point scale. A Cronbach-alpha coefficient of 0.74 was reported. The items measured the successor's perception of whether the financial performance of the business had improved since the business had been handed over to him/her (Venter 2003:273). Adendorff (2004:357) defined profitability as enforcing a goal of profitability and crafting a strategy to achieve it. He used 3 items linked to a 7-point scale to measure this construct. A Cronbach-alpha coefficient of 0.74 was reported. The items referred to increasing revenues and financial security (Adendorff 2004:395). Similarly, Cowie (2007:55,60) measured whether small business owners perceived their businesses as successful by measuring their perception of growth in turnover, profits and employees. She used 4 items linked to a 5-point scale and reported a Cronbach-alpha coefficient of 0.74. King (2004:54) and Van der Merwe (2005:52) used this

same scale in previous studies. They reported Cronbach-alpha coefficients of 0.72 and 0.75 respectively.

In the present study a 6-item scale has been developed to measure the factor *Financial performance*. These items consisted of the 4 items used by Cowie (2007), King (2004:54) and Van der Merwe (2005:52), as well as 2 items developed by Adendorff (2004). Cowie's (2007) items measured the perception of financial performance in terms of growth in turnover, profits and employees, whereas in addition to increasing turnover, Adendorff's (2004) items related to the financial security of the business. The use of these items to measure financial performance is also supported by the studies of Lee (2006a), Venter (2003), File and Prince (1996) and Sorenson (2000), all of whom also used items relating to growth in profitability, as well as growth in employment and revenues, to measure financial performance. The wording of the items in this scale was, however, slightly adapted to make the items more relevant to the current study.

(c) Family harmony

For the purpose of this study the construct *Family harmony* is defined as mutual relationships between family members, which are characterised by closeness, caring and support, appreciation of each other, and concern for each other's welfare.

In her study, Sharma (1997:88) defined family harmony as the degree of mutual trust, understanding and respect amongst family members. She used 4 indicators for assessing the extent of family harmony experienced between family members during the succession process, namely, degree of respect, trust, emotional bonding, and openness of communication patterns among family members. These items were used in addition to a question asking the respondents to rate the degree of harmony amongst family members (Sharma 1997:89). Sharma (1997:153) reported a Cronbach-alpha coefficient of 0.92 for this scale. Three of Sharma's items, however, related to trust and respect, as well as to communication between family members, which in the present study were considered as separate constructs and operationalised accordingly.

In his study, Sorenson (2000) assessed family outcomes on a 7-point scale from *strongly disagree* to *strongly agree*, in which respondents were asked whether they agreed that their business delivered the family outcomes listed. These individual items were factor analysed resulting in 4 underlying constructs. The first construct, family independence and satisfaction, was made up of the items self-respect, financial rewards, financial performance, quality of work life, security for family, and family independence (alpha = 0.90). The second factor, tight-knit family, consisted of the items time to be with family, family cohesiveness, supportiveness and loyalty, and tight-knit family (alpha = 0.86). The third factor related to respect in the community, and the fourth factor to child and business development. From the aforementioned it can be suggested that the factor that most accurately represents family harmony, as defined in the present study, is that of tight-knit family (Sorenson 2000:190). Items from this factor were thus adapted for the current study.

Venter (2003:222) operationalised family harmony as the nature of mutual relationships (having concern for each other's welfare and having appreciation for each other), respect, trust, emotional bonding and openness of communication among family members. Based on the scale of Sharma (1997), Venter (2003) developed a 6-item scale to measure her construct of perceived family harmony. Venter (2003:223) developed 2 additional items to specifically test the nature of the mutual relationships among family members, namely whether family members had concern for each other's welfare and appreciate each other. However, only 4 of the initial 6 items intended by Venter (2003) to measure the construct family harmony loaded onto one factor. An additional item originally intended to measure the perceived success of the succession process also loaded on the family harmony factor. This was understandable in that the item referred to the relationships between family members after succession had taken place. A Cronbach-alpha coefficient of 0.89 was reported for this factor (Venter 2003:266). As in the study of Sharma (1997), 2 of Venter's items measuring family harmony related to family members respecting and trusting each other. For the present study these 2 items were considered more suitable for measuring the construct *Mutual trust and respect*.

In his study, Adendorff (2004:354,355) developed a 6-item scale to measure family

harmony. He defined family harmony as living and working effectively in harmony within the family business context. His definition of family harmony included respect and appreciation for each other, trust, decision-making contributions, conflict resolution, support, and having concern for each other's welfare. Three items, namely trust amongst family members, respect amongst family members, and problem-solving amongst family members, were adapted from the FACES questionnaire (Olson 1988). The other 3 items were developed based on the literature review of Venter (2003), Olson, Russell and Sprenkle (1998), and Sharma (1997), as well as on informal interviews with South African Greek family businesses. Of the initial 6 items developed by Adendorff (2004:389), only 4 loaded onto the factor family harmony as expected. He reported a Cronbach-alpha coefficient of 0.76 for this factor.

In the present study the 6-item scale developed to measure *Family harmony* has been based on a combination of items from the scales of Sharma (1997), Venter (2003), Adendorff (2004), Lansberg and Astrachan (1994), and Sorenson (2000). In some cases the wording was slightly adapted to make the items more relevant to the present study.

#### 7.3.3.4 Scale development and operationalisation of independent variables

Based on an interpretation of secondary sources, as well as previous empirical studies, the various operational definitions of the independent variables are presented below. For each independent variable, an explanation will also be given of how the scale was developed and the items selected to measure that variable.

##### (a) Internal context

In this study the factor *Internal context* refers to the internal environment or circumstances in which the sibling team finds itself, in terms of access to adequate and suitable resources, information, equipment, employees and working conditions.

Cowie (2007:60) developed a 5-item Likert type scale, which measured the context of small business management teams. She reported a Cronbach-alpha

coefficient of 0.71 for this factor. Items related to establishing whether the management team had access to adequate resources and whether physical conditions were conducive to the effective functioning of the team.

In their study on teams in government, Howard et al. (2005:776) developed scales to measure the provision of technical resources and technical information to these teams. The scale assessing the provision of technical resources, namely access to time, tools and technology, reported a Cronbach-alpha coefficient of 0.76. The scale assessing technical information measured the extent to which employees were provided with accurate, timely and useful information. This scale reported a Cronbach-alpha coefficient of 0.76.

The Team Diagnostic Survey (TDS), designed by Wageman et al. (2005), measured the existence of a supportive organisational context for teams by using 4 scales to assess a team's access to rewards (recognition), information, education (consultation) and material resources. Scales measuring a team's access to information (3 items) and material resources (2 items) scored Cronbach-alphas coefficients of 0.92 and 0.88 respectively. These items related specifically to measuring whether a team had access to the necessary information and material resources needed to do their work (Wageman et al. 2005:383-390).

Based on the scales of Cowie (2007), Howard et al. (2005) and Wageman et al. (2005), as well as the literature of Hitt et al. (2006), Robbins (2003), and Hyatt and Ruddy (1997), a 6-item scale has been developed to measure the factor *Internal context* in this study. A slight adjustment to the wording was necessary to make the items more suitable for the present study.

(b) Complementary skills

In this study the factor *Complementary skills* refers to the extent to which the siblings are *competent*, and are competent in different areas (i.e. they possess a *diversity* of skills in their team). Diversity exists in that the siblings have strengths in different areas and consequently, their skills and competencies *complement* each other's.

In her study, Cowie (2007) developed a 4-item scale (5-point Likert type) to measure a factor she called composition, which relates to the competency and complementarities of competencies among team members. She reported a Cronbach-alpha value of 0.83 for this factor. Cowie (2007) constructed her scale to measure composition from two sources. Two items were identified on a team assessment measure reproduced by Hellriegel et al. (2001:257). These items measured the existence of competencies among team members and whether these competencies were complementary to each other. No reliability measures were, however, provided. In addition, 3 items, relating to diversity within a team, were identified from South Western's Team Handbook (1996), which was reproduced by Hellriegel et al. (2004:344). These items measured diversity in terms of viewpoints and competencies among team members. No reliability measures were provided for these items.

The TDS of Wageman et al. (2005) makes use of a 3-item scale to measure diversity among team members. A Cronbach-alpha of 0.64 is reported and the scale contains items relating to team members having a broad range or diverse set of experiences and perspectives. In addition, the TDS uses a 3-item scale to measure the level of skills among team members (Cronbach-alpha 0.87). These items relate specifically to measuring whether team members have the competencies (talent, experience, skills and knowledge) necessary to complete the team's work (Wageman et al. 2005:382,383,390).

In their study on work group characteristics and effectiveness, Campion et al. (1993:834,849) developed a 3-item scale to measure heterogeneity of team membership. They reported an internal consistency of 0.74 for this scale. The items measured whether team members varied widely in terms of their areas of expertise, backgrounds and experiences, as well whether team members had skills and abilities that complemented each other. In a follow-up study, Campion et al. (1996:436,438) used their earlier scale (Campion et al. 1993) to measure team-member heterogeneity and reported an internal consistency of 0.71.

Venter (2003) measured the preparedness of the successor, in her study, in terms of academic qualifications, attendance of business courses and seminars, as well as relevant business experience gained outside of the family business.

Preparedness in the context of the present study could be interpreted as abilities or competencies. Venter (2003:275) developed a 3-item scale to measure this factor, which she named external preparation level of the successor and consequently reported a Cronbach-alpha coefficient of 0.63. With minor adjustment to the wording, 2 of these items were considered appropriate to measure the existence of competence among siblings in the present study. In her study, Sharma (1997:164) measured a factor she named trust in successors' abilities using a 4-item scale, and which yielded a Cronbach-alpha coefficient of 0.73. Only 2 of these items, however, related to abilities or competencies that, with appropriate adjustments to the wording, would be relevant to the current study.

For the purpose of the present study, a 6-item scale has been developed to measure the factor *Complementary skills*. This scale was based on the literature (Aronoff et al. 1997:53; Gersick et al. 1997:196; Lansberg 1999:132; Ward & Dolan 1998:307) and, with slight adjustments to the wording, selected items from the scales of Cowie (2007), Venter (2003), Sharma (1997), Campion et al. (1993) and Wageman et al. (2005). Negatively worded items were phrased positively for the purpose of this study.

(c) Division of labour

For the purpose of this study *Division of labour* refers to the extent to which each sibling is assigned a clearly demarcated area of authority and responsibility in the business. The extent to which the sibling partners accept these areas of authority and responsibility is also incorporated into this construct.

Sharma (1997:155) developed an 8-item Likert-type scale to measure the factor mutual acceptance of individual roles of family members in the family business. While 7 items were positively phrased, one was negatively phrased. The scale revealed that the overall reliability of the construct was high (Cronbach-alpha coefficient of 0.89). Although all the items loaded onto one factor, the loadings of 2 of the items were comparatively weak. These 2 items related more to family members being able to communicate with each other, and for the purpose of this study, the ability of family members to communicate with each other is measured as a separate construct, namely *Open communication*. Only 3 of the 6 items that

loaded onto Sharma's factor mutual acceptance of individual roles do, however, relate specifically to the division of roles and responsibilities in the business.

Based on 2 items from the scale of Sharma (1997), as well as the literature (Aronoff *et al.* 1997; Gersick *et al.* 1997; Handler 1991; Kets de Vries 1993; Lansberg 1999; Maas *et al.* 2005:106; Ward 2004:96), a 6-item scale has been developed to measure the factor *Division of labour* in this study.

(d) Shared dream

In this study, the factor *Shared dream (common dream/vision)* refers to the extent to which the dreams that individual siblings have for themselves in the Sibling Partnership are *aligned with each other's dreams* (hence they are agreed-on and shared), and that their involvement in the Sibling Partnership is entirely *willing and voluntary* (it is what they want to do or dream of doing). The extent to which the siblings have agreed on the future direction (vision and goals) of the Sibling Partnership, is also a dimension of this construct.

In their study Mustakallio *et al.* (2002:212-214) assessed the level of shared vision among owner-family members, using a 3-item scale as measurement. These items included asking whether family members shared the same vision about the family business; whether family members were committed to jointly agreed goals; and whether family members agreed about the long-term development objectives of the family business. They reported a composite reliability (similar to Cronbach-alpha) of 0.79. Mustakallio and Autio (2001) had used these same items in a previous study, where they reported a reliability measure of 0.77.

Filbeck and Smith (1997:344) developed a Survey of Interpersonal Dynamics in the Workplace, which focused on issues directly pertaining to relationships within the family management team unit. No reliability measures were, however, reported. One of these items related specifically to family teams sharing a common vision.

In her study, Cowie (2007) developed a 7-item scale to measure a construct she called goals. Her construct goals related to the existence of clear, challenging and



motivating goals among team members. She constructed her scale from two sources. Two items were from a team assessment measure reproduced by Hellriegel et al. (2001:257). These items measured the understanding of, and commitment to, team goals. No reliability measures were, however, provided. In addition 3 items, relating to the goals of a team, were identified from South Western's Team Handbook (1996), which was reproduced by Hellriegel et al. (2004:344). These items measured the clarity of, and agreement on, goals by team members, as well as whether the goals were motivating to team members. No reliability measures were provided. For her construct goals, Cowie (2007:60) reported a Cronbach-alpha value of 0.86. These 7 items related to clarity and motivation of goals to team members, as well as the commitment to, and agreement on, goals by team members.

Adendorff (2004:387) developed 5 items linked to a 7-point Likert scale to measure the variable personal needs alignment, and reported a Cronbach-alpha value of 0.78 for this factor. These items related to realising one's career ambitions in the family business.

A combination of the scales of Mustakallio et al. (2002), Cowie (2007) and Adendorff (2004), as well as the one item of Filbeck and Smith (1997:344) has been used in the present study to develop a 6-item scale measuring the existence of a *Shared dream* among the sibling partners. The wording of these items was adjusted slightly to make the items more appropriate to the present study, and one item was self-constructed.

(e) Governance

In this study, the factor *Governance* refers to the overall existence of governance structures, policies and procedures in the Sibling Partnership. The extent to which these are formal and predetermined has also been incorporated into this construct. The variable *Governance* incorporates the existence of conflict-resolution policies, as well as the existence of written business, estate and succession plans.

In their study, Mustakallio et al. (2002:212) measured the existence of family governance practices (family institutions) among their respondents. Four

governance practices, namely informal and formal family meetings, family councils and family plans, were identified in the literature, and respondents were asked (*yes*=1 or *no*=0) whether these practices were used in their family business. The family institution variable was calculated as a composite of these 4 items. No reliability measures were reported for this scale.

Sorenson (2000:189) developed a 4-item scale to measure the construct formal family business management. He reported a Cronbach-alpha coefficient of 0.75 for this measure. Respondents were asked to indicate on a 7-point scale the extent to which they valued and used a variety of formal family business management practices in daily operations.

Astrachan and Kolenko (1994:257) developed a 3-item scale to measure the existence of governance practices among family businesses. These items related to the existence of regularly scheduled meetings with family members, regular board meetings, and the existence of written business plans. No Cronbach-alpha coefficient was reported. In addition, Astrachan and Kolenko (1994:256,257) also developed a 6-item scale to measure human resources management practices. These items assessed the use of various common human resource practices or predetermined human resources policies in family firms. No Cronbach-alpha coefficient was reported.

In Sharma's study (2007:168), she made use of a 3-item scale to measure the existence of a formal, active advisory board. She reported a Cronbach-alpha coefficient of 0.68 for this factor. Venter (2003:267) developed a 7-item scale to measure the construct governance processes and planning. She reported a Cronbach-alpha coefficient of 0.83 for this construct. As the factor *Governance* in the present study attempts to measure the existence of governance structures only, 3 of the items in Venter's (2003) scale, which related specifically to succession issues, were not utilised. Some adjustments were made to the wording of the remaining 4 items, as these questions were originally used to establish the existence of governance structures during the succession process.

Adendorff (2004:392) developed 14 items linked to a 7-point Likert scale to measure the factor governance structures and planning. He reported a Cronbach-

alpha coefficient of 0.94 for this construct. Only 6 of these items, however, related specifically to the existence of governance structures, and consequently those relating to planning were not deemed useful to measure the existence of governance structure and policies as proposed in this study.

For the purpose of this study, a 7-item scale has been developed to measure the factor *Governance*. This scale was based on the literature of, amongst others, Ward (2004), Aronoff et al. (1997), Lansberg (1999), and Maas et al. (2005). Items from the scales of Sorenson (2000), Astrachan and Kolenko (1994), Sharma (1997), Venter (2004), as well as Adendorff (2004) were also used. Where necessary the items were reworded to make them more appropriate for the current study.

(f) Leadership and planning

In this study the factor *Leadership and planning* refers to the extent to which leadership attributes exist in the Sibling Partnership. Leadership attributes may be evident in a single lead sibling or in a specific sibling at a specific time. For the purpose of this study it refers to the person(s) having a *consultative or participative leadership style*, having *referent* and *expert leadership*, as well as being *visionary* in terms of undertaking *strategic planning*. Participative leadership and the extent of strategic planning undertaken by the sibling partners, is therefore incorporated into this construct.

According to the literature (Aronoff et al. 1997; Gersick et al. 1997; Lansberg 1999; Maas et al. 2005; Ward 2004), the leadership attributes required for a successful Sibling Partnership clearly suggest that the style of leadership most appropriate is a participative, referent and expert leadership style. Similarly, Sorenson (2000:198) found a significant correlation between participative, referent and expert styles of leadership in family businesses, and teamwork. Consequently only these styles of leadership are addressed in the present study.

Because Sorenson (2000:187,188) could find no existing measure to assess leadership characteristics for his study, he created items measuring referent, participative and expert leadership (amongst others) from a number of different

sources. Respondents were required to evaluate, linked to a 7-point Likert-type scale (from *strongly disagree* to *strongly agree*), whether a number of statements were applicable to leaders in their organisation. For the construct referent leadership, which included 5 items and accounted for 23% of the variance, he reported a Cronbach-alpha coefficient of 0.84. The second construct, participative leadership, accounted for 19% of the variance, consisted of 4 items, and obtained a Cronbach-alpha coefficient of 0.82. The construct expert leadership consisted of 2 items and accounted for 11% of the variance. Sorenson (2000) reported a Cronbach-alpha coefficient of 0.58 for this variable.

In her study, Cowie (2007:60) measured leadership among management teams by using 3 items linked to a 5-point scale. These items related to the leader encouraging, instructing and motivating team members. She reported a Cronbach-alpha coefficient 0.85 for this factor.

In the present study, the factor *Leadership and planning* also refers to the extent to which leadership in the Sibling Partnership undertakes strategic planning. Existing scales relating to strategic planning were consulted, so as to develop the items required to measure this aspect of leadership. In his study, Sorenson (2000:189) developed a 3-item scale to measure the use of, and value attached to, formal planning. He reported a Cronbach-alpha coefficient of 0.84 for this measure. Respondents were asked to indicate on a 7-point scale the extent to which they valued and used a variety of formal planning practices in daily operations.

Adendorff (2004:347) developed a 7-item scale to measure the construct strategic planning. Two of Adendorff's items were based on the scale developed by Mustakalio and Autio (2001), who measured the degree of strategic planning on a 7-point Likert scale, comprising 6 items and reporting a Cronbach-alpha coefficient of 0.74. In his scale, Adendorff (2004) also used 2 items from the scale of Astrachan and Kolenko (1994), which related to the existence of formal strategic and written business plans. In addition, Adendorff (2004) developed 3 additional items based on the work of Neubauer and Lank (1998), for his study. All 7 items developed by Adendorff (2004:391) to measure the construct strategic planning, loaded together onto one factor. However, numerous other items relating to governance also loaded onto this factor. Consequently he decided to rename the

factor structures and planning, which returned a Cronbach-alpha coefficient of 0.94. As governance is regarded as a separate construct in the present study, only the items pertaining to strategic planning were used in the scale to measure the planning aspect of the factor *Leadership and planning* in the present study.

In this study an 8-item scale has been developed to measure the factor *Leadership and planning*. This scale was partially based on the literature of, amongst others, Aronoff et al. (1997), Lansberg (1999), Gersick et al. (1997), Maas et al. (2005), and Ward (2004). In addition, selected items from the scales of Sorenson (2000), Cowie (2007), Aronoff et al. (1997) and Adendorff (2004), were also used. Where necessary these items were rephrased to make them more suitable for the present study.

(g) Mutual respect and trust

For the purpose of this study, the factor *Mutual respect and trust* refers to the extent to which the sibling partners respect each other and each other's opinions, as well as trusting each other's integrity and abilities.

In her study, Cowie (2007) developed 7 items linked to a 5-point scale to measure the existence of trust among small business management team members. She constructed her items based on a scale measuring trust, reported by Hellriegel and Slocum (1992:542), namely the TORI Group Self-Diagnosis Scale. No validity measures were, however, reported for this scale. Some of the items reported by Hellriegel and Slocum (1992:542) were negatively coded. Cowie (2007) phrased these items positively and also reworded them to suit her study. The 7 items she formulated related to managing team members trusting each other and each other's abilities. She reported a Cronbach-alpha coefficient 0.91 for this construct (Cowie 2007:60).

Based on the scales of Byrne (1998), Hartline and Ferrell (1993), as well as Sharma (1997), for her study Venter (2003:271) developed 7 items to measure trust in the successor's abilities and intentions. Only 4 of these items, however, loaded onto a single factor. She reported a Cronbach-alpha of 0.83 for this factor.

Two of the items originally developed by Adendorff (2004:389) to measure family harmony did not load onto his factor family harmony. These 2 items measured family members' trust and respect for each other and loaded together on a separate factor. Adendorff labelled this factor trust and subsequently reported a Cronbach-alpha coefficient of 0.86 for this factor. In the studies of both Sharma (1997:153) and Venter (2003:266), however, the items "family members trust each other" and "family members respect each other" both loaded onto their factor called family harmony.

Filbeck and Smith (1997:344) developed a Survey of Interpersonal Dynamics in the Workplace, which focused on issues directly pertaining to relationships within the family management team unit. A number of these items related specifically to respect and specifically respecting differences among management team members. No reliability measures were, however, reported.

A combination of items from the scales of Cowie (2007), Venter (2003), Adendorff (2004), as well as Filbeck and Smith (1997:344), has been used in the present study to develop a 6-item scale measuring the existence of a *Mutual respect and trust* among siblings. The wording was adapted slightly to make the items more fitting to the present study.

(h) Open communication

In this study, *Open communication* refers to the degree to which the siblings are able to openly communicate and share all information with each other.

In their study, Lansberg and Astrachan (1994:43) described a high quality relationship between the owner-manager and the successor as one characterised by, amongst other attributes, open and earnest communication. In addition, it is also important that the owner-manager and successor are able to ask one another for help and guidance when needed, and that they share relevant information concerning the business, the family, and each other. In contrast, ineffective owner-manager-successor relationships are characterised by poor and infrequent communication, an unwillingness to directly explore differences of opinion, and the active withholding of important information, particularly regarding performance

evaluation and expectations of competence. In troubled relationships there is a great deal of reliance on third parties for communication, especially regarding tension and conflict (Bowen 1978; Smith 1989).

Lansberg and Astrachan (1994:49,57) developed a scale measuring family adaptability (Cronbach-alpha = 0.77). This scale was composed of 6 items of which 4 related specifically to openness of communication. Lansberg and Astrachan (1994:50) also developed a 6-item scale to measure the owner-manager-successor relationship. One of these items specifically measured the ability of the owner-manager and the successor to be open with each other.

In her study, Sharma (1997:154), used 4 indicators for assessing the extent of family harmony experienced between family members during the succession process. Sharma's (1997) definition of family harmony included openness of communication patterns among family members, and consequently one of the items in her scale measuring family harmony, related specifically to open communication. Sharma (1997:155) also developed an 8-item Likert scale to measure the factor mutual acceptance of individual roles of family members in the family business. While 7 items were positively phrased, one was negatively phrased. The scale revealed that the overall reliability of the construct was high (Cronbach-alpha coefficient of 0.89). Although all the items loaded onto one factor, the loadings of 2 of the items were comparatively weak. These 2 items related specifically to family members being able to communicate with each other.

In her study, Venter (2003:222) also included openness of communication among family members in her definition of family harmony. She based her 6-item scale to measure family harmony on the scale developed by Sharma (1997). The item specifically referring to open communication did not, however, load onto her factor family harmony, as it did in the case of Sharma's study. In addition, Venter (2003:272) used a 3-item scale to measure the relationship between the owner-manager and successor during the succession process. The factor returned a Cronbach-alpha coefficient of 0.78. One of these items measured the willingness of owner-manager and the successor to share information with each other.

Campion et al. (1993:834,850) developed a 3-item scale to measure communication and cooperation within work teams. They reported an internal consistency of 0.81 for this scale. Two of these items measured whether team members enhanced communication among them, and whether they were willing to share information with each other. This same scale was used in a follow-up study by Champion et al. (1996:438), who reported an internal consistency of 0.87 for this scale.

Filbeck and Smith's (1997:344) Survey of Interpersonal Dynamics in the Workplace, focuses on issues directly pertaining to relationships within the family management team unit. Two of these items related specifically to communication among family members. No reliability measures were, however, reported.

For the purpose of this study, a 5-item scale has been developed. This scale was based on secondary sources (Aronoff et al. 1997; Lansberg 1999; Ward 2004; Gersick et al. 1997; Gage et al. 2004), and a combination of items from the scales of Lansberg and Astrachan (1994), Sharma (1997), Venter (2003) and Champion et al. (1993), as well as items from the survey of Filbeck and Smith (1997). Where necessary the items were reworded and phrased positively, so as to make them more suitable for the present study.

(i) Fairness

For the purpose of this study, the factor *Fairness* refers to the degree to which the working arrangement between the siblings is considered as fair in terms of workload, compensation and status.

In her study, Cowie (2007) developed a 3-item scale to measure the variable equity and fairness. She reported a Cronbach-alpha value of 0.81 for this construct. Items in her scale related to the fair sharing of, and an equal contribution to, the workload, as well as team members not shirking their responsibilities. She constructed her scale from two sources. Four items were sourced from a team assessment measure reproduced by Hellriegel et al. (2001:257). These items measured the equity of workload among team members. No reliability measures were, however, reported. In addition, 3 items were taken



from South Western's Team Handbook (1996), which was reproduced by Hellriegel et al. (2004:344). These items related to the sharing of work among team members. No reliability measures were given for these items either.

The Team Diagnostic Survey (TDS) of Wageman et al. (2005), assessed the level of effort members collectively expend on the team task. Effort is measured using a 3-item scale, which returned a Cronbach-alpha of 0.92. One item relates specifically to a fair sharing of the workload among team members (Wageman et al. 2005:386,387,391).

Campion et al. (1993:834,850) developed a 3-item scale to measure how the workload was shared (fairly and/or equally) among team members. They reported an internal consistency of 0.84 for this scale. This same scale was used in a follow-up study by Champion et al. (1996:438), who later reported an internal consistency score of 0.92. In their study on psychological diversity and team interaction processes, Olukayode and Ehigie (2005:286) also used the 3-item scale developed by Champion et al. (1993) to measure workload sharing. They reported an alpha reliability coefficient of 0.76 for this scale.

A 6-item scale has been developed to measure the factor *Fairness* in this study. These items were based on the literature (Aronoff et al. 1997; Gage et al. 2004; Gersick et al. 1997; Lansberg 1999; Sharma 2004; Van der Heyden et al. 2005; Ward 2004); as well as items taken from the scales of Cowie (2007), Wageman et al. (2005) and Champion et al. (1993). These items were reworded and phrased positively where necessary.

(j) Sibling bond

In this study, the factor *Sibling bond* refers to the existence of a cohesive relationship or bond between the sibling partners, which is characterised by mutual support, cooperation, managed conflict and an understanding of each other.

Venter (2003:272) used a 3-item scale to measure the relationship between the owner-manager and successor during the succession process. She reported a Cronbach-alpha coefficient of 0.78. In their study, Lansberg and Astrachan

(1994:43) described a high-quality relationship between the owner-manager and the successor as one characterised by, amongst other attributes, mutual support and a willingness for each party to acknowledge the other's achievements. Strong owner-manager and successor relationships also often involve the sharing of interests and hobbies that are not related. Lansberg and Astrachan (1994:50) developed a 6-item scale to measure the owner-manager-successor relationship. A Cronbach-alpha of 0.78 was reported for this construct. In his study, Seymour (1993:270) also used the scale of Lansberg and Astrachan (1994) to measure the quality of the intergenerational relationship.

Sharma (1997:155) developed an 8-item Likert scale to measure the construct mutual acceptance of individual roles of family members in the family business. She reported a Cronbach-alpha coefficient of 0.89 for this scale. Three of Sharma's items that loaded onto the factor mutual acceptance of individual roles, describe the relationship between the owner-manager and the successor.

Filbeck and Smith's (1997:344) Survey of Interpersonal Dynamics in the Workplace relates directly to issues pertaining to relationships within the family management team unit. No reliability measures were, however, reported. In their study, Barsade et al. (2000:819) developed a 7-item scale to measure group cooperativeness among top management teams. These items were linked to a 7-point Likert scale, and a Cronbach-alpha of 0.82 was reported. The items on this scale related to team members getting on well, supporting each other, and working as a unit.

An 8-item scale has been developed to measure the factor *Sibling bond* for the purpose of this study. This scale was based on a combination of items from the scales of Venter (2003), Lansberg and Astrachan (1994), Sharma (1997), and Barsade et al. (2000), as well as items from the survey of Filbeck and Smith (1997:344). Where necessary the items were reworded and phrased positively so as to make them more suitable for the present study. Secondary sources (Aronoff et al. 1997; Gage et al. 2004; Gersick et al. 1997; Lansberg 1999; Maas et al. 2005; Ward 2004) also provided a basis for a number of self-constructed items.

## (k) Parental involvement

*Parental involvement* refers to the present and the past involvement of parents in the relationship between the sibling partners. This construct incorporates the *present* involvement and interference of parents in the business and in the relationship between the siblings, as well as the *past* involvement of parents in the relationship between the siblings, while the siblings were growing up.

In order to measure the factor *Parental involvement*, an 8-item scale has been constructed based on the literature of, amongst others, Aronoff et al. (1997), Lansberg (1999), Davis and Harveston (1999), Ward (2004), Gersick et al. (1997), Gage et al. (2004), and Maas et al. (2005).

## (l) Involvement of other family members

The factor *Involvement of other family members* refers to the involvement and interference of non-active sibling shareholders and spouses of sibling partners, both in the business and in the relationship between the sibling partners.

The literature (Aronoff et al. 1997; Gage et al. 2004; Gersick et al. 1997; Lansberg 1999; Maas et al. 2005; Ward 2004) was consulted to develop a 6-item scale to measure the factor *Involvement of other family members*.

## (m) Non-family involvement

In this study, the factor *Non-family involvement* refers to the extent to which non-family members are involved in the family business. This involvement could be either as an employee, an advisor or a member of the board of directors, amongst other positions.

In his study, Adendorff (2004:390) measured the factor outside advice by using 5 items on a 7-point scale. The factor returned a Cronbach-alpha coefficient of 0.82. Four of the 5 items relate specifically to the use of outsiders in the business. Sharma (1997:167) developed a 6-item scale to measure the presence of an active advisory board. Most of the items related to the existence and role of

governance structures. One item, however, made specific reference to the involvement of outsiders and was negatively phrased in Sharma's study (1997:167).

In the present study a 6-item scale has been developed to measure the construct *Non-family involvement*. This was done by using the literature (Kets de Vries 1993; Maas et al. 2005; Sharma 2004; Ward 2004) as well as 3 of the items, after making some adjustment to the wording, from the scale of Adendorff (2004). The one item of Sharma (1997), mentioned above, was also included after being reworded and positively phrased.

#### **7.3.4 Administration of questionnaires**

Between the months of September 2007 and March 2008 potential sibling partners, identified through the convenience snowball sampling technique, were contacted telephonically and requested to participate in the study. The questionnaire and cover letter were then made available to those who agreed to participate by either postal mail, email or online via the Internet, depending on the respondent's preference of how to complete the questionnaire. To heighten the perceived credibility of the study and to increase the likelihood that the respondents would complete and return the questionnaires, all communication with respondents was done on the official stationery of the Unit for Applied Business Management at the Nelson Mandela Metropolitan University. The cover letter explained the purpose of the study and the type of information being solicited, and also assured the confidentiality of responses. For respondents preferring to complete the questionnaire via email or online, the cover letter was emailed to them (see Annexure A). It included additional instructions on how the questionnaire should be completed online, as well as an automatic link to the electronic questionnaire. Respondents were requested in the email to click on the link that opened the questionnaire in web format so that the required fields could be completed online. The questionnaire, in Word format, was also attached to the email so that respondents who preferred to print out the questionnaire and return it by fax or post could do so. In addition, to further encourage participation in the study, it was offered that a summary of the final results would be made available to

respondents. Respondents who requested the questionnaire be sent by mail, were also sent a pre-paid reply envelope.

A record was kept of each questionnaire made available to potential respondents and of those which were returned. This recorded information formed the basis for following up on non-responses. If no response was forthcoming within 3 weeks of dispatching the questionnaire to a potential respondent, those persons were contacted telephonically to kindly request and motivate them to complete the questionnaire. In some cases respondents were telephonically contacted more than once to remind them of the survey and to request them once again to participate.

By way of the process described above, 1 323 questionnaires were made available to potential respondents. Of these 3 questionnaires could not be delivered and consequently were returned to the sender, and 5 respondents did not qualify as they were not in Sibling Partnerships according to the definition in the study. As a result an effective population of 1 315 respondents was realised.

### 7.3.5 Response rate and sample size

Altogether 371 usable questionnaires were received from respondents, resulting in a response rate of 28.21%. See Table 7.1 below for a further breakdown of the response rate.

**Table 7.1: Response rate**

	Respondents
Questionnaires mailed	1 323
Not Sibling Partnerships	5
Return-to-sender	3
Effective population	1 315
Usable questionnaires received	371
Response rate	28.21%

According to Hair et al. (2006:740) there are 5 considerations affecting the required sample size for Structural Equation Modelling (SEM), namely the multivariate distribution of the data, the estimation technique, the model

complexity, the amount of missing data and the amount of average error variance among the reflective indicators. When undertaking structural equation analysis, the sample size should not be small, as SEM relies on tests which are sensitive to sample size as well as to the magnitude of differences in covariance matrices. In the literature, sample sizes commonly vary from 200 to 400 for models with 10 to 15 indicators. One survey of 72 SEM studies found the average sample size to be 198. A sample of 150 is considered too small unless the covariance coefficients are relatively large. Loehlin (1992) recommends at least 100 cases, preferably 200. Kline (1998) considers sample sizes under 100 to be "untenable" in SEM. With over 10 variables, sample sizes under 200 generally means that parameter estimates are unstable, and significance tests lack power (Garson 2006). According to Hair, Anderson, Tatham and Black (1998:605), although there is no correct sample size, recommendations are for a size ranging from 100 to 200, with 200 being the proposed critical sample size. SEM in general requires a larger sample relative to other multivariate approaches. Hair *et al.* (2006:740) suggests that a generally accepted ratio of respondents to parameters to minimize problems with deviations from normality is 15 respondents for each parameter estimated in the model.

The model investigated in the present study is based on a sound theoretical basis as numerous elements of it have been previously researched in the fields of family business, Psychology and Organisational behaviour. According to Venter (2003:239), if a model is based on a sound theoretical basis, the likelihood of misspecification owing to omission of variables, is reduced, and there is thus no need to increase the sample size over what would normally be required.

### **7.3.6 Missing data**

Upon its receipt each of the returned questionnaires was inspected for missing data. If demographic data (items from Section 3 of the questionnaire) was found to be missing, the relevant respondents were contacted telephonically to obtain the outstanding information. To facilitate the data processing without skewing the results, incomplete items from Section 1, which were defined to measure the constructs in the model, were substituted with the mean score for that variable. The mean-substitution approach as such replaces the missing values for a

variable with the mean value of that variable calculated from all the valid responses (Hair *et al.* 2006:61). The mean-substitution approach is one of the most widely used methods and is best used when there are relatively low levels of missing values (Hair *et al.* 2006:61,63), as is the case in the present study. Missing items from Section 2 were not substituted, as spouses and/or non-active siblings did not exist in every case.

### **7.3.7 Demographic information**

Section 3 of each questionnaire included various questions regarding the demographic information of the respondent, the sibling team and the family business. The information obtained from Section 3 of the usable questionnaires (371) is summarised in the paragraphs below. For more comprehensive details see Annexure B.

#### **7.3.7.1 Respondent and sibling team demographics**

The great majority of respondents in the present study were male (80.6%), white (95.4%) and actively employed (93.3%) in the Sibling Partnership. An average age of 40 years was reported, with the majority (72.5%) being younger than 45 years old. Most respondents (36.7%) were an oldest child, with 33.2% being a middle child, and 30.2% a youngest child.

Although 29% of sibling teams consisted of both males and females, the majority (64.2%) of teams consisted of males only. The average team consisted of 2.48 siblings, with an average age difference between siblings involved in the business of 5.66 years. On average the siblings had been in business together for 11.44 years, with the majority (56.8%) having been in business together for less than 10 years.

When considering how the siblings came to be in business together (origin of the Sibling Partnership), in 29.9% of the cases the business had been in operation for more than 10 years prior to the siblings becoming involved, and in addition, the parent(s) still had a share in the business. These businesses could possibly be described as businesses that had been in the family for a number of years and

were in the process of being handed over to the siblings or would be in the near future. In 24% of the cases the business had been in operation for more than 10 years prior to the siblings becoming involved, but in these cases the parents had no share in the business. These businesses could be described in two ways, firstly as businesses which had been in the family for a number of years and had already been passed onto the next generation, or secondly, as businesses which had been in operation for more than 10 years, and had been purchased by a sibling team from non-family members. From the created categories of origin, it is possible that 20.8% of the business were founded or purchased by the siblings themselves. Of the sibling respondents, 90.6% were currently still in business with their siblings, and 9.4% were no longer in business together. Of the siblings participating in the survey, 14% indicated having been in business together with their siblings for more than 20 years.

Respondents were also requested to describe the leadership situation between themselves and their siblings in the family business. For most respondents (41.2%), leadership was shared equally among the siblings in the family business. In describing who took the lead among the siblings in the business, 15.1% indicated that the eldest, 12.9% the most knowledgeable, and 8.6% the sibling with the most leadership skills took the lead.

#### 7.3.7.3 Family business demographics

Of the businesses participating in the present study, 26.7% operated in the agricultural industry, 19.4% in the retail, 15.1% in the manufacturing and 11.3% in the finance/business services industries. On average these businesses employed 46 employees each. The majority (73%) of businesses employed 50 persons or less, and 27% employed between 50 and 200 employees. Almost a quarter of businesses (24%) indicated employment of fewer than 10 employees. Most (43%) of respondents participating in the study came from the Eastern Cape. This was expected, considering that the snowball convenience sampling started in this province. Siblings from each of the other 8 provinces did, however, participate. The businesses of respondents were reported on average to have been in operation for 36 years. Of these businesses, 24% indicated having been in operation for 10 years or less, whereas quite a large percentage (21%) had been



in operation for more than 50 years. The oldest business, a business that had been passed down from one family generation to another, was reported as being 265 years old.

With regard to the nature of the ownership of the businesses that participated in the study, in most cases (47.4%), the siblings themselves had a 100% share in the business. In 11.1% of cases the parent(s) had a 100% share in the business, and in 10.8% of cases, siblings and parents had an equal share. In describing the sibling's ownership share in their family business, 64.2% of respondents indicated that they and their siblings each had an equal share in their family business, whereas 13.5% indicated an unequal share, 11.1% indicated that some siblings had a share and others did not, and 10.8% indicated having no share.

### **7.3.8 Method of data analysis**

A good measurement tool has three characteristics, namely reliability, validity and practicality. *Reliability* refers to the accuracy and precision of a measurement procedure, whereas *validity* is the extent to which a test measures what it is actually supposed to measure. *Practicality* on the other hand is concerned with factors such as economy, convenience and interpretability (Cooper & Schindler 2007:318). Both the reliability and validity of the measuring instrument used need to be assessed before one proceeds to assessing the strength of relationships in an empirical model. A description of the statistical techniques used in this study to assess the reliability and validity of the results is presented below. In addition, a brief overview will be given of the statistical techniques used to determine the influence of demographic factors on the *Perceived success* of a Sibling Partnership, as well as the method used to verify the conceptual model, namely Structural Equation Modelling (SEM).

#### **7.3.8.1 Reliability of measuring instrument**

Reliability is an important issue in positivistic studies (Collis & Hussey 2003:186) and involves assessing the degree of consistency between multiple measurements of a variable (Hair *et al.* 1998:117). Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable

error, and a measuring instrument is considered to be reliable to the degree that it supplies consistent results (Cooper & Schindler 2007:321). A commonly used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale. The rationale for internal consistency is that the individual items or indicators of the scale should all measure the same construct and thus be highly intercorrelated (Cooper & Schindler 2007:323; Hair et al. 1998:118).

Cronbach's alpha is a type of reliability estimate or coefficient of internal consistency (Cooper & Schindler 2007:322) which is based on the average correlation of variables within a specific set of items measuring a construct. Reliability coefficients of less than 0.50 are deemed to be unacceptable, those between 0.50 and 0.60 are regarded as questionable, and those above 0.70 as acceptable (Peterson 1994; Nunnally 1978; Nunnally & Bernstein 1994). Coefficients greater than 0.80 are regarded as good (Bernardi 1994:767; Sekaran 1992:284,287). It is, however, generally agreed that the lower limit for the Cronbach-alpha coefficient is 0.70. This lower limit may be reduced to 0.60 in the case of exploratory research (Garson 2006; Hair et al. 2006:137).

Cronbach-alpha coefficients were used to measure the degree of reliability of the measuring instrument in the present study; and consequently used to determine which items would be included as measures of specific constructs. The software programme SPSS 15 for Windows was used to establish the Cronbach-alpha coefficients.

#### 7.3.8.2 Validity of measuring instrument

Validity is concerned with the extent to which the data collected is a true reflection of what is being studied (Collis & Hussey 2003:186). A measuring instrument is valid if it measures what the researcher thinks or claims it does (Collis & Hussey 2003:69; Cooper & Schindler 2007:318) and adequately reflects the real meaning of the concept under consideration (Babbie & Mouton 2001:122). Hair et al. (1998:584) define *validity* as "the ability of a construct's indicators to measure accurately the concept under study". They indicate that validity is determined to a great extent by the researcher, because the original definition of the construct (or

concept) is proposed by the researcher and must be matched to the selected indicators or measures.

To establish whether the measuring instrument used in the present study actually measured what it was supposed to measure, construct validity was considered. According to Zikmund (2003:303), *construct validity* refers to the degree to which a measure confirms a number of related hypotheses generated from a theory based on the concepts. Construct validity implies that the empirical evidence generated by a measure is consistent with the theoretical logic about the concepts. When researchers ask questions (or make statements) as a way of assessing an underlying construct, they should have obtained some kind of evidence that their approach does, in fact, measure the construct in question (Leedy & Ormrod 2005:92). A measuring instrument is considered to exhibit construct validity if the scale has both convergent and discriminant validity (Venter 2003:248).

*Convergent validity* refers to the degree to which scores on one scale correlate with scores on other scales designed to assess the same construct. If a known measure of a construct exists, one might correlate the results obtained using the known measure with those derived from the new measure, thus providing indications of convergent validity (Cooper & Schindler 2007:320). *Discriminant validity*, on the other hand, refers to the degree to which scores on a scale do not correlate with scores from scales designed to measure different constructs. Establishing the discriminant validity of a measuring instrument will determine the extent to which each construct is separated or distinct from other constructs in the theory or related theories (Cooper & Schindler 2007:320). The measuring instrument in the present study has been developed based on constructs identified in theory, and consequently assessing the discriminant validity is an attempt to establish whether the measuring instrument sufficiently discriminates between the constructs being assessed.

The multivariate technique of exploratory factor analysis has been used to assess discriminant validity by numerous researchers (Venter 2003; Adendorff 2004; Han 2006) and is also applied to test hypotheses with confirmatory models using SEM (Cooper & Schindler 2007:592). The primary purpose of which is to define the underlying structure among the variables in the analysis (Hair et al. 2006:104).

Consequently the discriminant validity of the research instrument used in the present study was assessed by means of an exploratory factor analysis. The software programme SPSS 15 for Windows was used for this analysis.

#### 7.3.8.3 Effect of demographic variables

The main objective of the present study was to measure the influence of various factors on the *Perceived success* of a Sibling Partnership. It was, however, decided to also measure the influence of selected demographic factors on the intervening variables (*Financial performance* and *Family harmony*) as well as on the dependent variable (*Perceived success* of the Sibling Partnership). The software programme SPSS 15 for Windows was used for this purpose. It was hypothesised that these demographic variables would have no influence (null hypothesis) on the intervening and dependent variables. Should this be the case, it would suggest that the model is generic in nature and can be applied to Sibling Partnerships characterised by different demographic criteria.

In the present study an Analysis of Variance (ANOVA) was undertaken to determine the influence of demographic variables with a nominal scale (race, gender, nature of operations, nature of ownership etc.) on the intervening and the dependent variables. Analysis of Variance (ANOVA) is a statistical method for testing the null hypothesis, namely that the means of several populations are equal. The test statistic for ANOVA is the F ratio. If the null hypothesis is true, there should be no difference between the population means, and the F ratio should be close to 1. If the population means are not equal, the F ratio should be greater than 1 (Cooper & Schindler 2007:516-517).

Multiple Linear Regression analysis was performed in this study to assess whether the selected demographic variables measured on an ordinal scale (age of the respondent, age of the business, number of siblings involved, number of employees, etc.) influenced the intervening and dependent variables. Multiple Linear Regression is a tool for predicting the dependent variable based on several independent or explanatory variables (Cooper & Schindler 2007:575; Hair et al. 1998:148) and as such allows for the simultaneous investigation of the effect of two or more independent variables on a single dependent variable (Han

2006:125). The coefficient of multiple determination ( $R^2$ ) determines the percentage (%) of the variation in the dependent variable that can be explained by variations in the independent (predictor) variables. The coefficient can vary between 0 and 1 (Hair et al. 1998:143). If found to be significant, the standardised regression coefficients or Beta-coefficients of each independent variable can be used to show the relative contribution that each independent variables has to the explanatory power of the equation (Cooper & Schindler 2007:576-577). In addition, t-tests, a technique used to test whether the mean score for a variable is significantly different for two independent samples (Zikmund 2003:524), were conducted on selected demographic variables.

#### 7.3.8.4 Structural Equation Modelling

Structural Equation Modelling (SEM) is a multivariate statistical technique for building and testing statistical models. It is a hybrid technique that encompasses aspects of confirmatory factor analysis, path analysis and Multiple Regression to estimate a series of interrelated dependence relationships simultaneously (Garson 2006; Hair et al. 2006:705; Hair et al. 1998:584; Structural Equation Modelling n.d.). SEM is an extension of the general linear model of which Multiple Regression is a part, but is a more powerful alternative to other multivariate techniques (Cooper & Schindler 2007:584; Garson 2006). SEM implies a structure for the covariances between observed variables, and accordingly it is sometimes called covariance structure modelling, but more commonly referred to as LISREL or linear structural relations (Cooper & Schindler 2007:583). SEM is widely and increasingly being used as an evaluation technique in most fields of study and is today considered the dominant multivariate technique (Cooper & Schindler 2007:583; Hair et al. 2006:724; Hair et al. 1998:578).

SEM has the ability to assess relationships comprehensively, and thus provides a transition from exploratory to confirmatory analysis. This transition corresponds with efforts in all fields of study towards developing a more systematic and holistic view of problems (Hair et al. 1998:578). SEM encourages confirmatory rather than exploratory modelling and is thus suited to theory testing, rather than theory development (Garson 2006; Structural Equation Modelling n.d.).

In addition to providing a conceptually appealing way to test theory (Hair et al. 2006:734), SEM has two principal characteristics or major advantages over other multivariate techniques. Firstly, multiple and interrelated dependence relationships can be estimated simultaneously. Multiple Regression can, for example, only estimate a single relationship. Consequently SEM is an extension of the general linear model that simultaneously estimates relationships between multiple independent, dependent and latent variables (unobserved concepts that are not measured directly). It is particularly useful when one dependent variable becomes an independent variable in subsequent dependence relationships (Cooper & Schindler 2007:583; Hair et al. 2006:707; Hair et al. 1998:578).

Secondly, SEM has the ability to incorporate latent variables into the analysis and to account for measurement error in the estimation process. The construction of latent variables, which are estimated in the model from measured or observed variables (manifest variables) gathered from respondents, and assumed to “tap into” the latent variables, allows the modeller to explicitly capture unreliability of measurement in the model, in theory allowing the structural relations between latent variables to be accurately estimated (Cooper & Schindler 2007:584; Hair et al. 2006:712; Hair et al. 1998:578,584,586; Structural Equation Modelling n.d.). The advantage of SEM is that it has the ability to employ multiple measures to represent a construct in a manner similar to factor analysis (Hair et al. 2006:724). Using latent constructs improves statistical estimation, better represents theoretical concepts and directly account for measurement error (Hair et al. 2006:712). According to Hair et al. (2006:843), SEM provides a better way of empirically examining a theoretical model than Multiple Regression because it involves the measurement model and the structural model in one analysis. In other words it takes information about measurement into account in testing the structural model. As such, in contrast to other multivariate techniques, SEM allows the researcher to assess both measurement properties and test for key theoretical relationships in one technique (Hair et al. 2006:706).

- (a) Basic conditions and assumptions for the application of Structural Equation Analysis

Hair et al. (1998:589-592) suggest two basic conditions for the successful

application of SEM. These conditions are, firstly, the provision of a sound theoretical foundation for the model being investigated and, secondly, the development of a modelling strategy.

Because of the inherent features of the statistical programme used for structural equation analysis, a theoretical justification of the model under investigation is paramount. This theoretical justification for the model is found by extensively reviewing the literature of the area under investigation. In other multivariate techniques, the researcher is able to specify a basic model and allow the other remaining estimation issues to be accounted for by the default values in the statistical programmes. SEM, however, does not have these features, and a theory-based approach becomes a necessity because the researcher must almost completely specify the technique. "Theory" provides the rationale for almost all aspects of SEM because it is considered a confirmatory technique, a technique which is useful for testing and potentially confirming theory. Consequently, theory is needed to specify relationships in both the measurement and the structural models (Hair et al. 2006:720; Hair et al. 1998:589,590). Sound theory is, for example, important when developing the manifest variables intended to measure the theoretical constructs of the model under investigation (Venter 2003:250). Measurement error occurs when the manifest variables do not perfectly describe the latent construct(s) of interest (Hair et al. 1998:581). In addition, a sound theoretical model must guide modifications to an estimated model. As such sound theory forms the basis for the inclusion or omission of any relationship in the model. It is important to remember that structural equation analysis is a *confirmatory* method, guided more by theory than empirical results (Hair et al. 1998:590,596; Venter 2003:251). The theoretical justification or theoretical rationale of the model to be investigated is thus the foundation that underpins the method of structural equation analysis. Hair et al. (1998:592,593

When developing the theoretically based model, utmost care must be taken not to omit one or more key predictive variables, also known as specification error. The desire to include all variables, must however be balanced against the practical limitations of SEM. Although no theoretical limit on the number of variables in the models exists, interpretation becomes increasingly difficult as the number of concepts becomes greater (exceeding 20 concepts). Variables should not be

omitted solely because the number of variables is becoming too large, but the benefits of parsimonious and concise theoretical models should be recognised. (Hair et al.1998:594).

The second condition for the successful application of SEM refers to the choice of a modelling strategy. According to Hair et al. (2006:732) there is no single correct method of applying multivariate techniques. Application depends on the modelling strategy adopted, which involves the formulation of the objectives to be achieved and the application of the appropriate technique, in the most appropriate manner, to achieve the set objectives. Three distinct modelling strategies exist in the application of SEM, namely the confirmatory modelling strategy; the competing models strategy; and the model development strategy (Garson 2006; Hair et al. 2006:732; Hair et al. 1998:590-592). In order to achieve the objectives of the present study, a confirmatory modelling strategy is adopted in the application of SEM. As such the objective of the present study is to apply SEM to tests and potentially confirm the factors identified as influencing the *Perceived success* of a Sibling Partnership.

A confirmatory modelling strategy is the most direct application of SEM. When using this strategy a single model is specified and SEM is used to assess how well the model fits the data (Hair et al. 2006:732). In terms of the confirmatory modelling strategy, the theoretical relationships are strictly specified and SEM is used to assess the significance of the modelled relationships (Venter 2003:251). Since SEM is a confirmatory technique, the model must be specified correctly based on the type of analysis that the modeller is attempting to confirm (Structural Equation Modelling n.d.). Goodness-of-fit tests are used to determine if the pattern of variances and covariances in the data are consistent with a structural model specified by the researcher (Garson 2006). Acceptable levels of fit for the overall model, the measurement model and the structural equation model, do not mean that the best model has been identified. An acceptable level of fit does not prove the proposed model, but only confirms that it is one of several possible acceptable models. Several different models might have equally acceptable model fits (Hair et al. 2006:732; Hair et al. 1998:590; Garson 2006).



(b) Steps in Structural Equation Modelling

Upon adhering to the necessary preconditions of structural equation analysis, the implementation of SEM can be initiated. The SEM process centres around two steps, namely validating the measurement model and fitting the structural model. The former is accomplished primarily through confirmatory factor analysis, while the latter is accomplished primarily through path analysis with latent variables (Garson 2006). According to Hair et al. (2006:714), in reality a conventional model in SEM consists of two models, the measurement model and the structural model. The measurement model represents how measured variables come together to represent constructs, and the structural model shows how constructs are associated with each other.

Hair et al. (2006:734) propose that a six-stage decision process be followed in the implementation of SEM, namely:

1. Defining individual constructs
2. Developing and specifying the measurement model
3. Designing a study to produce empirical results
4. Assessing the measurement model validity
5. Specifying the structural model
6. Assessing structural model validity

In their earlier writings Hair et al. (1998:592-616), however, propose that seven consecutive steps be followed, namely:

1. Developing a theoretical model
2. Constructing a path diagram of causal relationships
3. Converting the path diagram into a set of structural equations and measurement models
4. Choosing the input matrix type (correlation matrix or covariance matrix) and estimating the proposed model
5. Assessing the identification of model equations
6. Evaluating the results for goodness-of-fit
7. Making the indicated modifications to the model, if theoretically justified

Although much overlap occurs between the two proposed implementation procedures of SEM, in contrast to the original seven steps procedure, the six-stage decision process encompasses the broader aspects of research design (stage 3) and measurement development (stage 1). The other stages in the six-stage decision process (stages 2, 4, 5 and 6) clearly overlap with the seven steps originally suggested by Hair et al. (1998). As such it is evident that in their later writing Hair et al. (2006) have adopted a different approach for presenting their discussions on SEM. According to Hair et al. (2006:734) this format has been selected in order to reflect the unique terminology and procedures of SEM.

In the present study stage 1 and to a certain extent stage 3, of the six-stage decision process, have already been addressed in the discussions on research design in Chapter 7. The dependent variable (*Perceived success of a Sibling Partnership*) as well as the intervening and independent variables, were defined in Sections 7.3.3.3 and 7.3.3.4. In addition, the scale development and operationalisation of each of these variables was described. Similarly, the issues of sample size and missing data (aspects of stage 3) have already been addressed in Sections 7.3.5 and 7.3.6 respectively. The remaining stages of the six-stage decision process are addressed in a more detailed and sequential manner in the seven-step procedure. Consequently, the discussions on implementing SEM in the present study are based on the seven consecutive steps proposed by Hair et al. (1998:592-616) in their earlier writings.

In their later writings, Hair et al. (2006:721) contend that SEM alone cannot establish causality. It can only provide some evidence necessary to support a causal inference. As a result, for the purpose of this study it was decided to rename Hair et al.'s (1998:592-616) second step from "constructing a path diagram of causal relationships" to "constructing a path diagram of dependence relationships". According to Hair et al. (2006:715) a path diagram depicts a dependence relationship between two constructs, in other words the impact of one construct on another construct.

The seven steps of SEM are briefly summarised in the paragraphs that follow. In addition, the implementation of each step in the present study is described.

### Step 1: Developing a theoretical model

The process of Structural Equation Modelling starts by specifying a model on the basis of theory. Each variable in the model is conceptualised as a latent one which is measured by multiple indicators (Garson 2006). SEM is based on dependence relationships in which the change in one variable is assumed to result in a change in another variable. In addition, the strength and conviction with which causation between two variables can be assumed lies in the theoretical justification to support the analysis, and not in the analytical methods chosen. The theoretical justification or theoretical rationale of the model to be investigated is thus the foundation that underpins the method of structural equation analysis (Hair et al. 1998:592,593).

According to Hair et al. (2006:713), a model is a representation of a theory, and a theory can be thought of as a systematic set of relationships providing a consistent and comprehensive explanation of a phenomena. In Chapter 6 a conceptual (theoretical) model of factors influencing the *Perceived success* of a Sibling Partnership was presented for empirical testing. This model was based on an in-depth literature study as well as existing empirical findings. Relationships or linkages between the numerous factors (constructs) in the model and their possible influence on the *Perceived success* of a Sibling Partnership were hypothesised, based on theoretical justification.

### Step 2: Constructing a path diagram of dependence relationships

In constructing a path diagram of dependence relationships, the hypothesised relationships, among the constructs included in the theoretical models under investigation, are portrayed. According to Hair et al. (2006:714), path diagrams are a convenient way of portraying a model in a visual form. Constructs, referred to as *latent variables* in SEM, are also known as unobserved variables or factors. Latent variables are measured by their respective indicators (observed variables) and include independent, intervening, and dependent variables (Garson 2006). When portrayed in the model, ellipses represent latent variables, and rectangles represent observed variables (Cooper & Schindler 2007:584).

Path diagrams allow the researcher to visually depict the predictive relationships amongst constructs (i.e. the independent-dependent variable relationships), as well as the associative relationships (correlations) amongst constructs and even indicators. A straight arrow depicts a direct dependence relationship between one construct and another, whereas a curved arrow denotes a correlation between constructs. A straight arrow with two heads (one head on either side) indicates a reciprocal relationship between constructs. A variable that is not predicted or “caused” by another variable in the model is referred to as an *exogenous* construct, also known as *source*, *independent* or *predictor* variables. No arrows will point to these constructs from other constructs. On the other hand, a variable that is predicted or “caused” by any other construct in the model is called an *endogenous* or *dependent* construct. One or more arrows will point to these constructs (Hair et al. 2006:715; Hair et al. 1998:594-596). Endogenous variables are both intervening variables (variables which are both effects of other exogenous or intervening variables, and are causes of other intervening and dependent variables), and pure dependent variables (Garson 2006). The path diagrams proposed for this study will be presented in Chapter 8.

Step 3: Converting the path diagram into a set of structural equations and measurement models

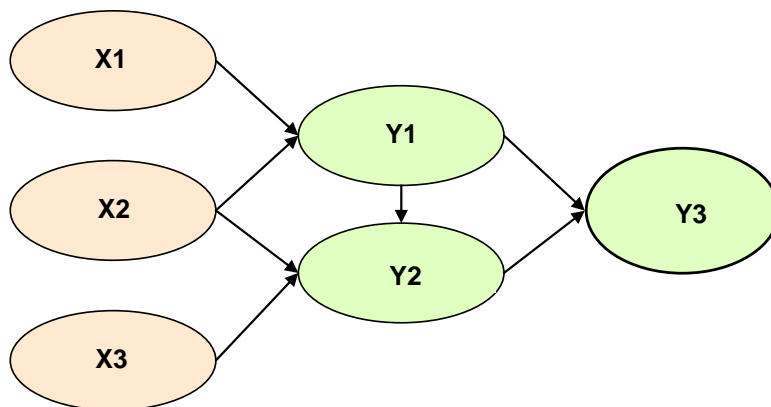
In this step the model is specified in formal terms by means of sets of equations. These equations define the structural equations linking constructs, the measurement model (which specifies which variable measures which construct), and a set of matrices that indicate the hypothesised correlations between the constructs or variables. The objective is to link operational definitions of constructs to theory for the appropriate empirical test (Hair et al. 1998:596).

A conventional model in SEM terminology really consists of two models, the measurement model and the structural model (Hair et al. 2006:714). Specifying the measurement model involves assigning indicator variables to the constructs they represent, whereas specifying the structural model involves assigning relationships between constructs based on the proposed theoretical model (Hair et al. 2006:754). Once a theory has been proposed the SEM model is developed, this involves firstly specifying the measurement theory and validating it by means

of confirmatory factor analysis. Secondly, once the measurement model is deemed sufficiently valid, the researcher can test the structural model (Hair et al. 2006:848,849).

A structural theory is a conceptual representation of the relationships between constructs. It can be expressed in terms of a structural model that represent the theory with a set of structural equations and is usually depicted with a visual diagram (Hair et al. 2006:845). In the structural model, each hypothesised effect of an independent construct on a dependent construct or a dependent construct on another dependent construct, is expressed as an equation. For each equation, a structural coefficient (*b*) is estimated, and an error term ( $\epsilon$ ) is included to provide for the sum of the effects of specification and random measurement error (Hair et al. 1998:597; Venter 2003:253). Figure 7.1 (a) and 7.1 (b) provide an example of a path diagram and the subsequent structural equations:

**Figure 7.1(a): Path diagram showing structural relationships**



(Source: Hair et al. 1998:595)

**Figure 7.1(b): Structural equation example**

Endogenous variable	=	Exogenous variable	+	Endogenous variable	+	Error
$Y_1$	=	$b_1X_1+b_2X_2$			+	$\epsilon_1$
$Y_2$	=	$b_3X_2+b_4X_3$	+	$b_5Y_1$	+	$\epsilon_2$
$Y_3$	=			$b_6Y_1+b_7Y_2$	+	$\epsilon_3$

(Source: Hair et al. 1998:597)

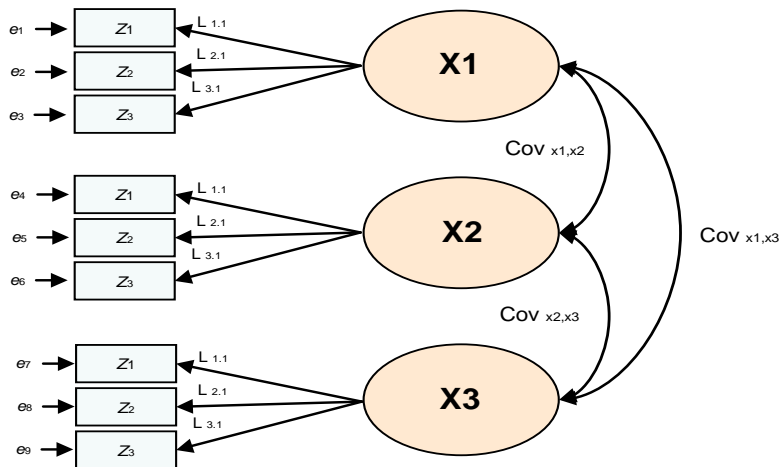
Figures 7.1 (a) and 7.1 (b) show that the independent variables  $X_1$  and  $X_2$  have an effect on the dependent variable  $Y_1$ , and that provision is made for the measurement and specification error  $\epsilon_1$  of magnitude  $b_1$  and  $b_2$ . The dependent variable  $Y_2$  is influenced by (coefficients,  $b_3$ ,  $b_4$  and  $b_5$ ) the independent variables  $X_2$  and  $X_3$ , as well as dependent variable  $Y_1$ , with provision for measurement and specification error  $\epsilon_2$ . The dependent variable  $Y_3$ , however, is influenced by two independent variables  $Y_1$  and  $Y_2$ , to the extent of  $b_6$  and  $b_7$  with an error term  $\epsilon_3$ . (Venter 2003:255).

It must be noted that the above-mentioned model (Figure 7.1 (b)) includes both cause and effect relationships between independent and dependent constructs and between dependent and dependent constructs. Correlations between dependent constructs and indicators of constructs respectively are not reported in this study, *inter alia* because of their ability to confound interpretations. Correlations among indicators of constructs are usually avoided, except in specific situations, such as where the effects of measurement or data collection procedures are known, or when the same indicator is used in two time periods in a longitudinal study (Venter 2003:255; Hair et al. 1998:601).

The specification of the measurement model, which indicates which variables measure which constructs in the structural model, precedes the structural equation model. In the present study these variables, called the *manifest* or *observed variables*, are identified by undertaking an exploratory factor analysis. During the exploratory factor analysis, certain constructs (factors or latent variables) are identified on the basis of the manifest variables that load on these constructs. The manifest variables collected from respondents (items on the measuring instrument) are termed *indicators* in the measurement model, because they are used to measure or “indicate” the latent constructs. Three is the accepted (and also common practice) minimum number of indicators for each construct. However 5 to 7 indicators should represent most constructs. Models using only 2 indicators per latent variable are more likely to be underidentified and/or fail to converge, and error estimates may be unreliable. The specification of the measurement model is similar to exploratory factor analysis but differs in that the number of factors and the items loading onto each factor must be known and specified before the analysis can be conducted (Garson 2006; Hair et al. 2006:772).

As can be seen in Figure 7.1(c) the measurement model specifies the rules of correspondence between measured and latent variables (Hair *et al.* 2006:713) and enables an assessment of construct validity (Hair *et al.* 2006:709). The measurement model can be represented by a series of regression-like equations mathematically relating a factor to the measure variables (Hair *et al.* 2006:772).

**Figure 7.1(c): Measurement model**



(Source: Adapted from Hair *et al.* 2006:736)

When the structural and measurement models are estimated, the loading coefficients provide estimates of the reliabilities of the indicators and the overall construct (Hair *et al.* 1998:599). The method of empirical estimation employed in the present study and indicator loadings will prove to be acceptable if the p-values associated with each of the loadings exceed the critical value for the 5% significance level (critical value of 1.96), as well as the 1% significance level (critical value of 2.58). Should this be the case in the present study, then the variables are significantly related to their specified constructs, verifying the proposed relationships among variables and constructs (Venter 2003:292; Hair *et al.* 1998:623).

In the present study the software programme LISREL 8.8 (Jöreskog & Sörbom 2006) will be used to convert the path diagrams referred to in Step 2 above (Figures 7.1 (a) and (b)) into structural equations (structural models) and measurement models.

Step 4: Choosing the input matrix type (correlation matrix or covariance matrix) and estimating the proposed model

With the model completely specified, the next steps are to test the data for meeting the assumptions underlying Structural Equation Modelling, to select the type of input matrix (covariances or correlations) to be used for model estimation, and to estimate the structural and measurement models.

Although the design of the study assures that certain of the assumptions of SEM are met, the variables must still be assessed for their distributional characteristics, particularly normality and kurtosis. If no variable is found to have significant departure from normality or pronounced kurtosis, then all variables are deemed suitable for use (Hair et al. 1998:631). Normality is the most fundamental assumption in multivariate analysis (Hair et al. 2006:79). Structural Equation Modelling is particularly sensitive to the distributional nature of the data, particularly the departure from multivariate normality (critical in the use of LISREL) or a strong kurtosis (skewness) in the data. A lack of multivariate normality is particularly troublesome because it substantially inflates the Chi-square statistic and creates upward bias in critical values for determining coefficient significance (Hair et al. 1998:601).

The normality of the data in the present study was assessed by means of a test of univariate and multivariate normality. The software programme LISREL 8.8 (Jöreskog & Sörbom 2006) was used for this purpose. Because the data in the present study shows evidence of non-normality (as will be shown in Chapter 8), in preference to the more commonly used Maximum Likelihood method for estimating the parameters in SEM, an alternative analytical procedure is used, namely Robust Maximum Likelihood. Robust Maximum Likelihood compensates for non-normality of the data (Hoogland & Boomsma 1998; Satorra & Bentler 1994).

Structural equation analysis uses either the variance-covariance or the correlation matrix as its input data type. Based on the recommendation of Hair et al. (2006:738) and the research question being addressed, for the purpose of the present study a covariance matrix of all the indicators in the model is used as the



data input type. Covariance matrices contain relatively greater information content and thus provide the researcher with far more flexibility (Hair et al. 2006:738).

The measurement model then specifies which manifest variables (indicators) correspond to each latent construct. The latent construct scores are then employed in the structural model and the structural coefficients are estimated for the relationships between the latent variables (Hair et al. 1998:601).

After the structural and measurement models have been specified and the input data type selected, estimates of free parameters from the observed data must be obtained. The software programme LISREL 8.8 (Jöreskog & Sörbom 2006) was used for these estimations in the present study. Parameter estimation is done, for example, by comparing the actual covariance matrices, representing the relationships between variables, and the estimated covariance matrices of the best-fitting model (Structural Equation Modelling n.d).

#### Step 5: Assessing the identification of model equations

Step 5 involves assessing whether the software programme has produced any meaningless or illogical results in the identification of the structural model (Hair et al. 2006:791; Hair et al. 1998:608). In order to establish this, attention is given to the identification problem, which refers to the inability of the proposed model to generate unique estimates.

No single rule exists that establishes the identification of a model (Hair et al. 1998, 608,609). Several guidelines are, however, available. The simplest of these is the three-measure rule, which asserts that any constructs with 3 or more indicators will always be identified. In the present study, no single construct has less than 3 indicators, again indicating a reduced risk of model identification problems.

#### Step 6: Evaluating the results for goodness-of-fit

The evaluation of the goodness-of-fit results is an assessment of the extent to which the data and the theoretical models meet the assumptions of SEM. Goodness-of-fit tests are measures of how “good” the actual or observed input

correlation or covariance matrix matches (“fits”) the matrix that is predicted by the theoretical model. Otherwise stated, goodness-of-fit determines the degree to which the structural equation model fits the sample data (Hair *et al.* 1998:610,620; Venter 2003:257; Structural Equation Modelling n.d), or how well the theory fits reality as represented by the data (Hair *et al.* 2006:734). Acceptable fit, by whatever criteria are applied, does not prove the proposed model but only that it is one of several possible acceptable models (Hair *et al.* 2006:732). Measurement model validity depends on the goodness-of-fit for the measurement model, and specific evidence of construct validity (Hair *et al.* 2006:745). Generally the closer the structural model goodness-of-fit comes to the measurement model, the better the structural model fit ( Hair *et al.* 2006:756).

Model-fit criteria commonly used are the Chi-square statistic ( $\chi^2$ ), the Goodness-of-fit index (GFI), the adjusted goodness-of-fit index (AGFI), and the Root-Mean-Square residual (RMR) (Hair *et al.* 1998:633). Jaccard and Wan (1996:87) recommend the use of at least 3 fit tests from different categories so as to reflect diverse criteria, whereas Kline (1998:130) recommends at least 4 tests. According to Garson (2006), there is wide disagreement on just which fit indexes to report, but reporting on all should be avoided. Assessment of model adequacy must be based on multiple criteria that take into account theoretical, statistical, and practical considerations (Grimm & Yarnold 2000:271).

Goodness-of-fit tests are used to determine whether the model should or should not be rejected. These overall fit tests do not, however, establish whether the particular paths within the model are significant. If the model is not rejected, the path coefficients in the model can be analysed and interpreted. “Significant” path coefficients in poor-fitting models are not meaningful (Cooper & Schindler 2007:584; Garson 2006). A “good fit” is not the same as strength of relationship. One could have perfect fit when all variables in the model are totally uncorrelated. Researchers should report not only use goodness-of-fit measures but also report on the structural coefficients so that the strength of paths in the model can be assessed. Readers should not be left with the impression that a model is strong simply because the “fit” is high. Fit indices rule out bad models but do not prove good models (Garson 2006).

In order to establish the overall fit of the proposed model of factors influencing the *Perceived success* of a Sibling Partnership in the present study, the following measures will be utilised: the Satorra-Bentler scaled Chi-square ( $\chi^2$ ), the normed Chi-square, i.e. the ratio of Chi-square to degrees of freedom ( $\chi^2 / df$ ), the Root Mean Square Error of Approximation (RMSEA), and the 90% confidence interval for RMSEA. The commonly used goodness-of-fit (GFI) measure was not used in the present study owing to the use of Robust Maximum Likelihood as the method of estimation. In the cases of missing values the Full Information Maximum Likelihood Chi-square was used instead of the Satorra-Bentler scaled Chi-square. The fit indices, reflecting the degree to which the Structural Equation Model (both the measurement and the structural model) fits the sample data in the present study, will be reported on in Chapter 8.

Step 7: Making the indicated modifications to the model if theoretically justified and interpreting the results

The final step in structural equation analysis involves modifying the proposed model in search of a better fit and an interpretation of the results. Model respecification usually follows the estimation of a model with indications of poor fit. This is done in order to maximise the fit, thereby estimating the most likely relationships between variables. Respecifying the model requires that the researcher fix parameters that were formerly free or free parameters that were formerly fixed (Cooper & Schindler 2007:584; Structural Equation Modelling n.d). In addition, model respecification involves the process of adding or deleting estimated parameters from the original model. Such modifications should be made with great care and only after theoretical justification has been obtained for what is deemed empirically significant (Hair et al. 1998:614).

Good model fit alone is insufficient to support a proposed structural theory. The individual parameter estimates that represent each hypothesis must also be examined. A theoretical model is supported and considered valid to the extent that the parameter estimates are statistically significant and in the predicted direction (Hair et al. 2006:758,847).

## 7.4 SUMMARY

This chapter provided a brief description of the activities undertaken to pretest the proposed conceptual model. The population studied was described, as well as the sampling unit and sampling technique. The variables were operationalised with clear and concise definitions, and an explanation was also provided of how the measuring instrument was developed and administered. The demographic information pertaining to respondents was summarised, and the statistical analysis performed to ensure the validity and reliability of the results, was explained. The statistical techniques (ANOVA, Multiple Regression analysis and t-tests) used to measure the influence of demographic variables on the intervening and dependent variables were also identified and outlined. Finally, a description of the Structural Equation Modelling (SEM) technique used to verify the proposed conceptual model was given.

The results of the various statistical analyses performed will be presented and discussed in Chapter 8.

## CHAPTER 8

### EMPIRICAL RESULTS

#### 8.1 INTRODUCTION

In Chapter 7 an overview of the research design and methodology used to investigate the factors influencing the *Perceived success* of a Sibling Partnership was provided. As described in this overview, the empirical data collected during the present study was subjected to a variety of different statistical analyses to assess the validity and reliability of the measuring instrument, and the theoretical model was empirically tested by means of Structural Equation Modelling. Chapter 8 presents a summary of these findings.

In Chapter 8 the results of the exploratory factor analysis will firstly be summarised. The discriminant validity of the constructs in the theoretical model are confirmed and where necessary redefined. After the reliability of these constructs has been confirmed by means of a Cronbach-alpha coefficient analysis, the theoretical model proposed in Chapter 6 will be revised to reflect only those constructs that demonstrated sufficient discriminate validity and reliability. The relationships between these factors will be presented in a path diagram and converted into a structural model for which the path coefficients of the relations will be estimated. An assessment of the goodness-of-fit of the theoretical model to the empirical data will then be undertaken. The relationships between various input and process constructs will also be assessed. The chapter will conclude by testing the relationships between the demographic data and the dependent variables of this study, the purpose of which is to evaluate whether the proposed model is indeed generic across different demographic groupings.

#### 8.2 VALIDITY OF THE MEASURING INSTRUMENT

Exploratory factor analysis was employed to assess the discriminant validity of the instrument used to measure the constructs incorporated in the theoretical model. It describes the data in a much smaller number of concepts than the original

individual variables and reduces the data by substituting the scores of each underlying dimension for the original variable (Hair et al. 1998:90,91).

When implementing SEM, the measurement model specifies the indicators for each construct and enables an assessment of construct validity (Hair et al. 2006:709). However, although the specification and estimation of the measurement model in SEM is similar to exploratory factor analysis, it differs in that the number of factors and the items loading onto each factor must be known and specified before the analysis can be conducted (Hair et al. 2006:772,779). Consequently, it is a form of confirmatory rather than exploratory factor analysis. Confirmatory factor analysis cannot be conducted appropriately unless the researcher can specify both the number of constructs that exist within the data to be analysed, and which specific measures should be assigned to each of these constructs. In contrast, exploratory factor analysis is conducted without knowledge of either of these things (Hair et al. 2006:834). In order to allow this specification of measures to constructs in the measurement model, an exploratory factor analysis was undertaken using SPSS 15 for Windows prior to implementing SEM.

A wide range of recommendations regarding the relationship between sample size and factor analysis have been made. These are usually stated in terms of either the minimum sample size ( $N$ ) or the minimum ratio of  $N$  to the number of variables,  $p$ , which is the number of survey items being subjected to factor analysis (MacCallum, Widaman, Zhang & Hong 1999). According to Hair et al. (2006:113) one should strive for between 5 and 10 observations per variable, with an absolute minimal sample size of 50 observations. Gorsuch (1983) recommends 5 observations per item, with a minimum of 100 subjects, regardless of the number of items, whereas Cattell (1978) recommends 3 to 6 observations per item, with a minimum of 250 responses. In the present study the sample size amounted to 371 and the measuring instrument contained 104 survey items. Based on the  $N:p$  ratio recommended by Gorsuch (1983) and Cattell (1978), the entire matrix of responses in the present study could thus not be subjected to a single exploratory factor analysis. Consequently, the model was split into 5 submodels, with each submodel being individually factor analysed.

In Chapter 6 (See Figure 6.1) 13 independent variables were identified as

influencing the intervening and dependent variables in the present study. For discussion purposes these 13 independent variables were grouped into 5 main categories, namely the *Context*, *Composition* and *Structure* categories, as well as the *Processes* and *People* categories. Only one variable was categorised as *Context* and one as *Composition*, whereas for the categories *Structure* and *Processes*, 4 variables were allocated to each, and for the category *People*, 3 variables were allocated. In addition, the intervening and dependent variables were categorised as *Outcomes*. These various categories of variables provided a logical manner in which to split the model into a number of submodels on which to perform the exploratory factor analysis. Because the categories *Context* and *Composition* contained only one variable each, it was decided to combine them into one submodel. Consequently 5 submodels emerged, which were named *Context/Composition*, *Structure*, *Processes*, *People* and *Outcomes*.

The method of factor extraction is based on whether one expects the underlying constructs to be correlated or not. In submodels where it was expected that the constructs would not be correlated, Principal Component Analysis with a Varimax Rotation was specified as the extraction and rotation method. On the other hand, in submodels where it was expected that the constructs would be correlated, Principal Axis Factoring with an Oblimin (Oblique) Rotation was specified as the extraction and rotation method. Bartlett's Test of Sphericity was used to assess the factor-analysability of the data. In determining the number of factors (constructs) to extract for each submodel, Eigenvalues, the Percentage of Variance explained, and the individual factor loading were considered.

In order to assess the adequacy of the data matrix for factor analysis (i.e. the factor-analysability of the data) the software programme SPSS includes Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO). The closer the KMO is to 1, the more factor-analysable the data. It is suggested that a KMO near 1 supports a factor analysis and that anything less than 0.5 does not (Rennie 2002). According to Kaiser (1974), KMO's in their 0.70s are considered as "middling", whereas values below 0.70 are considered as "mediocre", "miserable" or "unacceptable". Consequently for the purpose of this study, data with KMO's of  $>0.7$  ( $p < 0.05$ ) are considered factor-analysable. Eigenvalues are used to explain the variance captured by the factor. Eigenvalues

greater than 1 are considered significant, whereas factors with Eigenvalues less than 1 are considered insignificant and are discarded (Hair et al. 1998:103).

A factor analysis generates a number of values. These values are the correlations between each variable and each factor, and are known as factor loadings. Data items measuring a similar aspect would have high loadings on (correlations with) one specific factor and low loadings on another. According to Hair et al. (2006:128) factor loadings of 0.30 and 0.40 are considered significant for sample sizes of 350 and 200 respectively. Items that display no cross-loadings, that load to a significant extent on one factor only, and have factor loadings of  $\geq 0.4$ , are considered significant (Hair et al. 1995:385; Mustakallio et al. 2002:214) in the present study, and consequently providing evidence of construct and discriminant validity for the measuring instrument.

In Section 8.4, the extraction and rotation method, as well as Bartlett's Test of Sphericity will be reported for each submodel. In addition, the Eigenvalues, the Percentage of Variance explained, as well as the individual factor loadings for each construct, extracted by way of the exploratory factor analysis, for each submodel, will be elaborated on.

### **8.3 RELIABILITY OF THE MEASURING INSTRUMENT**

*Reliability* involves assessing the degree of consistency between multiple measurements of a variable, and it aims to ensure that responses are not too varied at different points in time (Cooper & Schindler 2007:323; Hair et al. 1998:117,118). Cronbach's alpha is a type of reliability estimate or coefficient of internal consistency, and was used to assess the internal consistency of the measuring instrument in the present study. The software programme SPSS 15 for Windows was used to establish the Cronbach-alpha coefficient for each of the factors identified during the exploratory factor analysis. In the present study a Cronbach-alpha coefficient of greater than 0.70 is used to indicate a factor as reliable (Nunnally 1978:226; Nunnally & Bernstein 1994; Peterson 1994).



## 8.4 FACTORS INFLUENCING THE PERCEIVED SUCCESS OF A SIBLING PARTNERSHIP

In the sections below, the measures of factor-analysability, discriminant validity and reliability will be reported for the various submodels, and subsequent factors identified. The factor structure for each submodel will also be tabled.

### 8.4.1 Submodel: Context/Composition

For the submodel *Context/Composition* it was not expected that the factors would be correlated, consequently Principal Component Analysis with a Varimax Rotation was specified as the extraction and rotation method. Bartlett's Test of Sphericity returned a KMO value of 0.84 ( $p < 0.001$ ), indicating that the data are factor-analysable.

In the first submodel, items expected to measure the constructs *Internal context* and *Complementary skills* were assessed for discriminant validity by means of an exploratory factor analysis. Two factors were extracted from this submodel as expected, namely *Internal context* and *Complementary skills*. These 2 factors explained 59.03% of the variance in the data. The results of the factor analysis for this submodel are reported in Table 8.1.

**Table 8.1: Factor structure - Submodel Context/Composition**

	Factor 1	Factor 2
CONT3	0.817	0.092
CONT1	0.798	0.168
CONT2	0.793	0.166
CONT4	0.691	0.222
CONT6	0.528	0.177
CONT5	0.524	0.275
CSKILL6	0.162	0.842
CSKILL5	0.191	0.837
CSKILL4	0.256	0.769

#### 8.4.1.1 Internal context

All 6 items expected to measure the construct *Internal context* loaded together on one factor. *Internal context* explains 43.96% of the variance in the data and an

Eigenvalue of 3.96 is reported in Table 8.2. All factor loadings exceeded 0.52 and are thus regarded as significant. Sufficient evidence of discriminant validity of the construct is thus provided. The Cronbach-alpha coefficient of 0.815 for *Context* suggests that the instrument used to measure this construct is reliable.

**Table 8.2: Factor 1 - Internal context (CONTEXT)**

Eigenvalue : 3.956 % of Variance: 43.957		Cronbach-alpha : 0.815		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
CONT3	Our family business has adequate access to the necessary equipment required to function effectively.	0.817	0.644	0.766
CONT1	Our family business has adequate access to the resources required to function effectively.	0.798	0.671	0.761
CONT2	Our family business has sufficient access to information required to function effectively.	0.793	0.650	0.767
CONT4	The physical working conditions in our family business are conducive to the effective functioning of our business.	0.691	0.573	0.783
CONT6	Our family business has employees with the necessary competencies.	0.528	0.447	0.810
CONT5	Our family business has the support of employees working in the business.	0.524	0.476	0.805

(\*) No items were deleted for this factor.

Because all 6 items loaded onto *Internal context* as expected, the operationalisation (definition) of *Internal context*, as per Chapter 6, remains unchanged. For the purpose of this study *Internal context* refers to the internal environment or circumstances in which the sibling team finds itself, in terms of access to adequate and suitable resources, information, equipment, employees and working conditions.

#### 8.4.1.2 Complementary skills

Only 3 items (CSKILL4, CSKILL5 and CSKILL6) used to measure the construct *Complementary skills* loaded together on this factor. The items CSKILL1, CSKILL2 and CSKILL3 did not load as expected and were therefore not used in subsequent analysis. An Eigenvalue of 1.36 and factor loadings of greater than 0.77 are reported in Table 8.3. The factor *Complementary skills* explains 15.08% of the variance in the data, and the Cronbach-alpha coefficient for *Complementary skills* is 0.799.

**Table 8.3: Factor 2 - Complementary skills (CSKILL)**

Eigenvalue : 1.357 % of Variance: 15.075		Cronbach-alpha : 0.799		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
CSKILL6	My sibling(s) and I bring a diverse mix of knowledge, skills, perspectives and experiences to our family business.	0.842	0.650	0.706
CSKILL5	My sibling(s) and I bring different strengths (abilities) to our family business.	0.837	0.660	0.701
CSKILL4	My sibling(s) and I possess complementary competencies.	0.769	0.613	0.756

(\*) 3 items were deleted for this factor and consequently excluded from further analysis.

Despite only 3 of the expected items loading onto the factor *Complementary skills*, the operationalisation of *Complementary skills*, as previously described in Chapter 6, remains unchanged. For the purpose of this study *Complementary skills* refers to the extent to which the siblings are *competent* and are competent in different areas, i.e. siblings have strengths in different areas and consequently, their competencies *complement* each other's.

#### 8.4.2 Submodel: Structure

For the submodel *Structure* it was not expected that the factors would be correlated; as a result Principal Component Analysis with a Varimax Rotation was specified as the extraction and rotation method. Bartlett's Test of Sphericity reported a KMO of 0.902 ( $p < 0.001$ ), which indicate that the data are factor-analysable. The factor structure for this submodel is reported in Table 8.4.

In the submodel *Structure*, the items expected to measure the constructs *Leadership and Planning*, *Governance*, *Shared dream* and *Division of labour* were assessed for discriminant validity by means of an exploratory factor analysis. These 4 factors were extracted from this submodel as expected, and explain 64.63% of the variance in the data.

**Table 8.4: Factor structure - Submodel Structure**

	Factor 1	Factor 2	Factor 3	Factor 4
LEAD5	<b>0.853</b>	0.084	0.126	0.000
LEAD4	<b>0.807</b>	0.078	0.093	0.037
LEAD7	<b>0.727</b>	0.207	0.307	0.104
LEAD1	<b>0.713</b>	0.153	0.312	0.116
LEAD2	<b>0.696</b>	0.148	0.279	0.185
LEAD3	<b>0.647</b>	0.282	0.281	0.230
GOV2	0.003	<b>0.768</b>	0.051	0.157
GOV7	0.173	<b>0.726</b>	0.151	0.140
GOV4	0.103	<b>0.721</b>	-0.083	0.126
GOV5	0.262	<b>0.707</b>	0.221	0.223
GOV1	0.229	<b>0.617</b>	0.242	0.200
SHARE4	0.325	0.248	<b>0.825</b>	-0.001
SHARE5	0.397	0.210	<b>0.775</b>	0.015
SHARE6	0.196	-0.033	<b>0.682</b>	0.173
DIV4	0.247	0.210	-0.004	<b>0.764</b>
DIV6	-0.071	0.232	0.095	<b>0.710</b>
DIV5	0.347	0.355	0.193	<b>0.552</b>

#### 8.4.2.1 Leadership

Of the original 8 items included in the final questionnaire to measure the construct *Leadership and planning*, 6 items (LEAD1, LEAD2, LEAD3, LEAD4, LEAD5 and LEAD7) loaded on this factor as expected. The items LEAD6 and LEAD8 did not load as expected and were excluded from further analysis. Consequently, it was deemed appropriate to rename the factor *Leadership*. An Eigenvalue of 6.80 and factor loadings of greater than 0.65 for all items, are reported In Table 8.5. This construct explains 39.99% of the variance in the data. Sufficient evidence of discriminant validity for this construct is thus provided. The Cronbach-alpha coefficient for *Leadership* is 0.890 suggesting that the items used to measure this construct can be considered a reliable measuring instrument.

Because 2 of the original items measuring *Leadership and planning* did not load onto this factor, the operationalisation of this construct, as per Chapter 6, was adapted slightly. Therefore, for the purpose of this study *Leadership* refers to the extent to which the sibling leader(s) have a participative leadership style, have referent and expert leadership, and are visionary.

**Table 8.5: Factor 1 - Leadership (LEADER)**

Eigenvalue : 6.800 % of Variance: 39.999		Cronbach-alpha : 0.890		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
LEAD5	The sibling leader(s) in our family business has (have) the ability to effectively lead the business.	0.853	0.742	0.881
LEAD4	The sibling leader(s) in our family business is (are) very knowledgeable concerning our family business operations.	0.807	0.670	0.889
LEAD7	The sibling leader(s) in our family business has (have) a vision for our family business.	0.727	0.750	0.879
LEAD1	The sibling leader(s) in our family business is (are) always considerate of others working in the business.	0.713	0.714	0.884
LEAD2	The sibling leader(s) in our family business inspire(s) loyalty among those working in the business.	0.696	0.697	0.885
LEAD3	The sibling leader(s) in our family business encourage(s) others involved in the business to voice their opinions.	0.647	0.716	0.883

(\*) 2 items were deleted for this factor and consequently excluded from further analysis.

#### 8.4.2.2 Governance

Only 5 of the original 7 items (GOV1, GOV2, GOV4, GOV5 and GOV7) loaded onto the construct *Governance* as expected. The items GOV3 and GOV6 did not load as expected and were excluded from further analysis.

**Table 8.6: Factor 2 - Governance (GOVERN)**

Eigenvalue : 2.190 % of Variance: 12.881		Cronbach-alpha : 0.814		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
GOV2	Our family business has a formal board of directors (advisory board).	0.768	0.605	0.772
GOV7	In our family business we have written plans (e.g. estate and/or succession and/or business plans), to guide (govern) our actions and decisions.	0.726	0.624	0.765
GOV4	Our family business has a formal document that describes the relationship between the family and the business.	0.721	0.525	0.795
GOV5	In our family business we have policies (ground rules), which guide (govern) our actions and decisions.	0.707	0.678	0.751
GOV1	In our family business we hold regular scheduled meetings with family members involved in the business.	0.617	0.574	0.779

(\*) 2 items were deleted for this factor and consequently excluded from further analysis.

An Eigenvalue of 2.19 and factor loadings of greater than 0.62 for all items are reported in Table 8.6 for this factor. *Governance* explains 12.88% of the variance in the data. This construct thus shows sufficient evidence of discriminant validity. The Cronbach-alpha coefficient for *Governance* is 0.814.

Despite only 5 items loading onto *Governance* as expected, the operationalisation (definition) of *Governance* as per Chapter 6, remains unchanged, namely *Governance* refers to the overall existence of governance structures, policies and procedures in the Sibling Partnership.

#### 8.4.2.3 Shared dream

Of the original 6 items used to measure the construct *Shared dream*, only 3 items (SHARE4, SHARE5 and SHARE6) loaded on this factor (see Table 8.7). The items SHARE1, SHARE2 and SHARE3 did not load as expected, and were excluded from further analysis. An Eigenvalue of 1.08, and factor loadings of between 0.83 and 0.69, are reported for this factor. *Shared dream* explains 6.37% of the variance in the data. The Cronbach-alpha coefficient for *Shared dream* is 0.800, thus indicating a reliable measuring scale used to measure this construct.

**Table 8.7: Factor 3 - Shared dream (SHARE)**

Eigenvalue : 1.082 % of Variance: 6.367		Cronbach-alpha : 0.800		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
SHARE4	I can realise my personal goals through my involvement in our family business.	0.825	0.807	0.563
SHARE5	I can realise my ambitions through my involvement in our family business.	0.775	0.775	0.604
SHARE6	It is my own choice to be involved in our family business.	0.682	0.450	0.918

(\*) 3 items were deleted for this factor and consequently excluded from further analysis.

Because only 3 items loaded onto *Shared dream* as expected, the operationalisation of *Shared dream*, as per Chapter 6, was altered slightly. Henceforth, *Shared dream* refers to the extent to which the individual siblings can realise their own dreams (goals and ambitions) through their involvement in the

Sibling Partnership, and that their involvement in the Sibling Partnership is voluntary.

#### 8.4.2.4 Division of labour

Only 3 items (DIV4, DIV5 and DIV6) expected to measure the construct *Division of labour* loaded on this factor. The items DIV1, DIV2 and DIV3 did not load as expected and were subsequently excluded for further analysis. Despite an Eigenvalue of 0.92, it was decided not to discard this factor as it was clearly interpretable and made sense in terms of the construct being measured. *Division of labour* explains 5.38% of the variance in the data and all factor loadings exceeded 0.55. Table 8.8 thus offers sufficient evidence of discriminant validity for this construct. The Cronbach-alpha coefficient for *Division of labour* is 0.644, which is below the lower limit of 0.70. This lower limit may, however, be reduced to 0.60 in certain cases (Hair et al. 2006:137; Garson 2006). Based on this lower limit, reasonable evidence of reliability for this measuring instrument is reported.

**Table 8.8: Factor 4 - Division of labour (DIVISION)**

Eigenvalue : 0.915 % of Variance: 5.384		Cronbach-alpha : 0.644		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
<b>DIV4</b>	In our family business a clearly defined division of labour exists between the siblings working in the business.	0.764	0.485	0.484
<b>DIV6</b>	In our family business no overlapping of responsibilities exists between the siblings working in the business.	0.710	0.369	0.659
<b>DIV5</b>	In our family business clearly demarcated areas of authority and responsibility exist between my sibling(s) and I.	0.552	0.492	0.470

(\*) 3 items were deleted for this factor and consequently excluded from further analysis.

Because only 3 items loaded onto the construct *Division of labour* as expected, the operationalisation of *Division of labour*, as per Chapter 6, was adapted slightly. *Division of labour*, for the purpose of this study, refers to the extent to which each sibling is assigned a clearly demarcated area of authority and responsibility in their business.

### 8.4.3 Submodel: Processes

The submodel *Processes* consisted of the variables *Mutual trust and respect*, *Open communication*, *Sibling bond* and *Fairness*. Based on the relational nature of these constructs as well as empirical evidence (Barrick *et al.* 1998:382, Gladstein 1983:507; Olukayode & Ehigie 2005), it was expected that they would be correlated with each other. Consequently, Principal Axis Factoring with an Oblique (Oblimin with Kaiser normalisation) Rotation was specified as the extraction and rotation method. Bartlett's Test of Sphericity reported a KMO of 0.96 ( $p < 0.001$ ), which confirmed that the data are factor-analysable.

An exploratory factor analyses was undertaken of this submodel in order to assess whether the items expected to measure the constructs, *Mutual trust and respect*, *Open communication*, *Sibling bond* and *Fairness*, showed evidence of discriminant validity (see the factor structure in Table 8.9).

**Table 8.9: Factor structure – Submodel Processes**

	Factor 1	Factor 2
COM1	0.944	-0.084
COM4	0.904	-0.059
COM2	0.883	-0.064
COM3	0.845	-0.043
COM5	0.821	-0.004
SIB7	0.812	-0.021
SIB4	0.779	0.085
RETRUST3	0.757	-0.016
RETRUST1	0.748	0.061
RETRUST2	0.746	-0.017
SIB1	0.731	0.147
SIB5	0.715	-0.032
RETRUST4	0.672	0.241
RETRUST5	0.669	0.091
SIB6	0.600	0.061
FAIR1	-0.035	0.910
FAIR4	0.006	0.809
FAIR6	0.109	0.364

Unexpectedly only 2 factors were extracted from this submodel. Most of the items measuring *Mutual trust and respect*, *Open communication*, and *Sibling bond* loaded together onto one construct, which was renamed *Sibling relationship*. As expected, 3 of the items measuring *Fairness* loaded onto a separate construct.



These 2 factors explained 65.97% of the variance in the data. The items SIB2, SIB3 and RETRUST6 did, however, not load onto any of the factors as was expected and were consequently excluded from further analysis.

#### 8.4.3.1 Sibling relationship

Of the 18 items used in the questionnaire, to measure the factors *Mutual trust and respect*, *Open communication*, and *Sibling bond*, 15 loaded together onto one construct, which was renamed *Sibling relationship*.

**Table 8.10: Factor 1- Sibling relationship (SIBRELA)**

Eigenvalue : 10.711 % of Variance: 59.506		Cronbach-alpha : 0.962		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
COM1	My sibling(s) and I communicate openly with each other.	0.944	0.866	0.957
COM4	My sibling(s) and I share information with each other.	0.904	0.844	0.958
COM2	My sibling(s) and I freely express our opinions about day-to-day decisions in the business with each other.	0.883	0.819	0.958
COM3	In our business my sibling(s) and I discuss all issues that may arise between us.	0.845	0.798	0.959
COM5	My sibling(s) and I all have the ability to communicate effectively.	0.821	0.808	0.958
SIB7	My sibling(s) and I are able to constructively manage conflict between us.	0.812	0.783	0.959
SIB4	My sibling(s) and I encourage each other to give our best efforts.	0.779	0.821	0.958
RETRUST3	My sibling(s) and I trust each other.	0.757	0.732	0.960
RETRUST1	My sibling(s) and I respect each other.	0.748	0.778	0.959
RETRUST2	Expressing different views and opinions are encouraged between my sibling(s) and I.	0.746	0.719	0.960
SIB1	My sibling(s) and I have a mutually supportive relationship.	0.731	0.816	0.958
SIB5	I have a good understanding of how my sibling(s) make(s) decisions.	0.715	0.680	0.961
RETRUST4	My sibling(s) and I trust each other's ability to manage our family business.	0.672	0.822	0.958
RETRUST5	I have confidence in the integrity of my sibling(s) working together with me in our family business.	0.669	0.718	0.960
SIB6	I have a good understanding of the needs and preferences of my sibling(s).	0.600	0.633	0.962

(\*) 3 items were deleted for this factor and consequently excluded from further analysis.

The items SIB2, SIB3 and RETRUST6 did, however, not load onto any of the factors as was expected. In their study on determinants of harmonious family relationships, Van der Merwe and Ellis (2007:24) also reported items measuring open communication and conflict management as loading together onto one construct. Similarly, Smyrniotis, Romano, Tanewski, Karofsky, Millen and Yilmaz (2003:41) reported items measuring communication, appreciation of each other, and dealing with crises as loading onto one construct, which they named *Family cohesion*.

For the construct *Sibling relationship*, an Eigenvalue of 10.71 and factor loadings of between 0.94 and 0.60, are reported in Table 8.10. The variable *Sibling relationship* explains 59.51% of the variance in the data. The Cronbach-alpha coefficient for the *Sibling relationship* construct is 0.962. For the purpose of this study the factor *Sibling relationship* is operationalised as a relationship between the sibling partners characterised by open communication, encouragement, mutual trust and respect, mutual support and understanding, and an ability to manage conflict.

#### 8.4.3.2 Fairness

Only 3 items (FAIR1, FAIR4 and FAIR6) expected to measure the construct *Fairness* loaded on this factor (see Table 8.11). The items FAIR2, FAIR3 and FAIR5 did not load as expected. An Eigenvalue of 1.16, and factor loadings of between 0.91 and 0.36, are reported. Despite FAIR6 having a factor loading of less than the required 0.4, namely 0.36, this item was retained because of its close proximity to 0.4 and because of Hair *et al.*'s (2006:128) rule of thumb stating that for sample sizes of 350 or greater, factor loadings of 0.30 are considered significant. In addition, FAIR6 was retained because it loaded onto *Fairness* as expected. *Fairness* explains 6.46% of the variance in the data. Sufficient evidence of discriminant validity of the construct is thus provided. The Cronbach-alpha coefficient for *Fairness* is 0.745, suggesting that the factor was measured with a reliable measuring instrument.

Because only 3 items loaded onto *Fairness*, the operationalisation of *Fairness*, as per Chapter 6, was adapted slightly. For the purpose of this study *Fairness* refers

to the degree to which the working arrangement between the siblings is considered as fair in terms of workload and compensation.

**Table 8.11: Factor 2 - Fairness (FAIRNESS)**

Eigenvalue : 1.163 % of Variance: 6.463		Cronbach-alpha : 0.745		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
FAIR1	Given their compensation each sibling does his or her fair share of the work in our family business.	0.910	0.647	0.528
FAIR4	In our family business each sibling is compensated fairly for the work that he or she does.	0.809	0.634	0.537
FAIR6	In our family business rewards for siblings are based on merit.	0.364	0.401	0.847

(\*) 3 items were deleted for this factor and consequently excluded from further analysis.

#### 8.4.4 Submodel: People

For the submodel *People* it was not expected that the factors would be correlated, consequently Principal Component Analysis with a Varimax Rotation was specified as the extraction and rotation method. Bartlett's Test of Sphericity reported a KMO of 0.793 ( $p < 0.001$ ), indicating that the data are factor-analysable.

**Table 8.12: Factor structure - Submodel People**

	Factor 1	Factor 2	Factor 3	Factor 4
PARENT3	<b>0.878</b>	0.037	0.011	0.002
PARENT4	<b>0.870</b>	0.046	0.029	0.075
PARENT2	<b>0.861</b>	0.035	-0.035	0.033
PARENT5	<b>0.784</b>	0.071	0.052	0.093
PARENT1	<b>0.584</b>	0.154	0.202	-0.035
NONF3	0.064	<b>0.821</b>	-0.041	0.124
NONF4	0.003	<b>0.775</b>	-0.062	0.057
NONF1	0.070	<b>0.765</b>	0.000	0.028
NONF6	-0.017	<b>0.702</b>	0.141	-0.079
NONF2	0.226	<b>0.662</b>	0.056	-0.004
NONF5	0.037	<b>0.619</b>	0.067	0.075
OFAM4	0.025	0.001	<b>0.840</b>	0.124
OFAM5	0.074	-0.008	<b>0.836</b>	0.166
OFAM1	0.079	0.080	<b>0.818</b>	0.122
OFAM2	0.046	0.073	<b>0.785</b>	0.248
PARENT8	0.131	0.090	0.225	<b>0.850</b>
PARENT7	-0.127	-0.002	0.151	<b>0.763</b>
PARENT6	0.166	0.087	0.233	<b>0.730</b>

In this submodel the items expected to measure the constructs *Parental involvement*, *Other family member involvement* and *Non-family involvement* were assessed for discriminant validity by means of an exploratory factor analysis (see the factor structure in Table 8.12). Four factors were extracted from this submodel.

The original factor *Parental involvement* split into 2 factors and these were renamed *Past parent involvement* and *No present parent involvement*. The items intended to measure the involvement of other family members loaded onto one factor as expected. Because of the negative phrasing of these items it was decided to rename this factor *No other family member involvement*. The factor *Non-family involvement* emerged as expected. These 4 factors explained 60.04% of the variance in the data.

#### 8.4.4.1 Past parent involvement

Of the original 8 items included in the final questionnaire to measure the construct *Parental involvement*, 5 loaded together onto one factor, namely PARENT1, PARENT2, PARENT3, PARENT4 and PARENT5. This factor was renamed *Past parent involvement*. An Eigenvalue of 4.76 and factor loadings of greater than 0.58 for all items are reported in Table 8.13.

**Table 8.13: Factor 1 - Past parent involvement (PAPARENT)**

Eigenvalue : 4.761 % of Variance: 23.807		Cronbach-alpha : 0.861		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
<b>PARENT3</b>	During our childhood our parents taught my sibling(s) and I how to deal with conflict.	0.878	0.777	0.806
<b>PARENT4</b>	During our childhood our parents taught my sibling(s) and I how to cooperate with others.	0.870	0.780	0.807
<b>PARENT2</b>	During our childhood our parents encouraged my sibling(s) and I to share our feelings.	0.861	0.743	0.817
<b>PARENT5</b>	During our childhood our parents taught my sibling(s) and I to treat each other fairly.	0.784	0.673	0.838
<b>PARENT1</b>	Our parents support (supported if deceased) and encourage (encouraged if deceased) my siblings and I in managing our family business.	0.584	0.460	0.882

(\*) The 3 items that did not load onto Factor 1 loaded onto *No present parent involvement* (Factor 4).

*Past parent involvement* explains 23.81% of the variance in the data. The Cronbach-alpha coefficient for *Past parent involvement* is 0.861. For the purpose of this study *Past parent involvement* is operationalised as the involvement of parents in the lives of the siblings and in their relationship with each other, while they were growing up.

#### 8.4.4.2 Non-family involvement

All 6 items included in the final questionnaire to measure the construct *Non-family involvement* loaded as expected onto this factor. An Eigenvalue of 3.05 is returned, and factor loadings of greater than 0.62 for all items are reported in Table 8.14. *Non-family involvement* explains 15.24% of the variance in the data. The Cronbach-alpha coefficient for *Non-family involvement* is 0.817.

Because all 6 items loaded onto *Non-family involvement* as expected the operationalisation of *Non-family involvement*, as per Chapter 6, remains unchanged, namely *Non-family involvement* refers to the extent to which non-family members are involved in the family business.

**Table 8.14: Factor 2 - Non-family involvement (NONFAM)**

Eigenvalue : 3.047 % of Variance: 15.237		Cronbach-alpha : 0.817		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
<b>NONF3</b>	In our family business we involve non-family members in assisting us to effectively managing our business.	0.821	0.711	0.754
<b>NONF4</b>	In our family business we involve non-family members when we have to make important strategic decisions about our business.	0.775	0.599	0.779
<b>NONF1</b>	In our family business we sometimes approach non-family members to advise us on business matters.	0.765	0.638	0.770
<b>NONF6</b>	In our family business non-family employees form part of the management team.	0.702	0.545	0.796
<b>NONF2</b>	If necessary we draw on the expertise of non-family members to assist us with business matters.	0.662	0.537	0.794
<b>NONF5</b>	In our family business we employ non-family members to supplement our skills.	0.619	0.458	0.807

(\*) No items were deleted for this factor.

#### 8.4.4.3 No other family member involvement

All 6 items used to measure the construct *No other family member involvement* loaded as expected. An Eigenvalue of 2.75 and factor loadings of greater than 0.79 for all items are reported in Table 8.15. *No other family member involvement* explains 13.77% of the variance in the data. Sufficient evidence of discriminant validity of the construct is thus provided. The Cronbach-alpha coefficient for *No other family member involvement* was initially reported as 0.817. Upon deletion of OFAM3 and OFAM6, however, the Cronbach-alpha coefficient increased to 0.864. The reliability of the measuring instrument used to measure this construct therefore improved by deleting these 2 items.

Consequently, only 4 of the original items were measuring the factor *No other family member involvement* in further analysis. As mentioned above these 4 items were all negatively phrased and therefore the operationalisation of this factor, as described in Chapter 6, was redefined. In this study *No other family member involvement* refers to non-active sibling shareholders and spouses of sibling partners not getting involved, or else interfering in neither the business nor the relationship between the sibling partners.

**Table 8.15: Factor 3 - No other family member involvement (NO OTHERFAM)**

Eigenvalue : 2.753 % of Variance: 13.765		Cronbach-alpha : 0.864		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
OFAM4	Siblings not actively involved in the day-to-day operations of our family business DO NOT interfere in business decision-making.	0.840	0.711	0.824
OFAM5	Siblings not actively involved in the day-to-day operations of our family business DO NOT become involved in disagreements between the siblings working in the business.	0.836	0.710	0.824
OFAM1	In our family business the spouses (life-partners) of sibling involved in the business DO NOT interfere in business decision-making.	0.818	0.712	0.823
OFAM2	In our family business the spouses (life-partners) of siblings involved in the business DO NOT become involved in disagreements between siblings.	0.785	0.709	0.824

(\*) 2 items were deleted for this factor and consequently excluded from further analysis.

#### 8.4.4.4 No present parent involvement

Of the original 8 items expected to measure the construct *Parental involvement*, 3 items loaded together onto one factor, namely PARENT6, PARENT7 and PARENT8 (see Table 8.16). These 3 items were all negatively phrased, and this factor was renamed *No present parent involvement*. An Eigenvalue of 1.45 and factor loadings varied between 0.85 and 0.76. *No present parent involvement* explains 7.23% of the variance in the data. The factor analysis thus provides sufficient evidence of discriminant validity of the items used to measure this construct. The Cronbach-alpha coefficient for *No present parent involvement* is 0.744, confirming that this factor is measured with a reliable measuring instrument.

For the purpose of this study *No present parent involvement* is operationalised as parent(s) not being dependent on the business and not presently being involved or interfering in the business or in the present-day relationship between the siblings.

**Table 8.16: Factor 4 - No present parent involvement (NO PRPARENT)**

Eigenvalue : 1.446 % of Variance: 7.228		Cronbach-alpha : 0.744		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion
<b>PARENT8</b>	Our parents DO NOT (or did not if deceased) interfere in business decisions made by my sibling(s) and I.	0.850	0.712	0.474
<b>PARENT6</b>	Our parents DO NOT (or did not if deceased) get drawn into conflicts that arise (arose) between my sibling(s) and I.	0.730	0.517	0.706
<b>PARENT7</b>	Our parents ARE NOT (or were not if deceased) financially dependent on the business.	0.763	0.484	0.758

#### 8.4.5 Submodel: Outcomes

Based on the relational nature of each of these outcome factors (*Family harmony*, *Financial performance* and *Perceived success*) as well as empirical evidence (e.g. Barach & Ganitsky 1995; Friedman 1991; Santiago 2000; Venter 2003), it was expected that the factors in the submodel *Outcomes* would be correlated with each other. Consequently, Principal Axis factoring with an Oblique (Oblimin with Kaiser normalization) Rotation was specified as the extraction and rotation

method. Bartlett's Test of Sphericity reported a KMO of 0.94 ( $p < 0.001$ ), which confirmed that the data are factor-analysable.

Based on the initial theoretical model, this submodel consisted of 3 outcome-related constructs. Two of these were intervening variables, namely, *Family harmony* and *Financial performance*, and one was the dependent variable, namely *Perceived success*. The items expected to measure these outcome-related constructs were assessed for discriminant validity by means of an exploratory factor analyses. The factor structure for this submodel is reported in the Table 8.17. The initial measuring instrument contained 6 items measuring *Financial performance*. These items loaded onto 2 factors which are renamed *Financial performance* and *Growth performance*. To consider growth and profitability as independent apposing measures of business performance is not uncommon in the literature (Cubbin & Leech 1986:123; Geringer, Frayne & Olsen 1998:289; Small Firm Survey 2008).

**Table 8.17: Factor structure - Submodel Outcomes**

	Factor 1	Factor 2	Factor 3
HARM6	<b>0.904</b>	-0.043	0.020
PSUCC1	<b>0.865</b>	0.041	-0.012
HARM2	<b>0.860</b>	-0.046	-0.014
HARM3	<b>0.850</b>	-0.026	-0.006
HARM4	<b>0.842</b>	-0.053	0.035
PSUCC3	<b>0.834</b>	0.055	0.054
PSUCC5	<b>0.820</b>	-0.011	0.082
PSUCC4	<b>0.819</b>	0.129	-0.034
PSUCC2	<b>0.810</b>	0.082	-0.054
HARM5	<b>0.766</b>	-0.034	-0.027
FIN5	0.040	<b>0.917</b>	-0.065
FIN3	-0.080	<b>0.873</b>	0.087
FIN6	0.103	<b>0.650</b>	0.066
FIN1	0.053	-0.038	<b>0.933</b>
FIN4	0.068	0.299	<b>0.577</b>
FIN2	-0.023	-0.001	<b>0.538</b>

While the original measuring instrument contained 6 items to measure *Family harmony* and 5 to measure *Perceived success*, these items unexpectedly loaded together onto one construct. Consequently, the factors extracted from this submodel did not emerge as originally expected. Instead, 3 new factors emerged which were named *Financial performance*, *Growth performance* and *Satisfaction*



*with work and family relationships*. These 3 factors explain 75.48% of the variance in the data and are regarded as the dependent variables in this study.

#### 8.4.5.1 Satisfaction with work and family relationships

The measuring instrument contained 11 items to measure the constructs *Family harmony* (6 items) and *Perceived success* (5 items). In the factor analysis, however, 10 of these items loaded together onto one construct (see Table 8.18). The item HARM1 did not load to a significant extent. This construct was consequently renamed *Satisfaction with work and family relationships*, and redefined based on the results of the factor analysis.

**Table 8.18: Factor 1 - Satisfaction with work and family relationships (SATISFIED)**

Eigenvalue : 8.713 % of Variance: 54.453		Cronbach-alpha : 0.961		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
HARM6	Relationships among members in our family can be described as positive.	0.904	0.868	0.954
PSUCC1	I am satisfied with the way that my sibling(s) and I work together.	0.865	0.863	0.955
HARM2	The members of our family are in harmony with each other.	0.860	0.814	0.957
HARM3	The members of our family are supportive of each other.	0.850	0.813	0.957
HARM4	Our family members appreciate each other.	0.842	0.810	0.957
PSUCC3	I enjoy working with my siblings in our family business.	0.834	0.864	0.955
PSUCC5	I experience my involvement in this business together with my sibling(s) as rewarding.	0.820	0.832	0.956
PSUCC4	I experience my involvement in this business together with my sibling(s) as fulfilling	0.819	0.851	0.955
PSUCC2	I am satisfied with the functioning of the working arrangement between my sibling(s) and I.	0.810	0.813	0.957
HARM5	Our family members care about each other's welfare.	0.766	0.721	0.960

(\*) 1 item was deleted for this factor and consequently excluded from further analysis.

An Eigenvalue of 8.71 was reported for this construct and the factor loadings for all items exceeded 0.77. *Satisfaction with work and family relationships* explains 54.45% of the variance in the data. Sufficient evidence of discriminant validity of

the construct is thus provided. The Cronbach alpha coefficient for *Satisfaction with work and family relationships* is 0.961.

For the purpose of this study *Satisfaction with work and family relationships* is operationalised (defined) as the degree to which harmonious relationships exist among family members (i.e. relationships characterised by closeness, caring and support, appreciation of each other, and concern for each other's welfare) as well the degree to which the siblings find their working relationship and arrangement with each other in the Sibling Partnership as satisfying.

#### 8.4.5.2 Financial performance

Of the 6 items formulated to measure the construct *Financial performance*, 3 loaded onto one construct, namely FIN3, FIN5 and FIN6 (see Table 8.19). This factor's name, however, remained unchanged. An Eigenvalue of 2.41, and factor loadings of between 0.917 and 0.650, were returned for this factor. *Financial performance* explains 15.06% of the variance in the data. Sufficient evidence of discriminant validity of the construct is thus provided. The Cronbach-alpha coefficient for *Financial performance* is 0.877, suggesting that the scale measuring this factor is reliable.

Because only 3 items loaded onto the construct *Financial performance* as expected, the operationalisation of this factor, as per Chapter 6, was adapted slightly. *Financial performance* refers to the business being financially profitable and secure.

**Table 8.19: Factor 2 - Financial performance (FINPERF)**

Eigenvalue : 2.410 % of Variance: 15.064		Cronbach-alpha : 0.877		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion (*)
FIN5	I regard our family business as being financially successful.	0.917	0.800	0.790
FIN3	Our family business is profitable.	0.873	0.793	0.800
FIN6	The financial well-being of our family business is secure.	0.650	0.699	0.881

(\*) The 3 items that did not load onto Factor 2 loaded onto *Growth performance* (Factor 3).

### 8.4.5.3 Growth performance

The 3 items, FIN1, FIN2 and FIN4, initially expected to measure the factor *Financial performance*, loaded together onto one construct. This construct was renamed *Growth performance*. An Eigenvalue of 0.954, and factor loadings of between 0.93 and 0.54, are reported in Table 8.20. Despite an Eigenvalue of below 1, it was decided not to discard this factor as it was clearly interpretable and made sense in terms of the construct being measured. *Growth performance* explains 5.96% of the variance in the data. The Cronbach-alpha coefficient for *Growth performance* is 0.781, confirming the reliability of the scale to measure this factor. For the purpose of this study *Growth performance* is operationalised as the business showing growth in the number of employees, profits and revenues.

**Table 8.20: Factor 3 - Growth performance (GROPERF)**

Eigenvalue : 0.954 % of Variance: 5.960		Cronbach-alpha : 0.781		
Item	Question	Factor loading	Item-total correl.	Cronbach-alpha after deletion
FIN1	Our family business has experienced growth in turnover over the past two years.	0.933	0.711	0.560
FIN4	Our family business has experienced growth in profits over the past two years.	0.577	0.610	0.621
FIN2	Our family business has experienced growth in employee numbers over the past two years.	0.538	0.477	0.838

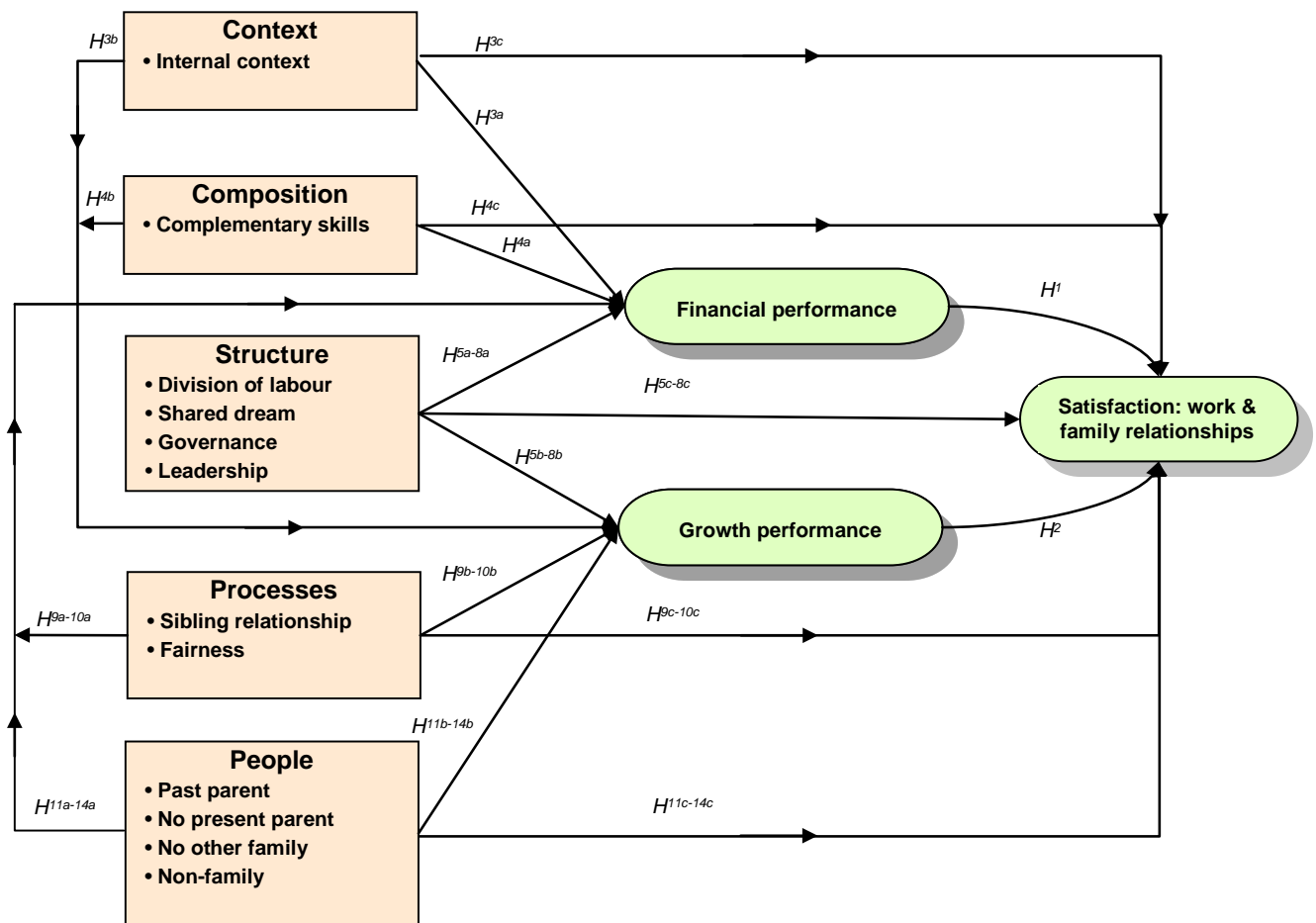
## 8.5 REVISED THEORETICAL MODELS

The exploratory factor analyses described above were unable to confirm all the latent variables as originally intended in the theoretical model. The original latent variable *Financial performance* split into 2 variables, which were subsequently named *Financial performance* and *Growth performance*. The original dependent variable *Perceived success* and the intervening variable *Family harmony* combined to form a new dependent variable. This variable was renamed *Satisfaction with work and family relationships*. The task-based latent variables were all confirmed by the factor analyses. With regard to the relational-based constructs some changes did, however, emerge. The construct *Parental involvement* split into 2 separate factors, which were named *No present parent involvement* and *Past parent involvement*, whereas the variable *Other family*

*involvement* was renamed *No other family member involvement*. In addition, the variables *Mutual trust and respect*, *Open communication*, and *Sibling bond* loaded together onto one factor, which was named *Sibling relationship*.

As a result of the factor analyses, the original theoretical model depicted in Figure 6.1 and the hypotheses defined in Chapter 6, were revised. This revised theoretical model (see Figure 8.1) and subsequent hypotheses are subjected to further testing in the remainder of the study. The hypotheses originally formulated in Chapter 6 are revised and summarised in Table 8.21.

**Figure 8.1: Revised theoretical model: Factors influencing the Satisfaction with work and family relationships**



**Table 8.21: Summary of revised hypotheses to be tested in the structural model**

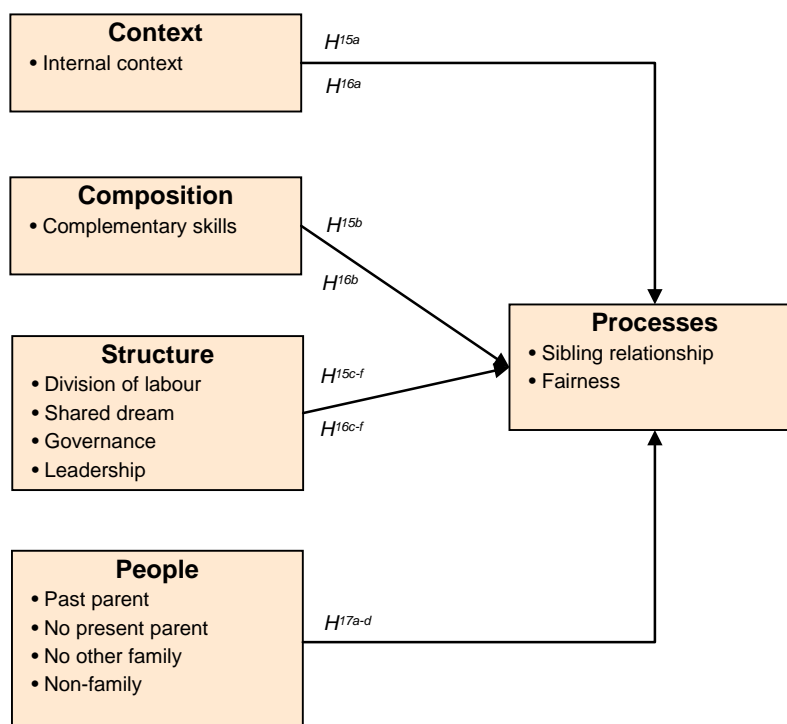
Hypothesis	
H <sup>1</sup> :	There is a positive relationship between the perceived <i>Financial performance</i> of the Sibling Partnership and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.

<b>Hypothesis</b>	
H <sup>2</sup> :	There is a positive relationship between <i>Growth performance</i> of the Sibling Partnership and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>3a</sup> :	There is a positive relationship between <i>Internal context</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>3b</sup> :	There is a positive relationship between <i>Internal context</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>3c</sup> :	There is a positive relationship between <i>Internal context</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>4a</sup> :	There is a positive relationship between <i>Complementary skills</i> among siblings and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>4b</sup> :	There is a positive relationship between <i>Complementary skills</i> among siblings and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>4c</sup> :	There is a positive relationship between <i>Complementary skills</i> among siblings and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>5a</sup> :	There is a positive relationship between <i>Division of labour</i> among the siblings and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>5b</sup> :	There is a positive relationship between <i>Division of labour</i> among the siblings and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>5c</sup> :	There is a positive relationship between <i>Division of labour</i> among the siblings and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>6a</sup> :	There is a positive relationship between a <i>Shared dream</i> among the siblings and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>6b</sup> :	There is a positive relationship between a <i>Shared dream</i> among the siblings and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>6c</sup> :	There is a positive relationship between a <i>Shared dream</i> among the siblings and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>7a</sup> :	There is a positive relationship between the existence of <i>Governance</i> structures and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>7b</sup> :	There is a positive relationship between the existence of <i>Governance</i> structures and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>7c</sup> :	There is a positive relationship between the existence of <i>Governance</i> structures and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>8a</sup> :	There is a positive relationship between <i>Leadership</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>8b</sup> :	There is a positive relationship between <i>Leadership</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>8c</sup> :	There is a positive relationship between <i>Leadership</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>9a</sup> :	There is a positive relationship between <i>Sibling relationship</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>9b</sup> :	There is a positive relationship between <i>Sibling relationship</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>9c</sup> :	There is a positive relationship between <i>Sibling relationship</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>10a</sup> :	There is a positive relationship between <i>Fairness</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>10b</sup> :	There is a positive relationship between <i>Fairness</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>10c</sup> :	There is a positive relationship between <i>Fairness</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>11a</sup> :	There is a positive relationship between <i>No present parent involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>11b</sup> :	There is a positive relationship between <i>No present parent involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>11c</sup> :	There is a positive relationship between <i>No present parent involvement</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.

Hypothesis	
H <sup>12a</sup> :	There is a positive relationship between <i>Past parent involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>12b</sup> :	There is a positive relationship between <i>Past parent involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>12c</sup> :	There is a positive relationship between <i>Past parent involvement</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>13a</sup> :	There is a positive relationship between <i>No other family member involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>13b</sup> :	There is a positive relationship between <i>No other family member involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>13c</sup> :	There is a positive relationship between <i>No other family member involvement</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.
H <sup>14a</sup> :	There is a positive relationship between <i>Non-family involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.
H <sup>14b</sup> :	There is a positive relationship between <i>Non-family involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.
H <sup>14c</sup> :	There is a positive relationship between <i>Non-family involvement</i> the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.

The results of the factor analyses also necessitated changes to the hypotheses in Chapter 6 predicting the relationships between the input and the process variables, as well as between the other people and the process variables. A revised theoretical model depicting these hypothesised relationships is presented in Figure 8.2, and the modified hypotheses are tabulated in Table 8.22.

**Figure 8.2: Revised theoretical input-processes and people-processes model**



**Table 8.22: Modified input-process and people-process hypotheses to be tested in the structural model**

Hypothesis	
$H^{15a-f}$ :	There is a positive relationship between <i>input variables</i> ( <i>Internal context, Complementary skills, Division of labour, Shared dream, Governance and Leadership</i> ) and the process variable <i>Sibling relationship</i> .
$H^{16a-f}$ :	There is a positive relationship between <i>input variables</i> ( <i>Internal context, Complementary skills, Division of labour, Shared dream, Governance and Leadership</i> ) and the process variable <i>Fairness</i> .
$H^{17a-d}$ :	There is a positive relationship between the <i>people variables</i> ( <i>Past parent involvement, No present parent involvement, Non-family involvement and No other family involvement</i> ) and the process variable <i>Sibling relationship</i> . (*)

(\*) Relationships between the various people variables and the process variable *Fairness* were not investigated because of insufficient theoretical support.

The various relationships hypothesised above were tested by means of Structural Equation Modelling (SEM). SEM is particularly sensitive to the distributional nature of the data. Consequently, prior to undertaking SEM, the variables were assessed for their distributional characteristics.

## 8.6 ASSESSMENT OF THE NORMALITY OF THE DATA

The distributional nature of the data influences the estimation procedure when implementing SEM. Should the data demonstrate sufficient evidence of normality then Maximum Likelihood Estimation method (MLE) should be used. Should the data not demonstrate sufficient evidence of normality, then Robust Maximum Likelihood (RML) is recommended to estimate the parameters. Robust Maximum Likelihood compensates for the non-normality of the data (Satorra & Bentler 1994; Hoogland & Boomsma 1998). The normality of the data was assessed by means of a test of univariate and multivariate normality in the present study. The software programme LISREL 8.8 (Jöreskog & Sörbom 2006) was used for this purpose.

### 8.6.1 Assessment of univariate normality

In order to assess the univariate normality of the data, the following hypotheses are formulated:

$H^{01}$  : The data is univariate normally distributed (skewness).

$H^{a1}$  : The data is not univariate normally distributed (skewness).

$H^{02}$  : The distribution of the data is univariate normally distributed (kurtosis).

$H^{a2}$  : The distribution of the data is not univariate normally distributed (kurtosis).

To test the hypotheses presented above, z-values were calculated to assess the skewness (measurement of symmetry) and kurtosis (measurement of peakedness or flatness) of the data. Chi-square ( $\chi^2$ ) values were determined by assessing total skewness and kurtosis. Both the z-values and the Chi-square ( $\chi^2$ ) values were used to determine the relevant p-values. The two hypotheses were tested by assessing the relevant z-values, after which these scores were transformed into the p-values. All p-values reported (except for the p-values of the items presented in Table 8.23) are below the 0.05 level, indicating that the data are skew and not normally distributed. The null-hypotheses, both  $H^{01}$  and  $H^{02}$ , are thus rejected and the alternate hypotheses,  $H^{a1}$  and  $H^{a2}$ , are accepted. It is therefore concluded that the data does not demonstrate sufficient evidence of univariate normality.

**Table 8.23: Test of univariate normality – Items with p-values >0.05**

Manifest Variable	Skewness			Kurtosis			Skewness & Kurtosis	
	Value	Z-score	P-value	Value	Z-score	P-value	Chi-square	P-value
DIV6	-0.208	-1.636	0.102	-1.148	-12.467	0.000	158.099	0.000
DIV5	-1.029	-6.912	0.000	0.365	1.377	0.168	49.675	0.000
PARENT4	-0.986	-6.692	0.000	0.388	1.446	0.148	46.869	0.000
NONF3	-1.014	-6.836	0.000	0.020	0.197	0.844	46.767	0.000
NONF1	-0.960	-6.552	0.000	-0.166	-0.611	0.541	43.308	0.000
PARENT7	-0.157	-1.244	0.214	-1.629	49.998	0.000	2501.368	0.000

### 8.6.2 Assessment of multivariate normality

In addition to testing the data for univariate normality, the multivariate normality of the data was also assessed. The following hypotheses were formulated for this purpose:

$H^0$  : The data is multivariate normally distributed.

$H^a$  : The data is not multivariate normally distributed.

The null hypothesis and the alternative hypothesis as formulated above were evaluated by assessing the skewness and the kurtosis of the data, while the Chi-square ( $\chi^2$ ) value was used to determine the relevant p-value. The results of the test of multivariate normality are presented in Table 8.24.



**Table 8.24: Results of the test of multivariate normality**

Skewness			Kurtosis			Skewness and Kurtosis	
Value	Z-score	P-value	Value	Z-score	P-value	Chi-square	P-value
1260.287	99.538	0.000	4826.141	30.191	0.000	10819.400	0.000

The skewness and kurtosis of the data reported p-values of 0.000, consequently the data did not fulfil the requirements of multivariate normality. The null hypothesis was therefore rejected and the alternative hypothesis was accepted ( $p < 0.001$ ). Based on the assessments performed above and the subsequent results, Robust Maximum Likelihood was used in all subsequent SEM analyses.

## 8.7 EMPIRICAL RESULTS OF STRUCTURAL EQUATION MODELLING ANALYSES

Structural Equation Modelling (SEM) is a multivariate statistical technique that encompasses aspects of confirmatory factor analysis, path analysis and Multiple Regression to estimate a series of interrelated dependence relationships simultaneously. Consequently, SEM is mainly used for building and testing statistical models (Garson 2006; Hair *et al.* 1998:584; Structural Equation Modelling n.d).

Based on the ratio of “sample size to number of indicators” recommended (see Section 7.3.5), the sample size (371) of the present study was too small to test the model in its entirety. Hair *et al.* (2006:741) suggests that simpler models can be tested with smaller samples. Consequently it was decided to split the original model of factors influencing the *Perceived success* of a Sibling Partnership into 7 submodels and to subject each one to SEM individually.

The factor analysis resulted in 2 intervening variables which were named *Financial performance* and *Growth performance*, and one dependent variable, namely, *Satisfaction with work and family relationships*. These 3 outcome variables constitute the first submodel to be tested using SEM. As previously mentioned, the factors influencing the success of a Sibling Partnership were broadly categorised into 2 groups, namely *task-based* and *relational-based* factors. *Task-based* factors relate specifically to organisational factors, whereas *relational-based* factors concern the interaction between people. On this basis the independent variables in the model were split into 2 sections. Each of these sections (*task* and *relational-*

based) was then individually combined with each one of the three outcome variables mentioned above, resulting in another 6 submodels to be tested using SEM. Three additional submodels were subjected to SEM in order to test the hypothesised relationships between the various input and process (*Sibling relationship* and *Fairness*) variables, and between the various people variables and the process variable, *Sibling relationship*. In total, 10 empirical models were subjected to SEM.

In addition, because of the ratio of “sample size to number of indicators” constraint, “item parcelling” was done to reduce the number of parameters for 2 constructs, namely *Sibling relationship* and *Satisfaction with work and family relationships*. Item parcelling involves summing or averaging together 2 or more items and using the resulting sum or average as the basic unit of analysis in SEM. According to Hair *et al.* (2006:826) item parcelling should be considered when a construct has a large number of measured variable indicators. The use of item parcels in SEM has become quite common in recent years (Brown 2006:408; Marcoulides & Schumacker 2001:269). For the purpose of this study, the factor *Sibling relationship* is represented by the items PROCES1, PROCES2, PROCES3, PROCES4 and PROCES5; and the factor *Satisfaction with work and family relationships*, by the items SUCC1, SUCC2, SUCC3, SUCC4 and SUCC5. The items making up these “parcels” are summarised in Table 8.25.

**Table 8.25: Item parcels**

<b>Factor: Sibling relationship (SIBRELA)</b>	
<b>Original items</b>	<b>Parcel item</b>
(COM1, COM4, COM2) / 3	PROCES1
(COM3, COM5, SIB7) / 3	PROCES2
(SIB4, RETRUST3, RETRUST1) / 3	PROCES3
(RETRUST2, SIB1, SIB5) / 3	PROCES4
(RETRUST4, RETRUST5, SIB6) / 3	PROCES5
<b>Factor: Satisfaction with work and family relationships (SATISFIED)</b>	
<b>Original items</b>	<b>Parcel item</b>
(HARM6, PSUCC1) / 2	SUCC1
(HARM2, HARM3) / 2	SUCC2
(HARM4, PSUCC3) / 2	SUCC3
(PSUCC5, PSUCC4) / 2	SUCC4
(PSUCC2, HARM5) / 2	SUCC5

In the present study each of the 10 submodels identified above was subjected to empirical assessment using SEM. The software programme LISREL 8.8 (Jöreskog & Sörbom 2006) was used for this purpose. The various steps involved in performing SEM were described in Section 7.3.8.4 and the application thereof in the present study is discussed below.

In the first 2 steps the theoretical submodels were revised and the redefined hypothesised relationships portrayed in path diagrams. Each theoretically proposed relationship is represented by means of a hypothesis. These hypotheses were reformulated after the exploratory factor analysis.

The next step that was applied to each submodel was to specify the structural and the measurement models. For the purpose of this study a covariance matrix was used as the input matrix for each submodel. The software programme LISREL 8.8 (Jöreskog & Sörbom 2006) was used to obtain the estimates of free parameters from the observed data, for both the measurement and the structural model. As the data in the present study showed evidence of non-normality (see Section 8.6 above), Robust Maximum Likelihood, which compensates for non-normality of the data, was used for obtaining estimates of the free parameters for all the submodels (Hoogland & Boomsma 1998; Satorra & Bentler 1994). The measurement model was used to assess the measurement properties of the scale, and provides evidence of construct validity. In the final step, the relationships in the structural model (relationships between the constructs) of each submodel were identified and the extent to which the proposed models represent an acceptable approximation of the data was established. For the sake of brevity, the specifications of the measurement models of the various submodels have not been depicted separately in the present study. The measurement model estimations have, however, been portrayed together with the structural model. This is supported by Hair *et al.* (2006:733) who posit that the estimation of the SEM model requires that the measurement specifications be included when estimating the structural model. In this way the path diagram represents both the measurement and structural part of SEM in one overall model.

Indicator loadings for both the measurement and the structural models were evaluated for significance by ensuring that the p-value associated with each

loading exceeded the critical value for the 5% (critical value 1.96) significance level, as well as the 1% (critical value 2.58) significance level (Reisinger & Turner 1999). To establish the extent to which the proposed models represent an acceptable approximation of the data, various fit indices were considered, namely the Satorra-Bentler scaled Chi-square ( $\chi^2$ ), the normed Chi-square, i.e. the ratio of Chi-square to degrees of freedom ( $\chi^2/df$ ), the Root Mean Square Error of Approximation (RMSEA), as well as the 90% confidence interval for RMSEA. In the cases of models with missing values, the Full Information Maximum Likelihood Chi-square was used instead of the Satorra-Bentler Scaled Chi-square. Table 8.26 summarises the criteria against which the fit indices used and reported for each submodel (both measurement and structural models) in the present study, are compared.

**Table 8.26: Criteria for Goodness-of-fit indices**

Goodness-of-fit measure	Criteria
<b>Normed Chi-square</b> ( $\chi^2$ /degrees of freedom)	< 2.0 indicates a good fit (Politis 2003:60; Ullman 1996) 1.0 - 2.0 (Hair <i>et al.</i> 1998:658) Ratios of 3:1 or less are associated with better fitting models (Hair <i>et al.</i> 2006:748)
<b>Root mean square error of approximation</b> (RMSEA)	< 0.05 indicates a very good/close fit (Adendorff 2004:435) <0.06 indicate a relatively good fit (Hu & Bentler 1991:1) 0.05 - 0.08 indicates an acceptable/reasonable fit (Grimm & Yarnold 2000:271; Hair <i>et al.</i> 1998:656) > 0.08 indicates a poor fit (MacCullum, Browne & Sugawara 1996) 0.10 < indicate acceptable models (Hair <i>et al.</i> 2006:748)
<b>90% confidence interval for RMSEA</b>	Upper limit of confidence interval < 0.08 (Boshoff 2005:415; Roberts, Stephen & Ilardi 2003:144)

In order to assess the extent to which the proposed measurement and structural model represent an acceptable approximation of the data, the goodness-of-fit indices of each of the 10 submodels (both measurement and structural models) was examined. The following hypotheses were formulated for this purpose:

$H^{01}$  : The data fits the model perfectly.

$H^{a1}$  : The data does not fit the model perfectly.

In the present study the goodness-of-fit indices of the measurement model and the structural model are identical in all the submodels subjected to SEM. According to Hair *et al.* (2006:847) identical goodness-of-fit indices occur because a single direct relationship between constructs has been estimated in all cases. To avoid

unnecessary duplication, the goodness-of-fit indices of only the structural models and not the measurement models, have been reported and interpreted in the present study. The goodness-of-fit indices of the measurement models can be ascertained from those of the structural model.

Because the focus of the present study is on testing relationships and potentially confirming theory (confirmatory analysis), and not on scale development, steps 5 and 7 of SEM, namely assessing the identification of model equations and making modifications to the models, were not undertaken in this study. In addition, model respecification usually follows the estimation of a model with indications of poor fit (Cooper & Schindler 2007:584; Structural Equation Modelling n.d). As all the submodels in the present study showed evidence of reasonable, acceptable or close fit, it was deemed unnecessary to make any modification to the models. Further to this, when implementing SEM all potential paths were identified and assessed, and modifications to the model could be seen, as described by many statisticians, as “fishing”. The results of the steps outlined above, as applied to each submodel, will be presented in the sections below.

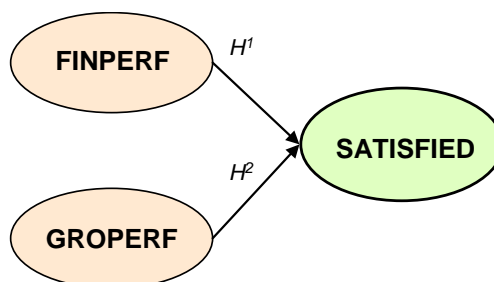
### 8.7.1 Submodel 1: Outcomes

In the sections below, the various steps of SEM are applied to the *Outcomes* submodel.

#### 8.7.1.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the *Outcomes* model are portrayed in Figure 8.3. It is hypothesised that the independent variables *Financial performance* and *Growth performance* both have a positive influence on the dependent variable, namely *Satisfaction with work and family relationships*.

**Figure 8.3: Path diagram of structural relationships: Revised model**



### 8.7.1.2 Structural and measurement models

Table 8.27 defines the structural and measurement models for the *Outcomes* model. The endogenous and exogenous variables which form the specifications for the structural model and the latent and manifest variables, which form the specifications for the measurement model, are summarised in Table 8.27.

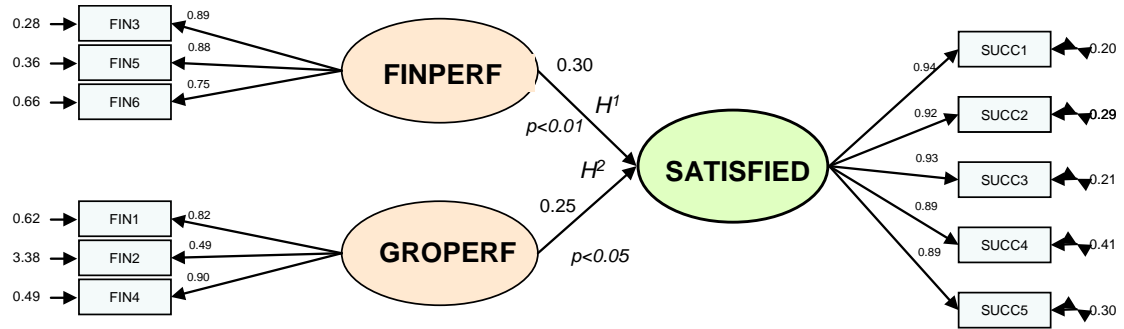
**Table 8.27: Definition of structural and measurement model**

Structural model	
Endogenous variables	Exogenous variables
Satisfaction with work and family relationships	Financial Performance, Growth Performance
Measurement model	
Exogenous	Manifest variables
Satisfaction with work and family relationships	SUCC1, SUCC2, SUCC3, SUCC4, SUCC5
Financial Performance	FIN3, FIN5, FIN6
Growth Performance	FIN1, FIN2, FIN4

### 8.7.1.3 Measurement and structural model estimation

The indicator loadings for each construct in the measurement model proved to be acceptable as the p-value for these loadings exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). The goodness-of-fit indices for the measurement model (identical to those of the structural model in the present study) all provide evidence of a model with a reasonable fit. Consequently, the structural equation model was subjected to empirical testing.

In the structural model (Figure 8.4) below it can be seen that both independent variables, *Growth performance* ( $p < 0.05$ ) and *Financial performance* ( $p < 0.01$ ), significantly influence the dependent variable, namely *Satisfaction with work and family relationships* in a Sibling Partnership. The path coefficients for each of these relationships proved significant as the p-value for these coefficients exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). The implications of these relationships will be discussed in more detail in Section 8.8. Against this background, hypotheses  $H^1$  and  $H^2$  are accepted.

**Figure 8.4: Structural model estimation**

#### 8.7.1.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.4, are reported in Table 8.28.

**Table 8.28: Goodness-of-fit indices for the structural model**

Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	41
Satorra-Bentler scaled Chi-square ( $\chi^2$ )	85.710; $p = 0.000$
$\chi^2$ / degrees of freedom	2.09
Root mean square error of approximation (RMSEA)	0.0543
90 percent confidence interval for RMSEA	0.0380; 0.0704

The ratio of  $\chi^2$  to degrees of freedom is 2.09, which is slightly higher than the acceptable value. Values lower than 2 are indicators of a good fit. The RMSEA (0.0543) falls within the reasonable fit range of 0.05 and 0.08 (almost a close fit), while the upper limit of the 90% confidence interval for RMSEA (0.0704) is less than 0.08. These indices all provide evidence of a model with a reasonable fit. Consequently the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a reasonable fit.

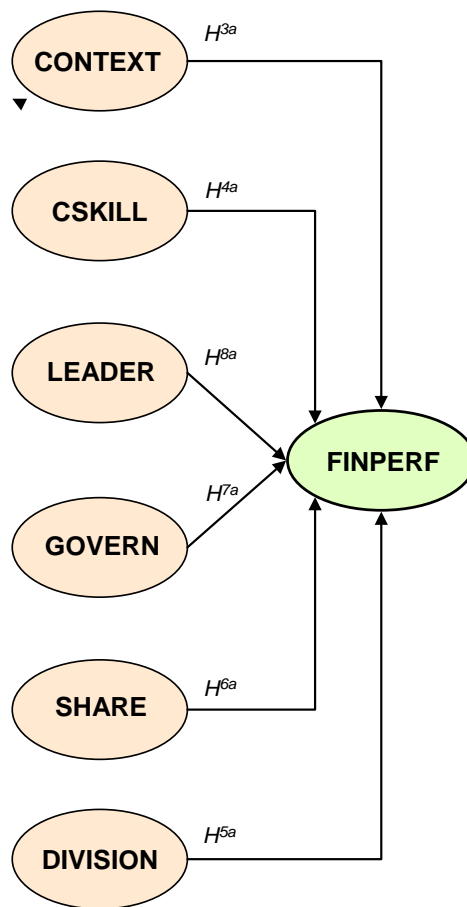
#### 8.7.2 Submodel 2: Task-based factors and Financial performance

The results of SEM for the *Task-based factors and Financial performance* submodel are presented in the paragraphs that follow.

### 8.7.2.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the *Task-based factors and Financial performance* submodel are portrayed in Figure 8.5. It is hypothesised that the independent task-based variables, namely *Internal context*, *Complementary skills*, *Leadership*, *Governance*, *Shared dream* and *Division of labour*, all have a positive influence on the dependent variable, namely *Financial performance*.

**Figure 8.5: Path diagram of structural relationships: Revised model**



### 8.7.2.2 Structural and measurement models

Table 8.29 defines the structural and measurement models for the submodel *Task-based factors and Financial performance*.



**Table 8.29: Definition of structural and measurement model**

Structural model	
Endogenous variables	Exogenous variables
Financial Performance	Internal context, Complementary skills, Leadership, Governance, Shared dreams, Division of labour
Measurement model	
Exogenous	Manifest variables
Financial Performance	FIN3, FIN5, FIN6
Internal context	CONT1, CONT2, CONT3, CONT4, CONT5, CONT6
Complementary skills	CSKILL4, CSKILL5, CSKILL6
Leadership	LEAD1, LEAD2, LEAD3, LEAD4, LEAD5, LEAD7
Governance	GOV1, GOV2, GOV4, GOV5, GOV7
Shared dreams	SHARE4, SHARE5, SHARE6
Division of labour	DIV4, DIV5, DIV6

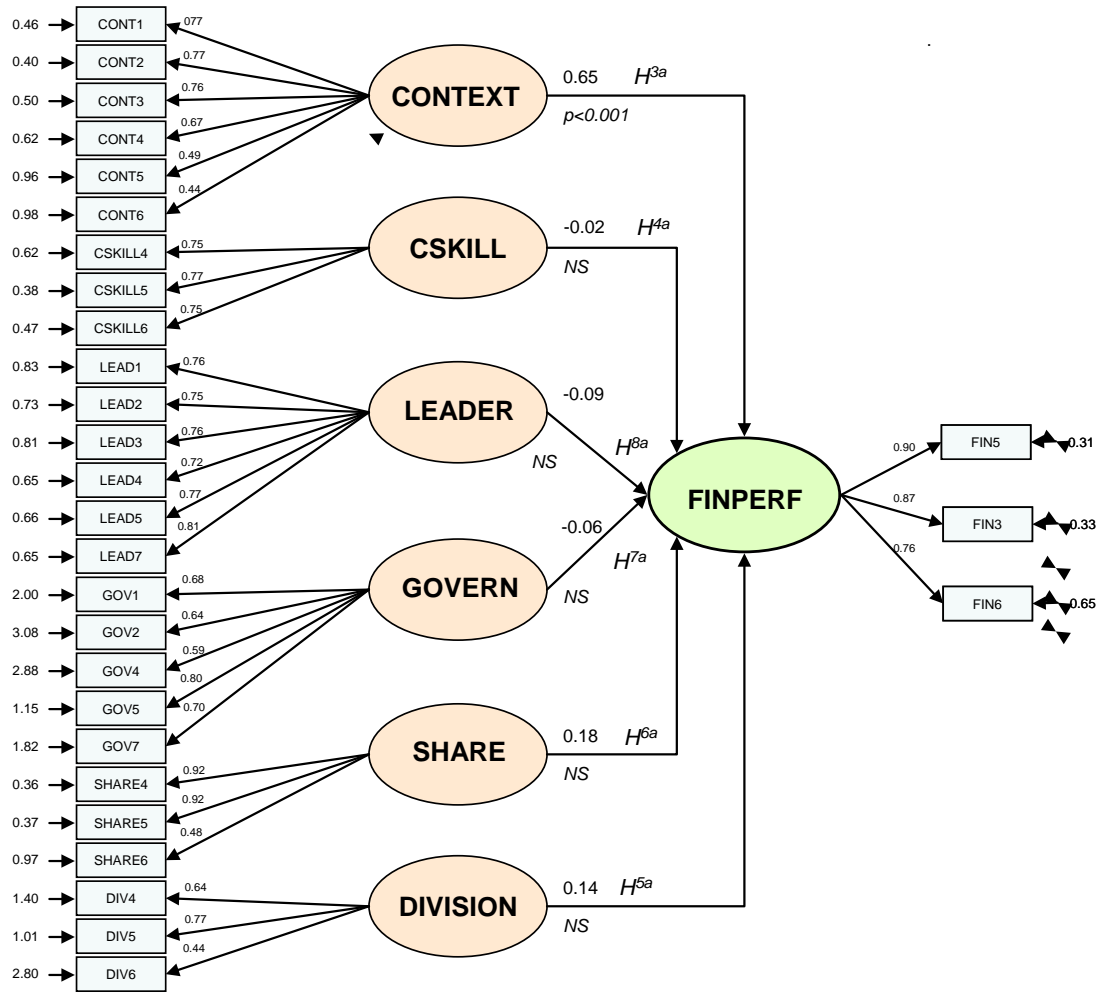
### 8.7.2.3 Measurement and structural model estimation

The p-values for each of the indicator loadings in the measurement model exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ), and the goodness-of-fit indices provide evidence of a close-fitting, or very good model.

In the structural model (Figure 8.6) it can be seen that only *Internal context* significantly ( $p < 0.001$ ) influences the *Financial performance* of a Sibling Partnership. The path coefficient (0.65) for this relationship proved significant as the p-value for this coefficient exceeded the critical value of 3.30 ( $p < 0.001$ ).

This relationship identified will be discussed in more detail in Section 8.8. Against this background the hypothesis  $H^{3a}$  is accepted, whereas hypotheses  $H^{4a}$ ,  $H^{5a}$ ,  $H^{6a}$ ,  $H^{7a}$  and  $H^{8a}$  are all rejected.

**Figure 8.6: Structural model estimation**



8.7.2.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.6, are reported in Table 8.30.

**Table 8.30: Goodness-of-fit indices for the structural model**

Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	356
Satorra-Bentler scaled Chi-square ( $\chi^2$ )	586.337; $p = 0.00$
$\chi^2$ / degrees of freedom	1.65
Root mean square error of approximation (RMSEA)	0.0418
90 percent confidence interval for RMSEA	0.0357; 0.0478

The ratio  $\chi^2$  to degrees of freedom is 1.65, which is considerably lower than 2. Values lower than 2 are indicators of a good fit. The RMSEA (0.0418) falls within the close fit range of  $<0.05$ , while the upper limit of the 90% confidence interval for

RMSEA (0.0478) is less than 0.08. These indices all provide evidence of a model with a close fit. Consequently the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a close fit.

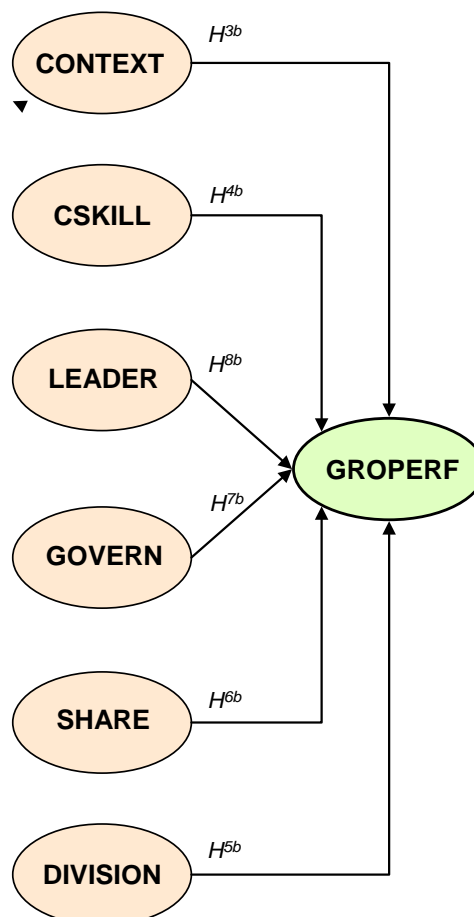
### 8.7.3 Submodel 3: Task-based factors and Growth performance

The various steps of SEM as applicable to the submodel *Task-based factors and Growth performance* are discussed below.

#### 8.7.3.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the submodel *Task-based factors and Growth performance* are portrayed in Figure 8.7. It is hypothesised that the independent task-based variables *Internal context*, *Complementary skills*, *Leadership*, *Governance*, *Shared dream* and *Division of labour*, all exert a positive influence on the dependent variable, *Growth performance*.

**Figure 8.7: Path diagram of structural relationships: Revised model**



### 8.7.3.2 Structural and measurement models

The endogenous and exogenous variables which form the specifications for the structural model and the latent and manifest variables which form the specifications for the measurement model, are summarised in Table 8.31.

**Table 8.31: Definition of structural and measurement model**

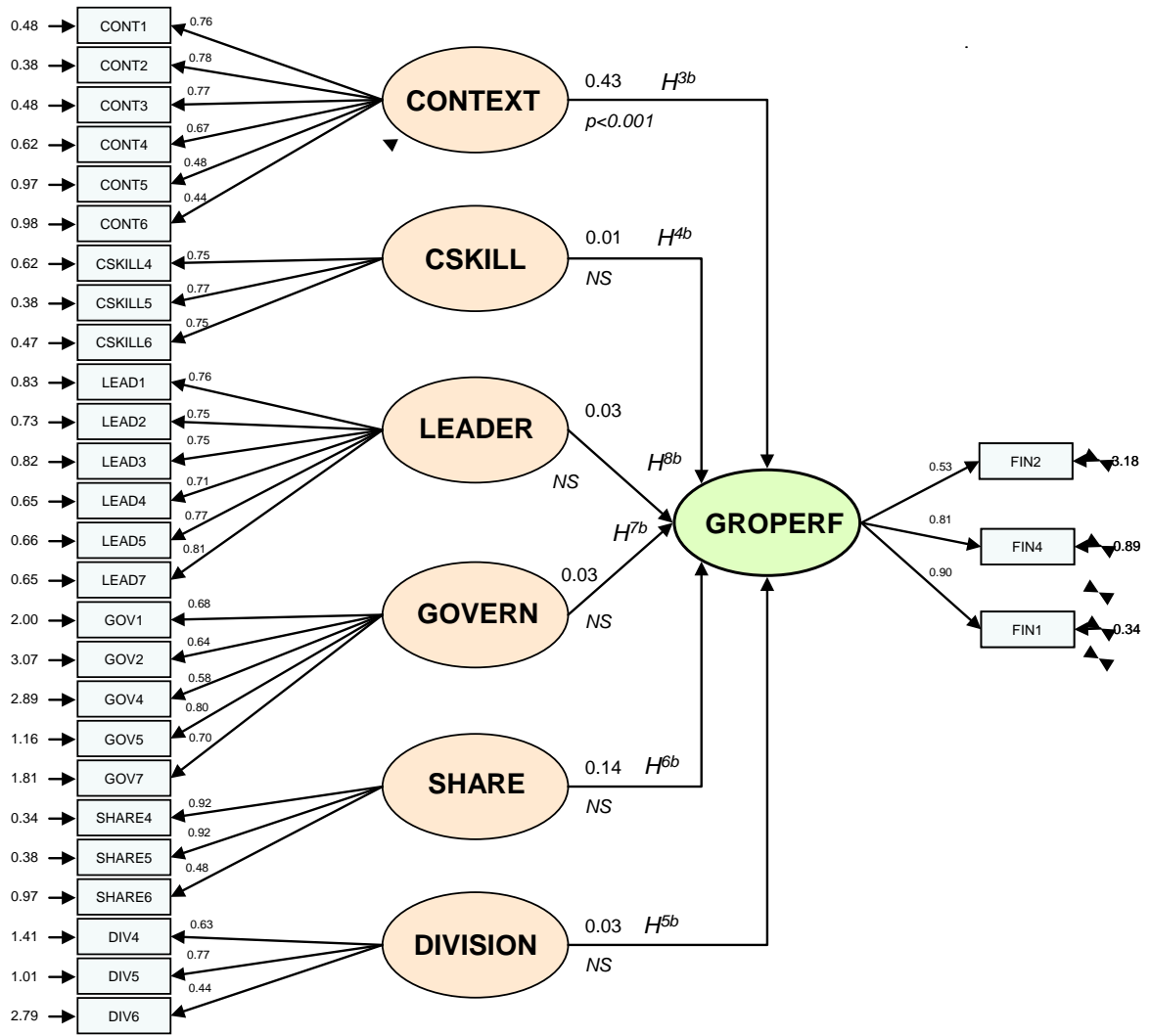
Structural model	
Endogenous variables	Exogenous variables
Growth Performance	Internal context, Complementary skills, Leadership, Governance, Shared dreams, Division of labour
Measurement model	
Exogenous	Manifest variables
Growth Performance	FIN1, FIN2, FIN4,
Internal context	CONT1, CONT2, CONT3, CONT4, CONT5, CONT6
Complementary skills	CSKILL4, CSKILL5, CSKILL6
Leadership	LEAD1, LEAD2, LEAD3, LEAD4, LEAD5, LEAD7
Governance	GOV1, GOV2, GOV4, GOV5, GOV7
Shared dreams	SHARE4, SHARE5, SHARE6
Division of labour	DIV4, DIV5, DIV6

### 8.7.3.3 Measurement and structural model estimation

The indicator loadings for each construct in the measurement model proved to be acceptable as the p-value for these loadings exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). In addition, the goodness-of-fit indices provide evidence of a close-fitting or very good model.

In the structural model (Figure 8.8) it can be seen that only *Internal context* significantly ( $p < 0.001$ ) exerts a positive influence on the *Growth Performance* of a Sibling Partnership. The path coefficient (0.43) for this relationship proved significant as the p-value for the coefficient exceeded the critical value of 3.30 ( $p < 0.001$ ). This relationship identified will be discussed in more detail in Section 8.8. Against this background the hypothesis  $H^{3b}$  is accepted, whereas hypotheses  $H^{4b}$ ,  $H^{5b}$ ,  $H^{6b}$ ,  $H^{7b}$  and  $H^{8b}$  are all rejected.

**Figure 8.8: Structural model estimation**



8.7.3.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.8 are reported in Table 8.32. A ratio  $\chi^2$  to degrees of freedom of 1.72 is reported which is lower than customary cut-off value of 2. The RMSEA (0.0442) falls within the close fit range of <0.05, while the upper limit of the 90% confidence interval for RMSEA (0.0501) is less than 0.08.

**Table 8.32: Goodness-of-fit indices for the structural model**

Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	356
Satorra-Bentler scaled Chi-square ( $\chi^2$ )	613.506;p=0.00
$\chi^2$ / degrees of freedom	1.72
Root mean square error of approximation (RMSEA)	0.0442
90 percent confidence interval for RMSEA	0.0383; 0.0501

These indices all provide evidence of a model with a close fit. Consequently the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a close fit.

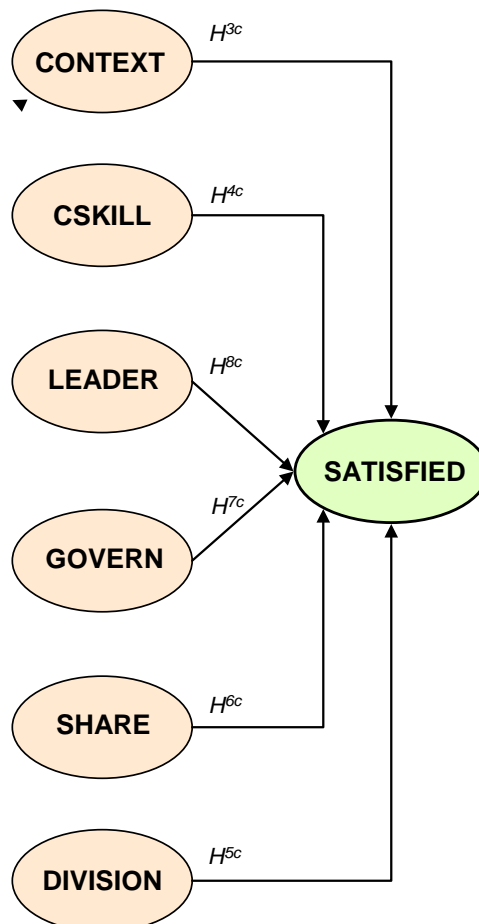
#### 8.7.4 Submodel 4: Task-based factors and Satisfaction with work and family relationships

In the sections below, the various steps of SEM are applied to the submodel *Task-based factors and Satisfaction with work and family relationships*.

##### 8.7.4.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the submodel *Task-based factors and Satisfaction with work and family relationships* are portrayed in Figure 8.9.

**Figure 8.9: Path diagram of structural relationships: Revised model**



It is hypothesised that the independent task-based variables, namely *Internal context*, *Complementary skills*, *Leadership*, *Governance*, *Shared dream* and *Division of labour*, all have a positive influence on the dependent variable, namely *Satisfaction with work and family relationships*.

#### 8.7.4.2 Structural and measurement models

Table 8.33 defines the structural and measurement models for the submodel *Task-based factors and Satisfaction with work and family relationships*.

**Table 8.33: Definition of structural and measurement model**

Structural model	
Endogenous variables	Exogenous variables
Satisfaction with work and family relationships	Internal context, Complementary skills, Leadership, Governance, Shared dreams, Division of labour
Measurement model	
Exogenous	Manifest variables
Satisfaction with work and family relationships	SUCC1, SUCC2, SUCC3, SUCC4, SUCC5
Internal context	CONT1, CONT2, CONT3, CONT4, CONT5, CONT6
Complementary skills	CSKILL4, CSKILL5, CSKILL6
Leadership	LEAD1, LEAD2, LEAD3, LEAD4, LEAD5, LEAD7
Governance	GOV1, GOV2, GOV4, GOV5, GOV7
Shared dreams	SHARE4, SHARE5, SHARE6
Division of labour	DIV4, DIV5, DIV6

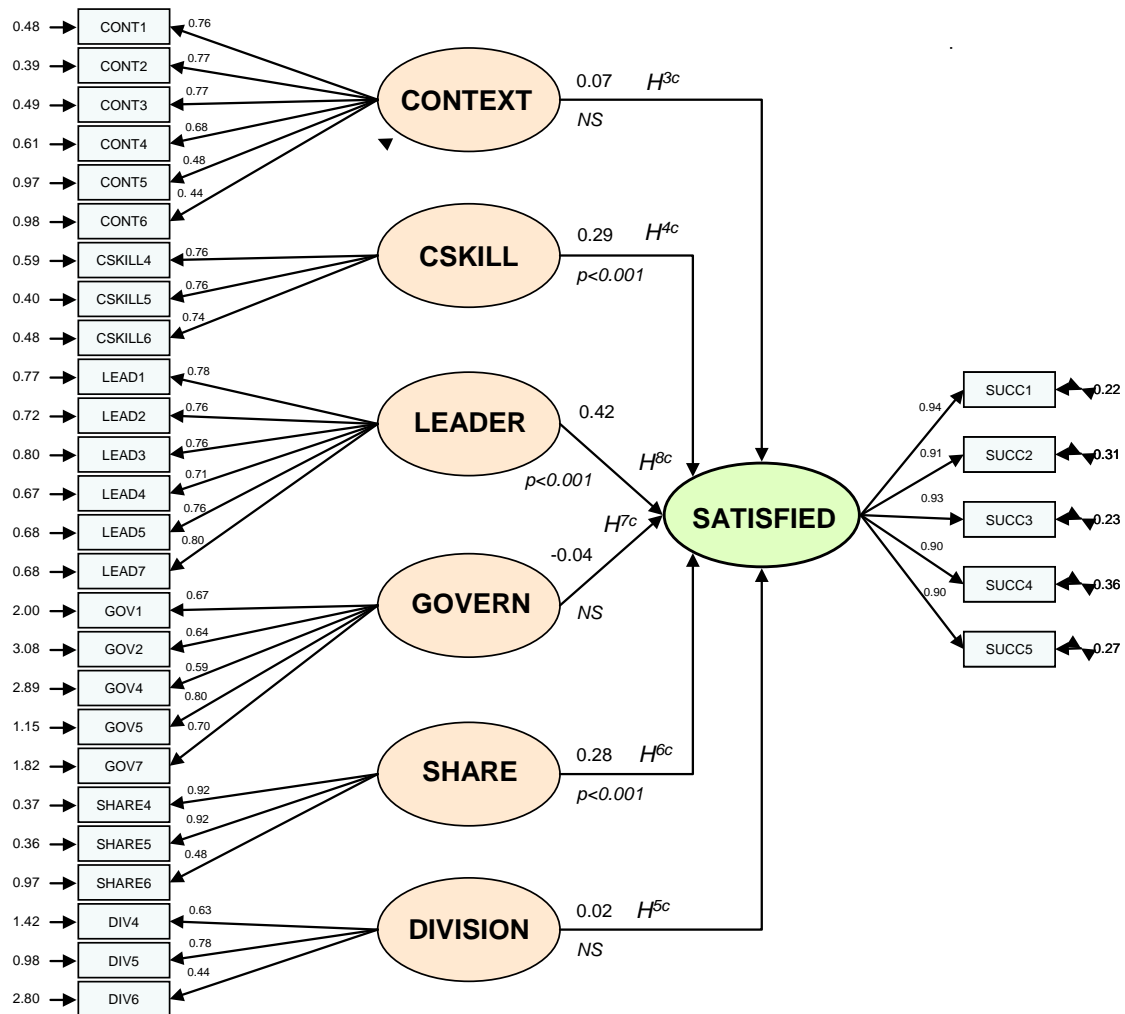
#### 8.7.4.3 Measurement and structural model estimation

The p-values for the indicator loadings in the measurement model exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ), and the goodness-of-fit indices all provide evidence of a close-fitting or very good model.

In the structural model (Figure 8.10) it can be seen that 3 independent variables, namely *Complementary skills* (0.29), *Leadership* (0.42) and *Shared dream* (0.28) significantly ( $p < 0.001$ ) influence the dependent variable, *Satisfaction with work and family relationships*, in this model. The path coefficients for each of these relationships proved significant as the p-value for these coefficients exceeded the critical values of 3.30 ( $p < 0.001$ ). The influence of these 3 relationships identified

will be discussed in more detail in Section 8.8. Against this background the following hypotheses, namely,  $H^{4c}$ ,  $H^{6c}$  and  $H^{8c}$  are accepted, whereas  $H^{3c}$ ,  $H^{5c}$  and  $H^{7c}$  are rejected.

**Figure 8.10: Structural model estimation**



#### 8.7.4.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.10, are reported in Table 8.34. A ratio  $\chi^2$  to degrees of freedom of 1.92 is reported. The RMSEA (0.0498) falls within the close fit range of  $< 0.05$ , while the upper limit of the 90% confidence interval for RMSEA (0.0550) is less than 0.08. These indices all provide evidence of a model with a close fit. Consequently the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a close fit.



**Table 8.34: Goodness-of-fit indices for the structural model**

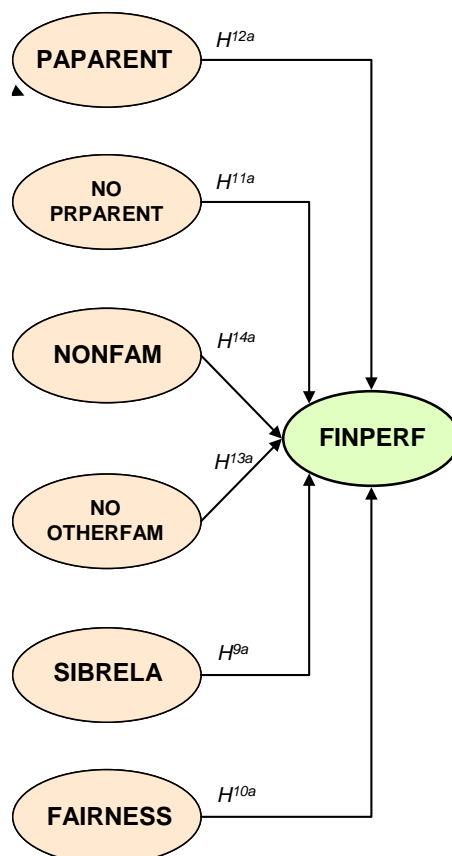
Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	413
Satorra-Bentler scaled Chi-square ( $\chi^2$ )	791.392; p = 0.0
$\chi^2$ / degrees of freedom	1.92
Root mean square error of approximation (RMSEA)	0.0498
90 percent confidence interval for RMSEA	0.0445; 0.0550

### 8.7.5 Submodel 5: Relational-based factors and Financial performance

The various steps of SEM as applied to the submodel *Relational-based factors and Financial performance* will be described in the sections that follow.

#### 8.7.5.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the submodel *Relational-based factors and Financial performance* are portrayed in Figure 8.11. It is hypothesised that the independent relational-based variables, namely *Past parent involvement*, *No present parent involvement*, *Non-family involvement*, *No other family member involvement*, *Sibling relationship* and *Fairness* all have a positive influence on the dependent variable, *Financial performance*.

**Figure 8.11: Path diagram of structural relationships: Revised model**

## 8.7.5.2 Structural and measurement models

Table 8.35 defines the structural and measurement models for the submodel *Relational-based factors and Financial performance*.

**Table 8.35: Definition of structural and measurement model**

Structural model	
Endogenous variables	Exogenous variables
Financial Performance	Past parent involvement, No present parent involvement, Non-family involvement, No other family member involvement, Sibling relationship, Fairness
Measurement model	
Exogenous	Manifest variables
Financial Performance	FIN3, FIN5, FIN6
Past parent involvement	PARENT1, PARENT2, PARENT3, PARENT4, PARENT5
No present parent involvement	PARENT 6, PARENT 7, PARENT8,
Non-family involvement	NONF1, NONF2, NONF3, NONF4, NONF5, NONF6
No other family member inv.	OFAM1, OFAM2, OFAM4, OFAM5
Sibling relationship	PROCES1, PROCES2, PROCES3, PROCES4, PROCES5
Fairness	FAIR1, FAIR4, FAIR6

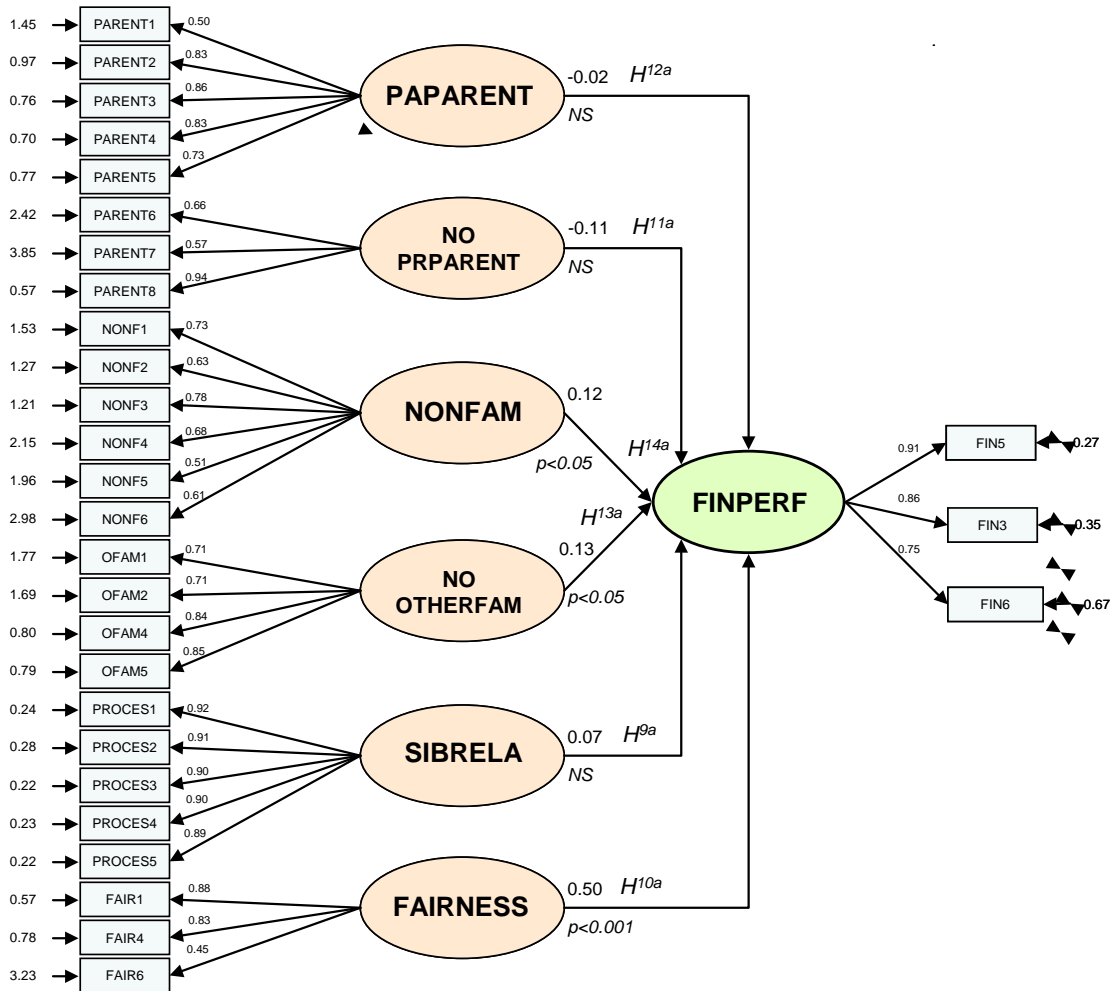
## 8.7.5.3 Measurement and structural model estimation

The loading coefficients for each construct in the measurement model exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). The goodness-of-fit indices all provide evidence of a model with a reasonable fit. Consequently, the structural equation model was subjected to empirical testing.

In the structural model (Figure 8.12) it can be seen that 3 independent variables significantly influence the dependent variable, *Financial performance*, in this model. The path coefficients for 2 of these relationships, namely between *Non-family involvement* and *No other family member involvement*, and *Financial performance* proved significant as the p-value for these coefficients exceeded the critical values of 1.96 ( $p < 0.05$ ). In addition, the relationship between *Fairness* and *Financial performance* proved significant as the p-value for this coefficients exceeded the critical value of 3.30 ( $p < 0.001$ ). Against this background the hypotheses  $H^{10a}$ ,  $H^{13a}$  and  $H^{14a}$  are accepted, whereas  $H^{9a}$ ,  $H^{11a}$  and  $H^{12a}$  are

rejected. These 3 relationships identified will be discussed in more detail in Section 8.8.

**Figure 8.12: Structural model estimation**



8.7.5.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.12, are reported in Table 8.36. A ratio  $\chi^2$  to degrees of freedom is 2.69. The RMSEA (0.0675) falls within the reasonable fit range of 0.05 and 0.08, while the upper limit of the 90% confidence interval for RMSEA (0.0726) is less than 0.08. These indices all provide evidence of a model with a reasonable fit. Consequently the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a reasonable fit.

**Table 8.36: Goodness-of-fit indices for the structural model**

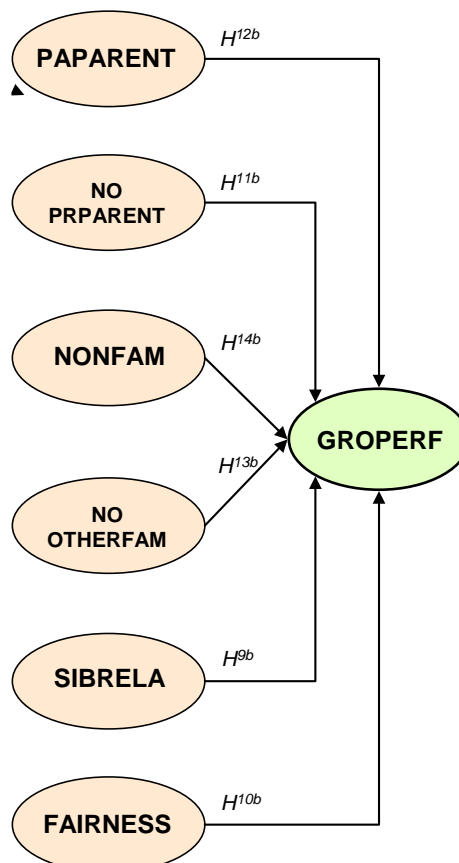
Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	356
Full Information ML Chi-square ( $\chi^2$ )	957.279; p=0.0
$\chi^2$ / degrees of freedom	2.69
Root mean square error of approximation (RMSEA)	0.0675
90 percent confidence interval for RMSEA	0.0623; 0.0726

### 8.7.6 Submodel 6: Relational-based factors and Growth performance

In the paragraphs that follow, the various steps of SEM are applied to the submodel *Relational-based factors and Growth performance*.

#### 8.7.6.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the submodel *Relational-based factors and Growth performance* are portrayed in Figure 8.13. It is hypothesised that the independent relational-based variables, namely *Past parent involvement*, *No present parent involvement*, *Non-family involvement*, *No other family member involvement*, *Sibling relationship* and *Fairness* all have a positive influence on the dependent variable, *Growth performance*.

**Figure 8.13: Path diagram of structural relationships: Revised model**

## 8.7.6.2 Structural and measurement models

Table 8.37 summarised the endogenous and exogenous variables, which form the specifications for the structural model, as well as the latent and manifest variables, which form the specifications for the measurement model.

**Table 8.37: Definition of structural and measurement model**

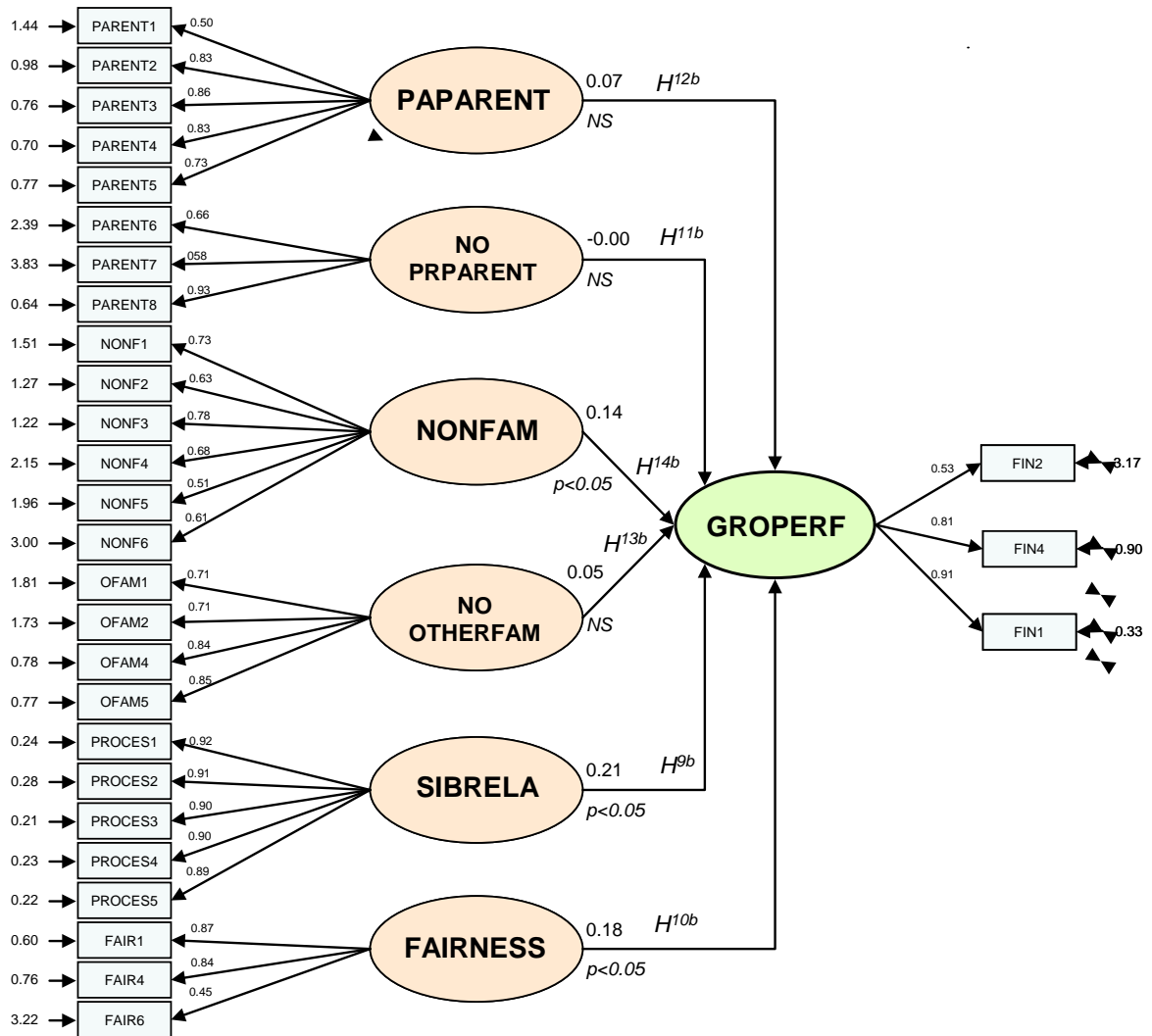
Structural model	
Endogenous variables	Exogenous variables
Growth Performance	Past parent involvement, No present parent involvement, Non-family involvement, No other family member involvement, Sibling relationship, Fairness
Measurement model	
Exogenous	Manifest variables
Growth Performance	FIN1, FIN2, FIN4
Past parent involvement	PARENT1, PARENT2, PARENT3, PARENT4, PARENT5
No present parent involvement	PARENT 6, PARENT 7, PARENT8,
Non-family involvement	NONF1, NONF2, NONF3, NONF4, NONF5, NONF6
No other family member inv.	OFAM1, OFAM2, OFAM4, OFAM5
Sibling relationship	PROCES1, PROCES2, PROCES3, PROCES4, PROCES5
Fairness	FAIR1, FAIR4, FAIR6

## 8.7.6.3 Measurement and structural model estimation

The indicator loadings for each construct in the measurement model proved to be acceptable as the p-value for these loadings exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). In addition, the goodness-of-fit indices provide evidence of a measurement model with a reasonable fit. The structural equation model was then subjected to empirical testing.

In the structural model (Figure 8.14) it can be seen that the path coefficients for 3 of the hypothesised relationships proved significant as the p-value for these coefficients exceeded the critical values of 1.96 ( $p < 0.05$ ). The independent variables *Non-family involvement*, *Sibling relationship* and *Fairness* positively influence the *Growth performance* of a Sibling Partnership. Against this background the hypotheses  $H^{9b}$ ,  $H^{10b}$  and  $H^{14b}$  are accepted, whereas  $H^{11b}$ ,  $H^{12b}$  and  $H^{13b}$  are rejected. These significant relationships will be discussed in more detail in Section 8.8.

**Figure 8.14: Structural model estimation**



8.7.6.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.14 are reported in Table 8.38. A ratio  $\chi^2$  to degrees of freedom is 2.76. The RMSEA (0.0668) falls within the reasonable fit range of 0.05 and 0.08, while the upper limit of the 90% confidence interval for RMSEA (0.0739) is less than 0.08. These indices all provide evidence of a model with a reasonable fit. As a result the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a reasonable fit.

**Table 8.38: Goodness-of-fit indices for the structural model**

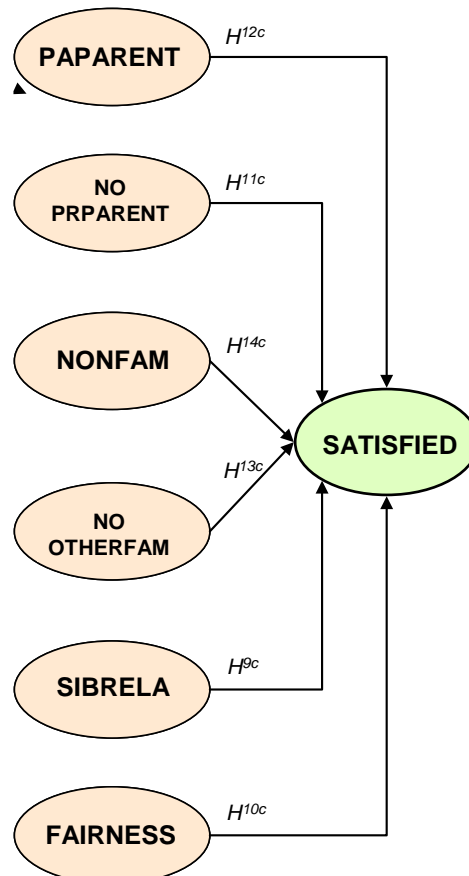
Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	356
Full Information ML Chi-square ( $\chi^2$ )	981.126; p=0.0
$\chi^2$ / degrees of freedom	2.76
Root mean square error of approximation (RMSEA)	0.0688
90 percent confidence interval for RMSEA	0.0637; 0.0739

### 8.7.7 Submodel 7: Relational-based factors and Satisfaction with work and family relationships

In the sections below, the various steps of SEM are applied to the submodel *Relational-based factors and Satisfaction with work and family relationships*.

#### 8.7.7.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the submodel *Relational-based factors and Satisfaction with work and family relationships* are portrayed in Figure 8.15.

**Figure 8.15: Path diagram of structural relationships: Revised model**

It is hypothesised that the independent relational-based variables, namely *Past parent involvement*, *No present parent involvement*, *Non-family involvement*, *No other family member involvement*, *Sibling relationship* and *Fairness* all exert a positive influence on the dependent variable, namely *Satisfaction with work and family relationships*.

#### 8.7.7.2 Structural and measurement models

Table 8.39 defines the structural and measurement models for the submodel *Relational-based factors and Satisfaction with work and family relationships*.

**Table 8.39: Definition of structural and measurement model**

Structural model	
Endogenous variables	Exogenous variables
Satisfaction with work and family relationships	Past parent involvement, No present parent involvement, Non-family involvement, No other family member involvement, Sibling relationship, Fairness
Measurement model	
Exogenous	Manifest variables
Satisfaction with work and family relationships	SUCC1, SUCC2, SUCC3, SUCC4, SUCC5
Past parent involvement	PARENT1, PARENT2, PARENT3, PARENT4, PARENT5
No present parent involvement	PARENT 6, PARENT 7, PARENT8,
Non-family involvement	NONF1, NONF2, NONF3, NONF4, NONF5, NONF6
No other family member inv.	OFAM1, OFAM2, OFAM4, OFAM5
Sibling relationship	PROCES1, PROCES2, PROCES3, PROCES4, PROCES5
Fairness	FAIR1, FAIR4, FAIR6

#### 8.7.7.3 Measurement and structural model estimation

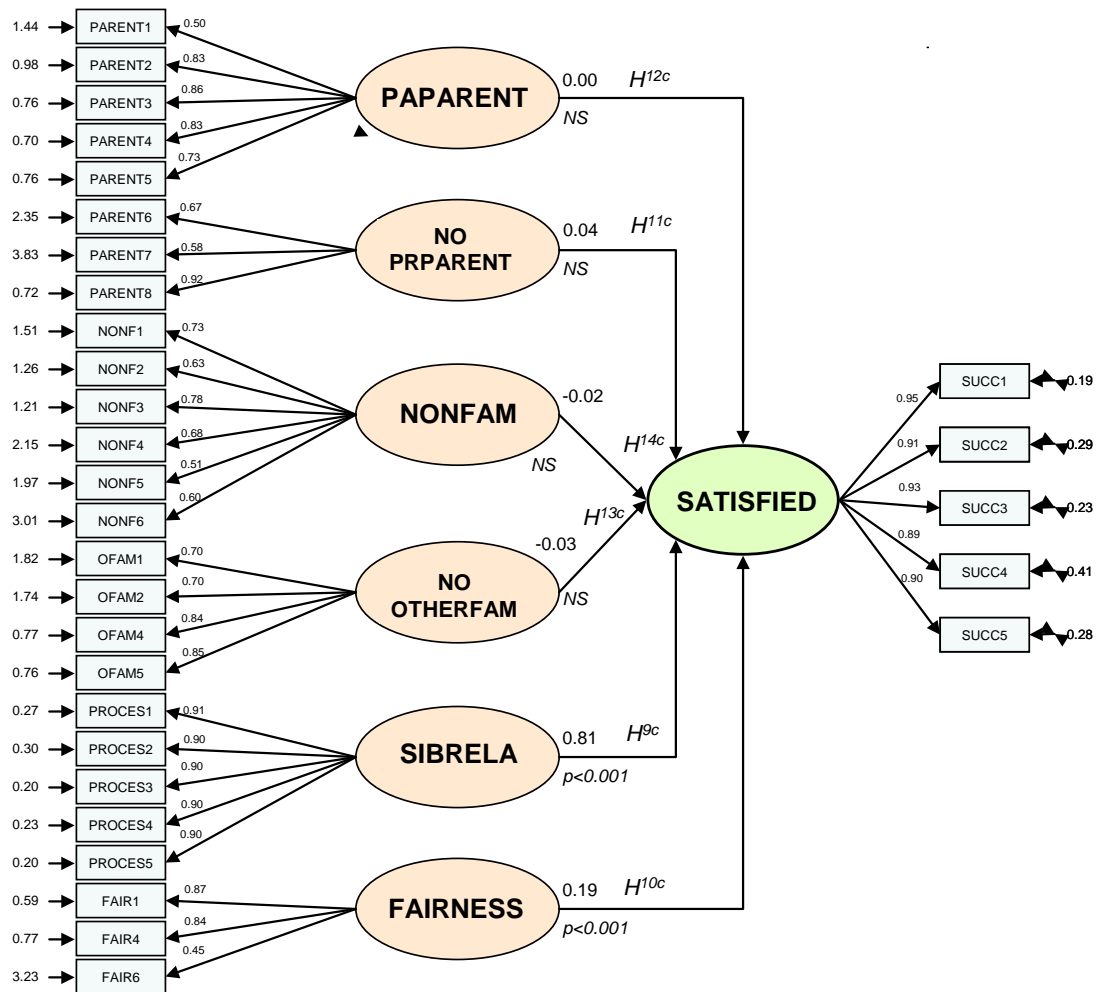
The loading coefficients reported in the measurement model, which provide an estimation of the reliabilities of the indicators and their constructs, proved to be acceptable as the p-value for these loadings exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). In addition, the goodness-of-fit indices of the measurement model all provide evidence of a model with a reasonable fit. Consequently, the structural equation model was subjected to empirical testing.

In the structural model (Figure 8.16) it can be seen that 2 independent variable



significantly ( $p < 0.001$ ) influence the dependent variable in this model. The path coefficients for each of these relationships proved significant as the p-value for these coefficients exceeded the critical values of 3.30 ( $p < 0.001$ ). The independent variables *Sibling relationship* and *Fairness* positively influence the *Satisfaction with work and family relationships* of siblings in a Sibling Partnership. Against this background the hypotheses  $H^{9c}$  and  $H^{10c}$  are accepted, whereas  $H^{11c}$ ,  $H^{12c}$ ,  $H^{13c}$  and  $H^{14c}$  are rejected.

**Figure 8.16: Structural model estimation**



#### 8.7.7.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.16, are reported in Table 8.40. A ratio  $\chi^2$  to degrees of freedom of 2.66 is reported which is higher than the acceptable 2. Values lower than 2 are indicators of a good fit. The RMSEA (0.0668) falls within the reasonable fit range of 0.05 and 0.08, while the upper limit of the 90% confidence interval for RMSEA (0.0717) is less than

0.08. Apart from the ratio  $\chi^2$  to degrees of freedom, the indices provide evidence of a model with a reasonable fit. Consequently the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model perfectly, it can be described as having a reasonable fit.

**Table 8.40: Goodness-of-fit indices for the structural model**

Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	413
Full Information ML Chi-square ( $\chi^2$ )	1097.715; p=0.0
$\chi^2$ / degrees of freedom	2.66
Root mean square error of approximation (RMSEA)	0.0668
90 percent confidence interval for RMSEA	0.0621; 0.0717

## 8.8 DISCUSSION OF SIGNIFICANT RELATIONSHIPS IDENTIFIED BY SEM

In the discussions and models depicted in Section 8.7, 15 significant relationships were identified between the various independent and dependent variables. Only these significant relationships are summarised in Figure 8.17. It should be noted that the model, as illustrated in Figure 8.17, was not tested as a single model, but split into 7 submodels with each submodel being subjected to SEM. This approach was implemented because the sample size of the present study was too small to subject the model as a whole to SEM.

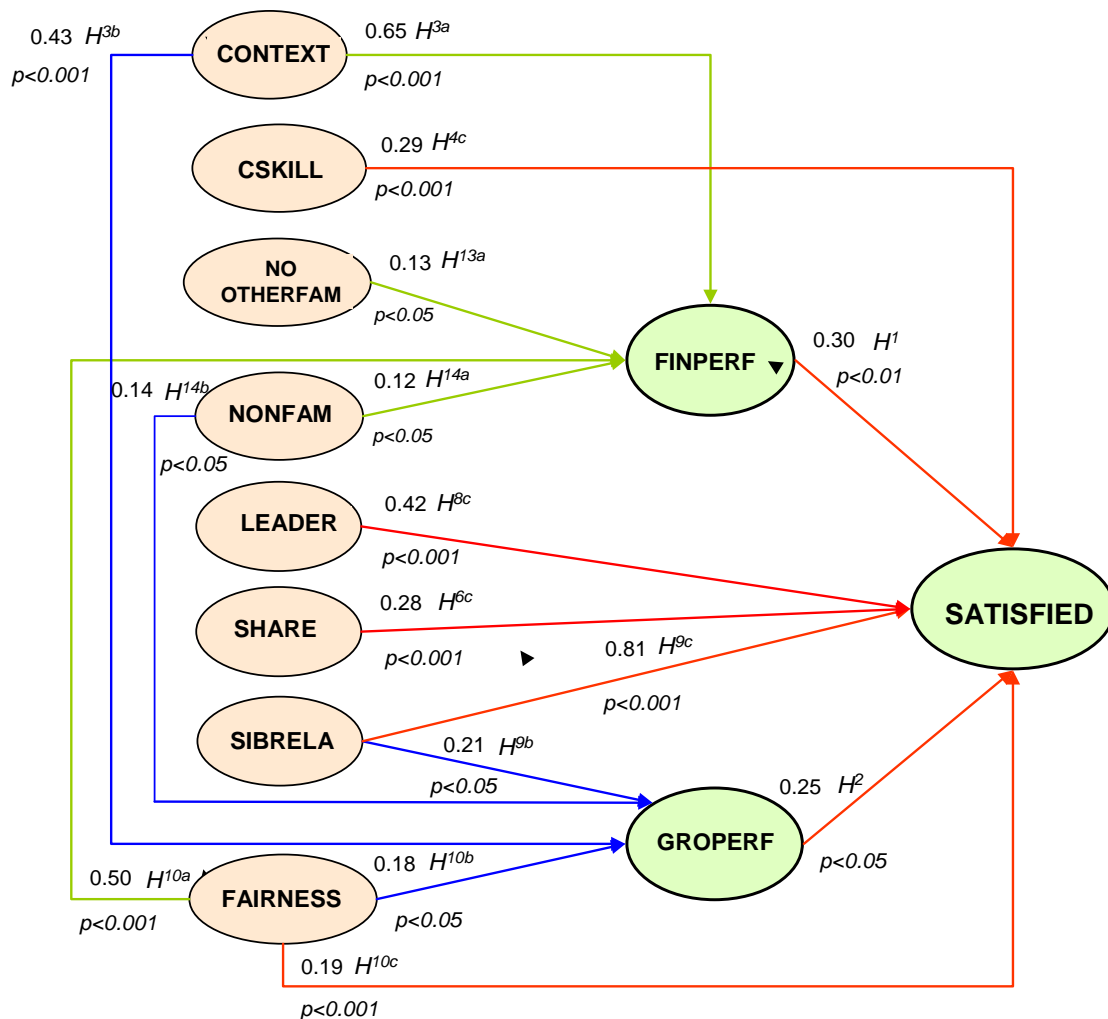
The 15 significant relationships depicted in Figure 8.17 identify the factors that influence the financial and growth performance of the business, as well as the satisfaction levels of the siblings with their work and family relationships. In the paragraphs below each of these significant findings will be elaborated on and compared to empirical and anecdotal evidence.

### 8.8.1 Financial and Growth performance

From Figure 8.17, it can be seen that the *Financial performance* of the business is positively related (path coefficient = 0.30,  $p < 0.01$ ) to *Satisfaction with work and family relationships* (hypothesis  $H^1$ ). This means that the more profitable and financially secure the business is perceived to be, the more satisfied the siblings

will be with their working and family relationships. Similarly, the *Growth performance* of the business is also positively related (path coefficient = 0.25,  $p < 0.05$ ) to *Satisfaction with work and family relationships* (hypothesis  $H^f$ ). Siblings are more likely to be satisfied with their working and family relationships if their business displays evidence of growth.

**Figure 8.17: Summary of significant relationships in the structural models (\*)**



(\*) Figure 8.17 depicts a summary of the significant relationships identified in the 7 different submodels. It is not a model on its own that has been subjected to SEM.

Although *Financial performance* and *Growth performance* are regarded as 2 individual constructs in the present study, these constructs are closely related. Profitability and financial security, as well as growth in the number of employees, profits and revenues, are all measurable indicators that reflect successful business performance. In a similar vein, when considering the definition of *Satisfaction with work and family relationships* in the present study, it is clear that this construct

incorporates many aspects of family harmony and is thus closely related to family harmony as defined in numerous other studies.

The empirical findings reported in this study are well supported by those of other researchers. Venter (2003:315), for example, reports a positive relationship between the financial security of the owner-manager and the business, and the satisfaction with the succession process. She concludes that if the business and the owner-manager are financially secure at the time of succession, the satisfaction with the succession process of both the owner-manager and successor will be favourably influenced. This finding is also supported by, amongst others, Lea (1991); Barach and Ganitsky (1995); Sonnefeld and Spence (1989); and Benson *et al.* (1990). Similarly, Adendorff (2004:426) reports a positive relationship between profitability and the ability to satisfy stakeholders' interests.

In addition, various authors support an important relationship between family harmony and the viability and continuity of the family business (e.g. Barach & Ganitsky 1995; Dumas *et al.* 1995; Friedman 1991; Santiago 2000). For example, Adendorff (2004:426) finds a positive relationship between family harmony and profitability, and concludes that profitability will increase when the family harmony is enhanced. Contrary to the finding in the present study, however, Venter (2003:301) finds no relationship between family harmony and continued profitability of the business. She concludes that whether family members get along or not will have no influence on the continued profitability of the business.

### **8.8.2 Internal context**

As is evident in Figure 8.17, a positive relationship exists between *Internal context* and both the *Financial performance* (path coefficient = 0.65,  $p < 0.001$ ) of the business (hypothesis  $H^{3a}$ ), as well as the *Growth performance* (path coefficient = 0.43,  $p < 0.001$ ) of the business (hypothesis  $H^{3b}$ ). *Internal context* impacts both the *Financial* and the *Growth performance* of the business more than any of the other factors investigated in the present study. These results suggest that the more a business has access to adequate and suitable resources, the more likely the business is to perform financially and grow. Ample empirical support for these relationships exists in previous research (e.g. Champion *et al.* 1993:839; Doolen

et al. 2006:143,145; Howard et al. 2005:786; Hyatt & Ruddy 1997:578). The results of this study do, however, contradict those of Cowie (2007:82), who found no significant relationship to exist between context and financial performance.

The relationship between *Internal context* and *Satisfaction with work and family relationships* (hypothesis  $H^{3c}$ ) did not prove to be significant in the present study. This result implies that whether or not the business has access to adequate and suitable resources, has no influence on whether the siblings are satisfied with their work and family relationships. Support was thus not found for hypothesis  $H^{3c}$ . This finding is consistent with the result of Cowie (2007:82), who found no significant relationship between context and the willingness of team members to cooperate with and support each other. However, it contradicts the empirical findings of Doolen et al. (2006:148), who report significant relationships between multiple aspects of organisational context and team-member satisfaction.

### **8.8.3 Complementary skills**

No empirical support was found for the hypothesised relationships between *Complementary skills* and *Financial performance* (hypothesis  $H^{4a}$ ), as well as between *Complementary skills* and *Growth performance* (hypothesis  $H^{4b}$ ). In other words, whether or not the siblings have skills that are complementary has no impact on the financial and growth performance of the business. This finding concurs with that of Cowie (2007:82) who also finds no significant relationship between the composition of the team as described by diversity and complementary competencies, and the financial performance of the business. Similarly, Campion et al. (1993:841), and Beckman and Burton (2005:18) have found no relationship between heterogeneity of team members' background and expertise, and team effectiveness.

The findings of this study are, however, contradictory to a large volume of anecdotal evidence in both the team work literature (Greenberg & Baron 2000:28; Hitt et al. 2006:421; Robbins 2003:265) and in the family business literature (Aronoff et al. 1997:53; Gersick et al. 1997:197; Lansberg 1999:13; McCall 2002), which suggests that in order for teams in general, including sibling teams to succeed, members should be highly competent individuals who bring a diverse set

of complementary skills and experiences to the task at hand. Similarly, the finding in this study contradicts a large amount of empirical evidence which identifies a positive relationship between team membership heterogeneity and team performance (Beckman & Burton 2005:7; Campion *et al.* 1993:828; Gladstein 1984; Hackman 1987; O'Connell *et al.* 2001:123).

However, the empirical results show that a positive relationship (path coefficient = 0.29,  $p < 0.001$  between *Complementary skills* and *Satisfaction with work and family relationships* (hypothesis  $H^{4c}$ ) exists. This result implies that the more the skills of the siblings complement each other, or otherwise stated the more the siblings have strengths in different areas, the more likely it is that they will be satisfied with their work and family relationships. Depending on how success is defined in the literature, this finding is supported by much of the anecdotal evidence referred to above, which suggests that for both sibling teams and teams in general to succeed, members should be highly competent individuals with a diverse set of complementary skills. This finding is, however, contradictory to that of Cowie (2007:82), who reports no significant relationship between the composition of the team as described by diversity and complementary competencies, and the willingness of the team members to cooperate with and support each other.

#### **8.8.4 Leadership**

No empirical support was found for the hypothesised relationships between *Leadership* and *Financial performance* (hypothesis  $H^{8a}$ ), as well as between *Leadership* and *Growth performance* (hypothesis  $H^{8b}$ ) in this study. The respondents in this study are thus of the opinion that the financial and growth performance of their business is not influenced by whether or not leadership that is participatory, knowledgeable and visionary, exists. Support both for and against these findings is evident in previous research. For example, Cowie (2007:81) reports a significant positive relationship between leadership and the ability of the team to operate efficiently, whereas Gladstein (1984:509,511) finds no relationship between leadership and team performance. Emerging meta-analytic findings and other empirical evidence does, however, support a positive relationship between leadership and team effectiveness (Jacobs & Singell 1993; Kozlowski & Ilgen

2006:107). If team effectiveness is measured in terms of performance outputs, then the findings of this study are contradictory to existing empirical evidence. In addition, Sorenson (2000:192) reports that participative leadership is significantly and positively associated with financial performance.

The empirical results of this study do indicate that there is a positive relationship (path coefficient = 0.42,  $p < 0.001$ ) between *Leadership* and *Satisfaction with work and family relationships* (hypothesis  $H^{8c}$ ). Of the team-based factors investigated in this study, *Leadership* exerts the most influence on *Satisfaction with work and family relationships*. This result implies that the more that leadership (which is participatory, knowledgeable and visionary), exists, the more likely it is that the siblings will be satisfied with their work and family relationships. This result is supported by previous empirical studies (Gladstein 1984:509,511; Sorenson 2000:192), where a positive relationship has been found between leadership, especially participative leadership, and team satisfaction.

#### **8.8.5 Governance**

In this study no support was found for a relationship between *Governance* and *Financial performance* (hypothesis  $H^{7a}$ ), nor between *Governance* and *Growth performance* (hypothesis  $H^{7b}$ ). Therefore, the business having or not having governance structures, policies and procedures in place, will have no impact on the financial and growth performance of the business. Support was thus not found for hypotheses  $H^{7a}$  and  $H^{7b}$ . This finding is in line with that of Cowie (2007:82), who also reports no relationship between the existence of norms (codes of conduct) for team members and financial performance. Contrary to Cowie's finding, other anecdotal evidence suggests that the implementation of governance structures, policies and procedures promotes *family business success* (e.g. Aronoff et al. 1997:39, Lansberg 1999:275; Maas et al. 2005:41; Ward 2004:16, 118) and *stimulates growth* (Aronoff et al. 1997:18,47; Maas et al. 2005:94; Ward 2004:8). In addition, previous empirical research (Adendorff 2004:426; Astrachan & Kolenko 1994:259; Hyatt & Ruddy 1997:572) has found positive relationships between governance practices and financial performance. Venter (2003:295), for example, concludes that the more the family business makes use of governance

processes and planning, the more likely it is that the business will remain profitable in the future.

In the present study, no support was found for the hypothesised relationship between *Governance* and *Satisfaction with work and family relationships* (hypothesis  $H^{7c}$ ). The respondents in the present study are thus of the opinion that having governance structures, policies and procedures in place or not, has no influence on their being satisfied with their work and family relationships. This finding is consistent with that of Venter (2003), who reports no relationship between governance processes and planning and satisfaction with the succession process. Similarly, Cowie (2007:82) reported no relationship between the existence of norms (codes of conduct) for team members and their willingness to cooperate with and support each other. According to numerous authors and researchers (Aronoff et al. 1997:31,41,65; Gage et al. 2004:195; Gersick et al. 1997:165,200; Handler 1991:31; Maas et al. 2005:25,41,109; Sorenson 2000:194,198), however, an infrastructure of governance, policies and procedures in a family business supports harmony and promotes positive relationships. Mustakallio et al. (2002:205), for example, concludes that family businesses should develop governance structures that promote cohesion and reduce harmful conflict.

#### **8.8.6 Shared dream**

This study has found empirical support for a positive relationship (path coefficient = 0.28,  $p < 0.001$ ) between *Shared dream* and *Satisfaction with work and family relationships* (hypothesis  $H^{6c}$ ), but not between *Shared dream* and *Financial performance* (hypothesis  $H^{6a}$ ), nor between *Shared dream* and *Growth performance* (hypothesis  $H^{6b}$ ). In other words, the more the siblings are able to realise their own dreams through their involvement in the Sibling Partnership, the more likely it is that they will be satisfied with their work and family relationships. However, whether they can realise their dreams or not through their involvement in the family business, has no impact on the financial and growth performance of the business. Support was thus found for  $H^{6c}$ , but not for hypotheses  $H^{6a}$  and  $H^{6b}$ .

In contrast to the findings of this study, that no relationships exist between *Shared dream* and *Financial performance*, and between *Shared dream* and *Growth*



*performance*, a large volume of anecdotal (Gage *et al.* 2004:194; Ivancevich *et al.* 2005:341; Robbins 2003:268) and empirical evidence (Hyatt & Ruddy 1997:572,578; Venter 2003:227) supporting a positive relationship does exist. Ward (1997), for example, has found that “disparate” family goals and values hinder family business growth (Mustakallio *et al.* 2002:209), whereas Cowie (2007:83) reports a significant positive relationship between the commitment to and existence of clear and challenging goals, and financial performance. According to Stavrou (1995:177), the beliefs, goals and aspirations of the next generation of family members can influence family relationships and the long-term survival of the family business.

A significant relationship between *Shared dream* and *Satisfaction with work and family relationships*, as found in this study, is in line with the views and findings of numerous other researchers (Guzzo & Dickson 1996:315; Lansberg 1999:80; Ring & Van de Ven 1994; Stavrou 1995:177). Similarly, in their studies on succession, several researchers (Handler 1992:289-291; Sharma 1997:234; Venter 2003:227) have found that the more a successor can satisfy his/her personal development goals within the business, the more likely it is that he/she will have a positive succession experience

#### **8.8.7 Division of labour**

In the present study, no significant relationship emerged between *Division of labour* and *Financial performance* (hypothesis  $H^{5a}$ ), nor between *Division of labour* and *Growth performance* (hypothesis  $H^{5b}$ ). Therefore, having a clearly demarcated area of authority and responsibility between the siblings or not, has no influence on the financial and growth performance of the business. Support was thus not found for hypotheses  $H^{5a}$  and  $H^{5b}$ . Similarly, no relationship was identified between *Division of labour* and *Satisfaction with work and family relationships* (hypothesis  $H^{5c}$ ). The respondents in the present study are thus of the opinion that having clearly demarcated areas of authority and responsibility exist between themselves and their siblings or not, has no influence on their being satisfied with their work and family relationships. Hypothesis  $H^{5c}$  could thus also not be supported.

The empirical results in the study are contradictory to empirical evidence in the team work literature, where positive relationships between functional assignment diversity (the existence of distinct organisational positions) and both business outcomes and team performance have been found (Ancona & Caldwell 1992; Keck 1997; Beckman & Burton 2005:19). In addition, an overwhelming amount of anecdotal evidence in the family business literature supports the important role that clear division of labour among siblings has in maintaining family harmony and positive relationships (Aronoff *et al.* 1997:54; Lansberg 1999:133; Maas *et al.* 2005:106). These views are supported empirically by Handler (1991:31), who concludes that separate positions and areas of responsibility promote positive relationships between siblings in family businesses.

### **8.8.8 Past parent involvement**

No empirical support was found in this study for a relationship between *Past parent involvement* and *Financial performance* (hypothesis  $H^{12a}$ ), nor between *Past parent involvement* and *Growth performance* (hypothesis  $H^{12b}$ ). The respondents in this study were of the opinion that the involvement of their parents in their lives and in their relationships while they were growing up, had no influence on the *Financial performance* or the *Growth performance* of their business. Similarly, a relationship between *Past parent involvement* and *Satisfaction with work and family relationships* (hypothesis  $H^{12c}$ ) could not be empirically confirmed. Whether the parents of siblings were involved in their lives or their relationships during childhood or not, had no influence on the siblings being satisfied with their current work and family relationships. Hypothesis  $H^{12c}$  could thus not be supported.

The empirical findings in this study contradict a vast amount of anecdotal evidence that suggests that the behaviour of parents during the childhood years of siblings has a significant influence on the ability of those siblings to work together as adults, on the relationship between the adult siblings, and on the success of the family business (Aronoff *et al.* 1997:1,9; Friedman 1991:16; Lansberg 1999:78,159; Swogger 1991:406; Ward 2004:28,45,89). This anecdotal evidence is supported by the finding of Swogger (1991:406), who reports a positive relationship between the capacity of siblings to work together and the extent to

which they have become emotionally independent of their parents. Similarly, Cicirelli (1980) reported that parents who promote a family culture with balanced independence and loyalty among siblings, foster respect for each person's differences and allow each family member to cultivate a healthy self-esteem.

### 8.8.9 No present parent involvement

As in the case of *Past parent involvement*, the empirical results of this study also indicate that there is no significant relationship between *No present parent involvement* and *Financial performance* (hypothesis  $H^{11a}$ ), nor between *No present parent involvement* and *Growth performance* (hypothesis  $H^{11b}$ ). This result implies that whether parents are involved or get involved in the business and in the present-day relationship between the siblings or not, has no influence on the *Financial performance* or the *Growth performance* of the business. Support was thus not found for hypotheses  $H^{11a}$  and  $H^{11b}$ . Similarly, no relationship was identified between *No present parent involvement* and *Satisfaction with work and family relationships* (hypothesis  $H^{11c}$ ). Whether the parents of siblings were currently involved and/or interfered in the business and in the present-day relationship between siblings or not, thus had no influence on the siblings being satisfied with their work and family relationships. Hypothesis  $H^{11c}$  could thus not be supported.

An overwhelming amount of anecdotal evidence suggests that the present involvement and/or interference of parents in the business and in the present-day relationship between the siblings, has an impact on the ability of siblings to work together, on the relationship between the siblings as adults, and on the success of the family business (Aronoff et al. 1997:1,7; Friedman 1991:4; Harvey & Evans 1995:6,9; Lansberg 1999:256; Sharma 2004:10; Swogger 1991:406; Ward 2004:89). This anecdotal evidence is supported by Davis and Harveston (1999:319,321), whose empirical study reports that conflict is higher among second-generation family firms when the founder remains active in the family business, than when founders are no longer active. In addition, Sharma (1997) established that the propensity of owner-managers to step aside is an important influencer of the successors' satisfaction with the succession process (Sharma 1997:232; Sharma et al. 2000:241).

### 8.8.10 Non-family members

From Figure 8.17 it can be seen that the variable *Non-family involvement* is positively related (path coefficient = 0.12,  $p < 0.05$ ) to *Financial performance* (hypothesis  $H^{14a}$ ). Similarly, a positive relationship (path coefficient = 0.14,  $p < 0.05$ ) emerged between *Non-family involvement* and *Growth performance* (hypothesis  $H^{14b}$ ), indicating that siblings believe that the more non-family members are involved in the business, the better both the financial and growth performance of the business will be. Support is thus found for hypotheses  $H^{14a}$  and  $H^{14b}$ . The empirical results in this study are consistent with the findings of various other authors (e.g. Mustakallio *et al.* 2002:210; Robinson 1982:315), who suggest a positive relationship between the involvement of non-family members in the family business and business performance. According to Sharma (2004:14) and Ward (2004:55), for example, non-family members often make a vital contribution to the success and growth of the family business. The findings of this study are also consistent with those of Robinson (1982:315), Malone (1989), as well as Sorenson (2000:197), who report positive relationships between the involvement of outsiders and business effectiveness.

Although much anecdotal evidence exists suggesting that non-family members can play a key role in maintaining positive relationships (Aronoff *et al.* 1997:20; Lansberg 1999:13; Maas *et al.* 2005:72) or in creating conflicts (Aronoff *et al.* 1997:46; Harvey & Evans 1995:7; Neubauer 2003:276) among family members, no significant relationship was identified between *Non-family involvement* and *Satisfaction with work and family relationships* (hypothesis  $H^{14c}$ ) in the present study. The respondents in this study were of the opinion that non-family members being involved in the business or not, had no influence on them being satisfied with their work and family relationships. Hypothesis  $H^{14c}$  could thus not be supported. This finding is also in contrast to the research of Sorenson (2000:197), who reports that consulting with outside professionals is highly correlated with family outcomes.

### 8.8.11 No other family member involvement

The empirical results of this study indicate that there is a positive relationship (path

coefficient = 0.13,  $p < 0.05$ ) between the constructs *No other family members* and *Financial performance*. The respondents in this study are thus of the opinion that the less non-active sibling shareholders and spouses of sibling partners are involved and/or interfere in the business, the better the financial performance of the business will be. Consequently,  $H^{13a}$  stating that *No other family member* involvement has a positive influence on the *Financial performance* of the Sibling Partnership can be supported. This finding echoes the sentiment of Van Auken and Werbel (2006:49-54), who propose that a lack of spousal support can result in additional stress on a sibling, which in turn is likely to inhibit the financial performance of the business. Similarly, Galbraith (2003) suggests that marital dissolution could have an impact on the financial performance of a family business. The results are, however, contrary to the views of Schiff Estess (1999) and Maas et al. (2005:119), who suggest that other family members (spouses) can be trusted as employees, are often more objective than family members, and usually have a keen understanding of the causes and effects of conflict in the family business.

No significant relationships were, however, found between *No other family members* and *Satisfaction with work and family relationships* (hypothesis  $H^{13c}$ ), or between *No other family members* and *Growth performance* (hypothesis  $H^{13b}$ ). This finding implies that whether other family members get involved and/or interfere in the business and in the relationship between the siblings or not, has no influence on the growth performance of the business or on the siblings being satisfied with their work and family relationships. Support was thus not found for hypotheses  $H^{13b}$  and  $H^{13c}$ . The findings of this study contradict a vast amount of anecdotal evidence supporting that both *non-active sibling shareholders* (Aronoff et al. 1997:44; Brigham 2004; Gersick et al. 1997:45; Lansberg 1999:338; Maas et al. 2005:104; Van der Heyden 2005:10) and *spouses* (Aronoff et al. 1997:1,22,37; Galbraith 2003; Gersick et al. 1997:47; Lansberg 1999:137; Schiff Estess 1999) exercise considerable influence on the ability of the siblings to work together, and on the success of the Sibling Partnership.

### 8.8.12 Sibling relationship

As can be seen in Figure 8.17, a positive relationship (path coefficient = 0.21,  $p < 0.05$ ) exists between *Sibling relationship* and *Growth performance* (hypothesis

$H^{ob}$ ). In addition, the empirical results provide evidence of strong support for a positive relationship (path coefficient = 0.81,  $p < 0.001$ ) between *Sibling relationship* and *Satisfaction with work and family relationships* (hypothesis  $H^{oc}$ ). In other words, the better the relationship between the siblings is, the more likely the business will be to show growth, and the more likely it is that the siblings will be satisfied with their work and family relationships. Of all the factors investigated in this study, the findings show that *Sibling relationship* exerts the greatest influence on *Satisfaction with work and family relationships*. A good sibling relationship is thus vital for the success of a Sibling Partnership. These findings are in line with a large volume of anecdotal evidence suggesting that a high-quality relationship between sibling partners is vital for a successful Sibling Partnership (Berry 2004:5; Gersick et al. 1997:197; Hellriegel et al. 2001:245; Hitt et al. 2006:413; Lansberg 1999:15,83; Swogger 1991:400; Ward 2004:7,58,88,89).

Empirical evidence reported in the literature also supports the findings of the present study. Both Gladstein (1984:511) and Barrick et al. (1998:381), for example, found positive relationships between cohesive and supportive teams, and levels of team-member satisfaction. Similarly, Olson (1988) found that high cohesion and adaptability are associated with healthier family relationships and effective communication. Although no specific reference is made to growth performance, both Gladstein (1984:511) and Campion et al. (1996:443) found that support among team members is positively correlated with measures of team effectiveness.

In the present study no significant relation was found between *Sibling relationship* and *Financial performance* (hypothesis  $H^{oa}$ ). This finding implies that the relationship between the siblings has no influence on the financial performance of the business. Support was thus not found for hypothesis  $H^{oa}$ . The results of this study concur with those of Barrick et al. (1998:381), whose research indicates that cohesion is related to team-member satisfaction, but not to performance. Similarly, Gladstein (1984:511) reports that group supportiveness is positively associated with group satisfaction, but not with actual sales revenue. In addition, Venter (2003:312) also found no significant influence of the relationship between the owner-manager and the successor, on the continued profitability of the

business. In contrast, Smith et al. (1994) reported a positive correlation between a cohesive top management team and financial performance.

### 8.8.13 Fairness

The current study has revealed significant positive relationships between *Fairness* and both the *Financial performance* (path coefficient = 0.50,  $p < 0.001$ ) of the business (hypothesis  $H^{10a}$ ), and the *Growth performance* (path coefficient = 0.18,  $p < 0.05$ ) of the business (hypothesis  $H^{10b}$ ). This finding suggests that the more the siblings consider the working arrangement between them as fair in terms of workload and compensation, the more likely the business is to perform financially and grow. The findings show that of all the factors investigated in this study, *Fairness* has the second greatest impact on the financial performance of the business. In addition, the empirical results show that a positive relationship (path coefficient = 0.19,  $p < 0.001$ ) between *Fairness* and *Satisfaction with work and family relationships* (hypothesis  $H^{10c}$ ) also exists. In other words the more the siblings consider the working arrangement between them as fair in terms of workload and compensation, the more likely it is that they will be satisfied with their work and family relationships.

The construct *Fairness* is the only construct that shows a positive relationship with all 3 dependent variables, namely *Financial performance*, *Growth performance*, and *Satisfaction with work and family relationships*. The finding of this study thus indicates that *Fairness* plays a critical role in the overall performance of the business as well as the satisfaction levels of siblings involved in the business.

The findings in this study are supported by a large volume of anecdotal evidence (Aronoff et al. 1997:43; Gersick et al. 1997:67; Lansberg 1999:132; Ward 2004:67,68,96) that posits the importance of fairness among siblings in family businesses. In addition, various studies (e.g. Barrick et al. 1998:386; Campion et al. 1993:839; Campion et al. 1996:443; Olukayode & Ehigie 2005:293) among teams in organisational contexts have found a significantly positive correlation between workload-sharing and measures of team effectiveness. Similarly, Danes et al. (1999:246) identified unfair workloads in family businesses as generating the highest level of tension among family relationships. Although Cowie (2007:81,83)

reports a significant positive relationship between fairness in workload among management team members and perceived success, she finds no significant relationship between fairness and the willingness of team members to cooperate with and support each other.

## **8.9 RELATIONSHIPS BETWEEN INPUT, PEOPLE AND PROCESS VARIABLES**

The theoretical model depicted in Figure 6.1 hypothesised that positive relationships exist between the various input and process variables in the model. These relationships were hypothesised based on the input-process-output (I-P-O) model, which posits that a variety of inputs combine to influence intra-group processes, which in turn affects team outputs (Barrick *et al.* 1998:377). As discussed in Chapter 6, ample empirical evidence (Campion *et al.* 1993; Gladstein 1984; Olukayode & Ehigie 2005:284) exists to support these hypothesised relationships. Similarly, based on anecdotal and editorial evidence (Aronoff *et al.* 1997; Friedman 1991; Gersick *et al.* 1997; Sharma *et al.* 1997; Sorenson 2000), the original theoretical model also hypothesised that positive relationships exist between the various people and process constructs. In the present study, 3 submodels were subjected to SEM in order to test the revised hypothesised relationships (see Table 8.22) between the various input (*Internal context, Complementary skills, Leadership, Governance, Shared dream* and *Division of labour*) and process (*Sibling relationship* and *Fairness*) variables, and between the various people variables (*Past parent involvement, No present parent involvement, Non-family involvement* and *No other family member involvement*) and the process variable, *Sibling relationship*. Insufficient theoretical evidence negated the purpose of investigating relationships between the various people variables and the process variable *Fairness*.

### **8.9.1 Submodel 8 and 9: Task-based (input) factors and Processes**

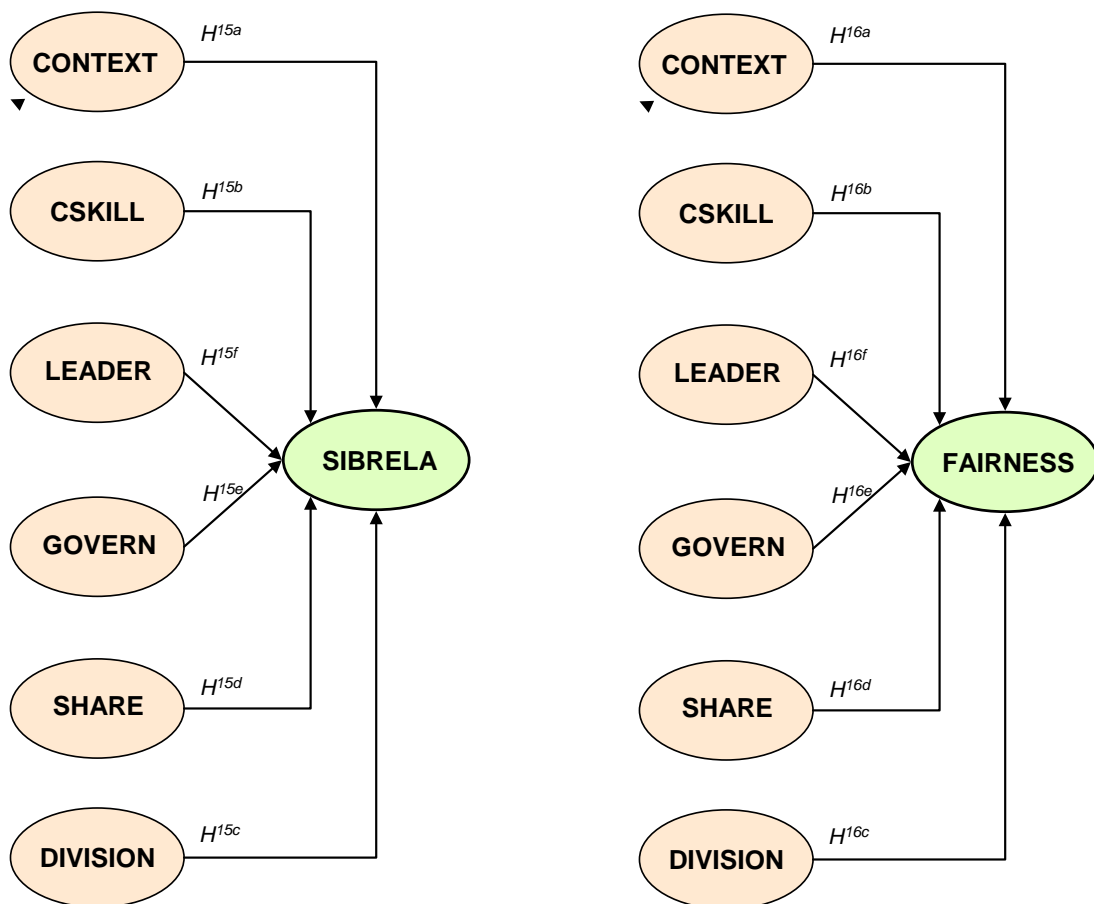
The various steps of SEM as applied to the submodels *Task-based (input) factors* and the process factors *Sibling relationship* and *Fairness* are presented below.



## 8.9.1.1 Revised theoretical model and path diagrams

The revised theoretical models and the path diagrams for the submodels *Task-based factors and Sibling relationship*, as well as *Task-based factors and Fairness* are portrayed in Figure 8.18. It is hypothesised that the independent task-based (input) variables, namely *Internal context*, *Complementary skills*, *Leadership*, *Governance*, *Shared dream* and *Division of labour*, all have a positive influence on the dependent (process) variables, namely *Sibling relationship* and *Fairness*.

**Figure 8.18: Path diagram of structural relationships: Revised model**



## 8.9.1.2 Structural and measurement models

Table 8.41 defines the structural and measurement models for the submodels *Task-based factors and Sibling relationship*, as well as *Task-based factors and Fairness*. The endogenous and exogenous variables, which form the specifications for the structural models, and the latent and manifest variables,

which form the specifications for the measurement models, are summarised in Table 8.41.

**Table 8.41: Definition of structural and measurement model**

Structural model	
Endogenous variables	Exogenous variables
Sibling relationship Fairness	Internal context, Complementary skills, Leadership, Governance, Shared dreams, Division of labour
Measurement model	
Exogenous	Manifest variables
Sibling relationship	PROCES1, PROCES2, PROCES3, PROCES4, PROCES5
Fairness	FAIR1, FAIR4, FAIR6
Internal context	CONT1, CONT2, CONT3, CONT4, CONT5, CONT6
Complementary skills	CSKILL4, CSKILL5, CSKILL6
Leadership	LEAD1, LEAD2, LEAD3, LEAD4, LEAD5, LEAD7
Governance	GOV1, GOV2, GOV4, GOV5, GOV7
Shared dreams	SHARE4, SHARE5, SHARE6
Division of labour	DIV4, DIV5, DIV6

### 8.9.1.3 Measurement and structural model estimation

The indicator loadings for each of the construct in the measurement models proved to be acceptable as the p-value for these loadings exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). In addition, the goodness-of-fit indices all provided evidence of close-fitting, or very good measurement models. Consequently, the structural models were subjected to empirical testing.

From Figure 8.19 it can be seen that the independent variables *Complementary skills* and *Leadership* significantly ( $p < 0.001$ ) influence the dependent variable *Sibling relationship*. Against this background the hypotheses  $H^{15b}$  and  $H^{15f}$  are accepted, whereas  $H^{15a}$ ,  $H^{15c}$ ,  $H^{15d}$  and  $H^{15e}$  are rejected.

In Figure 8.20 it is evident that only *Shared dream* significantly ( $p < 0.01$ ) influences the dependent variable, *Fairness*. As a result hypothesis  $H^{16d}$  is accepted, whereas  $H^{16a}$ ,  $H^{16b}$ ,  $H^{16c}$ ,  $H^{16e}$  and  $H^{16f}$  are rejected. These relationships identified will be discussed in more detail in Section 8.9.3.

Figure 8.19: Structural model estimation

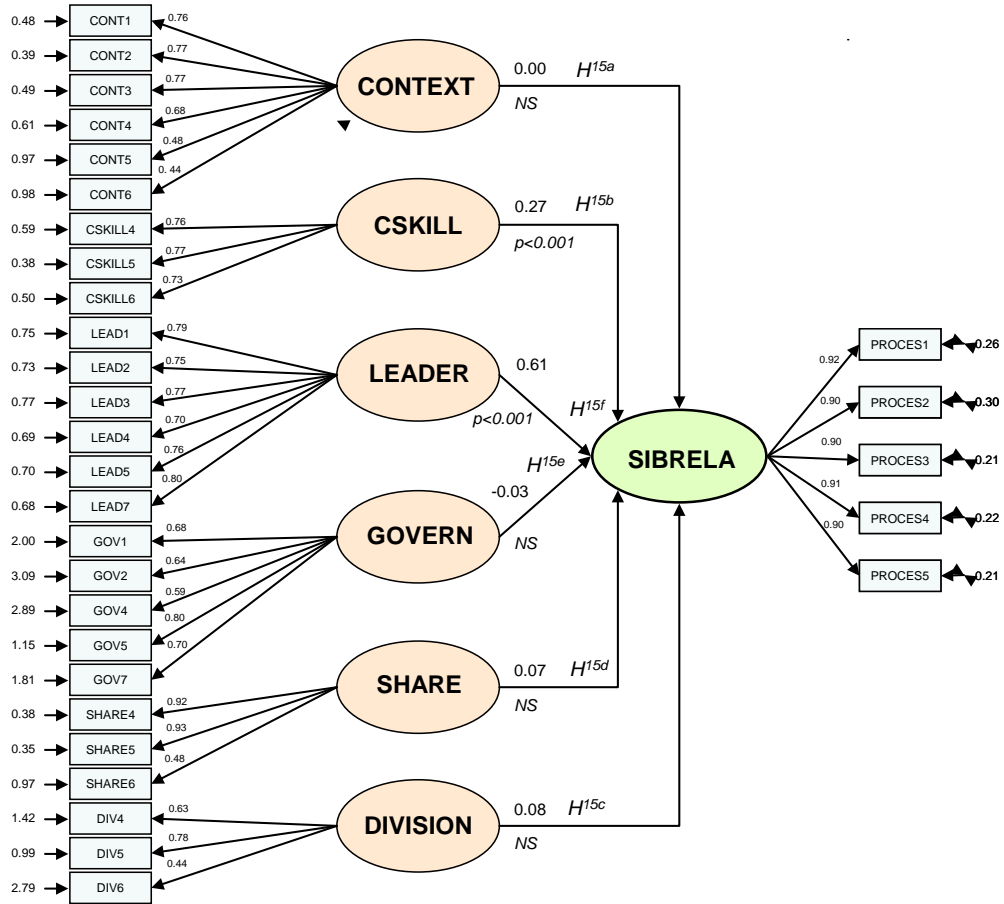
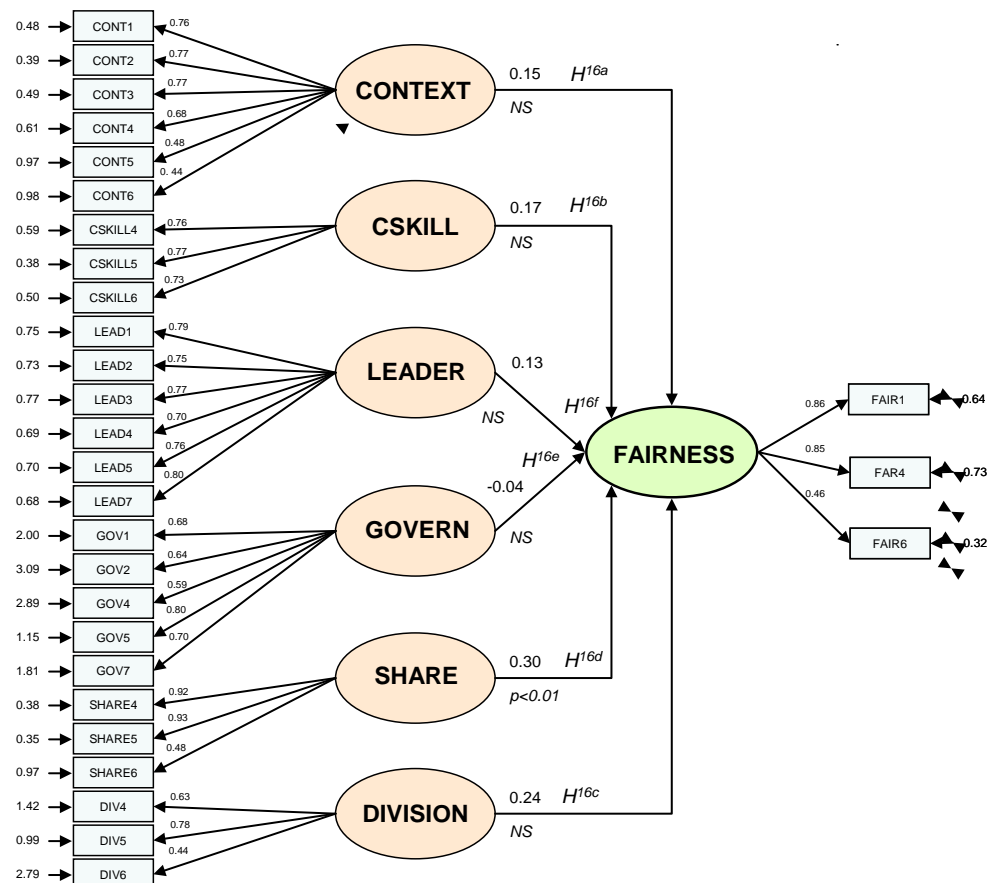


Figure 8.20: Structural model estimation



#### 8.9.1.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural models depicted in Figure 8.19 and Figure 8.20 are the same, and are reported in Table 8.42.

**Table 8.42: Goodness-of-fit indices for the structural model**

Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	500
Full Information ML Chi-square ( $\chi^2$ )	911.214; p=0.0
$\chi^2$ / degrees of freedom	1.82
Root mean square error of approximation (RMSEA)	0.0471
90 percent confidence interval for RMSEA	0.0423; 0.0520

A ratio  $\chi^2$  to degrees of freedom of 1.82 is reported. The RMSEA (0.0471) falls within the close-fit range of below 0.05, while the upper limit of the 90% confidence interval for RMSEA (0.0520) is less than 0.08. These indices all provide evidence of close-fitting or very good models. Consequently the null hypothesis, that the data fits the models perfectly, must be rejected. However, although the data does not fit the models perfectly, they can be described as having a close fit.

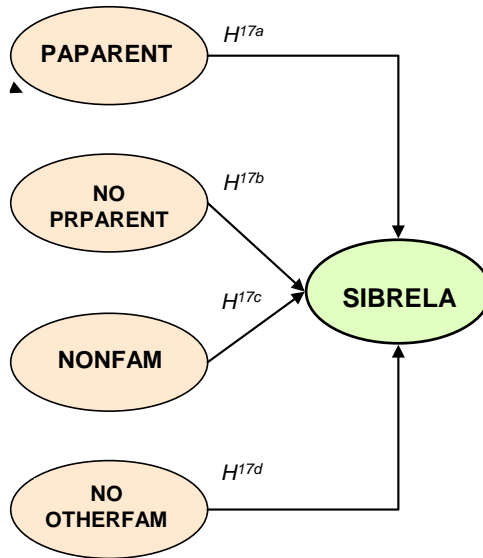
### 8.9.2 Submodel 10: Other people factors and Sibling relationship

The various steps of SEM as applied to the submodel *Other people factors and Sibling relationship* are discussed below.

#### 8.9.2.1 Revised theoretical model and path diagrams

The revised theoretical model and the path diagrams for the submodel *Other people factors and Sibling relationship* are portrayed in Figure 8.21. It is hypothesised that the independent variables, namely *Past parent involvement*, *No present parent involvement*, *Non-family involvement* and *No other family member involvement*, all have a positive influence on the dependent variable, *Sibling relationship*.

**Figure 8.21: Path diagram of structural relationships: Revised model**



8.9.2.2 Structural and measurement models

Table 8.43 defines the structural and measurement models for the submodel *Other people factors and Sibling relationship*.

**Table 8.43: Definition of structural and measurement model**

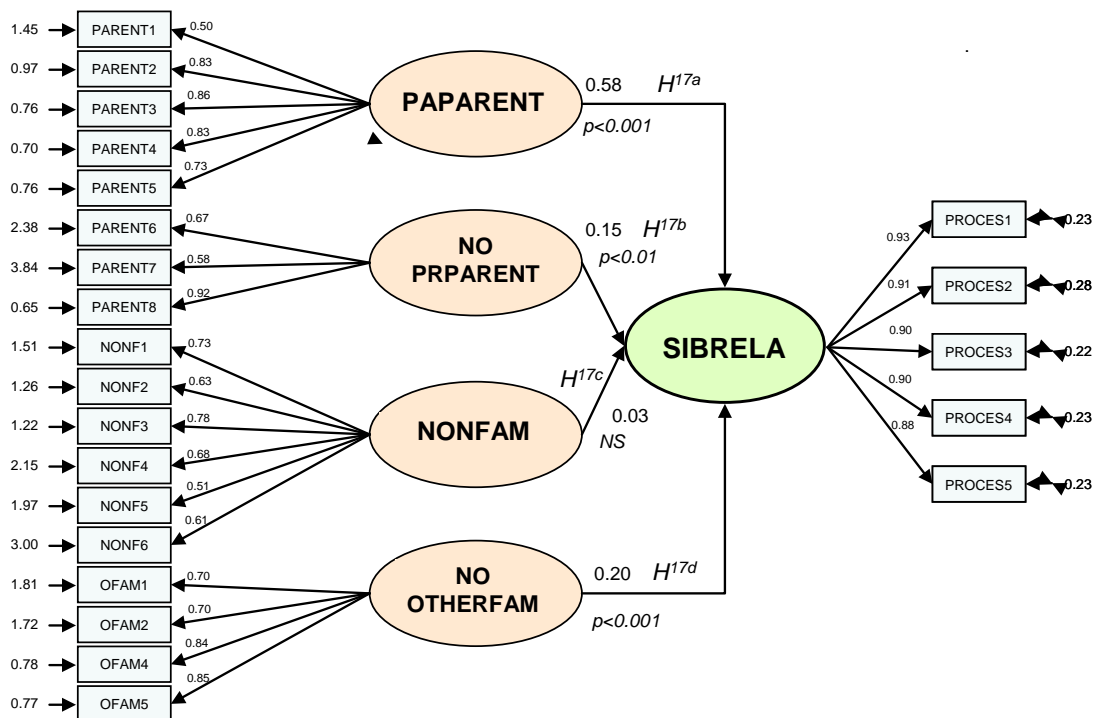
Structural model	
Endogenous variables	Exogenous variables
Sibling relationship	Past parent involvement, No present parent involvement, Non-family involvement, No other family member involvement
Measurement model	
Exogenous	Manifest variables
Sibling relationship	PROCES1, PROCES2, PROCES3, PROCES4, PROCES5
Past parent involvement	PARENT1, PARENT2, PARENT3, PARENT4, PARENT5
No present parent inv.	PARENT 6, PARENT 7, PARENT8,
Non-family involvement	NONF1, NONF2, NONF3, NONF4, NONF5, NONF6
No other family member inv.	OFAM1, OFAM2, OFAM4, OFAM5

8.9.2.3 Measurement and structural model estimation

The indicator loadings for each construct in the measurement model proved to be acceptable as the p-value for these loadings exceeded the critical values of 1.96 ( $p < 0.05$ ) and/or 2.58 ( $p < 0.01$ ). Apart from RMSEA, the goodness-of-fit indices indicate that the measurement model does not fit the data particularly well. Nevertheless, the structural equation model was subjected to empirical testing.

In the structural model (Figure 8.22) it can be seen that 3 independent variables significantly influence the dependent variable in this model. *Past parent involvement* ( $p < 0.001$ ), *No present parent involvement* ( $p < 0.01$ ), and *No other family member involvement* ( $p < 0.001$ ), all exert a positive influence on the dependent variable, *Sibling relationship*. Therefore hypotheses  $H^{17a}$ ,  $H^{17b}$  and  $H^{17d}$  are accepted, whereas  $H^{17c}$  is rejected. These relationships identified will be discussed in more detail in Section 8.9.3.

**Figure 8.22: Structural model estimation**



#### 8.9.2.4 Evaluating the goodness-of-fit indices

The goodness-of-fit indices for the structural model depicted in Figure 8.22, are reported in Table 8.44. A  $\chi^2$  of 673.87 ( $p=0.0$ ) and degrees of freedom (df) of 220 are reported for the structural model. A ratio  $\chi^2$  to degrees of freedom is 3.06, which is above the customary cut-off of 2. The RMSEA (0.0746) falls within the range of a reasonable fit (between 0.05 and 0.08), while the upper limit of the 90% confidence interval for RMSEA (0.0810) is slightly above the acceptable 0.08. Apart from RMSEA, the indices indicate that the model does not fit the data particularly well. As a result the null hypothesis, that the data fits the model perfectly, must be rejected. However, although the data does not fit the model particularly well, the RMSEA does provide some evidence that the model can be described as having a reasonable fit.

**Table 8.44: Goodness-of-fit indices for the structural model**

Goodness-of-fit criteria	
Sample size	371
Degrees of freedom	220
Full Information ML Chi-square ( $\chi^2$ )	673.874; p=0.0
$\chi^2$ / degrees of freedom	3.063
Root mean square error of approximation (RMSEA)	0.0746
90 percent confidence interval for RMSEA	0.0682; 0.0810

### 8.9.3 Discussion of significant input, people and process relationships identified by SEM

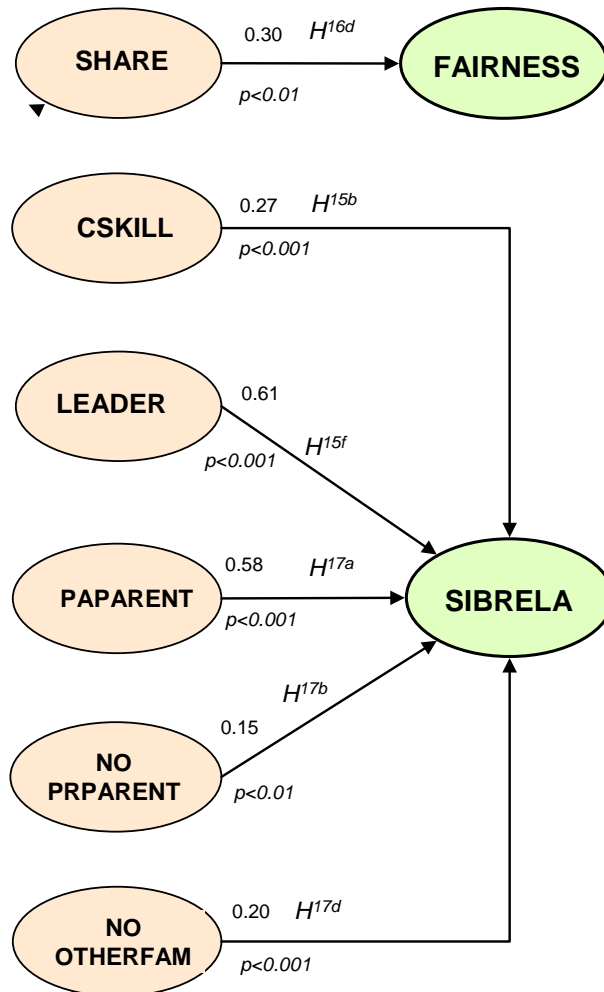
In the discussions and models depicted in Section 8.9 above, 6 significant relationships were identified between the various input, people and process variables. These significant relationships are summarised in Figure 8.23. It should be noted that the model, as depicted in Figure 8.23, was not tested as one model, but split into 3 submodels with each submodel being subjected to SEM. As previously mentioned this approach was implemented because of sample size restrictions.

#### 8.9.3.1 Input and process constructs

The findings of this study support a positive relationship between the input factors, *Complementary skills* (hypothesis  $H^{15b}$ ; path coefficient = 0.27,  $p < 0.001$ ) and *Leadership* (hypothesis  $H^{15f}$ ; path coefficient = 0.61,  $p < 0.001$ ), and the process factor, *Sibling relationship*. In other words, the more that the skills of the siblings complement each other, the more likely it is that they will have a good sibling relationship. Similarly, the more leadership exists in a Sibling Partnership (leadership which is participatory, knowledgeable and visionary), the better the relationship between the siblings is likely to be. Of all the factors influencing the *Sibling relationship* investigated in this study, *Leadership* exerts the greatest influence. Against this background, the hypotheses  $H^{15b}$  and  $H^{15f}$  are accepted. Despite empirical evidence (e.g. Campion et al. 1993; Gladstein 1984; Olukayode & Ehigie 2005:284) supporting the existence of positive relationships between various input factors and intra-group processes, no empirical support was found for the hypothesised relationships between the input factors *Internal context* ( $H^{15a}$ ), *Division of labour* ( $H^{15c}$ ), *Shared dream* ( $H^{15d}$ ) and *Governance* ( $H^{15e}$ ), and the

process variable, *Sibling relationship* in this study. As a result, hypotheses  $H^{15a}$ ,  $H^{15c}$ ,  $H^{15d}$  and  $H^{15e}$  are not supported. This finding implies that a favourable internal business context, a shared dream, a clear division of labour between the siblings, and governance structures thus have no impact on the relationship between the siblings.

**Figure 8.23: Summary of significant relationships in the structural models (\*)**



(\*) Figure 8.23 depicts a summary of the significant relationships identified in the 3 different submodels. It is not a model on its own that has been subjected to SEM.

In the same manner, no empirical support was found for the hypothesised relationships between the input factors *Internal context* ( $H^{16a}$ ), *Complementary skills* ( $H^{16b}$ ), *Leadership* ( $H^{16f}$ ), *Governance* ( $H^{16e}$ ) and *Division of labour* ( $H^{16c}$ ) and the process variable, *Fairness*. A favourable internal business context, the existence of complementary skills and a clear division of labour between the siblings, as well as the existence of governance structures and leadership, thus



have no influence on whether the siblings perceive their working relationship as fair or not. Support was thus not found for hypotheses  $H^{16a}$ ,  $H^{16b}$ ,  $H^{16c}$ ,  $H^{16e}$  and  $H^{16f}$ . In contrast to the findings in this study, much empirical evidence (Campion et al. 1993; Gladstein 1984; Olukayode & Ehigie 2005:284) does exist to support a positive relationship between various input and process factors. With regard to the input factor *Governance*, specifically, much anecdotal support exists to suggest that governance structures, policies and procedures contribute positively to fair processes (Schneider & Schneider 2002; Van der Heyden et al. 2005:12 Ward 2004:51,53).

The empirical results of this study do, however, indicate that there is a positive relationship (path coefficient = 0.30,  $p < 0.01$ ) between the input factor *Shared dream* and *Fairness* (hypothesis  $H^{16d}$ ). This finding implies that respondents in the present study are more likely to consider the workload and compensation between them and their sibling partners as fair if they perceive that they are able to realise their own dreams through their involvement in the Sibling Partnership and this involvement is voluntary.

#### 8.9.3.2 People constructs and Sibling relationship

The results of this study suggest that both past and present parent(s) involvement, as well as other family member involvement, have an influence on the relationship between the siblings. From Figure 8.23 it can be seen that a positive relationship exists between the people constructs, *Past parent involvement* (hypothesis  $H^{17a}$ ; path coefficient = 0.58,  $p < 0.001$ ), *No present parent involvement* (hypothesis  $H^{17b}$ ; path coefficient = 0.15,  $p < 0.01$ ) and *No other family member involvement* (hypothesis  $H^{17d}$ ; path coefficient = 0.20,  $p < 0.001$ ) and the process construct *Sibling relationship*. Of all the people that influence the relationship between the siblings, the results of this study show that the past behaviour of parents exerts the greatest impact.

In other words, parents who set a good example, assist and encourage their children, and are involved in the lives of their children while they are growing up, contribute to better relationships between their children as adults. However, the findings also suggest that the less that parents are involved or get involved in the business and in the present-day relationship between the siblings, the better the

relationship between the siblings is likely to be. The aforementioned results are well supported in the literature, both empirically and anecdotally (Aronoff *et al.* 1997:57; Davis & Harveston 1999:314; Friedman 1991:16; Harvey & Evans 1995:9; Lansberg 1999:78,159; Swogger 1991:406; Ward 2004:28,45).

Similarly, the less other family members (non-active siblings and spouses) are involved or get involved in the business and in the present-day relationship between the siblings, the better the relationship between the siblings is likely to be. A large volume of empirical and anecdotal evidence supports this finding (Davis & Harveston 1999:319; Fahed-Sreih & Djoundourian 2006:232; Gersick *et al.* 1997:165; Maas *et al.* 2005:104; Underpowered Sibling or Cousin Syndicates? 2003; Zheng 2002:290).

Despite the large volume of anecdotal evidence that exists suggesting that non-family members can play a key role in maintaining positive relationships (Aronoff *et al.* 1997:20; Lansberg 1999:13; Maas *et al.* 2005:72,94; Sorenson 2000:197) among family members, no significant relationship was identified between *Non-family members* and *Sibling relationship* (hypothesis  $H^{17c}$ ) in the present study. The respondents in this study are thus of the opinion that non-family members being involved in the business or not, has no influence on the relationship between them and their sibling partner(s).

## **8.10 TESTING THE HYPOTHESES IN THE STRUCTURAL MODELS**

Based on the significant relationships identified in Figure 8.17, the revised hypotheses defined in Section 8.5 (Table 8.21) were assessed and then either accepted or rejected. These hypotheses, as well as whether they are accepted or rejected, are summarised in Table 8.45. For example, hypothesis  $H^1$ , which states that there is a positive relationship between the perceived *Financial performance* of the Sibling Partnership and the *Satisfaction with work and family relationships* in a Sibling Partnership has been accepted, because sufficient empirical evidence has been found in this study to support this relationship.

**Table 8.45: Summary of hypotheses tested in the structural models**

Hypothesis	Accepted or rejected
H <sup>1</sup> : There is a positive relationship between the perceived <i>Financial performance</i> of the Sibling Partnership and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted
H <sup>2</sup> : There is a positive relationship between <i>Growth performance</i> of the Sibling Partnership and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted
H <sup>3a</sup> : There is a positive relationship between <i>Internal context</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Accepted
H <sup>3b</sup> : There is a positive relationship between <i>Internal context</i> and the <i>Growth performance</i> of the Sibling Partnership.	Accepted
H <sup>3c</sup> : There is a positive relationship between <i>Internal context</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected
H <sup>4a</sup> : There is a positive relationship between <i>Complementary skills</i> among siblings and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>4b</sup> : There is a positive relationship between <i>Complementary skills</i> among siblings and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>4c</sup> : There is a positive relationship between <i>Complementary skills</i> among siblings and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted
H <sup>5a</sup> : There is a positive relationship between <i>Division of labour</i> among the siblings and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>5b</sup> : There is a positive relationship between <i>Division of labour</i> among the siblings and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>5c</sup> : There is a positive relationship between <i>Division of labour</i> among the siblings and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected
H <sup>6a</sup> : There is a positive relationship between a <i>Shared dream</i> among the siblings and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>6b</sup> : There is a positive relationship between a <i>Shared dream</i> among the siblings and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>6c</sup> : There is a positive relationship between a <i>Shared dream</i> among the siblings and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted
H <sup>7a</sup> : There is a positive relationship between the existence of <i>Governance structures</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>7b</sup> : There is a positive relationship between the existence of <i>Governance structures</i> and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>7c</sup> : There is a positive relationship between the existence of <i>Governance structures</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected
H <sup>8a</sup> : There is a positive relationship between <i>Leadership</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>8b</sup> : There is a positive relationship between <i>Leadership</i> and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>8c</sup> : There is a positive relationship between <i>Leadership</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted

Hypothesis	Accepted or rejected
H <sup>9a</sup> : There is a positive relationship between <i>Sibling relationship</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>9b</sup> : There is a positive relationship between <i>Sibling relationship</i> and the <i>Growth performance</i> of the Sibling Partnership.	Accepted
H <sup>9c</sup> : There is a positive relationship between <i>Sibling relationship</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted
H <sup>10a</sup> : There is a positive relationship between <i>Fairness</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Accepted
H <sup>10b</sup> : There is a positive relationship between <i>Fairness</i> and the <i>Growth performance</i> of the Sibling Partnership.	Accepted
H <sup>10c</sup> : There is a positive relationship between <i>Fairness</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Accepted
H <sup>11a</sup> : There is a positive relationship between <i>No present parent involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>11b</sup> : There is a positive relationship between <i>No present parent involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>11c</sup> : There is a positive relationship between <i>No present parent involvement</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected
H <sup>12a</sup> : There is a positive relationship between <i>Past parent involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Rejected
H <sup>12b</sup> : There is a positive relationship between <i>Past parent involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>12c</sup> : There is a positive relationship between <i>Past parent involvement</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected
H <sup>13a</sup> : There is a positive relationship between <i>No other family member involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Accepted
H <sup>13b</sup> : There is a positive relationship between <i>No other family member involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.	Rejected
H <sup>13c</sup> : There is a positive relationship between <i>No other family member involvement</i> and the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected
H <sup>14a</sup> : There is a positive relationship between <i>Non-family involvement</i> and the perceived <i>Financial performance</i> of the Sibling Partnership.	Accepted
H <sup>14b</sup> : There is a positive relationship between <i>Non-family involvement</i> and the <i>Growth performance</i> of the Sibling Partnership.	Accepted
H <sup>14c</sup> : There is a positive relationship between <i>Non-family involvement</i> the <i>Satisfaction with work and family relationships</i> in the Sibling Partnership.	Rejected

Based on the significant relationships identified in Figure 8.23, the revised hypotheses (Table 8.22) relating to the relationships between the various input and people constructs, and the process constructs, can also be assessed and then either accepted or rejected. These results are summarised in Table 8.46.

**Table 8.46: Summary of input, people and process hypotheses tested in the structural models**

Hypothesis	Accepted or rejected
H <sup>15a</sup> : There is a positive relationship between <i>Internal context</i> and <i>Sibling relationship</i> .	Rejected
H <sup>15b</sup> : There is a positive relationship between <i>Complementary skills</i> and the <i>Sibling relationship</i> .	Accepted
H <sup>15c</sup> : There is a positive relationship between <i>Division of labour</i> and <i>Sibling relationship</i> .	Rejected
H <sup>15d</sup> : There is a positive relationship between <i>Shared dream</i> and <i>Sibling relationship</i> .	Rejected
H <sup>15e</sup> : There is a positive relationship between <i>Governance</i> and <i>Sibling relationship</i> .	Rejected
H <sup>15f</sup> : There is a positive relationship between <i>Leadership</i> and <i>Sibling relationship</i> .	Accepted
H <sup>16a</sup> : There is a positive relationship between <i>Internal context</i> and <i>Fairness</i> .	Rejected
H <sup>16b</sup> : There is a positive relationship between <i>Complementary skills</i> and <i>Fairness</i> .	Rejected
H <sup>16c</sup> : There is a positive relationship between <i>Division of labour</i> and <i>Fairness</i> .	Rejected
H <sup>16d</sup> : There is a positive relationship between <i>Shared dream</i> and <i>Fairness</i> .	Accepted
H <sup>16e</sup> : There is a positive relationship between <i>Governance</i> and <i>Fairness</i> .	Rejected
H <sup>16f</sup> : There is a positive relationship between <i>Leadership</i> and <i>Fairness</i> .	Rejected
H <sup>17a</sup> : There is a positive relationship between <i>Past parent involvement</i> and <i>Sibling relationship</i> .	Accepted
H <sup>17b</sup> : There is a positive relationship between <i>No Present parent involvement</i> and <i>Sibling relationship</i> .	Accepted
H <sup>17c</sup> : There is a positive relationship between <i>Non-family involvement</i> and <i>Sibling relationship</i> .	Rejected
H <sup>17d</sup> : There is a positive relationship between <i>No other family involvement</i> and <i>Sibling relationship</i> .	Accepted

### 8.11 AN ANALYSIS OF THE INFLUENCE OF DEMOGRAPHIC DATA

Although the primary objective of the present study was to identify the factors that influence the success of Sibling Partnerships as ownership structures in family businesses, an analysis was performed to assess the possible influence that demographic data could have on the success of these businesses. In Chapter 6, 3 hypotheses were formulated to address this question. For this purpose, success was represented by the outcome variables (intervening and dependent), namely *Financial performance*, *Family Harmony* and *Perceived success*. However, during the exploratory factor analysis, the intervening variable *Financial performance* split into 2 variables, which were named *Financial performance* and *Growth Performance*. In addition, the intervening variable, *Family harmony* combined with

the dependent variable *Perceived success* and was renamed *Satisfaction with work and family relationships*. Consequently the null hypotheses ( $H^0$ ) were reformulated as follows:

- $H^{0a}$ : There is no relationship between *Demographic variables* and the perceived *Financial performance* of a Sibling Partnership.
- $H^{0b}$ : There is no relationship between *Demographic variables* and the *Growth performance* of a Sibling Partnership.
- $H^{0c}$ : There is no relationship between *Demographic variables* and *Satisfaction with work and family relationships* in the Sibling Partnership.

In order to assess the influence of demographic variables on the dependent variables in the present study, an Analysis of Variance (ANOVA) was performed on scales of a nominal nature and Multiple Linear Regression analysis (MLR) was performed on scales of an ordinal nature. A t-test is a technique used to test whether the mean score for a variable is significantly different for two independent samples (Zikmund 2003:524). T-tests were used to test for differences in the mean scores of the demographic variables *Race* and *Status of the Sibling Partnership* with regard to the dependent variables. The results of these analyses are tabled and discussed in the sections below.

### **8.11.1 Results of the analysis of variance (ANOVA)**

An Analysis of Variance was performed in order to establish whether nominally scaled demographic characteristics of respondents exert an influence on the *Financial performance*, *Growth performance* and *Satisfaction with work and family relationships* in a Sibling Partnership. This analysis revealed that the gender, birth order and extent of a respondent's involvement in the business exerted no influence on the aforementioned dependent variables. Similarly, neither the gender make-up of the sibling team nor the nature or location of the business impacted on any of the dependent variables. The independent variables that did exert an influence on the dependent variables are shown in Tables 8.47, 8.48 and 8.49.

The Analysis of Variance revealed that *Leadership* ( $p < 0.05$ ) and the *Nature of ownership share* ( $p < 0.05$ ), as well as *Nature of sibling ownership share* ( $p < 0.01$ ) all exerted a significant influence on the *Financial performance* of the Sibling

Partnership. Although the Analysis of Variance revealed that the nature of *Leadership* between the siblings involved in the business exerted a significant influence ( $p < 0.05$ ) on *Financial performance*, a *post hoc* Sheffe test revealed no significant difference between the mean scores of the different sub-sample groups and the *Financial performance* of the business.

A *post hoc* Sheffe test did, however, reveal that at the 5% significant level ( $p = 0.045$ ), the mean score for the *Financial performance* of the businesses is significantly higher in businesses where the siblings hold a majority share and non-family members hold a minority share (6.44), than in businesses where the parents own 100% of the business (5.36). In other words, businesses owned mainly by the siblings (with a minor non-family interest) are perceived to experience better financial performance than businesses owned entirely by parents.

**Table 8.47: Influence of nominally scaled demographic variables on Financial performance**

Dependent variable: Financial performance		
Independent variables	F-value	Sig.(p)
Origin of Sibling Partnership	1.867	0.099
Number of siblings involved	0.528	0.590
Leadership	2.254	0.038*
Nature of ownership share	2.615	0.012*
Nature of sibling ownership share	5.359	0.001**

(\* $p < 0.05$ ; \*\* $p < 0.01$ )

Similarly, a *post hoc* Sheffe test revealed that at the 1% level of significance ( $p = 0.003$ ), the mean score for the *Financial performance* of the business is significantly higher in businesses when the siblings hold an equal share (6.01) than in businesses where the siblings do not have a share (5.31) in the family business at all (where the business is still owned by their parents).

From Table 8.48 it is evident that the *Number of siblings involved* ( $p < 0.05$ ) as well as the *Nature of ownership share* ( $p < 0.01$ ) and the *Nature of sibling ownership share* ( $p < 0.01$ ) all exert a significant influence on the *Growth performance* of the Sibling Partnership. Although the Analysis of Variance revealed that the *Number of siblings involved* in the business exerted a significant influence ( $p < 0.05$ ) on *Growth performance*, a *post hoc* Sheffe test revealed no significant difference between the



mean scores of the different sub-sample groups and the *Growth performance* of the business.

**Table 8.48: Influence of nominally scaled demographic variables on Growth performance**

Dependent variable: Growth performance		
Independent variables	F-value	Sig.(p)
Origin of Sibling Partnership	0.787	0.560
Number of siblings involved	4.502	0.012*
Leadership	1.124	0.348
Nature of ownership share	3.666	0.001**
Nature of sibling ownership share	3.934	0.009**

(\*p<0.05; \*\*p<0.01)

A *post hoc* Sheffe test revealed that at the 5% significance level ( $p=0.024$ ) the mean score for the *Growth performance* of the business is significantly higher in businesses where the siblings hold a majority share and non-family members hold a minor share (6.46), than in businesses where the parents own 100% of the business (4.99). In other words, businesses owned mainly by the siblings (with a minor non-family interest) are perceived to experience better growth performance than businesses owned entirely by parents.

Significant differences ( $p<0.05$ ) were also revealed by the *post hoc* Sheffe tests between *Nature of sibling ownership share* and *Growth performance*. *Growth performance* is significantly higher ( $p=0.016$ ) in Sibling Partnerships where the siblings have an equal share (5.58) than in businesses where the siblings have no share (4.81) in ownership. *Growth performance* is also significantly higher ( $p=0.050$ ) in Sibling Partnerships where some siblings have a share and others do not (5.68), than in cases where none of the siblings have a share (4.81) in ownership.

The Analysis of Variance (see Table 8.49) revealed that the *Origin of the Sibling Partnership*, as well as the nature of *Leadership*, *Ownership share* and *Sibling ownership share*, all exert a significant ( $p<0.01$ ) influence on the *Satisfaction with work and family relationships* in a the Sibling Partnership.



**Table 8.49: Influence of nominally scaled demographic variables on Satisfaction with work and family relationships**

Dependent variable: Satisfaction with work and family relationships		
Independent variables	F-value	Sig.(p)
Origin of Sibling Partnership	3.524	0.004**
Number of siblings involved	2.812	0.061
Leadership	4.637	0.000**
Nature of ownership share	4.446	0.000**
Nature of sibling ownership share	9.266	0.000**

(\*p<0.05; \*\*p<0.01)

With regard to the *Origin of the Sibling Partnership*, the sample was divided into 6 sub-samples. These 6 categories described 6 different ways in which the siblings came to be in business together. The categories were established based on the length of time that the business has existed prior to the siblings becoming involved as well as whether the parents had a share in the business or not. This resulted in the following 6 sub-sample groups:

- Years business existed prior to siblings becoming involved is **greater than 10** and parents have **a share** in the business;
- Years business existed prior to siblings becoming involved is **greater than 10** and parents have **no share** in the business;
- Years business existed prior to siblings becoming involved is **less than 10** and parents have **a share** in the business;
- Years business existed prior to siblings becoming involved is **less than 10** and parents have **no share** in the business;
- Siblings involved in the business **from start** and parents have **a share** in the business; and
- Siblings involved in the business **from start** and parents have **no share** in the business.

A *post hoc* Sheffe test revealed that at the 5% level of significance ( $p=0.022$ ) the mean score for the *Satisfaction with work and family relationships* of businesses where siblings were involved from the start and parents had no share in the business (6.02), was significantly higher than in businesses where the business had existed for longer than 10 years prior to siblings becoming involved and the parents had a share in the business (5.37). In other words, businesses most likely to have been started up by the siblings themselves without their parents being

involved, are perceived to have more satisfactory work and family relationships than those most likely to have been in the family for a number of generations and in which the parents still have a share.

A *post hoc* Sheffe test also revealed that at the 5% level of significance ( $p=0.013$ ) the mean score for *Satisfaction with work and family relationships* is significantly lower in businesses where the eldest sibling takes the lead (5.29) than in businesses where leadership is shared equally between the siblings (6.03). Similarly, the mean score for *Satisfaction with work and family relationships* is significantly lower ( $p<0.05$ ;  $p=0.025$ ) in businesses where the sibling with the strongest personality takes the lead (5.09) in comparison with businesses where leadership is shared equally between the siblings (6.03). Consequently, businesses where leadership is shared equally between the siblings are perceived to have more satisfactory work and family relationships than those where the eldest or the sibling with the strongest personality takes the lead. Contradictory to the finding of this study, Aronoff *et al.* (1997) and Lansberg (1999:216) suggest that sharing leadership is more complicated and confusing with regard to who is in charge, and in addition could lead to perceptions of a lack of internal cohesion.

The mean score for the *Satisfaction with work and family relationships* is significantly ( $p=0.019$ ) higher in businesses where the siblings hold a 100% share in the business (5.85) than in businesses where the parents own 100% (5.01). Similarly, the Sheffe test revealed means scores for *Satisfaction with work and family relationships* to be significantly ( $p<0.05$ ) lower in businesses where the parents owned 100% (5.01) than in businesses where siblings and parents had an equal share (6.01;  $p= 0.044$ ), as well as in business where siblings had a majority share with a minor non-family interest (6.38;  $p= 0.010$ ). It can thus be concluded that businesses owned entirely or mainly by siblings with no share owned by parents, are perceived to have more satisfactory work and family relationships than those where parents own 100% of the business.

The results of this study show that that the mean score for the *Satisfaction with work and family relationships* is significantly ( $p=0.000$ ) higher in businesses where the siblings hold an equal share in the business (5.92) than in businesses where the siblings have no share (i.e. the parents own 100%) (4.91). In other words,

businesses owned entirely by parents with the siblings having no share in the business are perceived to have less satisfactory work and family relationships than those businesses where the siblings have an equal share in the business.

### 8.11.2 Results of the Multiple Linear Regression analysis (MLR)

Multiple Linear Regression analysis was performed to assess whether the following ordinaly scaled variables exert a significant influence on the dependent variables (*Financial performance*, *Growth performance* and *Satisfaction with work and family relationships*), namely:

- Number of siblings involved (in the business);
- Age of respondent;
- Age difference between siblings involved in business;
- Years siblings have been involved in the business together; and
- Number of employees.

The demographic variables listed above explain 5.9% of the variance in the *Financial performance*. As can be seen in Table 8.50, a negative linear relationship (-2.45;  $p < 0.05$ ) emerged between the *Age of the respondent* and *Financial performance*, implying that the younger the respondent, the more likely that the financial performance of the business is perceived as good.

**Table 8.50: Influence of ordinaly scaled demographic variables on Financial performance**

Dependent variable: Financial performance		R-Square = 0.059	
Independent variables	SC. Beta	t-value	Sig.(p)
Constant		21.325	0.000
Number of siblings involved	-0.092	-1.589	0.113
Age of respondent	-0.157	-2.445	0.015*
Age difference between siblings involved in business	-0.024	-0.424	0.672
Years siblings involved in the business together	0.186	2.872	0.004**
Number of employees	0.165	3.073	0.002**

(\* $p < 0.05$ ; \*\* $p < 0.01$ )

A positive linear relationship was found between the number of *Years that the siblings have been involved in the business together* (2.87;  $p < 0.01$ ) and the

*Financial performance* of the business, as well as between the *Number of employees* (3.07;  $p < 0.01$ ) and the *Financial performance* of the business. In other words, the longer the siblings have been involved in the business together and the more people are employed in the business, the more likely the perception is of a sound financial performance. Ample anecdotal evidence (Cowie 2007; Hellriegel *et al.* 2004:340) exists to support these findings.

The demographic variables included in this analysis (see Table 8.51) explain 8.4% of the variance in the *Growth performance* of the business. The *Age of the respondent* and the *Number of employees* have a similar influence on *Growth performance* as they do on *Financial performance*. A negative linear relationship (-3.814;  $p < 0.01$ ) emerged between the *Age of the respondent* and *Growth performance*, implying that the younger the respondent, the more likely the *Growth performance* of the business is perceived as good. A positive linear relationship is also shown between the *Number of employees* (2.958;  $p < 0.01$ ) and the *Growth performance* of the business. In other words, the more people who are employed in the business, the more likely the business is to experience *Growth performance*.

**Table 8.51: Influence of ordinally scaled demographic variables on Growth performance**

Dependent variable: Growth performance		R-Square = 0.084	
Independent variables	SC. Beta	t-value	Sig.(p)
Constant		15.764	0.000
Number of siblings involved	0.084	1.470	0.143
Age of respondent	-0.242	-3.814	0.000**
Age difference between siblings involved in business	0.009	0.156	0.876
Years siblings involved in the business together	0.072	1.119	0.264
Number of employees	0.157	2.958	0.003**

(\* $p < 0.05$ ; \*\* $p < 0.01$ )

The demographic variables included in this analysis explain only 3.14% of the variance in the *Satisfaction with work and family relationships*. From Table 8.52 it can be seen that only the *Age difference between siblings involved in business* has a significant influence on the *Satisfaction with work and family relationships* of the Sibling Partnership. A negative linear relationship exists (-2.18;  $p < 0.05$ ), implying that the smaller the age difference between the oldest and the youngest sibling involved in the business, the more likely it is that the siblings will be

satisfied with their work and family relationships. This finding is supported by that of Dunn (1999), who concludes that if the age gap between siblings is such that they are in different life stages, problems could arise in their working relationship.

**Table 8.52: Influence of ordinally scaled demographic variables on Satisfaction with work and family relationships**

Dependent variable: Satisfaction with work and family relationships R-Square = 0.031			
Independent variables	SC. Beta	t-value	Sig.(p)
Constant		18.274	0.000
Number of siblings involved	-0.054	-0.920	0.358
Age of respondent	0.004	0.061	0.951
Age difference between siblings involved in business	-0.125	-2.181	0.030*
Years siblings involved in the business together	-0.049	-0.751	0.453
Number of employees	-0.032	-0.588	0.557

(\*p<0.05; \*\*p<0.01)

### 8.11.3 Results of the t-tests

T-tests were undertaken to assess whether the perceptions of *Financial* and *Growth performance* of the Sibling Partnership, as well as the *Satisfaction with work and family relationships*, differ with regard to the *Race* of the respondent and the *Status of the Sibling Partnership*. *Status of the Sibling Partnership* refers to whether or not the respondent is still in business with his/her siblings at the time of participating in the study. The following null hypotheses ( $H^0$ ) were formulated in this regard:

- $H^{0d}$ : There is no difference between the mean scores of *Race* and the *Status of the Sibling Partnership*, and the perceived *Financial performance* of a Sibling Partnership.
- $H^{0e}$ : There is no difference between the mean scores of *Race* and the *Status of the Sibling Partnership*, and the *Growth performance* of a Sibling Partnership.
- $H^{0f}$ : There is no difference between the mean scores of *Race* and the *Status of the Sibling Partnership*, and the *Satisfaction with work and family relationships* in the Sibling Partnership.

From Table 8.53 it can be seen that a t-test revealed significant differences ( $p < 0.01$ ;  $p < 0.05$ ) between the means reported by respondents who are white and those who are non-white (i.e. the *Race* of the respondents) with regard to *Financial performance*, *Growth performance*, and *Satisfaction with work and family relationships*. White respondents reported significantly higher means for *Financial performance* (5.90), *Growth performance* (5.52) and *Satisfaction with work and family relationships* (5.76), than non-white respondents. The latter reported a mean of 5.20 for *Financial performance*, 4.55 for *Growth performance*, and 4.90 for *Satisfaction with work and family relationships*. In other words, white respondents perceive the financial and growth performance of their Sibling Partnerships as better than their non-white counterparts. Similarly, white respondents are more satisfied with the work and family relationships than their non-white counterparts are.

**Table 8.53: Influence of Race and Status of the Sibling Partnership on Financial performance, Growth performance and Satisfaction with work and family relationships**

Dependent variable: Financial performance		
Independent variables	t-value	Sig.(p)
Race	2.598	0.010*
Status of Sibling Partnership	3.806	0.000**
Dependent variable: Growth performance		
Independent variables	t-value	Sig.(p)
Race	2.808	0.005**
Status of Sibling Partnership	5.092	0.000**
Dependent variable: Satisfaction with work and family relationships		
Independent variables	t-value	Sig.(p)
Race	2.854	0.005**
Status of Sibling Partnership	5.581	0.000**

(\* $p < 0.05$ ; \*\* $p < 0.01$ )

A t-test also revealed significant differences ( $p < 0.01$ ) between the means reported by respondents who are still in business with their siblings and those who are no longer in business together (i.e. the *Status of the Sibling Partnerships*) with regard to *Financial performance*, *Growth performance* and *Satisfaction with work and family relationships*. Sibling Partnerships currently still in business reported significantly higher means for *Financial performance* (5.95), *Growth performance*

(5.59) and *Satisfaction with work and family relationships* (5.83), than Sibling Partnerships that no longer exist. The latter reported a mean of 5.21 for *Financial performance*, 4.36 for *Growth performance*, and 4.67 for *Satisfaction with work and family relationships*. Respondents who were no longer in business with their siblings at the time of participating in the present study were required to respond in a manner that reflected how it was in their final year that they were in business together. From the aforementioned it can be seen that during that final year in business together the financial and growth performance of these Sibling Partnerships as well as the siblings' levels of satisfaction with work and family relationships were significantly lower than businesses where the siblings were still in business together. This finding could provide a possible explanation for why these siblings no longer work together.

#### **8.11.4 Evaluation of the hypotheses relating to the demographic variables**

From the ANOVA, the Multiple Linear Regression analysis and the t-tests, it is evident that various demographic variables have a significant influence on the dependent variables in the present study. For example, significant differences were found between the demographic variables *Nature of ownership share* and *Nature of sibling ownership share*, and all 3 dependent variables, namely *Financial performance*, *Growth performance* and *Satisfaction with work and family relationships*. The nature of ownership thus clearly has a significant influence on the outcomes of a Sibling Partnership. In addition, the *Origin of the Sibling Partnership* and the nature of *Leadership* between the siblings also have a significant influence on the extent to which the siblings are satisfied with their work and family relationships.

Similarly, the Multiple Linear Regression analysis revealed that the *Age of respondent* and the *Number of employees* exerted a significant influence on both the *Financial* and the *Growth* performance of the Sibling Partnership. The *Years that the siblings have been involved in the business together* was also found to significantly influence the *Financial performance* of the Sibling Partnership. In addition, the *Age difference between siblings involved in the business* significantly influences the siblings' *Satisfaction with work and family relationships*.

The null hypothesis that demographic variables do not influence the *Financial performance* ( $H^{0a}$ ) of the Sibling Partnership is thus accepted for *Gender*, *Birth order*, the *Extent of respondent's involvement in the business*, the *Gender make-up of the sibling team*, the *Nature and Location of the business*, as well as the *Origin of the Sibling Partnership*, the *Number of siblings involved*, and the *Age difference between siblings*. The null hypotheses ( $H^{0a}$ ) is, however, rejected in the case *Nature of ownership share*, *Nature of sibling ownership share*, *Age of respondent* and *Number of employees*, as well as the *Years that the siblings have been involved in the business together*.

Similarly, the null hypotheses that demographic variables do not influence the *Growth performance* ( $H^{0b}$ ) is accepted for *Gender*, *Birth order*, the *Extent of respondent's involvement in the business*, the *Gender make-up of the sibling team*, the *Nature and Location of the business*, as well as the *Origin of the Sibling Partnership*, *Leadership*, the *Age difference between siblings involved in the business*, and the *Years that the siblings have been involved in the business together*. The null hypotheses ( $H^{0b}$ ) is, however, rejected in the case of *Nature of ownership share*, *Nature of sibling ownership share*, *Age of respondent* and *Number of employees*.

In addition, the null hypotheses that demographic variables do not influence the *Satisfaction with work and family relationships* ( $H^{0c}$ ) is accepted for *Gender*, *Birth order*, the *Extent of respondent's involvement in the business*, *Gender make-up of the sibling team*, the *Nature and Location of the business*, as well as the *Number of siblings involved*, the *Age of respondent*, the *Years that the siblings have been involved in the business together*, as well as the *Number of employees*. The null hypotheses ( $H^{0c}$ ) is, however, rejected in the case of *Nature of ownership share*, *Nature of sibling ownership share*, *Origin of the Sibling Partnership*, the nature of *Leadership* and the *Age difference between siblings involved in the business*

The t-tests undertaken revealed that the perceptions of *Financial* and *Growth performance* of the Sibling Partnership, as well as the *Satisfaction with work and family relationships*, differ depending on the *Race* of the respondent and the *Status of the Sibling Partnership*. Therefore the 3 null-hypotheses stating that there are no differences in the mean scores for *Race* and the *Status of the Sibling*



Partnership, and the *Financial performance* of a Sibling Partnership ( $H^{0d}$ ), the *Growth performance* of a Sibling Partnership ( $H^{0e}$ ) and the *Satisfaction with work and family relationships* in the Sibling Partnership ( $H^{0f}$ ), can be rejected.

As numerous relationships were found between the demographic variables and the dependent variables, care should be taken when generalising the model to all small and medium-sized Sibling Partnerships. Attention should rather be given to the demographic make-up or composition of the sibling team, as well as to the way ownership is shared between those involved.

## 8.12 SUMMARY

In Chapter 8, the empirical results of the present study were presented. Firstly, the validity and reliability of the measuring instrument were assessed and reported on. This resulted in the identification of 12 factors (see Figure 8.1) that potentially influence the financial and growth performance of a Sibling Partnership, as well as the satisfaction of siblings with their work and family relationships, namely: *Internal context; Complementary skills; Division of labour; Shared dream; Governance; Leadership; Sibling relationship; Fairness; No present parent involvement; Past parent involvement; No other family member involvement; and Non-family involvement.*

After testing for the normality of the data, the proposed theoretical model of factors influencing the success of a Sibling Partnership was empirically tested by means of applying the Structural Equation Modelling technique. More specifically, the influence of the factors mentioned above on the *Growth* and *Financial performance* of the Sibling Partnership, as well as on the *Satisfaction with work and family relationships* experienced by the siblings, was empirically tested. In addition, the influence of *Financial* and *Growth performance* on the *Satisfaction with work and family relationships* experienced by the siblings was tested. In order to empirically test these relationships, 7 submodels were constructed and subjected to structural equation analysis. In addition, the relationships between the various input, people and process variables were subjected to Structural Equation Modelling. Three additional models were constructed for this purpose.

For each of the 10 submodels subjected to SEM, the theoretical model was revised and the redefined hypothesised relationships were portrayed in path diagrams. The structural and measurement models were specified and the reliability of the indicators confirmed. The relationships in each submodel were identified, and various fit indices were considered to establish the extent to which the proposed models represented an acceptable approximation of the data. In addition, the relationships identified by the empirical results were assessed against the formulated hypotheses, and also against previous research findings. Lastly, the influence of demographic variables on the *Growth* and *Financial performance* of a Sibling Partnership, as well as on the *Satisfaction with work and family relationships* experienced by the siblings was tested by means of ANOVA, Multiple Linear Regression analysis or t-tests.

In Chapter 9, the next and final chapter, a summary of the present study will first be presented. This will be followed by an interpretation of the empirical results presented in Chapter 8, with particular emphasis on the implications and recommendations for sibling-owned and/or managed family businesses. Lastly, the contributions and limitations of the present study, as well as recommendations for future research, will be elaborated upon.

## CHAPTER 9

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 9.1 INTRODUCTION

In Chapter 9, the final chapter of this study, an overview of the study will be given and the most significant findings will be discussed. These findings will be interpreted and the implication thereof for family businesses in general and Sibling Partnerships in particular, will be highlighted. Recommendations will be suggested based on these empirical findings as well as on the experiences of siblings in business together. Finally, the contributions of this study will be highlighted, its limitations addressed, and future areas for research suggested.

#### 9.2 OVERVIEW OF THE RESEARCH

Given the predicted increase in the number of family businesses owned and/or managed by siblings (Sibling Partnerships), as well as the lack of understanding and research attention given to such teams, the purpose of this study was firstly, to contribute to the more effective functioning of such family businesses in South Africa by identifying the factors that impact on their success; secondly, to develop recommendations for managing of Sibling Partnerships in family businesses which may enhance the likelihood that they will be successful; and lastly, to add to the body of knowledge of family businesses, specifically the Sibling Partnership as an ownership structure, in South Africa and abroad.

With the purpose of this study in mind, the primary objective was to identify, investigate and empirically test the possible influences of and relationships between various factors and the *Perceived success* of Sibling Partnerships. As such, the conditions required to help siblings in family businesses become more effective, cohesive and fully functioning as partnerships, were investigated in this study. To address the primary objective, a number of secondary objectives were identified:

- (i) To develop a conceptual model, suggest appropriate hypotheses, and construct a path diagram of relationships between the independent variables and the dependent variable.
- (ii) To develop a measuring instrument that will empirically test the relationships as described in the conceptual model.
- (iii) To empirically test the conceptual model and suggested hypotheses by sourcing primary data from siblings in Sibling Partnerships throughout South Africa, and by statistically analysing the sourced data.
- (iv) To propose a number of recommendations based on the results of the statistical analyses.

This study thus set out to integrate prior findings and theories on team effectiveness and family relationships; to find support for these theories in the family business literature; to incorporate these findings into a comprehensive model; and, finally, to test whether these prior findings could be generalised to a specific setting, namely sibling teams in family businesses.

A comprehensive literature study was conducted in order to identify as many factors as possible that could influence the *Perceived success* of Sibling Partnerships among family-owned SMEs. Based on secondary sources from the fields of Psychology, Organisational Behaviour and family business, as well as anecdotal evidence and the opinions of experts, a conceptual model depicting these influencing factors was constructed. Five main categories (*context, composition, structure, processes, and people*) of constructs influencing the perceived success of sibling teams were identified. Within these 5 main constructs, 13 underlying independent variables were identified and hypothesised to influence measures of effectiveness of sibling teams, namely the dependent variable *Perceived success*; and the 2 intermediate variables *Financial performance* and *Family harmony*. In addition, hypotheses were also formulated for possible relationships between the various *input* constructs (context, composition and structure) and the *processes* and *people* constructs. The first secondary objective was consequently accomplished.

Each construct was clearly defined and then operationalised. Operationalisation was done by using reliable and valid items sourced from validated measuring

instruments used in previous studies, as well as several self-generated items based on secondary sources. These items were then used to empirically test the relationships described in the conceptual model. As a result the second secondary objective was achieved.

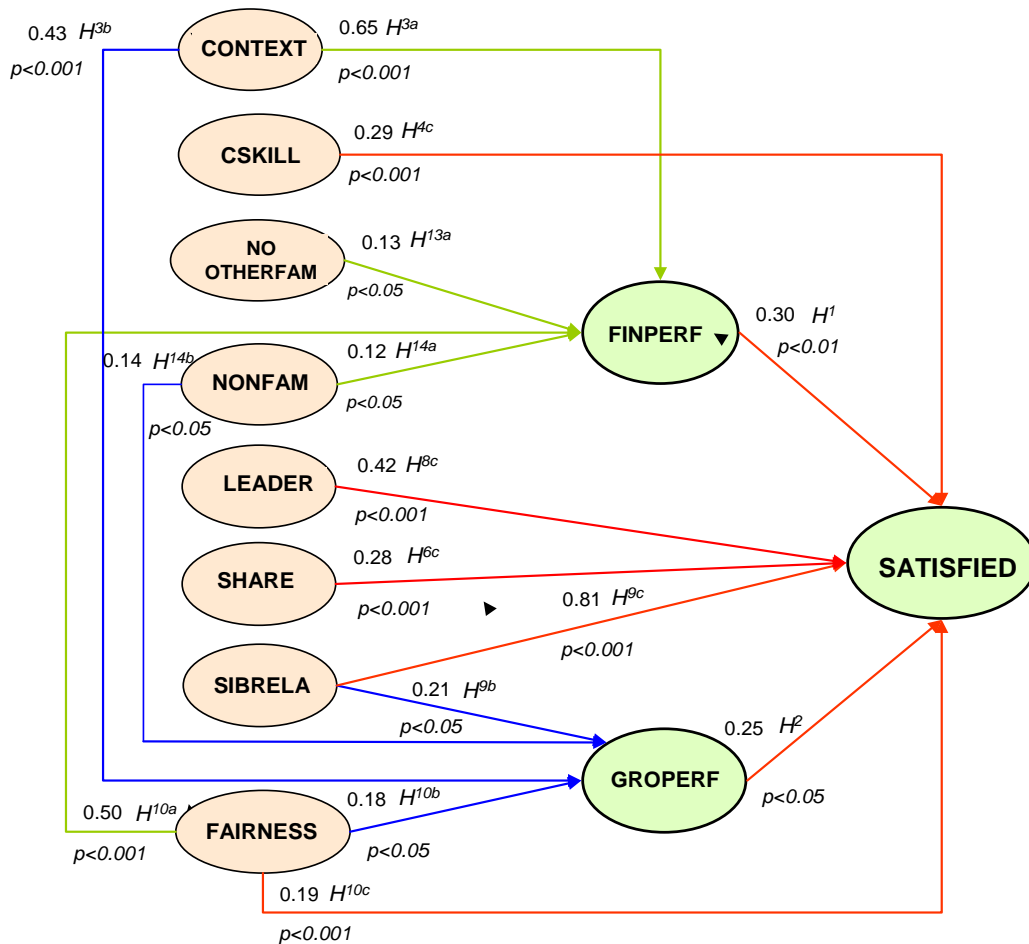
Given the nature of the problem statement and the research objectives posed in this study, the positivistic research paradigm was adopted. After the adjustments revealed by the preliminary evaluation had been made to the measuring instrument, structured questionnaires were made available to respondents identified by means of the convenience snowball sampling technique. The return of 371 usable questionnaires, which were used for the statistical analysis of the data, indicated the attainment of the third secondary objective.

The data collected from the usable questionnaires was subjected to various statistical analyses. An exploratory factor analysis was conducted to identify the unique factors present in the data, confirming the validity of the measuring instrument used. The exploratory factor analysis was unable to confirm the latent variables as originally intended in the conceptual model. The original latent variable *Financial performance* split into 2 variables, which were subsequently named *Financial performance* and *Growth performance*. The original dependent variable *Perceived success* and the intervening variable *Family harmony* combined to form a new dependent variable. This was renamed *Satisfaction with work and family relationships*. The task-based latent variables were all confirmed by the factor analysis. With regard to the relational-based constructs, however, the construct *Parental involvement* split into 2, which were named *No present parent involvement* and *Past parent involvement*, whereas the variables *Mutual trust and respect*, *Open communication*, and *Sibling bond* loaded together onto one construct. This new construct was named *Sibling relationship*.

To confirm the reliability of the measuring instrument, Cronbach-alpha coefficients were calculated for each of the factors identified during the exploratory factor analysis. Cronbach-alpha coefficients of greater than 0.70 were reported for all constructs, suggesting that the measuring instruments used in this study were reliable. As a result of the exploratory factor analysis, the original theoretical model and the hypotheses were revised and subjected to various statistical analyses.

Structural Equation Modelling was the main statistical procedure used to test the significance of the relationships hypothesised between the various independent and dependent variables (*Growth performance, Financial performance and Satisfaction with work and family relationships*). The significant relationships identified in the present study are summarised in Figure 9.1 and Figure 9.2.

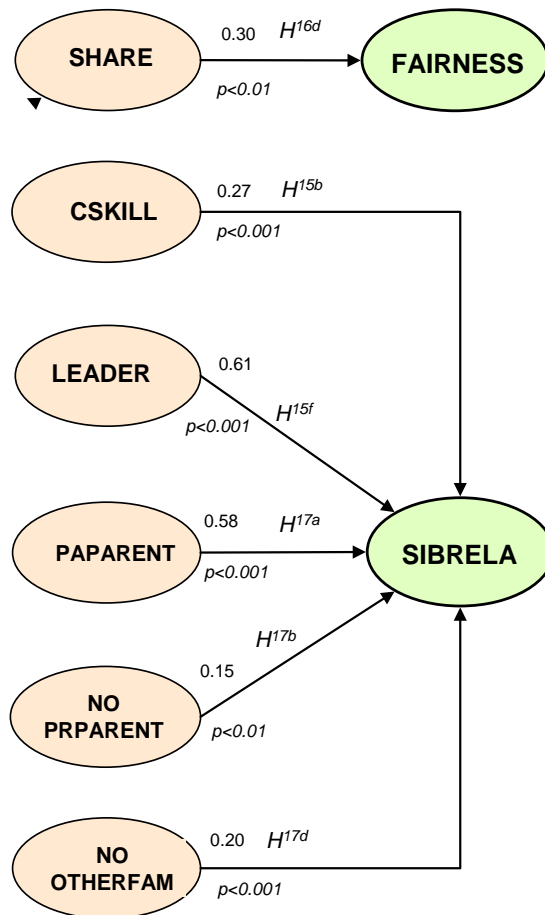
**Figure 9.1: Summary of significant relationships in the structural models used to determine the factors influencing Financial performance, Growth performance and Satisfaction with work and family relationships**



**Key:** CONTEXT (Internal context); CSKILL (Complementary skills); NO OTHERFAM (No other family member involvement); NONFAM (Non-family involvement); LEADER (Leadership); SHARE (Shared dream); SIBRELA (Sibling relationship); FAIRNESS (Fairness); FINPERF (Financial performance); GROPERF (Growth performance), SATISFIED (Satisfaction with work and family relationships).

(Source: Researcher's own construction)

**Figure 9.2: Summary of significant relationships in the structural models used to determine the factors influencing Fairness and the Sibling relationship**



**Key:** SHARE (Shared dream); FAIRNESS (Fairness); CSKILL (Complementary skills); LEADER (Leadership); PAPARENT (Past parent involvement); NO PRPARENT (No present parent involvement); NO OTHERFAM (No other family member involvement); SIBRELA (Sibling relationship);

(Source: Researcher's own construction)

In addition, an Analysis of Variance (ANOVA), Multiple Linear Regression analysis and t-tests were undertaken to assess the influence of demographic variables on the dependent variables. The ensuing empirical results were presented and discussed in Chapter 8. Based on these results various recommendations will be presented in this chapter on how these influencing factors can be managed in such a way as to improve the chances of a successful Sibling Partnership. The last secondary objective will thus be achieved.

### **9.3 INTERPRETATIONS OF THE EMPIRICAL RESULTS AND RECOMMENDATIONS**

Various factors were reported in Chapter 8 as having a significant influence on the *Financial performance* and *Growth performance* of the Sibling Partnership, as well as on the perceptions of *Fairness* and the degree to which the siblings were *Satisfied with work and family relationships*. These relationships have been summarised in Figures 9.1 and 9.2. In the sections that follow, each of these significant relationships will be interpreted, and recommendations will be put forward.

#### **9.3.1 Internal context**

The internal environment or circumstances in which a sibling team finds itself, have an important influence on the financial and growth performance of the business. The results of this study show that this internal infrastructure impacts on both the financial and the growth performance of the business more than any of the other factors investigated. In other words, in order to perform financially and grow, a Sibling Partnership requires an internal organisational context that provides the necessary support to function effectively. Contextual issues of specific importance relate to the business having access to adequate and suitable resources, information, equipment, employees, and working conditions.

In order to create a supportive internal environment, the necessary technology and material resources to complete the task at hand should be available. Appropriate information necessary to make decisions and to complete tasks should be accessible when needed. Provision should also be made for adequate staffing, with suitable skills and values, and training for both employer (siblings) and employees should be offered. In addition to job-related training, training to develop problem-solving, decision-making, creative thinking and interpersonal skills is also of value.

Establishing and maintaining an adequate and suitable internal infrastructure requires, in most cases, a substantial financial investment. This financial investment should then have a positive influence on the overall financial position



and growth prospects of the business. Should the business have insufficient internal funding to finance this investment, obtaining the necessary finance can be a challenge. Various financing options are available for South African small and medium-sized businesses, and a thoroughly investigated and well-prepared business plan can be instrumental in facilitating the process of obtaining the required finance.

### **9.3.2 Complementary skills**

The extent to which the siblings in a Sibling Partnership possess complementary skills has a significant positive influence on the relationship between them and their degree of satisfaction with their work and family relationships. For siblings to possess complementary skills, the siblings must all be competent, as well as being competent in different areas, i.e. the siblings have strengths in different areas and consequently their competencies complement those of each other. When sibling partners appropriately combine and leverage their mix of knowledge, talents, unique skills and experiences, the resulting synergy raises their overall level of performance, and brings many benefits to the family business.

To ensure that these benefits materialise, areas of authority and responsibility should be assigned according to the strengths and particular area of expertise of each sibling. These areas should be clearly demarcated, with no overlapping of responsibilities between siblings. The existence of complementary skills provides a natural means of dividing responsibilities among the siblings. The challenge, however, is to find the “niche” that best fits the competencies, talents, personality, and style of each sibling. It is also important that each sibling is willing to accept the role for which he or she is best suited, and that the siblings recognise each other's natural strengths, honour these talents, have no wish to compete in another's area of competence, and work together to organise their business in such a way that it allows them to harness their natural strengths. In addition, siblings should accept each other's decisions as well as mistakes made within the decision-maker's area of authority.

### 9.3.3. Leadership

The existence and type of leadership has a significant positive influence on the relationship between siblings working in a business together and on the extent to which they are satisfied with their working and family relationships. Specifically, leadership that is participatory, has referent and expert authority, and is visionary, is needed. Of all the factors influencing the relationship between the siblings investigated in this study, leadership exerts the greatest influence. Of all the factors influencing the extent to which siblings are satisfied with their working and family relationships investigated in this study, leadership exerts the second-strongest impact. When leadership is shared equally between the siblings, as opposed to the eldest or the sibling with the strongest personality taking the lead, satisfactory work and family relationships are more likely to prevail.

In jointly managed family businesses, the partners constantly struggle to maintain a balance between family harmony on the one hand, and the need for sound leadership and practical decision-making on the other. It has been found that interpersonal conflict is lowest when there is a strong leader, with each team member retaining some power within a well-defined niche. When siblings work together as a team, it is important that they develop their own leadership and decision-making style which is best suited to their circumstances, which may be very different to that of the controlling-owner generation. In a Sibling Partnership, leadership should be regarded as a comprehensive function that gets the business where it needs to be, and not about an individual person.

The following should be considered with regard to leadership in a sibling team:

- The leader and leadership style should be adapted to the partnership structure and to the circumstance at hand;
- The ideal is when leadership emerges naturally, the leader is comfortable with power, and is the most competent person to do the job;
- The leader should be credible and be trusted to make good decisions, is committed to benefiting the whole family, and shows a generosity of spirit;
- The leader should display a "servant leadership" - a style of leadership that is devoid of policing, domination, bossing or personal gain;

- The leader has legitimate authority, which is earned and justified by his/her being the most competent and capable for the task at hand;
- Agreement and support of the chosen leader exists;
- The leader must ensure that activities are coordinated;
- The leader is visionary (inspirational, directional and sets realistic goals);
- The leader undertakes planning (continuity, strategic, succession, estate); and
- The business leader acknowledges the family leadership (should a difference between business and family leadership exist).

#### **9.3.4 Shared dream**

For effective working and family relationships, and a perception of fairness to prevail in a Sibling Partnership, it is important that participation or involvement in the family business by the siblings is voluntary, and that involvement contributes to the realisation of the sibling's personal goals and dreams. In the event that all sibling partners are able to realise their personal dreams through their involvement in the business together, one could describe their dreams as being shared.

A shared vision or dream that the siblings have drives their sense of purpose for working together, and more than anything else is what sees a family business carry on through the generations. Finding and emphasising this common ground, keeping the final destination in mind, and understanding what is required to get there, is key to a successful Sibling Partnership. People work well together when they are committed to themselves, their families and the family business. Commitment also generally comes from clarity about why people are doing something. All family business shareholders generally do something because they strive to achieve three things, namely business success, family harmony and personal happiness. A shared dream allows the partners to balance the goals of all three.

A shared dream requires:

- A voluntary commitment from all family members concerned;
- That it be based on individual and collective aspirations; the own dreams of individuals must overlap with the shared dream; family members must be able to express and live out their own dream through the family business;

- That it focuses on something larger than self (trustees of family legacy and values; stewardship; serving humanity);
- That it provides direction;
- That it be clearly specified;
- That it is dynamic and evolving (checked periodically, revised accordingly, retains excitement and interest for those involved); and
- That it can change, and that family members can exit both emotionally (without guilt, judgement, feelings of betrayal and disloyalty, being ostracised, defeat, rejection) and financially (enabling financial mechanisms are in place, internal markets, exit plan) when they no longer want to be part of (or be involved in) the family business.

### **9.3.5 Sibling relationship**

A high-quality relationship characterised by open communication, managed conflict, encouragement, mutual trust and respect, as well as mutual support and understanding, between the siblings is vital in a Sibling Partnership. Of all the factors investigated in this study, the findings show that the relationship between the siblings has the greatest influence on their levels of satisfaction with work and family relationships. The relationship between the siblings not only influences the degree to which the siblings are satisfied with their working and family relationships, but also has a significant influence on the growth performance of their business. The importance of creating and preserving a positive relationship between the siblings can thus not be overemphasised for the success of a Sibling Partnership. A sibling relationship conducive to a satisfactory Sibling Partnership should be characterised by the following:

- The siblings should have affection and care for each other; they must at least like each other;
- They should get along well, be able to have fun together, and preferably have shared interests outside the family business;
- Cooperation, closeness and intimacy should exist between them, without the siblings being overly dependent on each other; they should be independent of each other and maintain healthy boundaries between them; they should each have their own circle of friends and not interfere inappropriately in each other's lives;
- The siblings should have similar values, attitudes and priorities;

- A mutual knowledge and understanding of each other should exist;
- They must overcome any childhood rivalries and misunderstanding from the past; and
- The siblings should no longer have preconceived stereotypes about each other that come from their childhood.

For a high-quality sibling relationship to exist, siblings should mutually respect each other's opinions, needs and perspectives, and demonstrate that respect. Differences between them should be valued, acknowledged, respected, understood, and managed. In addition, they should trust each other and each other's competence and character. Their relationship should be one characterised by affection and caring as well as loyalty and supportiveness. Siblings should also stand up for each other and stand together as a collective unit. In order to convey a collective presence and a sense of togetherness to others, the following conditions should prevail:

- Regular communication between the sibling partners;
- Compromising when necessary and supporting each other's decisions;
- Arguing privately;
- Avoiding divide-and-conquer efforts by parents, spouses, employees and non-family members; and
- Displaying generosity of spirit, celebrating each another's triumphs and sharing each other's successes as well as failures.

Clear and open communication is crucial for an effective relationship between siblings as it builds and maintains trust, facilitates the open exchange of ideas, and leads to the creation of better solutions to problems. Communication enables siblings to effectively coordinate their productive efforts, and doing so fosters overall success. Open communication requires that siblings have the ability to effectively convey and receive messages, and also have a willingness to share all information with each other. Open disclosure between the siblings involves the sharing of all sensitive and personal information, in terms of compensation, investment opportunities and estate plans.

When the behaviour or beliefs of a team member are unacceptable to other team members, conflict occurs. Conflict can, however, have both positive and negative

consequences for team effectiveness. Conflict among team members can stimulate discussion, creativity and critical thinking. Too much conflict, on the other hand, can lead to breakdowns in communication and a decrease in team cohesion. Relationship conflicts, based on interpersonal incompatibilities, tension and animosity toward others, are almost always dysfunctional. Consequently siblings should be able to effectively manage conflict among them by keeping it at the appropriate level and resolving it constructively. Effectively managing conflict between the siblings requires the following:

- Early recognition and diagnosis of the source of conflict;
- Early confrontation and dealing with the conflict;
- Pre-established agreements on how key issues will be addressed;
- Avoiding disagreements, not letting disagreements fester, and striving for consensus; and
- Fighting fairly and focusing on issues rather than on personalities.

### **9.3.6 Fairness**

The degree to which the working arrangement between the siblings is considered to be fair in terms of workload and compensation has a significant influence on the success of a Sibling Partnership. The results of this study confirm that perceptions of fairness have a significant influence on the growth and financial performance of the business, as well as on the extent to which the siblings are satisfied with their work and family relationships. Of the constructs investigated in the present study, *Fairness* is the only one that had a significant influence on all 3 dependent variables. To ensure perceptions of fairness between them, siblings should:

- Minimise differences between them;
- Ensure equitable workloads;
- Ensure that each sibling has the opportunity to voice his/her opinions and disagreements;
- Ensure that fairness exists in decision-making and managerial processes, and that the business operates on merit; and
- Ensure that compensation and rewards are fair, adequate and market-related.

Rewards and compensation are a particularly sensitive matter among families in business together, and play an important role in developing perception of fairness.

It is consequently of vital importance that the persons involved in the family business (both family and non-family) be given recognition and be rewarded appropriately for their accomplishments and contributions. A reward system that encourages cooperative rather than competitive efforts should be implemented. Such a reward system should be understandable and equitable. In addition, the link between performance and reward should be clearly recognised, and those being evaluated should contribute towards measures of success.

### **9.3.7 Non-family members**

Non-family members play a vital role in a Sibling Partnership. Their involvement in the family business has a significant positive influence on both the financial and growth performance of the business. Non-family members include, amongst others, non-family employees, the directors of the board, and professional advisors or mentors. Non-family members make a vital contribution through expanding the knowledge base of the family business by bringing additional qualifications and skills; by assisting with resolving conflict; showing objectivity; and promoting accountability and professionalism.

It is also important that loyalty and respect for the family business leaders be developed among non-family employees and other outsiders. In addition, care should be taken that non-family members do not play the siblings off against each other. Sibling partners should be in agreement and have a clear policy on non-family involvement.

### **9.3.8 Past parent involvement**

The findings of this study suggest that parents who set a good example, assist and encourage their children, and are involved in the lives of their children while they are growing up, contribute to better relationships between their children as adults. Of all the people variables investigated in this study who might affect the relationship between the siblings, the behaviour of parents while the siblings were growing up, exerted the strongest influence on the relationship between the siblings as adults.

Children frequently develop patterns in reaction to what they see their parents do, and several aspects relating to the behaviour of parents and their parenting style, impacts the ability of the siblings to work together. The effect of good parenting on the relationship between their children should never be ignored; if parents have done a good job in bringing up the children, then better relationships between the children are likely to exist. Parents can, for example, start early in encouraging the development of skills such as sharing and collaboration that will be necessary for a sibling relationship to survive when the children begin working together as adults. Skills such as the ability to communicate, to think outside of own interests, to make decisions, to seek consensus and the capacity to want fairness and justice for all, are the skills that are best learned while growing up in one's own family. Parents can set good examples for their children by:

- Not being autocratic, controlling, domineering, manipulating, neglectful, individualistic, disrespectful, secretive, stressed, or conflict seeking;
- Spending time at home with the family and not always being at work;
- Treating all their children equally and not stereotyping, judging or showing favouritism towards any one child;
- Providing unlimited love and emotional support for all their children;
- Creating a conducive home environment which encourages: decision-making; leadership; dealing with conflict, aggression and differences; working together and team building; sharing and collaboration; entrepreneurship, expressing aspirations, creativity and communication; a family-first attitude; opportunities for learning, outside interests and a balanced life-style; and
- Generating enthusiasm, interest and participation in the family business by sharing inspiring family stories; sharing dreams, challenges and joys of the family business; and engaging children in business activities from an early age.

### **9.3.9 Present parent involvement**

In contrast to the influence of past parent involvement in the lives of siblings, the findings in this study suggest that the less that parents are involved, or get involved in the business and in the present-day relationship between the siblings, the better the present-day relationship between the siblings is likely to be. If parents are alive, whether they are involved in the family business or not, they can continue to exercise an enormous influence on the sibling team.



To ensure that this influence is positive parents should:

- Keep their involvement in the family business to a minimum;
- Not act as a moderating force or as an arbitrator between siblings; or interfere in conflict between the siblings;
- Undertake proper exit planning (succession, estate and strategic planning);
- Ensure that proper governance structure are in place before they step down;
- Display a willingness to let go;
- Support and endorse the new leaders by transferring knowledge, sharing information, supporting decisions, showing trust in their ability and transferring of networks; and
- Ensure a supportive infrastructure for themselves in terms of financial security and being appropriately informed.

### **9.3.10 Other family members**

As in the case of the present involvement of parents in the Sibling Partnership, the less other family members (non-active siblings and spouses) are involved or get involved in the business and in the present-day relationship between the siblings, the better the present-day relationship between the siblings is likely to be. In addition, the less other family members are involved or interfere, the better the financial performance of the business is likely to be.

The behaviour of spouses (in-laws) is an important factor that influences whether the sibling group will be able to work together successfully and in a manner that is reasonably harmonious. The relationship between the spouses themselves and between them and other family members present many challenges for a family business. It is difficult to be an in-law in a business-owning family, but the family business needs the spouses to be supportive of both the family and the business. An unhappy and disgruntled spouse can threaten the success of a family business, whereas a happy spouse can support and contribute to its strength. To successfully manage spousal relationships in a Sibling Partnership:

- There should be consensus among the siblings and other family members involved in the family business on spousal involvement in the family business; this should be agreed upon before spouses even arrive on the scene;

- Spouses should be accepted, welcomed, included and valued by all family members;
- Spouses should be educated and informed concerning the business;
- They should be shown respect with regard to their different family cultures, perspectives and views; and
- Spouses themselves should be objective, and as far as possible stay out of sibling and family grievances.

As in the case of spouses, the existence of non-active siblings presents additional challenges for a Sibling Partnership. If possible it is best to limit the involvement and number of non-active siblings, specifically those who are shareholders. To manage the relationship between active and non-active siblings, the following could be considered:

- Parents should attend to why or why not certain siblings enter the family business, and how the siblings all feel about some being involved and others not;
- Non-active sibling shareholders need to be comfortable with their roles relative to the business, as dissatisfaction can complicate the process of agreeing on positions of responsibility and power in the firm;
- The roles, responsibilities, voting rights and shareholding of non-active sibling shareholders should be clarified in a participation agreement or family constitution;
- Non-active sibling shareholders should be involved, informed and educated with regard to business activities; and have a voice in decision-making;
- Provision should be made for sibling shareholders who do not want an investment (or involvement) in the family business, and for those who are dissatisfied with their returns, to cash out their equity;
- Care should be taken not to allow non-active siblings to interfere in business operations or to make comments from the sidelines;
- Vigilance should exist regarding attempts by non-active sibling to play those siblings working in the business off against each other; and
- Non-active siblings and their families should all be included in all non-business family gatherings.

### **9.3.11 Demographic variables**

How ownership is shared in a family business involving siblings has an important

influence on the financial and the growth performance of the business, as well as on the degree to which satisfactory work and family relationships exist. Businesses where ownership is mainly or entirely in the hands of siblings are perceived to experience better financial and growth performance than businesses where parents own 100% of the business. When parents have no share in the business, work and family relationships are also perceived to be more satisfactory. This finding is supported by the results of the structural equation analysis, which suggests that the less that parents are involved, or get involved in the business and in the present-day relationship between the siblings, the better the present-day relationships between the siblings are likely to be. In addition, when siblings hold an equal share in their business, business performance is better, and work and family relationships are more satisfactory, than in cases where no shareholding by the siblings exists, or shareholding is unequal. Similarly, when leadership is shared equally between the siblings, work and family relationships are likely to be more satisfactory than when one individual takes the lead.

Family businesses involving siblings are more likely to succeed when ownership is primarily in the hand of the siblings, with parents having no share of ownership, and where this ownership and the leadership of the business are shared equally between the siblings. Siblings should thus strive for equal ownership and leadership between them. Parents, on the other hand, should endeavour not to become involved in either the business or the personal relationships between the siblings. Parents should also relinquish their share of ownership in the business to their children in even proportions as soon as the siblings show signs of being interested in taking over the family business and being able to effectively manage the family business on their own.

The age of the siblings has a significant influence on the financial and growth performance of the business. Younger respondents are possibly more enthusiastic, ambitious, risk-averse and entrepreneurial in their business endeavours, which contributes positively to the financial and growth performance of the family business. In addition, the smaller the age difference between the oldest and the youngest sibling involved in the business the more likely that the siblings will be satisfied with their work and family relationships. It is possible that the smaller the age gap the more likely that siblings understand and can relate to

each other, and thus have satisfactory relationships. The longer siblings are involved in the business together, the more likely the business is to perform better financially. Larger businesses, measured by employee numbers, are also more likely to experience growth and financial performance. Consequently, a Sibling Partnership is likely to perform most effectively when it is composed of a relatively young sibling team that has a small age gap between members. In addition, business performance will improve as the siblings gain work experience together, and as the number of employees increase.

Respondents who were no longer in business with their siblings at the time of participating in the study reported significantly lower levels of business financial and growth performance, as well as lower levels of satisfaction with work and family relationships in their final year in business together, than respondents who were currently in business together. This finding supports the importance of the dependent variables (outcome variables) as used in the present study. Once again the importance of business performance (financial and growth) and family harmony (satisfaction with work and family relationships) in describing the success of a Sibling Partnership is highlighted.

Based on the discussions above it is clear that the conditions necessary for siblings in family businesses to become more effective, cohesive and fully functioning as partnerships has been investigated in this study. The primary objective of identifying, investigating and empirically testing the possible influences of, and relationships between, various factors and the success of Sibling Partnerships has consequently been accomplished.

#### **9.4 CONTRIBUTIONS OF THE STUDY**

This study has added to the body of family business research by investigating a particularly limited segment of the literature, namely Sibling Partnerships in family businesses. The use of an advanced statistical technique such as Structural Equation Modelling (SEM), as well as a relatively large empirical sample size in this study, also adds to the field of family business which has traditionally been characterised by smaller samples and qualitative research.

By identifying and developing conceptual models that outline the most significant factors that influence the success of such family business partnerships, a contribution has been made towards understanding the implications of certain factors on the success of small and medium-sized family businesses in South Africa. The results of this study thus offer recommendations and suggestions for managing family businesses involving siblings, so as to enrich their family relationships and to improve the financial performance of their businesses.

An additional contribution of this study is the development of a measuring instrument that measures the factors influencing the success of a family business managed and/or owned by a sibling team. With minor adjustments to the wording and some contextual additions, this measuring instrument could be used to measure the factors influencing the success of any family business team. These teams could include, for example, husbands and wives, fathers and sons, or a team composed of different family members. The measuring instrument could even be adapted to measure the factors influencing the effective and harmonious functioning of any business team, even one where the “partners” are unrelated.

This study has integrated many of the traditional theories of teamwork, and has tested these theories among sibling teams in family businesses. By investigating these teams within the context of the family business, the present study has also contributed to the fields of Organisational Behaviour and general Psychology by either confirming or refuting many of these theories within a specific context.

## **9.5 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH**

The present study has attempted to make an important contribution to the body of knowledge concerning Sibling Partnerships in particular, and family businesses in general. However, as in all empirical studies, certain limitations are brought to light which should be considered when making interpretations and conclusions with regard to the findings of this study. Inasmuch as certain areas have been explored and greater understanding attained, new avenues for research have also been revealed. Therefore, the following limitations and recommendations are put forward for consideration in future family business research of this nature.

As in other social science research (Zheng 2002:297), the extent to which the sample in this study is representative of the population as a whole is brought into question. The use of snowball convenience sampling, which does not always lead to representative samples (Zikmund 2003:380), is a limitation of this study. The use of non-probability sampling introduces a source of potential bias into the study, and the findings can thus not be generalised to the general family business population. This study does, however, provide valuable insights into the conditions necessary for siblings to work together in a manner that is harmonious and operationally efficient. Future research should strive to develop a more comprehensive database from which probability samples can be drawn.

The data collected for the present study depended on the self-report of respondents. Relying on one-time individual self-report measures to assess constructs, is another important limitation. Reliance on self-reports might suggest that the importance of the findings of this study are open to question as a result of method bias or personality disposition. It is recognised that the relationships between the constructs under investigation are influenced by variables other than those accounted for in this study, such as individual personality and psychological factors such as depression, family status, presence of parents in the business, a working spouse, and so on.

Structural Equation Modelling (SEM) is particularly sensitive to the size of the sample. Despite the relatively large sample size of 371, the proposed conceptual model could not be subjected as a whole to SEM because of the large number of parameters proposed in the model. Increasing the sample size and/or reducing the number of constructs could overcome this problem in future studies so as to realise the full benefit of SEM. In addition, all structural equation models, such as those used in this study, suffer from the basic shortcoming that the data can never confirm a model, but only fail to disconfirm it. Models different from the ones suggested in this study could possibly also fit the data collected.

The validity and reliability of the findings of this study could also have been enhanced by including the perspectives of other people involved in, or influenced by, the Sibling Partnership. Various perspectives on the functioning of the Sibling Partnership are likely to exist, and multiple perspectives would be advantageous.

The perspectives of individuals in the family and in the family businesses are likely to vary systematically depending on their involvement in the business and in the family. Obtaining information from people other than the siblings themselves, such as parents, spouses, non-active sibling shareholders and non-family employees, would provide a more complete picture of the dynamic between the sibling partners because of the different realities that individuals experience.

Many studies of teams do not focus on assessing an individual's perceptions but rather on those of the team (Wageman *et al.* 2005:17; Doolen *et al.* 2006:144). As such, the item of analysis is the team and not the individual team member. Questions regarding certain factors measure the team member's assessment of the typical level of that factor displayed by all members of the team, not the factor as felt by one individual team member. In their analyses, these studies make use of team scores, which are computed by averaging members' responses with regard to the constructs under investigation. In such a case, the scale scores for the different items are constructed by averaging responses across both items and team members, in effect, treating each member as providing an additional estimate of the true score of the team, on each scale. The result is a team-level combined score (Wageman *et al.* 2005:7) with the individual survey data being aggregated to create a team-level assessment of the constructs under investigation. Because of sample restrictions and limited responses by teams of siblings from a particular business, in the present study the factors influencing the perceived success of a sibling team were assessed from the perception of one individual sibling team member. The individual responses, and not the team responses, were used for the analysis. Future studies on family business teams could assess the perceptions of the team as a whole by averaging members' responses with regard to the constructs under investigation. This could provide a more accurate estimate of the true score for each construct. Averaging the responses of all family members involved in the family business would add an all-round perspective and increased validity.

Another limitation of this study is that it focuses on only a selected number of task- and relational-based variables that influence the success of a Sibling Partnership. Owing to measurement constraints in the statistical technique used and sample size restrictions, all factors could not be considered. In particular the study does

not account for several environmental variables that may affect the effective functioning of a Sibling Partnership. Future studies on family businesses should, for example, account for the influence on success of external environmental factors, such as declining markets and inflation.

As family businesses make up a large percentage of SME worldwide, it could be useful to repeat this study in other countries in an attempt to verify to what extent the factors influencing the success of South African Sibling Partnerships differ from those affecting these partnerships abroad. The question of whether culture influences the success of these family businesses would also be worth pursuing.

Future research could also include qualitative in-depth discussions with representatives from small and medium-sized family businesses to collect field data on how siblings in business actually function together. These case-study investigations could bridge the gap between perception and reality, and might well further support or dispute the factors influencing the success of Sibling Partnerships as identified in this empirical study.

For the purpose of this study, siblings from small and medium-sized family businesses were selected as respondents. This study could be replicated in South Africa and abroad, but with the focus on other family business teams. These teams could include husbands and wives (copreneurs), fathers and sons, and even multiple-member family business teams. Such research would make it possible to compare and contrast the results of the different respondent groups as well as to identify a broader range of factors influencing family businesses in general.

Less than 10% of the respondents who participated in this study were no longer in business together with their siblings. Another potential area for research would be to increase this sample size and investigate more thoroughly the reasons why these Sibling Partnerships no longer exist. These reasons might be insightful to all family business owners.

An alternative study could be to focus on non-family business partnerships (teams). Few, if any, empirical studies in South Africa have been undertaken among non-family business partnerships (businesses owned jointly by non-family members) or, for that matter, compared and contrasted the experiences of family



and non-family business partners. Such findings could provide valuable insights for any business management team.

Owing to the homogeneous nature of the demographic characteristics of the respondents in this study, particularly with regard to gender and ethnicity, the impact of demographic factors on the success of siblings in business together should be further investigated. Specific attention should be given to black- and female-owned Sibling Partnerships.

Despite the limitations identified, the results of this study contribute to and reflect existing theories. In addition, the potential opportunities for examining teams over time in the family business research setting, and elsewhere, are infinite.

## **9.6 CONCLUDING REMARKS**

Successfully managing a Sibling Partnership requires sibling partners not only to nurture their relationships with each other, but also to work together as a team. To assist such family businesses in doing this, several recommendations and suggestions have been put forward in this study. Of particular importance are those recommendations relating to ensuring adequate resources for the business, and ensuring fairness and participatory leadership among the siblings. In addition, the key to success in a family business is to apply sound business principles, and not to confuse family preference with good business practice. The goal should be for families to learn to make good business decisions that also enhance family harmony.

Finally, the important role that good parenting and a happy and stable childhood have on the success of a Sibling Partnerships, should not be underestimated. In the words of Frankenberg (2002):

**“Success will belong to those brothers and sisters who have learnt  
along time ago how to take turns, play by the rules,  
tell the truth, listen to each other and even  
shake hands after a good fight”.**

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## **ANNEXURE A**

ENGLISH QUESTIONNAIRE AND EMAIL LETTER

AFRIKAANSE VRAEBOOG EN E-POS BRIEF

March 2008

Dear Respondent

### RESEARCH PROJECT: SIBLING PARTNERSHIPS IN FAMILY BUSINESSES

As per our conversation with you (or your sibling), please find attached the questionnaire to be completed as discussed. Thank you for your willingness to participate in this research project.

This research on Sibling Partnerships (sibling teams) in family businesses is currently (2008) being conducted by the Unit for Applied Business Management (UABM). The UABM is a research unit functioning under the auspices of the Department of Business Management at the Nelson Mandela Metropolitan University (NMMU) in Port Elizabeth.

For the purpose of this research project a Sibling Partnership denotes a family business where at least two brothers and/or sisters, with a **familial bond**, are **actively involved** in the management and/or decision-making of the business (a sibling can however also be a non-active partner) and who exercise considerable **influence over decision-making** in the business. According to this definition a share of ownership by the sibling(s) is not a requirement to qualify as a Sibling Partnership. The business should not employ more than 200 workers.

Family-owned businesses are increasingly being passed on to siblings by parents who wish to see their children working together as a team. Businesses started by brother and/or sister teams are also increasingly common. In general, the odds are stacked against the survival of family businesses. These odds are exacerbated when siblings work and/or own a family business together. Ownership/management arrangements involving siblings are still an unproven approach to family business leadership and a lack of knowledge exists about the conditions required for creating and maintaining Sibling Partnerships (sibling teams) in practice. As Sibling Partnerships (sibling teams) become more evident among family businesses, it becomes increasingly important to understand the conditions necessary to ensure their continued profitability and success. The **purpose** of this study is thus to gain greater understanding of the conditions required for creating and maintaining these partnerships, and to propose managerial approaches and strategies that could assist sibling partners to successfully and harmoniously manage their family business.

Please complete the attached questionnaire independently and **without** consultation with your sibling partner(s)/team member(s) and/or other family members. If you are no longer in business with your sibling(s), but **were in the past**, please answer the questions in a manner that relates to **how it was in the final year** that you were in business together.

The first set of questions comprises a number of statements relating to your Sibling Partnership (sibling team). Please note that any reference to your family business is referring to the business you are in with your siblings. Please indicate the **extent of your agreement** with these statements by placing a cross (X) in the appropriate column. There are no right or wrong answers and only the **perceptions** you hold are important.

P.T.O

The next set of questions solicits basic demographic data concerning you, your sibling team and your family business.

The questionnaire should take about twenty **(20)** minutes to complete.

Please return the completed questionnaire **as soon as possible**, but not later than **31 March 2008** to Ms Shelley van Eeden:

**By email:** Shelley.vaneeden@nmmu.ac.za

**By Fax:** 041-5832644

**By mail:** In the **reply paid envelope** addressed to:

Unit for Applied Business Management  
Department of Business Management  
Summerstrand South Campus  
PO Box 77000  
Nelson Mandela Metropolitan University  
PORT ELIZABETH, 6031

**Online:** If you select to complete the questionnaire online (internet), it will be returned automatically the moment you press submit. Please remember to fill in the **questionnaire ID number** given to you in the space provided. If you have already received a questionnaire by post but select to complete it online, your questionnaire ID number can be found in the top right-hand corner of the first page of the physical questionnaire posted to you.

The following website will automatically link you to the electronic questionnaire:

<http://www.nmmu.ac.za/websurvey/q.asp?sid=111&k=gwuesnbnbde>

**Even though no confidential information is required, your responses will be treated with the strictest confidentiality.** Names of individuals will not appear in the research report. Only aggregate data and summary statistics will be reported. Each questionnaire does however have an ID number for verifying receipt of the returned questionnaire. ID numbers of physical questionnaires have already been entered on your behalf but you will need to enter this ID number should you choose to complete the questionnaire electronically.

Should you **be interested** in the results of this study, a copy of the findings would be made available to you. If this is the case please ensure that your contact details are given in the space provided.

Thank you once again for your willingness to contribute to the success of this important research project.

Yours faithfully



**SHELLEY VAN EEDEN (RESEARCHER)**

**ALIDA PHIELIX (RESEARCH ASSISTANT)**

**(Tel: 041-5042203)**



**DR ELMARIE VENTER (CO-RESEARCHER)**

### 1. Statements relating to your Sibling Partnership (Sibling Team)

Please indicate the extent of your agreement with these statements by placing a cross (X) in the appropriate column. The columns are graded from 1 to 7. One (1) denotes strong disagreement with a statement, and at the other end of the scale, seven (7) denotes strong agreement with the statement.

<b>Statements Relating to your Sibling Partnership (Sibling Team)</b> (If you are <b>no longer in business</b> with your sibling(s) these statements should be read in the past tense and answered in relation to how it was in the final year that you were in business together)		Extent of agreement						
		Strongly disagree	Disagree	Somewhat disagree	Neutral or no opinion	Somewhat agree	Agree	Strongly agree
1.1	Our family business has experienced growth in employee numbers over the past two years.	1	2	3	4	5	6	7
1.2	My sibling(s) and I have the qualifications that enable us to contribute to the effective functioning of our family business.	1	2	3	4	5	6	7
1.3	In our family business the sibling leader(s) consider(s) the opinions of others when making decisions.	1	2	3	4	5	6	7
1.4	My sibling(s) and I are all competent in performing our tasks in the family business.	1	2	3	4	5	6	7
1.5	My sibling(s) and I have agreed on each other's relative ownership stake in our family business.	1	2	3	4	5	6	7
1.6	Our family members appreciate each other.	1	2	3	4	5	6	7
1.7	Our family business has experienced growth in profits over the past two years.	1	2	3	4	5	6	7
1.8	In our family business we employ non-family members to supplement our skills.	1	2	3	4	5	6	7
1.9	My sibling(s) and I have agreed on the vision for our family business.	1	2	3	4	5	6	7
1.10	In our family business non-family employees form part of the management team.	1	2	3	4	5	6	7
1.11	In our family business rewards for siblings are based on merit.	1	2	3	4	5	6	7
1.12	The members of our family are in harmony with each other.	1	2	3	4	5	6	7
1.13	I experience my involvement in this business together with my sibling(s) as rewarding.	1	2	3	4	5	6	7
1.14	Our family business has adequate access to the necessary equipment (technology) required to function effectively.	1	2	3	4	5	6	7
1.15	My sibling(s) and I have a mutually supportive relationship.	1	2	3	4	5	6	7
1.16	I enjoy working with my siblings in our family business.	1	2	3	4	5	6	7
1.17	Our family business has a forum where family and business issues can be discussed.	1	2	3	4	5	6	7
1.18	Our family business has the support of employees working in the business.	1	2	3	4	5	6	7
1.19	In our family business a clearly defined division of labour exists between the siblings working in the business.	1	2	3	4	5	6	7
1.20	Our parents support (supported if deceased) and encourage (encouraged if deceased) my siblings and I in managing our family business.	1	2	3	4	5	6	7
1.21	My sibling(s) and I trust each other.	1	2	3	4	5	6	7
1.22	Our family business has sufficient access to information required to function effectively.	1	2	3	4	5	6	7
1.23	In our family business we have written plans (e.g. estate and/or succession and/or business plans), to guide (govern) our actions and decisions.	1	2	3	4	5	6	7
1.24	My sibling(s) and I are able to constructively manage conflict between us.	1	2	3	4	5	6	7
1.25	In our family business no overlapping of responsibilities exists between the siblings working in the business.	1	2	3	4	5	6	7

<p align="center"><b>Statements Relating to your Sibling Partnership (Sibling Team)</b></p> <p align="center">(If you are <b>no longer in business</b> with your sibling(s) these statements should be read in the past tense and answered in relation to how it was in the final year that you were in business together)</p>		Extent of agreement						
		Strongly disagree	Disagree	Somewhat disagree	Neutral or no opinion	Somewhat agree	Agree	Strongly agree
1.26	My sibling(s) and I communicate openly with each other.	1	2	3	4	5	6	7
1.27	Given their compensation each sibling does his or her fair share of the work in our family business.	1	2	3	4	5	6	7
1.28	My sibling(s) and I have agreed on the goals for our family business.	1	2	3	4	5	6	7
1.29	My sibling(s) and I have agreed on each other's positions of authority and responsibility in our family business.	1	2	3	4	5	6	7
1.30	My sibling(s) and I freely express our opinions about day-to-day decisions in the business with each other.	1	2	3	4	5	6	7
1.31	The sibling leader(s) in our family business has (have) a vision for our family business.	1	2	3	4	5	6	7
1.32	I have a good understanding of how my sibling(s) make(s) decisions.	1	2	3	4	5	6	7
1.33	The sibling leader(s) in our family business has (have) the ability to effectively lead the business.	1	2	3	4	5	6	7
1.34	In our family business each sibling is compensated fairly for the work that he or she does.	1	2	3	4	5	6	7
1.35	I regard our family business as being financially successful.	1	2	3	4	5	6	7
1.36	The sibling leader(s) in our family business is (are) always considerate of others working in the business.	1	2	3	4	5	6	7
1.37	Expressing different views and opinions are encouraged between my sibling(s) and I.	1	2	3	4	5	6	7
1.38	My sibling(s) and I share information with each other.	1	2	3	4	5	6	7
1.39	The physical working conditions in our family business are conducive to the effective functioning of our business.	1	2	3	4	5	6	7
1.40	Relationships among members in our family can be described as positive.	1	2	3	4	5	6	7
1.41	Our family members care about each other's welfare.	1	2	3	4	5	6	7
1.42	If necessary we draw on the expertise of non-family members to assist us with business matters.	1	2	3	4	5	6	7
1.43	My sibling(s) and I all have the ability to communicate effectively.	1	2	3	4	5	6	7
1.44	My sibling(s) and I encourage each other to give our best efforts.	1	2	3	4	5	6	7
1.45	The members of our family are emotionally attached to one another.	1	2	3	4	5	6	7
1.46	My sibling(s) and I possess complementary competencies.	1	2	3	4	5	6	7
1.47	During our childhood our parents encouraged my sibling(s) and I to share our feelings.	1	2	3	4	5	6	7
1.48	In our family business each sibling accepts his or her fair share of the responsibilities.	1	2	3	4	5	6	7
1.49	I can realise my ambitions through my involvement in our family business.	1	2	3	4	5	6	7
1.50	In our family business clearly demarcated areas of authority and responsibility exist between my sibling(s) and I.	1	2	3	4	5	6	7
1.51	In our family business we have a standing agreement on how to address issues that may arise.	1	2	3	4	5	6	7
1.52	I experience my involvement in this business together with my sibling(s) as fulfilling.	1	2	3	4	5	6	7
1.53	The sibling leader(s) in our family business ensure(s) that formal strategic planning takes place.	1	2	3	4	5	6	7

<p align="center"><b>Statements Relating to your Sibling Partnership (Sibling Team)</b></p> <p align="center">(If you are <b>no longer in business</b> with your sibling(s) these statements should be read in the past tense and answered in relation to how it was in the final year that you were in business together)</p>		Extent of agreement						
		Strongly disagree	Disagree	Somewhat disagree	Neutral or no opinion	Somewhat agree	Agree	Strongly agree
1.54	Our family business has experienced growth in turnover over the past two years.	1	2	3	4	5	6	7
1.55	I can realise my personal goals through my involvement in our family business.	1	2	3	4	5	6	7
1.56	During our childhood our parents taught my sibling(s) and I how to deal with conflict.	1	2	3	4	5	6	7
1.57	My sibling(s) and I trust each other's ability to manage our family business.	1	2	3	4	5	6	7
1.58	The sibling leader(s) in our family business is (are) very knowledgeable concerning our family business operations.	1	2	3	4	5	6	7
1.59	I am satisfied with the functioning of the working arrangement between my sibling(s) and I.	1	2	3	4	5	6	7
1.60	My sibling(s) and I bring a diverse mix of knowledge, skills, perspectives and experiences to our family business.	1	2	3	4	5	6	7
1.61	My sibling(s) and I have the appropriate business experience that enables us to contribute to the functioning of our family business.	1	2	3	4	5	6	7
1.62	Our family business has a formal document that describes the relationship between the family and the business.	1	2	3	4	5	6	7
1.63	I have the same status as my sibling(s) does (do) in our family business.	1	2	3	4	5	6	7
1.64	During our childhood our parents taught my sibling(s) and I how to cooperate with others.	1	2	3	4	5	6	7
1.65	It is my own choice to be involved in our family business.	1	2	3	4	5	6	7
1.66	In our family business we involve non-family members in assisting us to effectively manage our business.	1	2	3	4	5	6	7
1.67	Our family business has employees with the necessary competencies.	1	2	3	4	5	6	7
1.68	My sibling(s) and I respect each other.	1	2	3	4	5	6	7
1.69	Our family business is profitable.	1	2	3	4	5	6	7
1.70	I consider the working arrangement between my sibling(s) and I as equitable.	1	2	3	4	5	6	7
1.71	The sibling leader(s) in our family business inspire(s) loyalty among those working in the business.	1	2	3	4	5	6	7
1.72	I prefer to cooperate with my sibling(s) rather than compete with them.	1	2	3	4	5	6	7
1.73	My sibling(s) and I acknowledged each other's achievements in the context of the business.	1	2	3	4	5	6	7
1.74	In our family business we have policies (ground rules), which guide (govern) our actions and decisions.	1	2	3	4	5	6	7
1.75	I have a good understanding of the needs and preferences of my sibling(s).	1	2	3	4	5	6	7
1.76	In our family business we involve non-family members when we have to make important strategic decisions about our business.	1	2	3	4	5	6	7
1.77	The financial well-being of our family business is secure.	1	2	3	4	5	6	7
1.78	In our family business we hold regular scheduled meetings with family members involved in the business.	1	2	3	4	5	6	7
1.79	My sibling(s) and I have agreed on the future direction for our family business.	1	2	3	4	5	6	7
1.80	During our childhood our parents taught my sibling(s) and I to treat each other fairly.	1	2	3	4	5	6	7
1.81	Our family business has a formal board of directors (advisory board).	1	2	3	4	5	6	7

<b><u>Statements Relating to your Sibling Partnership (Sibling Team)</u></b>  (If you are <b>no longer in business</b> with your sibling(s) these statements should be read in the past tense and answered in relation to how it was in the final year that you were in business together)		<b>Extent of agreement</b>						
		Strongly disagree	Disagree	Somewhat disagree	Neutral or no opinion	Somewhat agree	Agree	Strongly agree
1.82	My sibling(s) and I bring different strengths (abilities) to our family business.	1	2	3	4	5	6	7
1.83	I trust the judgement of my sibling(s) in making business decisions.	1	2	3	4	5	6	7
1.84	I have confidence in the integrity of my sibling(s) working together with me in our family business.	1	2	3	4	5	6	7
1.85	I am satisfied with the way that my sibling(s) and I work together.	1	2	3	4	5	6	7
1.86	The members of our family are supportive of each other.	1	2	3	4	5	6	7
1.87	The sibling leader(s) in our family business encourage(s) others involved in the business to voice their opinions.	1	2	3	4	5	6	7
1.88	Our family business has adequate access to the resources required to function effectively.	1	2	3	4	5	6	7
1.89	In our business my sibling(s) and I discuss all issues that may arise between us.	1	2	3	4	5	6	7
1.90	My sibling(s) and I have agreed on each others roles or positions in our family business.	1	2	3	4	5	6	7
1.91	In our family business we sometimes approach non-family members to advise us on business matters.	1	2	3	4	5	6	7
1.92	Our parents <b>DO NOT</b> (or did not if deceased) get drawn into conflicts that arise (arose) between my sibling(s) and I.	1	2	3	4	5	6	7
1.93	Our parents <b>ARE NOT</b> (or were not if deceased) financially dependent on the business.	1	2	3	4	5	6	7
1.94	Our parents <b>DO NOT</b> (or did not if deceased) interfere in business decisions made by my sibling(s) and I.	1	2	3	4	5	6	7

2. **Statements Relating to Spouses (Life-Partners) and Non-Active Siblings (i.e. siblings not working in the family business)**

The following statements relate to the involvement of spouses (life-partners) and non-active siblings in your family business. If neither you nor your sibling(s) are married (have life-partners) then questions relating to spouses (life-partners) are **not applicable and can be ignored**. However, even if only one spouse (life-partner) exists, then these questions must please be completed. Similarly, if there are no non-active siblings then the relevant statements **can be ignored**. If applicable, please indicate the extent of your agreement with these statements by placing a cross (X) in the appropriate column.

<b><u>Statements Relating to Spouses and Non-Active Siblings</u></b>  (If you are <b>no longer in business</b> with your sibling(s) these statements should be read in the past tense and answered in relation to how it was in the final year that you were in business together)		<b>Extent of agreement</b>						
2.1	In our family business the spouses (life-partners) of sibling involved in the business <b>DO NOT</b> interfere in business decision-making.	1	2	3	4	5	6	7
2.2	In our family business the spouses (life-partners) of siblings involved in the business <b>DO NOT</b> become involved in disagreements between siblings.	1	2	3	4	5	6	7
2.3	In our family business the spouses (life-partners) of sibling involved in the business support and encourage their husbands/wives working in the family business.	1	2	3	4	5	6	7
2.4	Siblings not actively involved in the day-to-day operations of our family business <b>DO NOT</b> interfere in business decision-making.	1	2	3	4	5	6	7
2.5	Siblings not actively involved in the day-to-day operations of our family business <b>DO NOT</b> become involved in disagreements between the siblings working in the business.	1	2	3	4	5	6	7
2.6	Siblings not actively involved in the day-to-day operations of our family business support and encourage those siblings working in the business.	1	2	3	4	5	6	7



### 3. Demographic Information

The following questions provide demographic information about yourself, your sibling team and your family business. If you are **no longer in business** with your sibling(s) please answer all questions relating to your family business in a manner that describes how it was in the final year together. Please indicate your response by making a cross (X) in the appropriate numbered block as requested. A Sibling Partnership is a family business where at least two brothers and/or sisters, with a **familial bond**, are **actively involved** in the management and/or decision-making of the business (a sibling can however also be a non-active partner) and who exercise considerable **influence over decision-making** in the business. According to this definition a share of ownership by the sibling(s) is not a requirement to qualify as a Sibling Partnership. The business should not employ more than 200 workers.

3.1 Based on the description above (please select one option only):

I am currently in a Sibling Partnership.	1
I was previously in a Sibling Partnership.	2
Our business is not a Sibling Partnership.	3

3.2 Please indicate your **gender**:

Male	1
Female	2

3.3 Please indicate the **gender make-up** of your sibling team (Sibling Partnership):

All male	1
All female	2
Both male and female	3

3.4 Please indicate the **ethnic background** of your family:

White	1
Black	2
Asian	3
Coloured	4
Other	5

3.5 Please indicate the **number of siblings** involved (that were involved in the final year) in your family business: \_\_

3.6 Please indicate your **current age**: I am \_\_\_\_\_ years old.

3.7 Please indicate the **age difference** between the oldest and the youngest sibling involved in the family business: (e.g. oldest sibling is 45 years old and the youngest is 30 = **age difference** is 15 years): \_\_\_\_\_ years.

3.8 Of the siblings involved in the family business, indicate your position in the **birth-order**:

Oldest child (first)	1
Middle child (second, third etc.)	2
Youngest child (last)	3

3.9 Please indicate **how long** you have been (were) in **this** business with your siblings: \_\_\_\_\_ years.

3.10 Please indicate **how long** the business itself has (had) been in existence: \_\_\_\_\_ years.

3.11 Please indicate which statement best describes **your involvement** (as it was in your final year together) in the family business with your siblings (please select one option only):

I am <b>actively employed</b> in the business (I earn a salary from the business).	1
I am <b>not actively employed</b> in the business, but <b>am active in (influence) decision-making</b> .	2
I am <b>not actively employed</b> in the business <b>nor am I active in (influence) decision-making</b> .	3

- 3.12 Please indicate which statement best describes the **leadership** situation (as it was in your final year together) between you and your sibling(s) in your family business (please select one option only):

The <b>eldest</b> sibling takes the lead among the siblings in our family business.	1
The sibling with the <b>strongest personality</b> takes the lead among the siblings in our family business.	2
The sibling with the <b>most leadership skills</b> takes the lead among the siblings in our family business.	3
The sibling that is <b>most knowledgeable</b> takes the lead among the siblings in our family business.	4
The sibling, who has been <b>involved the longest</b> in our business, takes the lead among the siblings.	5
Leadership is <b>shared equally</b> among the siblings in our family business.	6

- 3.13 Please indicate the number of **full-time persons** employed (were employed in your final year together) by your family business (including you, your sibling(s) and all other family members): \_\_\_\_\_ employed persons.

- 3.14 Please indicate what the **specific activities** of your family business are (were) (e.g. building contractors, grocery store, hairdresser, fruit-farming, printing, restaurant): \_\_\_\_\_

#### 4. Ownership Information

- 4 Please indicate how the percentage **ownership** of your family business is shared (was shared):

	Person	% share
4.1	Father	
4.2	Mother	
4.3	Siblings (combined)	
4.4	Other family members (combined): cousins, uncles, spouses etc.	
4.5	Non-family members (combined)	
	<b>Total</b> (the cumulative total should add up to 100%)	<b>100%</b>

- 4.6 Please indicate which statement best describes you and your siblings' **share of ownership** (as it was in your final year together) of your family business (please select one option only):

My siblings and I each have an <b>equal</b> share in our family business.	1
My siblings and I each have a share in our family business but our shares <b>are not equal</b> .	2
My siblings and I <b>do not have</b> a share in our family business (the business is still owned by our parents).	3
<b>Some</b> (or only one) siblings have a share in our family business, while <b>others do not</b> .	4
Other	5

#### 5. Comments and/or Suggestions

- 5.1 Please make **any comments or suggestions** relating to siblings in business together, and what you think can be done to improve their chances of success. \_\_\_\_\_

#### 6. Other Siblings in Business Together

- 6 If you know of **any other** siblings in business together (or were in the past), who could possibly help us with this research, can you please give us their names and contact details?

6.1 Name and Surname: \_\_\_\_\_

6.2 Telephone number: \_\_\_\_\_ 6.3 Email address: \_\_\_\_\_

#### 7. Research Findings

- 7 If you would like the final research **findings** to be made available to you, please provide your details below.

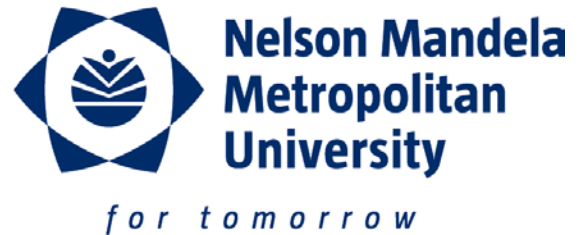
7.1 Name and Surname: \_\_\_\_\_

7.2 Telephone number: \_\_\_\_\_ 7.3 Email address: \_\_\_\_\_

7.4 Postal address: \_\_\_\_\_

THANK YOU FOR YOUR TIME AND COOPERATION

• PO Box 77000 • Nelson Mandela Metropolitan University  
• Port Elizabeth • 6031 • South Africa  
• <http://www.nmmu.ac.za/busman>



Unit for Applied Business Management  
Summerstrand South Campus  
DEPARTMENT OF BUSINESS MANAGEMENT  
Tel. +27 (0)41 5042203 Fax. +27 (0)41 5832644  
[Shelley.vaneeden@nmmu.ac.za](mailto:Shelley.vaneeden@nmmu.ac.za)

March 2008

Dear Respondent

### RESEARCH PROJECT: SIBLING PARTNERSHIPS IN FAMILY BUSINESSES

As per our conversation with you (or your sibling), please find the automatic link to the questionnaire to be completed as discussed. Thank you for your willingness to participate in this research project. **By clicking on the following website you will automatically be linked to the electronic questionnaire:**

<http://www.nmmu.ac.za/websurvey/q.asp?sid=111&k=gwuesnnbde>

Please fill in your questionnaire ID number in the space provided on the electronic questionnaire.

#### Your questionnaire ID number is:

This research on Sibling Partnerships (sibling teams) in family businesses is currently (2008) being conducted by the Unit for Applied Business Management (UABM). The UABM is a research unit functioning under the auspices of the Department of Business Management at the Nelson Mandela Metropolitan University (NMMU) in Port Elizabeth.

For the purpose of this research project a Sibling Partnership denotes a family business where at least two brothers and/or sisters, with a **familial bond**, are **actively involved** in the management and/or decision-making of the business (a sibling can however also be a non-active partner) and who exercise considerable **influence over decision-making** in the business. According to this definition a share of ownership by the sibling(s) is not a requirement to qualify as a Sibling Partnership. The business should not employ more than 200 workers.

Family-owned businesses are increasingly being passed on to siblings by parents who wish to see their children working together as a team. Businesses started by brother and/or sister teams are also increasingly common. In general, the odds are stacked against the survival of family businesses. These odds are exacerbated when siblings work and/or own a family business together. Ownership/management arrangements involving siblings are still an unproven approach to family business leadership and a lack of knowledge exists about the conditions required for creating and maintaining Sibling Partnerships (sibling teams) in practice. As Sibling Partnerships (sibling teams) become more evident among family businesses, it becomes increasingly important to understand the conditions necessary to ensure their continued profitability and success. The **purpose** of this study is thus to gain greater understanding of the conditions required for creating and maintaining these partnerships, and to propose managerial approaches and strategies that could assist sibling partners to successfully and harmoniously manage their family business.

Please complete the questionnaire independently and **without** consultation with your sibling partner(s)/team member(s) and/or other family members. If you are no longer in business with your sibling(s), but **were in the past**, please answer the questions in a manner that relates to **how it was in the final year** that you were in business together.

The first set of questions comprises a number of statements relating to your Sibling Partnership (sibling team). Please note that any reference to your family business is referring to the business you are in with your siblings. Please indicate the **extent of your agreement** with these statements by "clicking" in the appropriate column. There are no right or wrong answers and only the **perceptions** you hold are important.

The next set of questions solicits basic demographic data concerning you, your sibling team and your family business.

The questionnaire should take about twenty **(20)** minutes to complete.

Please return (submit) the completed questionnaire **as soon as possible**, but not later than **31 March 2008**.

**Even though no confidential information is required, your responses will be treated with the strictest confidentiality.** Names of individuals will not appear in the research report. Only aggregate data and summary statistics will be reported. Each questionnaire does however have an ID number for verifying receipt of the returned questionnaire. Please do not forget to enter your questionnaire ID number (given to you on this email) in the space provided.

Should you **be interested** in the results of this study, a copy of the findings would be made available to you. If this is the case please ensure that your contact details are given in the space provided.

**Automatic linked to the electronic questionnaire:**

<http://www.nmmu.ac.za/websurvey/q.asp?sid=111&k=gwuesnnbde>

**Your questionnaire ID number is:**

Thank you once again for your willingness to contribute to the success of this important research project.

Yours faithfully



**SHELLEY VAN EEDEN (RESEARCHER)  
ALIDA PHIELIX (RESEARCH ASSISTANT)**

**(Tel: 041-5042203)**



**DR ELMARIE VENTER (CO-RESEARCHER)**

Maart 2008

Geagte respondent

## **NAVORSINGSPROJEK: BROER EN/OF SUSTER VENNOOTSKAPPE IN FAMILIE-ONDERNEMINGS**

Na aanleiding van ons gesprek (met u of u broer/suster), vind asseblief hierby aangeheg 'n vraeboog om te voltooi, soos afgespreek. Baie dankie vir u bereidwilligheid om deel te neem aan hierdie navorsingsprojek.

Hierdie navorsing oor broer en/of suster vennootskappe in familie-ondernemings word tans (2008) deur die Eenheid vir Toegepaste Ondernemingsbestuur (UABM) uitgevoer. Die UABM is 'n navorsingseenheid wat onder beskerming staan van die Departement van Ondernemingsbestuur aan die Nelson Mandela Metropolitaanse Universiteit (NMMU) te Port Elizabeth.

Vir die doel van hierdie navorsingsprojek beteken 'n broer en/of suster vennootskap (Sibling Partnership) 'n familie-onderneming waar daar ten minste twee broer(s) en/of suster(s) **met familiebande, aktief** by die bestuur en/of besluitneming van die besigheid betrokke is ('n broer en/of suster kan egter ook 'n nie-aktiewe vennoot wees), en wat gesamentlik aansienlik 'n **invloed oor die besluitneming** in die besigheid uitoefen. Volgens hierdie omskrywing word 'n eienaarsaandeel deur die broer(s) en/of suster(s) nie as 'n vereiste gestel om as 'n broer en/of suster vennoot te kwalifiseer nie. Die onderneming moet nie meer as 200 werknemers in diens hê nie.

Familie-ondernemings word toenemend deur ouers, wat wil toesien dat hul kinders as 'n span saamwerk, aan hul kinders oorgedra. Ondernemings wat deur 'n broer(s) en/of suster(s) tot stand gebring word, kom ook toenemend voor. Die kans vir oorlewing van vele familie-ondernemings is egter gering. Die kans is nog geringer wanneer broer(s) en/of suster(s) saamwerk en/of mede-eienaars in 'n besigheid is. Eienaarskap- of bestuursooreenkomste tussen broer(s) en/of suster(s) is nog nie 'n bewese benadering tot familie-ondernemingsleierskap nie. Daar is ook 'n gebrek aan kennis met betrekking tot die voorwaardes vir die oprigting en instandhouding van broer(s) en/of suster(s) vennootskappe (spanne) in die praktyk.

Na gelang die voorkoms van broer en/of suster vennootskappe (spanne) onder familie-ondernemings toeneem, word dit gebiedend noodsaaklik om groter begrip te verkry van die vereiste voorwaardes vir die oprigting en instandhouding van sulke vennootskappe, en om bestuursbenaderings en strategieë voor te stel wat sal kan bydra tot die harmonieuse en suksesvolle bestuur van hulle familie-onderneming. Dié studie poog om hierdie doelstellings te verwesentlik.

Wees asseblief so goed en voltooi die vraeboog hierby aangeheg afsonderlik en sonder konsultering met enige van u broer(s) en/of suster(s) (spanlede) en/of ander familielede. Indien u nie meer betrokke by die besigheid saam met u broer(s) en/of suster(s) is nie, maar **wel in die verlede** betrokke was, antwoord dan asseblief die vrae op so 'n wyse dat dit verwys na **die finale jaar** wat julle saam in die onderneming was.

Die eerste stel vrae bestaan uit 'n aantal stellings wat verband hou met broer en/of suster vennootskappe (spanne). Neem asseblief kennis dat enige verwysings na u familie-onderneming inderdaad na die

besigheid verwys wat u saam met u broer(s) en/of suster(s) bedryf of befryf het. Dui asseblief aan **tot watter mate u saamstem** met hierdie stellings deur 'n kruis (X) in die toepaslike kolom te maak. Daar is nie korrekte of verkeerde antwoorde nie. Dit is slegs u persepsies wat belangrik is.

Die doel van die volgende stel vrae is om basiese, demografiese inligting omtrent uself, u broer(s) en/of suster(s) span en u familie-onderneming te bekom.

Die voltooiing van die vraeboog behoort nie langer as twintig (20) minute te neem nie.

Stuur asseblief **so spoedig moontlik (voor 31 Maart 2008)** die voltooide vraeboog terug aan Me Shelley van Eeden:

**Per e-pos:** [Shelley.vaneeden@nmmu.ac.za](mailto:Shelley.vaneeden@nmmu.ac.za)

**Per Faks:** 041-5832644

**Per Pos:** In die geadresseerde en gefrankeerde koevert, aan:

Eenheid vir Toegepaste Ondernemingsbestuur  
 Departement Ondernemingsbestuur  
 Summerstrand Suid-kampus  
 Posbus 77000  
 Nelson Mandela Metropolitaanse Universiteit  
 PORT ELIZABETH, 6031

**Aanlyn:** As u verkies om die vraeboog elektronies aanlyn deur die Internet te voltooi, sal dit outomaties versend word wanneer u die versendsleutel druk. Onthou asseblief om die **Vraeboog ID** nommer in die toepaslike ruimte in te tik. Indien u reeds 'n vraeboog per pos ontvang het, maar verkies om dit elektronies te voltooi kan u die vraeboog ID nommer in die regter hoek, bo-aan bladsy een, van die vraeboog vind.

U sal outomaties toegang tot die elektroniese vraeboog verkry indien u op die volgende webtuiste ingaan: (Die elektroniese vraeboog is slegs in Engels beskikbaar).

<http://www.nmmu.ac.za/websurvey/q.asp?sid=111&k=gwuesnnbde>

**Alhoewel geen vertroulike inligting van u verlang word nie, sal ons nietemin u antwoorde met die grootste vertroulikheid hanteer.** Name van individue sal nie in die navorsingsverslag verskyn nie. Die verslag sal slegs versamelde data en statistiese opsommings bevat. Elke vraeboog het 'n ID nommer om ontvangs van die voltooide vraeboog te verifieer. ID nommers van fisiese vraeboë is reeds namens u op die dokument aangebring, maar u sal egter die ID nommer op die elektroniese vraeboog moet intik indien u sou verkies om dit elektronies te voltooi.

Indien u sou **belangstel** in die navorsingsbevindinge, kan 'n kopie daarvan aan u beskikbaar gemaak word. Maak dus seker dat u kontakbesonderhede in die toepaslike ruimte ingevul is.

Dankie weereens vir u bereidwilligheid om by te dra to die sukses van hierdie belangrike navorsingsprojek.

Die uwe




**SHELLEY VAN EEDEN (NAVORSER)  
 ALIDA PHIELIX (NAVORSINGSASSISTENT)**

**DR ELMARIE VENTER (MEDE-NAVORSER)**

### 1. Stellings wat betrekking op u broer en/of suster vennootskap (span) het

Dui asseblief aan die mate waartoe u met hierdie stellings saamstem deur 'n kruis (X) in die toepaslike kolom te plaas. Die kolomme is gegradeer van 1 tot 7. Een (1) beteken dat u glad nie met die stelling saamstem nie, en aan die ander end van die skaal dui sewe (7) daarop dat u ten volle met die stelling saamstem.

<b><u>Stellings wat betrekking op u broer en/of suster vennootskap (span) het</u></b>  (Indien u <u>nie meer saam met u broer(s) en/of suster(s) in die onderneming werksaam is nie</u> moet onderstaande stellings in die verlede tyd gelees en beantwoord word om u verbondenheid aan die besigheid in die finale jaar te reflekteer.)		<b>Mate waartoe saamstem</b>						
		Stem gladnie saam nie	Verskil grootliks	Verskil in 'n mate	Saan neutral	Stem in 'n mate saam	Stem grootliks saam	Stem ten volle saam
1.1	Ons familie-onderneming het die afgelope twee jaar 'n groei in die aantal werknemers getoon.	1	2	3	4	5	6	7
1.2	My broer(s) en/of suster(s) en ek het die nodige kwalifikasies wat ons in staat stel om 'n bydrae tot die effektiewe funksionering van ons onderneming te maak	1	2	3	4	5	6	7
1.3	In ons familie-onderneming neem die broer en/of suster leier(s) tydens besluitnemings die menings van ander in ag.	1	2	3	4	5	6	7
1.4	Ek en my broer(s) en/of suster(s) is almal bekwaam in die uitvoering van ons take in die familie-onderneming.	1	2	3	4	5	6	7
1.5	Ek en my broer(s) en/of suster(s) het ooreengekom oor elkeen se relatiewe eienaarsbelang in ons familie-onderneming.	1	2	3	4	5	6	7
1.6	Ons familielede waardeer mekaar.	1	2	3	4	5	6	7
1.7	Ons familiesaak het die afgelope twee jaar 'n groei in winste getoon.	1	2	3	4	5	6	7
1.8	Ons neem nie-familielede indiens om ons eie vaardighede in ons familie-onderneming aan te vul.	1	2	3	4	5	6	7
1.9	Ek en my broer(s) en/of suster(s) het oor die visie vir ons familie-onderneming ooreengekom.	1	2	3	4	5	6	7
1.10	In ons familie-onderneming vorm nie-familielede wat werksaam is in die onderneming deel van die bestuurspan.	1	2	3	4	5	6	7
1.11	In ons familie-onderneming is vergoeding aan broer(s) en/of suster(s) op meriete gegrond.	1	2	3	4	5	6	7
1.12	Daar heers harmonie onder die lede van ons familie.	1	2	3	4	5	6	7
1.13	Ek ervaar my betrokkenheid in die onderneming saam met my broer(s) en/of suster(s) as bevredigend.	1	2	3	4	5	6	7
1.14	Ons familie-onderneming het voldoende toegang tot die nodige toerusting (tegnologie) om effektief te funksioneer.	1	2	3	4	5	6	7
1.15	Die verhouding tussen my en my broer(s) en/of suster(s) is onderling ondersteunend.	1	2	3	4	5	6	7
1.16	Ek geniet dit om saam met my broer(s) en/of suster(s) in ons familie-onderneming te werk.	1	2	3	4	5	6	7
1.17	Ons familie-onderneming het 'n forum waar familie- en besigheids-aangeleenthede bespreek word.	1	2	3	4	5	6	7
1.18	Ons familie-onderneming geniet ondersteuning van die werknemers in die besigheid.	1	2	3	4	5	6	7
1.19	Daar bestaan 'n duidelike omskrewe werksafbakening tussen die broer(s) en/of suster(s) wat werksaam in die familie-onderneming is.	1	2	3	4	5	6	7
1.20	Ek en my broer(s) en/of suster(s) word deur ons ouers ondersteun en aangemoedig in die bestuur van ons familie-onderneming. (Die verlede tyd is van toepassing waar u ouers oorlede is).	1	2	3	4	5	6	7
1.21	Ek en my broer(s) en/of suster(s) vertrou mekaar.	1	2	3	4	5	6	7
1.22	Ons familie-onderneming het genoegsame toegang tot inligting wat nodig is om effektief te funksioneer.	1	2	3	4	5	6	7
1.23	In ons familie-onderneming het ons geskrewe planne (bv. boedel- en/of opvolgings- en/of ander sakeplanne) om ons optrede en besluite te rig.	1	2	3	4	5	6	7
1.24	Ek en my broer(s) en/of suster(s) is in staat om konflik tussen ons konstruktief te bestuur.	1	2	3	4	5	6	7
1.25	Daar bestaan geen oorvleueling van verantwoordelikhede tussen die broer(s) en/of suster(s) wat in die familie-onderneming werksaam is nie.	1	2	3	4	5	6	7

<b>Stellings wat betrekking op u broer en/of suster vennootskap (span) het</b>		<b>Mate waartoe saamstem</b>						
		Stem gladnie saam nie	Verskil grootliks	Verskil in 'n mate	Staan neutraal	Stem in 'n mate saam	Stem grootliks saam	Stem ten volle saam
1.26	Ek en my broer(s) en/of suster(s) kommunikeer openlik met mekaar.	1	2	3	4	5	6	7
1.27	In die lig van die vergoeding wat hulle ontvang, doen elke broer en/of suster, sy of haar regmatige deel van die werk in ons familie-onderneming.	1	2	3	4	5	6	7
1.28	Ek en my broer(s) en/of suster(s) het oor die doelwitte vir ons onderneming ooreengekom.	1	2	3	4	5	6	7
1.29	Ek en my broer(s) en/of suster(s) het ooreengekom met betrekking tot elkeen se gesagsposisie en verantwoordelikhede in ons familie-onderneming.	1	2	3	4	5	6	7
1.30	Ek en my broer(s) en/of suster(s) lig ons menings ten opsigte van daaglikse ondernemingsbesluite vryelik onder mekaar.	1	2	3	4	5	6	7
1.31	Broer en/of suster leier(s) in ons familie-onderneming het 'n visie vir ons onderneming.	1	2	3	4	5	6	7
1.32	Ek het 'n goeie begrip oor hoe my broer(s) en/of suster(s) besluit neem.	1	2	3	4	5	6	7
1.33	Die broer en/of suster leier(s) in ons familie-onderneming beskik oor die vermoë om die onderneming effektief te lei.	1	2	3	4	5	6	7
1.34	Elke broer en/of suster in ons familie-onderneming word regverdig vergoed vir die werk wat hy of sy verrig.	1	2	3	4	5	6	7
1.35	Ek beskou ons familie-onderneming as finansiële suksesvol.	1	2	3	4	5	6	7
1.36	Die broer en/of suster leier(s) in ons familie-onderneming is altyd bedagsaam teenoor ander wat in die onderneming werksaam is.	1	2	3	4	5	6	7
1.37	Verkillende beskouings en opvattinge word tussen my en my broer(s) en/of suster(s) aangemoedig.	1	2	3	4	5	6	7
1.38	Ek en my broer(s) en/of suster(s) deel inligting met mekaar.	1	2	3	4	5	6	7
1.39	Die fisiese werksomstandighede in ons familie-onderneming is bevorderlik vir die effektiewe werking van ons onderneming.	1	2	3	4	5	6	7
1.40	Die verhoudinge onder lede in ons familie kan as positief beskryf word.	1	2	3	4	5	6	7
1.41	Ons familielede is besorg oor mekaar se welsyn.	1	2	3	4	5	6	7
1.42	Waar nodig, put ons uit die kundigheid van nie-familielede om ons by te staan met sake-aangeleenthede.	1	2	3	4	5	6	7
1.43	Ek en my broer(s) en/of suster(s) beskik almal oor die vermoë om effektief te kommunikeer.	1	2	3	4	5	6	7
1.44	Ek en my broer(s) en/of suster(s) moedig mekaar aan om ons beste te lewer.	1	2	3	4	5	6	7
1.45	Ons familielede is emosioneel na-aan mekaar.	1	2	3	4	5	6	7
1.46	Ek en my broer(s) en/of suster(s) beskik oor aanvullende vaardighede.	1	2	3	4	5	6	7
1.47	Tydens ons kindertyd het ons ouers my en my broer(s) en/of suster(s) aangemoedig om ons gevoelens te deel.	1	2	3	4	5	6	7
1.48	In ons familie-onderneming aanvaar elke broer en/of suster spanlid sy of haar regmatige deel van verantwoordelikhede.	1	2	3	4	5	6	7
1.49	Ek kan my ambisies deur my betrokkenheid in ons familie-onderneming vervul.	1	2	3	4	5	6	7
1.50	Daar is 'n duidelike afbakening van gesag en verantwoordelikhede tussen my en my broer(s) en/of suster(s) in ons familie-onderneming.	1	2	3	4	5	6	7
1.51	In ons familie-onderneming het ons 'n staande reëling oor hoe om bepaalde geskildpunte wat mag opduik aan te spreek.	1	2	3	4	5	6	7
1.52	Ek ervaar my betrokkenheid in die besigheid saam met my broer(s) en/of suster(s) as vervullend.	1	2	3	4	5	6	7
1.53	Die broer en/of suster leier(s) in ons familie-onderneming verseker dat strategiese beplanning plaasvind.	1	2	3	4	5	6	7



<b>Stellings wat betrekking op u broer en/of suster vennootskap (span) het</b> (Indien u <b>nie meer saam met u broer(s) en/of suster(s) in die onderneming werksaam is nie</b> moet onderstaande stellings in die verlede tyd gelees en beantwoord word om u verbondenheid aan die besigheid in die finale jaar te reflekteer.)		Mate waartoe saamstem						
		Stem gladnie saam nie	Verskil grootliks	Verskil in 'n mate	Staan neutral	Stem in 'n mate saam	Stem grootliks saam	Stem ten volle saam
1.54	Ons familie-onderneming het die afgelope twee jaar 'n groei in omset getoon.	1	2	3	4	5	6	7
1.55	Ek kan my eie doelwitte deur my betrokkenheid in ons familie-onderneming verwesentlik.	1	2	3	4	5	6	7
1.56	Tydens ons kinderdae het ons ouers ons geleer hoe om konflik te hanteer.	1	2	3	4	5	6	7
1.57	Ek en my broer(s) en/of suster(s) vertrou mekaar se vermoëns om ons familie-onderneming te bestuur.	1	2	3	4	5	6	7
1.58	Die broer en/of suster leier(s) in ons familie-onderneming is baie kundig met betrekking tot die werkinge van ons onderneming.	1	2	3	4	5	6	7
1.59	Ek is tevrede met die funksionering van die werksbedeling tussen my en my broer(s) en/of suster(s).	1	2	3	4	5	6	7
1.60	Ek en my broer(s) en/of suster(s) dra 'n uiteenlopende verskeidenheid van kennis, vaardighede, beskouings en ervaring tot ons familie-onderneming by.	1	2	3	4	5	6	7
1.61	Ek en my broer(s) en/of suster(s) beskik oor gepaste sake-ervaring wat ons in staat stel om tot die funksionering van ons familie-onderneming by te dra.	1	2	3	4	5	6	7
1.62	Ons familie-onderneming beskik oor 'n formele dokument waarin die verhoudinge tussen die familie en die onderneming duidelik omskryf word.	1	2	3	4	5	6	7
1.63	Ek geniet dieselfde aansien as my broer(s) en/of suster(s) in ons familie-onderneming.	1	2	3	4	5	6	7
1.64	Tydens ons kinderdae het ons ouers ons geleer hoe om met ander saam te werk.	1	2	3	4	5	6	7
1.65	Ek is uit eie keuse betrokke by/in ons familie-onderneming.	1	2	3	4	5	6	7
1.66	In ons familie-onderneming betrek ons nie-familieede om ons in die bestuur van die onderneming by te staan.	1	2	3	4	5	6	7
1.67	Ons familie-onderneming het werknemers met die nodige vaardighede.	1	2	3	4	5	6	7
1.68	Ek en my broer(s) en/of suster(s) respekteer mekaar.	1	2	3	4	5	6	7
1.69	Ons familie-onderneming is winsgewend.	1	2	3	4	5	6	7
1.70	Ek beskou die werksreëling tussen my en my broer(s) en/of suster(s) as billik.	1	2	3	4	5	6	7
1.71	Die broer en/of suster leier(s) in ons familie-onderneming bevorder lojaliteit onder diegene wat in die onderneming werksaam is.	1	2	3	4	5	6	7
1.72	Ek verkies dit om eerder met my broer(s) en/of suster(s) saam te werk as om met hulle mee te ding.	1	2	3	4	5	6	7
1.73	Ek en my broer(s) en/of suster(s) erken mekaar se prestasies in die konteks van die onderneming.	1	2	3	4	5	6	7
1.74	In ons familie-onderneming het ons beleidsreëls wat ons handeling en besluite rig.	1	2	3	4	5	6	7
1.75	Ek het 'n goeie begrip van die behoeftes en voorkeure van my broer(s) en/of suster(s).	1	2	3	4	5	6	7
1.76	In ons familie-onderneming betrek ons nie-familieede by die neem van belangrike strategiese besluite oor ons onderneming.	1	2	3	4	5	6	7
1.77	Die finansiële stand van ons familie-onderneming is kerngesond.	1	2	3	4	5	6	7
1.78	In ons familie-onderneming hou ons gereeld geskeduleerde vergaderings met familieede wat betrokke is by die onderneming.	1	2	3	4	5	6	7
1.79	Ek en my broer(s) en/of suster(s) het ooreengekom met betrekking tot die toekomsrigting van ons familie-onderneming.	1	2	3	4	5	6	7
1.80	Tydens ons kindertyd het ons ouers ons geleer om mekaar regverdig te behandel.	1	2	3	4	5	6	7
1.81	Ons familie-onderneming het 'n formele raad van direkteure (adviesraad).	1	2	3	4	5	6	7

<b>Stellings wat betrekking op u broer en/of suster vennootskap (span) het</b>  (Indien u <b>nie meer saam met u broer(s) en/of suster(s) in die onderneming werksaam is nie</b> moet onderstaande stellings in die verlede tyd gelees en beantwoord word om u verbondenheid aan die besigheid in die finale jaar te reflekteer.)		<b>Mate waartoe saamstem</b>						
		Stem gladnie saam nie	Verskil grootliks	Verskil in 'n mate	Staan neutral	Stem in 'n mate saam	Stem grootliks saam	Stem ten volle saam
1.82	Ek en my broer(s) en/of suster(s) bring uiteenlopende sterkpunte (vermoëns) na ons familie-onderneming.	1	2	3	4	5	6	7
1.83	Ek vertrou my broer(s) en/of suster(s) se oordeel in sakebesluite.	1	2	3	4	5	6	7
1.84	Ek het vertroue in die integriteit van my broer(s) en/of suster(s) wat met my saamwerk in ons familie-onderneming.	1	2	3	4	5	6	7
1.85	Ek is tevrede met die wyse waarop ek en my broer(s) en/of suster(s) saamwerk.	1	2	3	4	5	6	7
1.86	Ons familielede ondersteun mekaar.	1	2	3	4	5	6	7
1.87	Die broer en/of suster leier(s) in ons familie-onderneming moedig ander wat in die onderneming betrokke is, aan om hul standpunte te lug.	1	2	3	4	5	6	7
1.88	Ons familie-onderneming het voldoende toegang tot hulpbronne wat benodig word om effektief te funksioneer.	1	2	3	4	5	6	7
1.89	In ons familie-onderneming bespreek ek en my broer(s) en/of suster(s) alle geskilpunte wat tussen ons mag opduik .	1	2	3	4	5	6	7
1.90	Ek en my broer(s) en/of suster(s) het ooreengekom oor die rolle of posisies wat elkeen in die familie-onderneming beklee.	1	2	3	4	5	6	7
1.91	In ons familie-onderneming nader ons soms nie-familielede vir advies oor sake-aangeleenthede.	1	2	3	4	5	6	7
1.92	Ons ouers <b>RAAK NIE</b> (of het nie, ingeval oorlede) betrokke (geraak) by geskille wat tussen my en my broer(s) en/of suster(s) sou opduik nie.	1	2	3	4	5	6	7
1.93	Ons ouers <b>IS NIE</b> (of was nie, indien oorlede) finansiëel van die besigheid afhanklik nie.	1	2	3	4	5	6	7
1.94	Ons ouers <b>MENG NIE</b> (het nie ingemeng nie, indien oorlede) in by die ondernemingsbesluite wat ek en my broer(s) en/of suster(s) maak nie.	1	2	3	4	5	6	7

## 2. Stellings wat betrekking het op Gades en Nie-aktiewe broers en/of susters (broers en/of susters wat nie in the familie-onderneming werksaam is nie)

Die stellings hieronder het betrekking op die betrokkenheid van gades (lewensvennote) en nie-aktiewe broer(s) en/of susters in u familie-onderneming. Indien beide u of u broer(s) en/of suster(s) ongetroud is, is die vrae wat verwys na u gade (lewensvennoot) nie van toepassing nie en u kan dit ignoreer. Nietemin, selfs al is daar slegs een agterblywende gade (lewensvennoot), moet u nogtans die vrae beantwoord. Eensgelyks, indien daar geen nie-aktiewe broer(s) en/of susters in u familie-onderneming bestaan nie, kan daardie betrokke stellings bloot geignoreer word. Waar van toepassing, dui asseblief die mate waartoe u saamstem met die stellings aan, deur 'n kruis (X) te maak in die toepaslike kolom.

<b>Stellings wat betrekking het op Gades en Nie-aktiewe broer(s) en/of suster(s)</b> (Indien u <b>nie meer saam met u broer(s) en/of suster(s) in die onderneming werksaam is nie</b> moet onderstaande stellings in die verlede tyd gelees en beantwoord word om u verbondenheid aan die besigheid in die finale jaar te reflekteer.)		<b>Mate waartoe saamstem</b>						
2.1	In ons familie-onderneming meng gades (lewensvennote) van broer(s) en/of suster(s) betrokke by die onderneming <b>NIE</b> by ondernemingsbesluite in nie.	1	2	3	4	5	6	7
2.2	In ons familie-onderneming raak gades (lewensvennote) van broer(s) en/of suster(s) betrokke by die onderneming <b>NIE</b> by geskille tussen hulle betrokke nie.	1	2	3	4	5	6	7
2.3	In ons familie-onderneming is daar aanmoediging en ondersteuning deur gades vir hulle mans/vrouens (lewensvennote) wat in die onderneming werksaam is.	1	2	3	4	5	6	7
2.4	Broer(s) en/of suster(s) wat nie aktief in die daaglikse werksaamhede van ons familie-onderneming betrokke is nie, meng <b>NIE</b> by ondernemingsbesluite in nie.	1	2	3	4	5	6	7
2.5	Broer(s) en/of suster(s) wat nie aktief in die daaglikse werksaamhede van ons familie-onderneming betrokke is nie, raak <b>NIE</b> betrokke by geskille tussen die wat wel in die onderneming werksaam is nie.	1	2	3	4	5	6	7
2.6	Broer(s) en/of suster(s) wat nie aktief in die daaglikse werksaamhede van ons familie-onderneming betrokke is nie, bied ondersteuning en aanmoediging aan daardie broer(s) en/of suster(s) wat wel in die onderneming werksaam is.	1	2	3	4	5	6	7

### 3. Demografiese Inligting

Die vrae wat volg maak voorsiening vir demografiese inligting omtrent uself, u broer(s) en/of suster(s) span lede en u familie-onderneming. Indien u nie meer saam met u broer(s) en/of suster(s) sake doen nie, antwoord dan alle vrae wat na u familie-onderneming verwys soos dit was in u finale jaar van betrokkenheid by die besigheid. Dui asseblief u antwoord in die toepaslike genommerde ruimte met 'n kruis (X) aan. 'n Broer en/of suster vennootskap (Sibling Partnership) is 'n familie-onderneming waar daar ten minste twee broer(s) en/of suster(s) **met familiebande, aktief** by die bestuur en/of besluitneming van die besigheid betrokke is ('n broer en/of suster kan egter ook 'n nie-aktiewe vennoot wees), en wat aansienlik **invloed oor die besluitneming** in die besigheid uitoefen. Volgens hierdie omskrywing word 'n eienaarsaandeel deur die broer(s) en/of suster(s) nie as 'n vereiste gestel om as 'n broer en/of suster vennoot te kwalifiseer nie.

3.1 Met inagneming van bostaande omskrywing (kies slegs een opsie):

Ek is tans deel van 'n broer en/of suster vennootskap.	1
Ek was voorheen deel van 'n broer en/of suster vennootskap.	2
Ons onderneming is nie 'n broer en/of suster vennootskap nie.	3

3.2 Dui asseblief u **geslag** aan:

Manlik	1
Vroulik	2

3.3 Dui asseblief die **geslagsamestelling** van u broer en/of suster span (vennootskap) aan:

Slegs manlik	1
Slegs vroulik	2
Beide manlik en vroulik	3

3.4 Dui asseblief die **etniese agtergrond** van u familie aan:

Wit	1
Swart	2
Asiër	3
Kleurling	4
Ander	5

3.5 Dui asseblief aan **hoeveel** broers en/of susters is (was in die finale jaar) betrokke in u familie-onderneming: \_\_\_\_\_

3.6 Wat is u **ouderdom tans**? Ek is \_\_\_\_\_ jaar oud.

3.7 Dui asseblief die **ouderdomsverskil** tussen die oudste en die jongste broer en/of suster wat by die familie-onderneming betrokke is, aan: (bv. oudste is 45 jaar oud en die jongste is 30 = **ouderdomsverskil** is 15 jaar): \_\_\_\_ jaar.

3.8 Van die broers en/of susters betrokke in die familie-onderneming, dui u posisie in die **geboorte-rangorde** aan:

Oudste kind (eersgeborene)	1
Middelste kind (tweede, derde ens.)	2
Jongste kind (laaste)	3

3.9 Dui asseblief aan **hoe lank** u reeds in **hierdie** onderneming met u broer(s) en/of suster(s) betrokke is (was): \_\_\_\_ jaar.

3.10 Dui asseblief aan **hoe lank** die besigheid reeds selfstandig bestaan (bestaan het): \_\_\_\_\_ jaar.

3.11 Dui asseblief aan watter stelling **u betrokkenheid** in die familie-onderneming saam met u broer(s) en/of suster(s) die beste beskryf (of soos dit was in die finale jaar van julle betrokkenheid by die onderneming). (Kies slegs een opsie):

Ek is <b>aktief in diens</b> van die onderneming (Ek ontvang 'n salaris van die besigheid).	1
Ek is <b>nie aktief in diens</b> van die onderneming nie, maar ek <b>neem aktief deel</b> in besluitneming.	2
Ek is <b>nie aktief in diens</b> van die onderneming nie en ek <b>deel ook nie aktief</b> in die besluitneming nie.	3

- 3.12 Dui asseblief aan watter stelling die **leierskapsituasie** tussen u en u broer(s) en/of suster(s) in die familie-onderneming die beste beskryf (of soos dit was in die finale jaar van julle betrokkenheid by die onderneming). (Kies slegs een opsie):

Die <b>oudste</b> broer/suster neem die leiding onder ons in ons familie-onderneming.	1
Die broer/suster met die <b>sterkste persoonlikheid</b> neem die leiding onder ons in ons familie-onderneming.	2
Die broer/suster met die <b>meeste leierskapsvaardighede</b> neem die leiding onder ons in ons familie-onderneming.	3
Die broer/suster wat oor die <b>meeste kennis</b> beskik neem die leiding onder ons in ons familie-onderneming.	4
Die broer/suster wat die <b>langste</b> in ons onderneming betrokke is neem die leiding onder ons.	5
Leierskap is op 'n <b>gelyke basis</b> verdeel onder die broer(s) en/of suster(s) in ons familie-onderneming.	6

- 3.13 Dui asseblief die **aantal voltydse werknemers** aan wat in diens is (was in die finale jaar van u betrokkenheid) by u familie-onderneming (jou broer(s) en/of suster(s), jouself en ander familieleden ingesluit): \_\_\_\_\_ werknemers.

- 3.14 Dui asseblief aan wat is (was) die **spesifieke aktiwiteite** van u familie-onderneming (bv. Boukontraakteurs, kruideniershandelaar, haarkapper, vrugtebroer, restauranteur): \_\_\_\_\_

#### 4. Inligting met betrekking tot eienaarsbelang

- 4 Dui asseblief aan wat is (was) die persentasie verdeling van **eienaarsbelang** in u familie-onderneming.

	Persoon	% aandeel
4.1	Vader	
4.2	Moeder	
4.3	Broer(s) en/of suster(s) (gekombineerd)	
4.4	Ander familieleden (gekombineerd): neefs/niggies, ooms, gades ens.	
4.5	Nie-familieleden (gekombineerd)	
	<b>Totaal (die som van die persentasies moet 100% wees)</b>	<b>100%</b>

- 4.6 Dui asseblief aan watter stelling u en u broer(s) en/of suster(s) se **eienaarsbelang** in die familie-onderneming die beste beskryf (of soos dit was in die finale jaar van u betrokkenheid by die onderneming). Kies slegs een opsie:

Ek en my broer(s) en/of suster(s) het elk 'n <b>gelyke</b> aandeel in ons familie-onderneming.	1
Ek en my broer(s) en/of suster(s) het elk 'n aandeel in ons familie-onderneming, maar ons het <b>nie 'n gelyke</b> aandeel nie.	2
Ek en my broer(s) en/of suster(s) <b>het nie</b> 'n aandeel in ons familie-onderneming nie (ons ouer(s) besit die besigheid).	3
Sommige (of slegs een) broer(s) en/of suster(s) het 'n aandeel in ons familie-onderneming, terwyl <b>ander nie het nie</b> .	4
Ander	5

#### 5. Kommentaar en/of Voorstelle

- 5.1 Lewer asseblief **enige kommentaar of voorstelle** met betrekking tot broer(s) en/of suster(s) wat saam in familie-ondernemings is wat kan bydra om hul kanses op sukses te verbeter. \_\_\_\_\_

#### 6. Ander broer(s) en/of suster(s) wat saam in besigheid is

- 6 Indien u weet van **enige ander** broer(s) en/of suster(s) wat saam in 'n onderneming is (was in die verlede) wat ons moontlik in ons navorsing kan help, sal dit waardeer word indien u aan ons hul kontakbesonderhede kan verskaf.

6.1 Naam en Van: \_\_\_\_\_

6.2 Telefoonnummer: \_\_\_\_\_ 6.3 E-posadres: \_\_\_\_\_

#### 7. Navorsingsbevindings

- 7 Indien u sou belangstel in die finale **navorsingsbevindings**, verskaf dan asseblief u besonderhede hieronder.

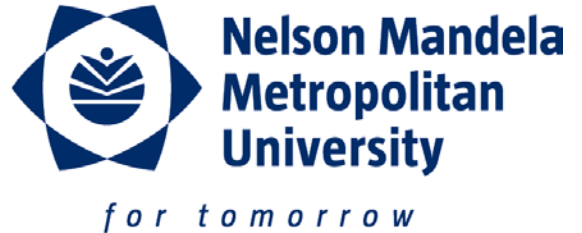
7.1 Naam en Van: \_\_\_\_\_

7.2 Telefoonnummer: \_\_\_\_\_ 7.3 E-posadres: \_\_\_\_\_

7.4 Posadres: \_\_\_\_\_

**DANKIE VIR U TYD EN SAMEWERKING.**

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Maart 2008

Geagte respondent

### NAVORSINGSPROJEK: BROER EN/OF SUSTER VENNOOTSKAPPE IN FAMILIE-ONDERNEMINGS

Na aanleiding van ons gesprek (met u of u broer/suster), vind asseblief hierby aangeheg 'n vraeboog om te voltooi, soos aorgesprek. Baie dankie vir u bereidwilligheid om deel te neem aan hierdie navorsingsprojek.

Elke vraeboog het 'n ID nommer om ontvangs van die voltooide vraeboog te verifieer. Onthou asseblief om u **Vraeboog ID** nommer in die toepaslike ruimte in die regter hoek, bo-aan bladsy een van die vraeboog, in te tik/skryf.

#### U vraeboog ID nommers is as volg:

Hierdie navorsing oor broer en/of suster vennootskappe in familie-ondernemings word tans (2008) deur die Eenheid vir Toegepaste Ondernemingsbestuur (UABM) uitgevoer. Die UABM is 'n navorsingseenheid wat onder beskerming staan van die Departement van Ondernemingsbestuur aan die Nelson Mandela Metropolitaanse Universiteit (NMMU) te Port Elizabeth.

Vir die doel van hierdie navorsingsprojek beteken 'n broer en/of suster vennootskap (Sibling Partnership) 'n familie-onderneming waar daar ten minste twee broer(s) en/of suster(s) **met familiebande, aktief** by die bestuur en/of besluitneming van die besigheid betrokke is ('n broer en/of suster kan egter ook 'n nie-aktiewe vennoot wees), en wat gesamentlik aansienlik 'n **invloed oor die besluitneming** in die besigheid uitoefen. Volgens hierdie omskrywing word 'n eienaarsaandeel deur die broer(s) en/of suster(s) nie as 'n vereiste gestel om as 'n broer en/of suster vennoot te kwalifiseer nie. Die onderneming moet nie meer as 200 werknemers in diens hê nie.

Familie-ondernemings word toenemend deur ouers, wat wil toesien dat hul kinders as 'n span saamwerk, aan hul kinders oorgedra. Ondernemings wat deur 'n broer(s) en/of suster(s) tot stand gebring word, kom ook toenemend voor. Die kans vir oorlewing van vele familie-ondernemings is egter gering. Die kans is nog geringer wanneer broer(s) en/of suster(s) saamwerk en/of mede-eienaars in 'n besigheid is. Eienaarskap- of bestuursooreenkomste tussen broer(s) en/of suster(s) is nog nie 'n bewese benadering tot familie-ondernemingsleierskap nie. Daar is ook 'n gebrek aan kennis met betrekking tot die voorwaardes vir die oprigting en instandhouding van broer(s) en/of suster(s) vennootskappe (spanne) in die praktyk.

Na gelang die voorkoms van broer en/of suster vennootskappe (spanne) onder familie-ondernemings toeneem, word dit gebiedend noodsaaklik om groter begrip te verkry van die vereiste voorwaardes vir die oprigting en instandhouding van sulke vennootskappe, en om bestuursbenaderings en strategieë voor te stel wat sal kan bydra tot die harmonieuse en suksesvolle bestuur van hulle familie-onderneming. Dié studie poog om hierdie doelstellings te verwesenlik. Wees asseblief so goed en voltooi die vraeboog hierby aangeheg afsonderlik en sonder konsultering met enige van u broer(s) en/of suster(s) (spanlede) en/of ander familielede. Indien u nie meer betrokke by die besigheid saam met u broer(s) en/of suster(s)

is nie, maar **wel in die verlede** betrokke was, antwoord dan asseblief die vrae op so 'n wyse dat dit verwys na **die finale jaar** wat julle saam in die onderneming was.

Die eerste stel vrae bestaan uit 'n aantal stellings wat verband hou met broer en/of suster vennootskappe (spanne). Neem asseblief kennis dat enige verwysings na u familie-onderneming inderdaad na die besigheid verwys wat u saam met u broer(s) en/of suster(s) bedryf of befryf het. Dui asseblief aan **tot watter mate u saamstem** met hierdie stellings deur 'n kruis (X) in die toepaslike kolom te maak. Daar is nie korrekte of verkeerde antwoorde nie. Dit is slegs u persepsies wat belangrik is.

Die doel van die volgende stel vrae is om basiese, demografiese inligting omtrent uself, u broer(s) en/of suster(s) span en u familie-onderneming te bekom.

Die voltooiing van die vraeboek behoort nie langer as twintig (20) minute te neem nie.

Stuur asseblief **so spoedig moontlik (voor 31 Maart 2008)** die voltooide vraeboek terug aan Me Shelley van Eeden:

**Per e-pos:** [Shelley.vaneeden@nmmu.ac.za](mailto:Shelley.vaneeden@nmmu.ac.za)

**Per Faks:** 041-5832644

**Per Pos:** Eenheid vir Toegepaste Ondernemingsbestuur  
Departement Ondernemingsbestuur  
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Posbus 77000  
Nelson Mandela Metropolitaanse Universiteit  
PORT ELIZABETH, 6031

**Aanlyn:** As u verkies om die vraeboek elektronies aanlyn deur die Internet te voltooi, sal dit outomaties versend word wanneer u die versendsleutel druk. U sal outomaties toegang tot die elektroniese vraeboek verkry indien u op die volgende webtuiste ingaan: (Die elektroniese vraeboek is slegs in Engels beskikbaar).

<http://www.nmmu.ac.za/websurvey/q.asp?sid=111&k=gwuesnbnbde>

**Alhoewel geen vertroulike inligting van u verlang word nie, sal ons nietemin u antwoorde met die grootste vertroulikheid hanteer.** Name van individue sal nie in die navorsingsverslag verskyn nie. Die verslag sal slegs versamelde data en statistiese opsommings bevat. Elke vraeboek het 'n ID nommer om ontvangs van die voltooide vraeboek te verifieer. ID nommers van fisiese vraeboë is reeds namens u op die dokument aangebring, maar u sal egter die ID nommer op die elektroniese vraeboek moet intik indien u sou verkies om dit elektronies te voltooi.

**U vraeboek ID nommers is as volg:**

Indien u sou **belangstel** in die navorsingsbevindinge, kan 'n kopie daarvan aan u beskikbaar gemaak word. Maak dus seker dat u kontakbesonderhede in die toepaslike ruimte ingevul is.

Dankie weereens vir u bereidwilligheid om by te dra to die sukses van hierdie belangrike navorsingsprojek.

Die uwe



**SHELLEY VAN EEDEN (NAVORSER)**



**DR ELMARIE VENTER (MEDE-NAVORSER)**

**ALIDA PHELIX (NAVORSINGSASSISTENT)**

## ANNEXURE B: RESPONDENT DEMOGRAPHICS

Section 3 of the questionnaire included various questions regarding the demographic information of the individual respondent, the sibling team and the family business. Comprehensive details can be found in the tables and figures below.

**Table B.1: Individual demographics**

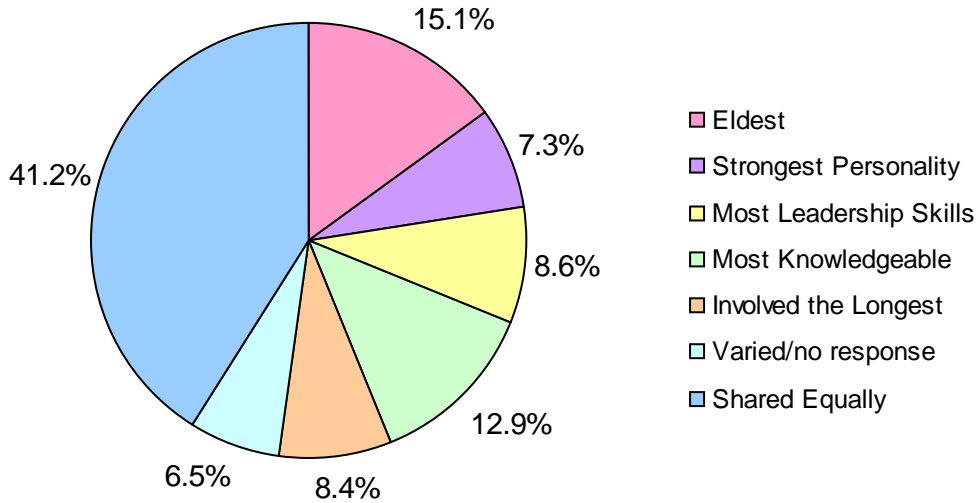
DEMOGRAPHICS		Frequency	Percentage	Cumulative
Gender	<i>Male</i>	299	80.6	80.6
	<i>Female</i>	72	19.4	100.0
Birth Order	<i>Oldest</i>	136	36.7	36.7
	<i>Middle</i>	123	33.2	69.8
	<i>Youngest</i>	112	30.2	100.0
Involvement	<i>Actively employed</i>	342	93.2	92.2
	<i>Not actively employed but active in decision-making</i>	19	5.1	97.3
	<i>Not actively employed nor active in decision-making</i>	10	2.7	100.0
Race	<i>White</i>	354	95.4	95.4
	<i>Non-white</i>	17	4.6	100.0
Age	<i>&lt; 25</i>	19	5.2	5.2
	<i>26 - 35</i>	120	32.3	37.5
	<i>36 - 45</i>	130	35	72.5
	<i>46 -55</i>	70	19	91.5
	<i>&gt; 55</i>	32	8.6	100.0
		<b>Mean</b>	<b>Median</b>	<b>Mode</b>
<b>Age</b>		40.18	38.00	35

Table B.2: Sibling team demographics

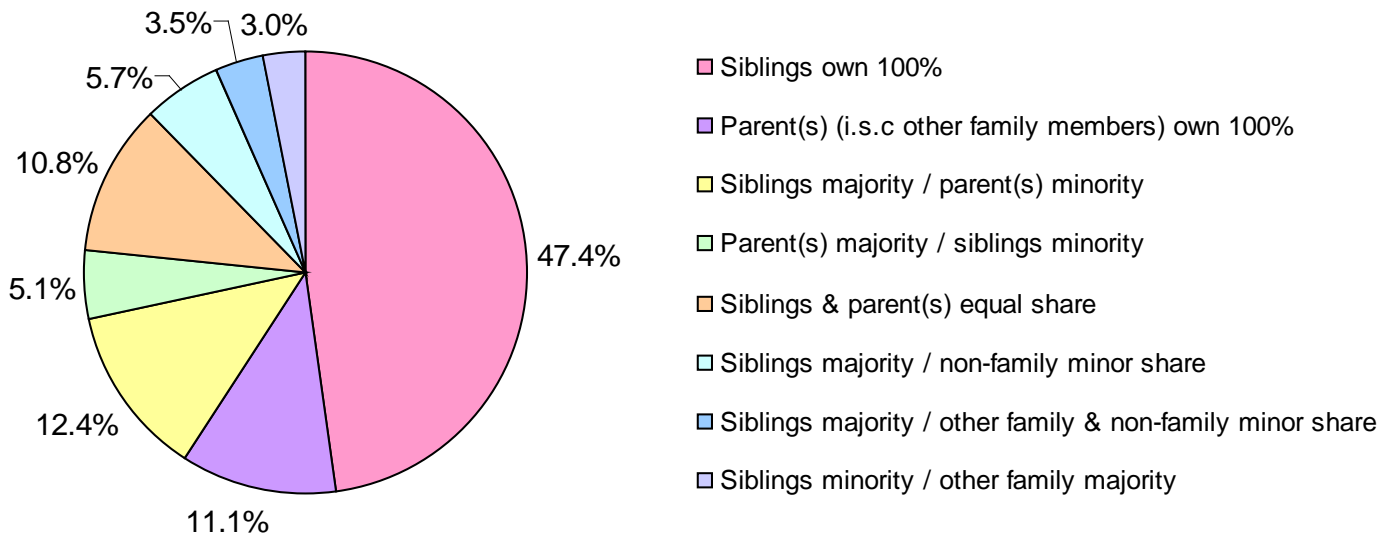
DEMOGRAPHICS		Frequency	Percentage	Cumulative
Gender Make-up	<i>All male</i>	238	64.2	64.2
	<i>All female</i>	25	6.7	70.9
	<i>Both male and female</i>	108	29.1	100.0
Origin of Sibling Partnership	<i>Years business existed prior to siblings involved &gt; 10; parents have share</i>	111	29.9	29.9
	<i>Years business existed prior to siblings involved &gt; 10; parents no share</i>	89	24.0	53.9
	<i>Years business existed prior to siblings involved &lt; 10; parents have share</i>	35	9.4	63.3
	<i>Years business existed prior to siblings involved &lt; 10; parents no share</i>	45	12.1	75.5
	<i>Siblings involved from start; parents have share</i>	14	3.8	79.2
	<i>Siblings involved from start; parents no share</i>	77	20.8	100.0
Status of Sibling Partnership	<i>Currently operational</i>	336	90.6	90.6
	<i>No longer operational</i>	35	9.4	100
Years Siblings in Business together	< 5	108	29	29
	6 - 10	103	27.8	56.8
	11 -15	78	21	77.8
	16 - 20	30	7.9	85.7
	>21	52	14	100
DEMOGRAPHICS		Mean	Median	Mode
Years Siblings in Business		11.44	10.00	10
Number of Siblings		2.48	2.00	2
Age Difference		5.66	5.00	4



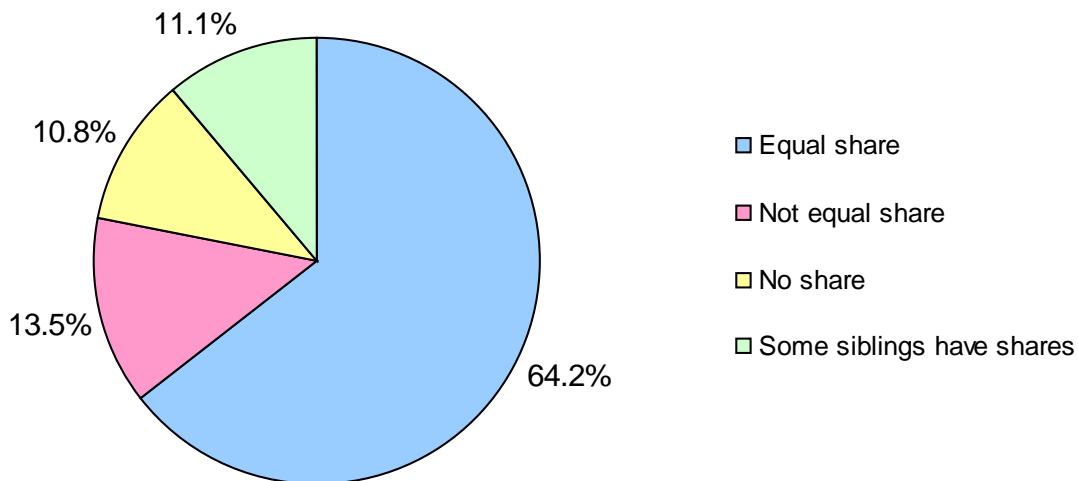
**Figure B.1: Nature of leadership in Sibling partnership**



**Figure B.2: Nature of ownership of the family business**



**Figure B3: Nature of sibling's ownership share**



**Table B.3: Family business demographics**

DEMOGRAPHICS		Frequency	Percentage	Cumulative
Number of Employees	< 10	97	26.1	26.1
	11 - 20	69	18.7	44.8
	21 - 30	48	13	57.8
	31 - 40	30	8.1	65.9
	51 - 50	27	7.3	73.2
	51 - 100	52	13.9	87.1
	101 - 200	48	13.2	100
Age of the business	< 5	40	10.8	10.8
	6 - 10	49	13.2	24
	11 - 15	37	10	34
	16 - 20	29	7.8	41.8
	21 - 30	54	14.7	56.5
	31 - 40	56	15.2	71.7
	41 - 50	31	8.4	80.1
	50 - 100	55	15	95.1
	> 100	20	5.6	100
DEMOGRAPHICS		Mean	Median	Mode
Number of Employees		45.94	25.00	30
Age of Business		36.24	29.00	10

**Figure B.4: Nature of operations**

