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## Article

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# An assessment of selected family business values in small and medium-sized family businesses

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This study highlights the influence of selected business family values on the success of small and medium-sized family businesses. Success, for the purpose of this study, is measured using two variables, namely *Harmonious family relationships* and *Perceived future continuity*. The primary objective of this study is twofold: firstly, to identify the potential influence of selected business family values on the success of family businesses and secondly, to make practical recommendations on actions that families in business can take to ensure harmonious family relationships and the future continuity of their family businesses. The target population of this study was small and medium-sized family businesses in South Africa, and a total of 931 individual questionnaires were returned from 173 family businesses. The data collected was subjected to various statistical analyses, including exploratory factor analysis, calculating Cronbach alpha coefficients, and multiple linear regression analysis. The findings of this study show that the more family members perceive fair treatment in the family business, the more harmonious family relationships and perceptions of business continuity will be. In addition, the perceived level of trust, commitment and effective communication has a positive influence on family harmony and business continuity. This study has added to the empirical body of family business research, and provides an important first step in gaining insights into selected family business values that influence the effective functioning of family businesses.

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## Introduction and problem statement

Family businesses are unique in the sense that a single family has a significant influence on the business (Hall & Nordqvist, 2008: 51). Various authors highlight that the greatest threat to the growth, success and survival of a family business is related to family relationships (Goldberg, 1996; Venter, 2003; Ward, 1997; Ward, 2004). It is from conflict-laden family relationships that many family business issues emanate (Molly, Laveren & Deloof, 2010), and managing both family and business seems to be a constant challenge (Schuman, Stutz & Ward, 2010: 2).

Running the family business is often more about managing family relationships than managing any other aspect of the business (Ward, 2004; Zbar, 2004). Interpersonal dynamics among family business members have been identified as a critical factor in the low number of successful multi-generational transfers among such businesses (Friedman, 1991; Kepner, 1991; Rodriguez, Hildreth & Mancuso, 1999: 454). The value of family interactions will determine the success of family enterprises as well as the success of the contingency process (Lansberg, 1999: 151). The family

should be clear about the positive link between the longevity of the business and the well-being of the family (Ibrahim, McGuire & Soufani, 2009: 2-4; Venter & Boshoff, 2006: 29).

Relationships are built on values such as fairness, trust, respect, honesty, integrity, commitment, openness, peace and harmony among family members. Consequently, this study highlights the influence of selected family business values on the success of small and medium-sized family businesses. Success, for the purpose of this study, is measured using two variables, namely *Harmonious family relationships* and *Perceived future continuity*. This article focuses on the following selected family business values: *Fairness* as perceived by the family members, *Mutual trust and respect* among family members, *Effective communication* among family members, *Commitment* by family members to ensure the future continuity of the family business, and *Conflict management* among family members.

Small and medium-sized family businesses in South Africa will be the focus of this study for two reasons: firstly, the increasingly important role of the small business sector in

creating jobs and distributing wealth, and secondly, the fact that most family businesses are found in this sector. The South African National Small Business Act (South Africa, 1996) and National Small Business Amendment Act (South Africa, 2004: 2) classify micro-, very small, small and medium-sized businesses as businesses that employ less than 200 full-time equivalent of paid employees. For the purpose of this study a small and medium-sized 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; where at least two family members are concerned with the senior management of the business; and where the business employs less than 200 full-time employees.

The primary objectives of this study are: firstly, to identify the potential influence of selected family business values on the success of family businesses, and secondly, to make practical recommendations on actions that those families can take to ensure harmonious family relationships and the future continuity of the family business.

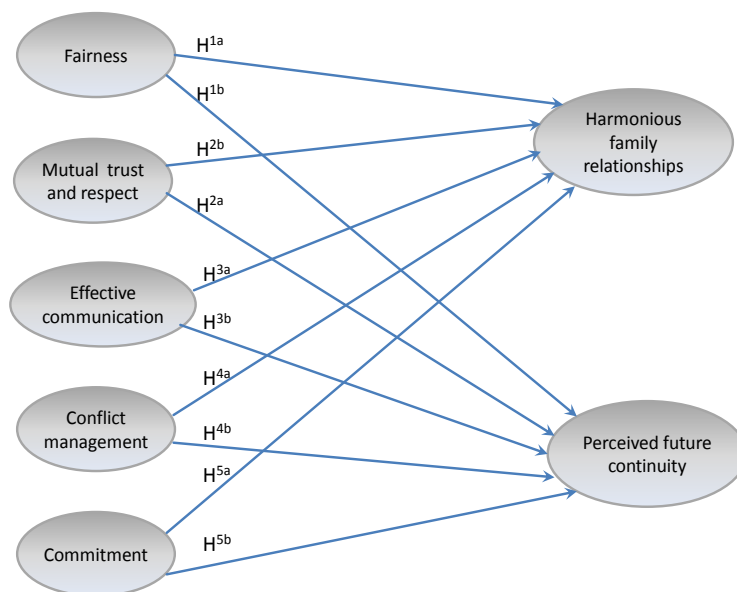
**Operationalisation of variables**

Family values form the foundation on which the family business is built and these values are critical for fostering family harmony and ensuring the future continuity of the business. In Figure 1 (the hypothesised model) the selected family business values influencing the dependent variables are depicted, namely *Fairness*, *Mutual trust and respect*, *Effective communication*, *Conflict management* and *Commitment*. The model proposes that the selected family business values impact on *Harmonious family relationships* among family members and the *Perceived future continuity* of the family business.

The selected family business values included in this study (see Figure 1) are justified by a sufficiency of theory in the family business literature. Claims are not made that the model has an exhaustive coverage of every possible value influencing *Harmonious family relationships* and the *Perceived future continuity* of the family business.

**Dependent variables**

According to Zellweger and Nason (2009: 205), performance outcomes in family firms have broadly been categorised as financial and non-financial. Cater and Justis (2009: 111), as well as Short, Payne, Brigham, Lumpkin and Broberg (2009: 12) suggest that non-economic goals may even take precedence over goals such as growth and profitability. Non-economic goals include providing employment for family members (Cater & Justis, 2009: 111; Chrisman, Chua & Litz, 2004; Short *et al.*, 2009: 12); family well-being (Chrisman *et al.*, 2004; Distelberg & Sorenson 2009: 70) and transgenerational sustainability (i.e. wanting to preserve the business so that it can be passed on to the next generation (Cater & Justis, 2009: 120; Chrisman, Kellermanns, Chan & Liano, 2010: 14; Short *et al.*, 2009: 21). Family firms are often more concerned with the long-term continuity of the business than non-family firms are (Miller, Le Brenton-Miller & Scholnick, 2008; Short *et al.*, 2009: 21). They place great emphasis on survival (Distelberg & Sorenson, 2009:70; Short *et al.*, 2009: 12) and view the business as a long-term resource base to be used by the family, potentially for multiple generations (Castillo & Wakefield, 2007; Distelberg & Sorenson, 2009: 75). As illustrated in Figure 1, the dependent variables used in this study are *Harmonious family relationships* among family members in the family business and the *Perceived future continuity* of the family business.



**Figure 1: The hypothesised model**

Hess (2006: x) states that a successful family business is one that does not destroy or weaken harmonious family relationships. Various authors (Flören, 2002, Sharma, 2004; Venter, 2003; Ward, 2004) suggest that harmonious family relationships between family members are important for successful succession as well as a successful family business, which ultimately ensures the future continuity of the business. Malone (1989: 249) found a positive relationship between perceived family harmony and continuity planning in family businesses. In another study, Slaughter (2008: 117) found that perceived future continuity has a strong linear relationship with family harmony in a family business. This implies that the greater the level of family harmony, the greater the possibility that business continuity will occur (Farrington, 2009: 271). In other words, to survive and to be successful, family members need to nurture their personal relationships with one another (Swart, 2005: 38).

Astrachan and McMillan (2003: 52) argue that one of the reasons family members are in business together, is that they want to work together and want to enjoy the fruits of their labours as a family. However, according to Carlock and Ward (2001: 73), all families experience relationship problems. Family businesses, however, face even bigger problems because the family works so closely together. This proximity often means that family disputes overshadow work and business, even though the business often continues to function normally (Carlock & Ward, 2001: 73). In other words, family relationships affect the business, and business relationships in turn affect the family (Voeller, Fairburn & Thompson, 2002: 30). To survive and be successful, family members need to nurture their personal relationships with one another (Swart, 2005: 38). Pickard (1999: 5) claims that a family in harmony, i.e. working together in a healthy balance, will merge to create a work environment that is harmonious. By applying a few simple prerequisites for family harmony, the family could ensure the long-term sustainability of the family business, without even knowing it. Neubauer and Lank (1998: 136) state that if there is a fair amount of family harmony present, it is much easier to discuss succession planning and to implement the necessary systems that can ensure a successful transition of the business from one generation to the next (Astrachan & McMillan, 2003: 2).

For the purpose of this study, the dependent variable *Harmonious family relationships* will be evaluated by using the following items: whether the family members prefer to cooperate with each other rather than to compete with one another; whether family members acknowledge each other's achievements; whether they encourage each other to put in their best efforts; whether the family members are emotionally attached to one another; whether the family members support and appreciate each other; whether the family members care about each other's wellbeing; and whether family members get along well both inside and outside the working environment (Farrington, 2009; Seymour, 1993; Van der Merwe & Ellis, 2007; Venter, 2003). *Harmonious family relationships* refer to relationships among family members characterised by support, appreciation, care, emotional attachment and cooperation.

Commitment of the family to the future continuity of the business is a priority because it supports the development of the shared future vision and the family business continuity plan (Carlock & Ward, 2001: 54). The future component of continuity needs to include the family's commitment to nurture the business and to support subsequent future generations with both employment opportunities and financial assistance (Miller & Le Breton-Miller, 2005: 38). This commitment therefore urges family members to conserve financial and other resources and to build for the years to come. Since the future continuity of a family business has distinct past and future components, family executives must ensure that a respected and established legacy is handed over from the previous generation to the next one (Miller & Le Breton-Miller, 2005: 37).

The dependent variable *Perceived future continuity*, will be evaluated by the following: whether family members see the family business as a legacy to be handed over to future generations; whether continuing the business into the future will provide employment opportunities for future generations; whether continuing the business will give future generations the opportunity to be involved in the business; whether family members see the business continuing into the future and as a means to create wealth for future generations; and whether family members see the business as a means to sustain harmonious family relationships for future generations. *Perceived future continuity* refers to the family business providing future generations with employment, wealth, involvement and a legacy.

### Independent variables

Various family business values impact on family harmony and ultimately the future continuity of family businesses (Eybers, 2010; Farrington, 2009; Venter, Farrington & Boshoff, 2009). Anecdotal and empirical evidence supporting the inclusion of selected family business values in the hypothesised model will now be discussed.

### Fairness

Kets de Vries (1996: 264) points out that no family relationship will ever be perfect, because feelings of being treated unjustly will always be present among family members. It is a common assumption in most families that all children should be treated equally, and parents often work desperately to be even-handed with their children to avoid even the appearance of favouritism. However, when it comes to a family enterprise, treating the children equally becomes impossible owing to their different talents, strengths, ambitions, and life stages (Rivers, 2005: 93).

A major issue regarding fairness in family businesses is that of achieving a balanced compensation system between family employees (Aronoff & Ward, 1993: 59; Spector, 2001: 9). Family business compensation practices often create problems when family members are compensated according to age and/or gender (Buchholz, Crane & Nager, 2000: 262) and not on merit (Jaffe, 1991: 199; Loeb, 2001: 59). Aronoff, Astrachan and Ward (2002: 425) believe that a compensation policy has no foundation unless job

descriptions indicating the work roles and responsibilities have been prepared in sufficient detail to serve as a means of structuring wage classifications and rating performance. Rawls (1999: 57) and Voeller *et al.* (2002: 73) highlight the importance of all family businesses having a performance management system to ensure fair employment for all employees, and this includes the family members that are employees. All employees, including family members, should be paid a competitive market-related salary for their efforts (Barrett, 2001: 19).

Farrington (2009) has reported a positive relationship between fairness and satisfaction with work and family relationships between sibling partnerships. The findings in her study are supported by a large volume of anecdotal evidence (Aronoff, Astrachan, Mendoza & Ward, 1997: 43; Gersick, Davis, McCollom Hampton & Lansberg, 1997: 67; Lansberg, 1999: 132; Ward, 2004: 67, 68, 96) that posits the importance of fairness among family members in family businesses. Danes, Zuiker, Kean and Arbutnot (1999: 246) identified unfair workloads in family businesses as generating the highest level of tension in 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.

Against this background, family members will perceive fairness to exist in the family business when each family member does his or her fair share of work given their compensation; when compensation is perceived as fair for the work that the family member does; when family members are compensated according to their contribution to the family business and not according to age and/or gender; and when external stakeholders treat family members involved in the business equally. Therefore, the following hypotheses are subjected to further testing:

H<sup>1a</sup>: There is a positive relationship between the perception of *Fairness* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>1b</sup>: There is a positive relationship between the perception of *Fairness* among family members and the *Perceived future continuity* of the participating family businesses.

### Mutual trust and respect

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). Researchers and practitioners alike recognise that trust potentially contributes to more effective managerial coordination and collaboration within a firm (Steier, 2001: 353). Family relationships that are not built upon trust are risky, will harm relationships, and could even eventually destroy the family business (Haynes, 2005: 34). Mutual trust is the one thing that underlies the competitive advantage and

distinctiveness of a family business (Carlock & Ward, 2001: 11). If family members trust one another and have the necessary respect for each other, this forms the foundation for long-term perspectives, loyalty, commitment and stewardship, which provide an enormous advantage to the family business and towards family harmony (Aronoff *et al.*, 2002: 299; Cohn, 1992: 21-22; Shanker, 2000: 13).

Family businesses have a competitive advantage over non-family businesses when it comes to mutual respect and trust in the business world. Very few owners or family members in the business have grounds to second-guess the motives of their partners or colleagues (Carlock & Ward, 2001: 11; Shanker, 2000: 13; Venter & Boshoff, 2006: 19). It is very seldom that any family member will run off to the opposition business. According to Venter and Boshoff (2006: 19), it has been found that trust has the potential to make family partners more secure, more open and more informed than any team of unrelated people.

For the purpose of this study, the variable *Mutual trust and respect* will be measured by the following items: whether family members respect and trust each other; whether different opinions are encouraged by family members; whether family members trust each other's ability to manage the family business and to make sound business decisions; whether family members have confidence in the integrity of other family members; and whether family members respect each other's opinions.

Sufficient anecdotal and empirical evidence is presented above to hypothesise that:

H<sup>2a</sup>: There is a positive relationship between *Mutual trust and respect* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>2b</sup>: There is a positive relationship between *Mutual trust and respect* among family members and the *Perceived future continuity* of the participating family businesses.

### Effective communication

Poor communication is a common problem in family businesses (Ibrahim & Ellis, 2004: 164) and the absence of adequate channels of communication can be a profound source of family conflict (Friedman, 1998: 33). As a result, the family's ability to resolve differences is obstructed by its conflict and communication patterns and poor communication skills (Bork, Jaffe, Lane, Dashew & Heisler, 1996: 52). Communication is a very effective way of understanding and perhaps even agreeing on issues that are normally very sensitive (Adendorff, Venter & Boshoff, 2008: 31). The sensitive and emotional issues are normally avoided. The more family members communicate and discuss their differences, the more likely it is that conflict will be minimised and agreements reached (Friedman, 1998: 33).

Ward (2004: 115) points out that successful family businesses address communication by putting in place meetings, forums, systems or structures, to promote,

facilitate and ensure effective, ongoing sharing of information, ideas, opinions, attitudes and feelings. Openness and inclusion create trust, and family trust creates family harmony (Aronoff *et al.*, 2002: 299; Cohn, 1992: 21, 22; Leach & Bogod, 1999: 68). There is sufficient anecdotal and empirical evidence that effective communication provides the basis for sound family relationships as well as conflict resolution (Maas, Van der Merwe & Venter, 2005: 119; Van der Merwe & Ellis, 2007).

For the purpose of this study *Effective communication* will be measured by the following items: whether family members communicate openly with each other; whether they freely express to each other their opinions about matters concerning the business; whether they discuss issues that may arise between them; whether they listen to each other's opinions and share information with each other. Against this background, the following hypotheses are formulated:

H<sup>3a</sup>: There is a positive relationship between *Effective communication* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>3b</sup>: There is a positive relationship between *Effective communication* among family members and the *Perceived future continuity* of the participating family businesses.

### Conflict management

Various authors have indicated that family conflict is one of the major causes of failure in a family business, and that conflict is one of the most destructive determinants impacting on family harmony (Upton, 2001; Sorenson, 2000; Van der Merwe & Ellis, 2007; Ward, 1997). People are under the mistaken perception that healthy and successful family businesses are free from conflict (Bork, 1993: 41). In fact, it is normal for families to have internal conflict (Pickard, 1999: 153). Kaye (2005: 106) emphasises that conflict is unavoidable and indicates that it is healthy for a family business. Avoiding conflict is, however, not the answer – it needs to be managed to ensure that one finds the solution in reducing the impact of conflict on family harmony (Upton, 2001: 4). Family businesses should strive towards a situation where serious conflict is prevented, and if it occurs, it is dealt with quickly before it has a negative impact on family harmony and ultimately the longevity of the family business. Family businesses should therefore strive towards a relatively peaceful environment. Sufficient anecdotal and empirical evidence exists to support the idea that the prevention and management of conflict can ensure a higher level of family harmony in family businesses (Van der Merwe & Ellis, 2007).

For the purpose of this study, the independent variable *Conflict management* will be measured by the following items: whether family members rarely have serious differences of opinion; whether differences of opinion between family members rarely lead to serious conflict; whether conflict between family members is resolved quickly or dealt with immediately; and whether family

members are able to constructively manage conflict between them. The following hypotheses are formulated in this regard:

H<sup>4a</sup>: There is a positive relationship between *Conflict management* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>4b</sup>: There is a positive relationship between *Conflict management* among family members and the *Perceived future continuity* of the participating family businesses.

### Commitment

The commitment of family members to the business and to each other is really what makes a business a family business (Balshaw, 2003: 25). The issues of who is committed to keep the business in the family and who is willing to put in an extra effort to make the family business successful are probably some of the most important questions facing individual family members (Carlock & Ward, 2001: 51). Carlock and Ward (2001: 38) are also of the opinion that family commitment is the basis for creating unity of purpose and maintaining family harmony. Commitment of the family to business continuity is a priority for the family as it supports the development of the shared future vision and the family business continuity plan (Carlock & Ward, 2001: 54; Miller & Le Breton-Miller, 2005: 37, 38). The future component of continuity needs to include the family's commitment to nurturing the business and to supporting subsequent future generations with both employment opportunities and financial assistance (Miller & Le Breton-Miller, 2005: 38). This commitment therefore urges family members to conserve financial and other resources and to build them for the years to come. Family commitment is thus critical to the continuity and survival of the family business (Ibrahim *et al.*, 2009: 9).

The independent variable *Commitment* will be measured by the following items: whether family members involved in the family business are deeply committed to continuing the business; whether family members are dedicated to, and are and willing to make personal sacrifices to ensure the success of the family business; whether family members are willing to put in a great deal of effort beyond that which is normally expected of them in order to help the family business to be successful; whether family members are proud to tell others they work in the family business; and whether family members really care about the future of the family business. In this regard, the following hypotheses are formulated:

H<sup>5a</sup>: There is a positive relationship between *Commitment* by family members and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>5b</sup>: There is a positive relationship between *Commitment* by family members and the *Perceived future continuity* of the participating family businesses.

## Research methodology

### Development of the measuring instrument

A comprehensive measuring instrument was developed to measure the latent variables in this study. The measuring instrument consisted of variables and items whose reliability and validity have been confirmed in previous studies (Eybers, 2010; Farrington, 2009; File & Prince, 1996; Sharma, 1997; Venter, 2003). Where publicised items were not available, self-developed items were used. For the purpose of this study five latent variables were identified as influencing the dependent variables (*Harmonious family relationships* and *Perceived future continuity*), namely *Fairness*, *Mutual trust and respect*, *Effective communication*, *Conflict management* and *Commitment*. The measuring instrument assessed the independent and dependent variables with 31 and 14 statements respectively. This was done on the basis of a seven-point Likert-type scale ranging from *Strongly disagree* (1) to *Strongly agree* (7).

### Study population

The target population of this study was small and medium-sized family businesses in South Africa. Numerous attempts were made to secure a database of family businesses in South Africa, but to no avail. Therefore it was decided to use a convenience sample, by means of the snowball sampling technique, to identify the family businesses that participated in this study. A list of 420 family businesses willing to participate in the study was compiled as a result of these efforts. The sampling technique and methodology are consistent with those of other family business researchers who have been constrained by the lack of a national database on family businesses (Adendorff, 2004; Eybers, 2010; Farrington, 2009; Sonfield & Lussier, 2004; Van der Merwe & Ellis, 2007; Venter, 2003).

### Data collection

Family businesses listed on the database were contacted to identify the individual family members in the particular family, and questionnaires were then mailed to these family members. Each questionnaire was sent with a covering letter that guaranteed the confidentiality of the responses, as well as a return-paid envelope, in order to make it as easy as possible for respondents to take part in the research. A total of 931 questionnaires were returned from 173 family businesses.

### Statistical analysis

The data collected was statistically analysed using STATISTICA (Statsoft, 2008) and SPSS (SPSS, 2008). The construct validity of the measuring instrument was assessed by means of an exploratory factor analysis, while the reliability of the measuring instrument was assessed by calculating Cronbach alpha coefficients. The relationships between the independent variables and the dependent

variables were examined by means of multiple regression analysis.

## Empirical results

### Demographic information

The majority of the 931 participating respondents were under the age of 40 years (50,81%), 20,41% between the ages of 40 and 49, with 28,78% over the age of 50 years. An approximately equal distribution between male and female respondents was evident (52,42% male; 47,58% female). All the businesses that participated in this study ( $n = 173$ ) can be categorised as small and medium-sized family businesses (fewer than 200 employees).

### Construct validity and reliability results

Before conducting a multiple regression analysis to determine the relationships between the variables, the number of factors and the items loading onto each factor must be known (Hair, Black, Babin, Anderson & Tatham, 2006). For this reason, an exploratory factor analysis was conducted to identify the unique factors present in the data before implementing multiple regression analysis. In order to conduct the exploratory factor analysis, the data was divided into two models. The first model related to the dependent variables, while the second related to the independent variables. In identifying the factors to extract for each model, the percentage of variance explained and the individual factor loadings were considered.

The Kaiser-Meyer-Olkin measure of sampling adequacy of 0,944 indicates that patterns of correlations are compact and that factor analysis should yield reliable factors (Field, 2009: 647). Bartlett's test of sphericity yielded a  $p$ -value of smaller than 0,001 indicating that the correlation between variables was sufficient for factor analysis.

In this study, there was theoretical justification to believe that the factors measuring the dependent variables would correlate with each other, therefore a Principal Component Analysis with an Oblique (Oblimin with Kaiser normalisation) rotation was performed on the principal components of the exploratory factor analysis, as suggested by Field (2009: 643). The correlation matrix for the two dependent variables indicated a correlation of 0,585 between the two extracted factors, confirming that an oblique rotation should have been used (Ellis & Steyn, 2003: 53; Field, 2009: 643).

Kaiser's criterion was used to determine the number of factors to be extracted, namely to retain factors with eigenvalues greater than one (Field, 2009: 647). All the items demonstrated sufficient discriminant validity by loading to a sufficient extent and, therefore, no items were deleted. As recommended by Field (2009: 644), factor loadings greater than 0,40 were considered significant. The Oblimin rotated factor matrix of the dependent variables is presented in Table 1.

**Table 1: Oblimin rotated factor matrix: Dependent variables**

Items	Factor 1: Harmonious family relationships	Factor 2: Perceived future continuity
HARM5	<b>0,896</b>	-0,050
HARM6	<b>0,821</b>	-0,006
HARM3	<b>0,812</b>	0,004
HARM7	<b>0,793</b>	0,020
HARM1	<b>0,759</b>	-0,018
HARM2	<b>0,757</b>	0,016
HARM8	<b>0,728</b>	0,095
HARM4	<b>0,639</b>	0,014
CONT2	-0,159	<b>0,915</b>
CONT6	-0,034	<b>0,875</b>
CONT5	0,084	<b>0,815</b>
CONT3	0,028	<b>0,805</b>
CONT1	0,173	<b>0,633</b>
CONT4	0,229	<b>0,476</b>
Cronbach alpha	<b>0,909</b>	<b>0,872</b>

In the model relating to the dependent variables, two factors with eigen-values greater than one, explaining 62,39% of the variance before rotation, were extracted in the exploratory factor analysis. After rotation, these factors could be identified as the theoretical dimensions of *Harmonious family relationships* and *Perceived future continuity* respectively. When factors are correlated, sums of squares of loadings cannot be added to obtain a percentage variance explained for each of the rotated factors as in the case of uncorrelated factors (SPSS, 2008). With regard to the dependent variables, the exploratory factor analysis confirmed all the latent variables and items as originally intended in the hypothesised model (Figure 1). The wording of the statements (items) measuring the dependent variables is provided in Appendix 1.

For the independent variables it was also expected that the factors would be correlated; and consequently Principal Component Analysis with an Oblique (Oblimin with Kaiser Normalisation) rotation was also specified as the extraction and rotation method (Field, 2009: 643). The Kaiser-Meyer-Olkin measure of sampling adequacy of 0,969 indicates that patterns of correlations are compact and that factor analysis should yield reliable factors (Field, 2009: 647). Bartlett's test of sphericity yielded a *p*-value of smaller than 0,001 indicating that the correlation between variables is sufficient for factor analysis. The correlation matrix for these four variables indicates correlations of 0,384 to 0,567 between the variable combinations (Ellis & Steyn, 2003: 53), confirming that an oblique rotation should have been used (Field, 2009: 643). Four factors with eigen-values greater than one, explaining 61,50% of the variance before rotation, were extracted in the exploratory factor analysis. After rotation these factors could be identified as the theoretical dimensions of *Trust and commitment*, *Peace*, *Fairness* and *Openness*. A total of 27 of the 31 items demonstrated sufficient discriminant validity by loading to a sufficient extent and, therefore, four items were deleted. The Oblimin rotated factor matrix of the independent variables is presented in Table 2.

The two latent variables *Mutual trust and respect* and *Commitment* originally included in the hypothesised model (Figure 1) combined to form one factor. The factor was renamed as *Trust and commitment*. A total of 12 items (Commit3; Commit4; Trust5; Commit2; Commit5; Commit1; Trust6; Commit6; Fair2; Trust3; Trust1; Trust4) loaded onto the new factor. *Trust and commitment* refers to the extent to which family members respect each other's opinions, trust each other's integrity and ability, and are personally committed to the success and continuity of the family business. Refer to Appendix 1 for the wording of the statements (items) measuring the factors.

Three of the six items originally intended to measure the latent variable *Conflict management* (Conf3; Conf1; Conf2) loaded onto factor 2. All three items refer to the lack of conflict in the family business and the factor was renamed as *Peace*. For the purpose of this study, *Peace* refers to family relationships characterised by a lack of serious conflict among family members in the family business.

Four items originally measuring *Fairness* (Fair5; Fair6; Fair4; Fair3) and one item measuring *Effective communication* (Com4) loaded onto factor 3. The factor was labelled as *Fairness* and refers to family members being treated fairly in terms of promotion, compensation and workload.

Several items originally developed to measure *Effective communication* (Com5; Com3; Com1) and *Conflict management* (Conf5; Conf4; Conf6) respectively combined and loaded onto factor 4. One *Mutual and trust respect* item (Trust7) also loaded onto the factor. The items related to effective and open communication in the family business and the factor was renamed *Openness*. *Openness* refers to the degree to which family members are able to openly communicate and share all information with each other.



**Table 2: Oblimin rotated factor matrix: Independent variables**

Items	Factor 1: Mutual trust & commit.	Factor 2: Peace	Factor 3: Fairness	Factor 4: Openness
COMMIT3	<b>0,774</b>	0,164	-0,003	0,185
COMMIT4	<b>0,747</b>	-0,054	-0,179	-0,126
TRUST5	<b>0,724</b>	-0,009	-0,081	-0,184
COMMIT2	<b>0,718</b>	-0,029	0,076	-0,028
COMMIT5	<b>0,714</b>	-0,006	0,068	0,022
COMMIT1	<b>0,681</b>	-0,063	0,065	-0,091
TRUST6	<b>0,661</b>	-0,030	0,073	-0,110
COMMIT6	<b>0,647</b>	0,211	0,120	0,248
FAIR2	<b>0,616</b>	0,039	0,179	0,017
TRUST3	<b>0,612</b>	-0,038	0,131	-0,155
TRUST1	<b>0,461</b>	0,085	0,167	-0,256
TRUST4	<b>0,431</b>	-0,018	0,254	-0,203
CONF3	0,046	<b>0,855</b>	-0,050	0,030
CONF1	-0,063	<b>0,806</b>	0,090	-0,098
CONF2	-0,045	<b>0,782</b>	-0,011	-0,187
FAIR5	-0,053	0,043	<b>0,810</b>	0,050
FAIR6	-0,047	-0,033	<b>0,794</b>	-0,069
FAIR4	0,152	0,021	<b>0,697</b>	-0,016
FAIR3	0,231	0,083	<b>0,539</b>	-0,065
COM4	0,170	0,006	<b>0,423</b>	-0,328
CONF5	0,003	0,117	0,031	<b>-0,744</b>
COM5	0,061	0,096	0,093	<b>-0,734</b>
COM3	0,073	0,053	0,026	<b>-0,656</b>
CONF4	0,048	0,248	0,054	<b>-0,652</b>
TRUST7	0,316	0,104	0,119	<b>-0,466</b>
COM1	0,172	0,129	0,291	<b>-0,416</b>
CONF6	0,171	0,373	0,083	<b>-0,402</b>
<b>Cronbach alpha</b>	<b>0,920</b>	<b>0,826</b>	<b>0,827</b>	<b>0,903</b>

Items that loaded to a significant extent on one factor only, and reported a factor loading of  $\geq 0,40$  were considered significant and retained for further analysis (Hair *et al.*, 2006). Factor loadings of  $\geq 0,40$  were reported for all factors. Consequently, evidence of construct and discriminant validity for the measuring instrument is provided.

Cronbach alpha coefficients of greater than 0,70 were returned for all constructs. The Cronbach alpha coefficients suggest that reliable measuring scales were used to measure the constructs under investigation (Nunnally & Bernstein, 1994).

### Modified hypotheses

As a result of the exploratory factor analysis, it was deemed necessary to reformulate the original hypotheses in the hypothesised model (Figure 1), which are summarised below:

H<sup>1a</sup>: There is a positive relationship between *Trust and commitment* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>1b</sup>: There is a positive relationship between *Trust and commitment* among family members and the *Perceived future continuity* of the participating family businesses.

H<sup>2a</sup>: There is a positive relationship between *Peace* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>2b</sup>: There is a positive relationship between *Peace* among family members and the *Perceived future continuity* of the participating family businesses.

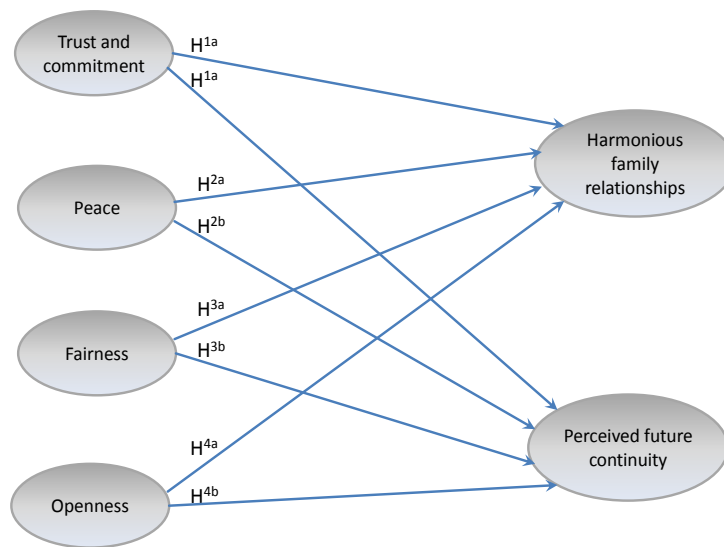
H<sup>3a</sup>: There is a positive relationship between the perception of *Fairness* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>3b</sup>: There is a positive relationship between the perception of *Fairness* among family members and the *Perceived future continuity* of the participating family businesses.

H<sup>4a</sup>: There is a positive relationship between *Openness* and *Harmonious family relationships* among family members in the participating family businesses.

H<sup>4b</sup>: There is a positive relationship between *Openness* among family members and the *Perceived future continuity* of the participating family businesses.

The modified hypothesised model is illustrated in Figure 2.



**Figure 2: The modified hypothesised model**

### Relationship between the constructs

Multiple linear regression analysis is a tool for predicting a dependent variable based on several independent or explanatory variables (Cooper & Schindler, 2007; Hair, Anderson, Tatham & Black, 1998) and as such allows for the simultaneous investigation of the effect of two or more independent variables on a single dependent variable. Multiple linear regression analysis was performed to assess whether the independent variables as identified in this study exert a significant influence on the dependent variables namely, *Harmonious family relationships* among family members and the *Perceived future continuity* of the family business. As such two separate regression models were used and the results thereof are discussed in the paragraphs below.

Factor scores for each participant were computed as the average of all items contributing to the relevant factor, automatically replacing missing values by means of substitution. The scores of family members belonging to a specific family can be considered to be dependent on that family's situation. As independence of data is one of the assumptions of linear regression, the average counts for each of the 173 families were taken as data points in a multiple regression analysis. In order to determine whether the independent variables *Trust and commitment*, *Peace*, *Fairness* and *Openness* among family members in the family business have an influence on the dependent variables *Harmonious family relationships* and *Perceived future continuity* respectively, multiple regression analyses were performed. The results of these multiple regression analyses are presented in Table 3 and 4. A normal probability plot on the residuals of this fit confirmed the assumption of normality.

Table 3 indicates that, in practice, a significant percentage (90,6%) of the variation in *Harmonious family relationships* in the participating family businesses is explained by the family business values, i.e. *Trust and commitment*, *Peace*, *Fairness* and *Openness*.

The multiple regression analysis indicates significant positive relationships between the independent variables *Trust and commitment* ( $p < 0,001$ ), *Peace* ( $p < 0,10$ ), *Fairness* ( $p = 0,050$ ) and *Openness* ( $p = 0,001$ ) and the dependent variable *Harmonious family relationships*, respectively. The hypotheses that there is a positive relationship between the business values *Trust and commitment* ( $H^{1a}$ ), *Peace* ( $H^{2a}$ ), *Fairness* ( $H^{3a}$ ) and *Openness* ( $H^{4a}$ ), and *Harmonious family relationships* respectively were thus accepted. The hypothesis that there is a positive relationship between the family business value *Peace* and *Harmonious family relationships* ( $H^{3a}$ ) was, however, only accepted on the 90% level ( $p < 0,10$ ).

The positive regression coefficients indicate that *Harmonious family relationships* are related to the business values *Trust and commitment*, *Peace* (lack of conflict), feelings of *Fairness* in the family business and *Openness* between family members.

The results of the multiple regression analysis for the influence of the independent variables on the dependent variable *Perceived future continuity* are presented in Table 4.

Table 4 indicates that 47,3% of the variation in the dependent variable, *Perceived future continuity* in the participating family businesses, is explained by the family business values, i.e. *Trust and commitment*, *Peace*, *Fairness* and *Openness*.

**Table 3: Multiple regression results: Impact of the business values *Trust and commitment, Peace, Fairness and Openness* on the dependent variable *Harmonious family relationships***

Model	Non-standardised coefficients		Standardised coefficients	t-value	p-level
	B	Std. Error	Beta		
Constant	-0,087	0,160		-0,547	0,585
Trust and commitment	0,763	0,049	0,699	15,717	0,000**
Peace	0,039	0,023	0,057	1,663	0,098*
Fairness	0,088	0,045	0,091	1,967	0,050**
Openness	0,147	0,042	0,174	3,531	0,001**

$R^2 = 0,906$  (\*\*  $p < 0,05$ ; \*  $p < 0,10$ )

**Table 4: Multiple regression results: Impact of the business values *Trust and commitment, Peace, Fairness and Openness* on the dependent variable *Perceived future continuity***

Model	Non-standardised coefficients		Standardised coefficients	t-value	p-level
	B	Std. Error	Beta		
Constant	1,230	0,173		7,114	0,000
Trust and commitment	0,392	0,045	0,335	8,670	0,000**
Peace	0,048	0,023	0,066	2,097	0,036**
Fairness	0,231	0,037	0,238	6,294	0,000**
Openness	0,121	0,036	0,140	3,363	0,001**

$R^2 = 0,473$  (\*\*  $p < 0,05$ )

The findings indicate significant positive relationships between the business values *Trust and commitment* ( $p = < 0,001$ ), *Peace* ( $p = 0,036$ ), *Fairness* ( $p < 0,001$ ) and *Openness* ( $p = 0,001$ ) and the dependent variable *Perceived future continuity*, respectively. The hypotheses that there are positive relationships between the business values *Trust and commitment* ( $H^{1b}$ ), *Peace* ( $H^{2b}$ ), *Fairness* ( $H^{3b}$ ) and *Openness* ( $H^{4b}$ ), and the dependent variable *Perceived future continuity*, were thus accepted.

The positive regression coefficients indicate that the *Perceived future continuity* of the family business is related to the business values *Trust and commitment, Peace, Fairness* in the family business and *Openness* between family members.

### Discussion and recommendations

The results of this study show that the participating family members in this study perceived the following family business values as influencing *Harmonious family relationships: Trust and commitment, Peace, Fairness and Openness*. In other words, family members whose relationships are characterised by mutual trust and respect, who are committed to continue the business in the future, experience a lack of conflict in the family business, have the perception of fair treatment in the business and experience open communication, are more likely to experience good human relationships and family harmony among family members.

Furthermore, a positive relationship was found to exist between the family business values *Trust and commitment, Peace, Fairness and Openness*, and the dependent variable, *Perceived future continuity* of the family business. This means in practice that the more positive the family members

are concerning their relationships with regard to trust and commitment, lack of conflict, fairness and openness, the more likely it is that they see that the business will be handed over as a legacy to the next generation of family members.

In order to establish an environment where trust and commitment, as well as peace, fairness and openness are fostered in family businesses, several suggestions are put forward. Family businesses should establish and maintain family forum meetings, family retreats, as well as systems or structures to promote, facilitate and assure the effective and ongoing sharing of information, ideas, opinions, attitudes and feelings. These meetings could ensure openness and inclusion that could create family trust, which in turn could enhance family harmony. Sensitive issues such as succession as well as the commitment of the family and individual family members to the future continuity of the family business could be discussed during family forum meetings.

The family business should also ensure fairness with regard to the treatment of all family members and ensure that a fair market-based compensation system based on the contribution that the family member makes to the success of the family business to implement. Furthermore, family businesses should strive towards a situation where serious conflict is prevented, and if it occurs, it should be dealt with quickly before it has a negative impact on family harmony and ultimately the longevity of the family business.

Family businesses that invest time and effort to foster harmonious family relationships based on mutual trust, respect and support, can ensure the future continuity and success of the family business.

## Limitations and implications for future research

In all empirical studies, their limitations must be identified and considered when making recommendations and conclusions. Although family businesses from seven of the nine provinces in South Africa participated in this study, owing to the use of a non-probability snowball convenience sample, the sample cannot be considered to be representative of all small and medium-sized family businesses in South Africa. As such, the findings reported cannot be generalised to the general family business population. Another limitation of this study is that the hypothesised model focused exclusively on a selected number of family business values impacting on family harmony and business continuity. Future studies could investigate various other family business values and incorporate them into a more comprehensive model that describes the values influencing family business success. It is also acknowledged that common method bias could have influenced the results of this study. However, Meade, Watson and Kroustalis (2007) assert that the use of common assessment methods hardly necessitates large and problematic common method bias. In many cases, common method bias may be small and does not necessarily jeopardise the validity of the results.

Despite the limitations identified, this study has added to the empirical body of family business research. Based on the fact that published evidence of a quantitative nature on the influence of family business values on family harmony and the sustainability of small and medium-sized family businesses both nationally and internationally is still lacking, the findings of this study present challenges for further research.

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**Appendix A: Dependent variables**

<b>PERCEIVED FUTURE CONTINUITY</b>	
CONT2	I see our family business as a legacy to be handed over to future generations.
CONT6	Continuing the business into the future will provide employment opportunities for future generations.
CONT5	Continuing the business into the future will give future generations the opportunity to be involved in the family business.
CONT3	I see our family business as a means to create wealth for future generations.
CONT1	I see our family business as continuing into the future.
CONT4	I see our family business as a means to sustain harmonious family relationships for future generations.
<b>HARMONIOUS FAMILY RELATIONSHIPS</b>	
HARM5	Our family members support each other.
HARM6	Our family members appreciate each other.
HARM3	Our family members encourage each other to put in their best efforts.
HARM7	Our family members care about each other's wellbeing.
HARM1	Our family members prefer to cooperate with each other rather than compete with one another.
HARM2	Our family members acknowledge each other's achievements.
HARM8	Our family members get along well both inside and outside the working environment.
HARM4	Our family members are emotionally attached to one another.

**Appendix A: Independent variables**

<b>TRUST AND COMMITMENT</b>	
COMMIT3	Family members involved in our family business are willing to make personal sacrifices to ensure the success of the business.
COMMIT4	Family members involved in our family business are willing to put in a great deal of effort beyond that which is normally expected of them, in order to help the family business to be successful.
TRUST5	I have confidence in the integrity of my family members.
COMMIT2	Family members involved in our family business are dedicated to ensuring the success of the family business.
COMMIT5	Family members involved in our family business are proud to tell others that they work for the family business.
COMMIT1	Family members involved in our family business are deeply committed to continuing the business.
TRUST6	I trust the judgement of my family members in making business decisions.
COMMIT6	Family members involved in our family business really care about the future of the family business.
FAIR2	In our family business each family member does his/her fair share of work.
TRUST3	Our family members trust each other.
TRUST1	Our family members respect each other.
TRUST4	Our family members trust each other's ability to manage our family business.
<b>PEACE</b>	
CONF3	Differences of opinion between family members rarely lead to serious conflict.
CONF1	Family members rarely have serious differences of opinion.
CONF2	Conflict between family members is rare.
<b>FAIRNESS</b>	
FAIR5	External stakeholders (customers, suppliers etc.) treat family members involved in our business equally.
FAIR6	Family members are compensated according to their contribution to our business and not according to age and/or gender.
FAIR4	In our family business each family member is compensated fairly for the work that he/she does.
FAIR3	The working arrangement between family members in our business is equitable.
COM4	Family members share information with each other.
<b>OPENNESS</b>	
CONF5	When conflict arises between family members it is dealt with quickly/immediately.
COM5	Family members have the ability to communicate effectively.
COM3	Family members discuss all issues that may arise between them.
CONF4	Conflict between family members is resolved effectively.
TRUST7	Family members in our family business respect each other's opinions.
COM1	Family members communicate openly with each other.
CONF6	Family members are able to constructively manage conflict between them.