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Assessment of Factors Influencing Performance of Family Businesses in Ethiopia:

Common challenges

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Letter of Certification

This is to certify that, the project work, entitled "Assessment of Factors Influencing Performance of Family Businesses in Ethiopia: Common challenges.", prepared by Kalkidan Dessalegn for the partial fulfillment of the requirements for the Degree of Master of Arts in Business Leadership, is an original work and complies with the regulations of the University and meets the accepted standards.

Letter of Declaration

I, Kalkidan Dessalegn, hereby declare that this study entitled "Assessment of Factors Influencing Performance of Family Businesses in Ethiopia: Common challenges" is my original work and prepared in guidance of the research advisor. This research work was not submitted for any other degree or diploma in this or other universities by any other person in the past. Any form of plagiarism will lead to disqualification of the paper.

Kalkidan Dessalegn Bezabih

Signature:______________________

Date:______________________

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Acronyms

SMEs: small and medium sized enterprises

TCE: Transaction cost theory

ED: Emotional Dissonance Characteristics

Keywords: Family business ·Ethiopia · Governance · Succession ·Education & training

Abstract

The purpose of this study was to examine many factors associated with family owned businesses that lead to business success and profitability in Ethiopia. The study takes three independent variables that could support Family business to its success, which are Governance, Succession planning, and Education and training. The many problems that arise in family owned businesses are putted/concluded under this variable in this study.

This research is a descriptive research design. It can use a wide variety of research methods to investigate one or more variables. The researcher does not control or manipulate any of the variables, but only observes and measures them. Since the context of family business is infant, this type of research is useful when not much is known yet about the topic or problem. Before you can research why something happens, you need to understand how, when and where it happens. Descriptive research is usually defined as a type of quantitative research, though qualitative research can also be used for descriptive purposes. So in this research uses both qualitative and quantitative approach is used to well describe the idea.

The research of this study focuses on how family businesses differentiate from non-family businesses and what are the unique challenges and opportunities facing family businesses. This is the main objective and the research question of the study rotates on. Thirty one (31) family businesses companies, and sixty eight (68) participants which are Family business owners and employees, were interviewed and given questionnaires during the data collection. All were family-owned and minority was not family-run.

The theoretical review consists governance theories like Agency Theory, Social Capital Theory, Stewardship Theory and Transaction cost economy, which all has its good sides and downfall on supporting Family business Governance. The Empirical review will review using studies made laying on the three variables of this study. And, when we come to the conceptual frame work is made out of the three variables and their relationship among them to achieve a better performance and success.

The research findings were collected data’s outcomes, which will show the uniqueness of this business type. This uniqueness also causes the special challenges and opportunities, which family businesses face in their operations. The most significant characteristic that separates family businesses from non-family businesses is the family’s impact on the business and

ownership. The unique family business characteristics, challenges and opportunities stated in the theoretical framework can be applied to the family businesses used in this research. It can be stated companies fit the concept of a typical family business, which is unique compared to other businesses. All of the research findings presented can be called valid and reliable inside this study only and should not be generalized elsewhere due to the limited amount of interviewees used in this research, considering Ethiopia is a very wide country.

Chapter 1

Introduction

1.1. Background of the Study

Family businesses are an important part of the world economy, and the successful realization of intergenerational inheritance is the key to ensuring the sustainable development of a family business. To define what it really means let us start by dividing it. A Family is a group consisting of two parents and their children living together as a unit and all the descendants of a common ancestor. And, a Business is an organization or economic system where goods and services are exchanged for one another or for money and every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit. So a Family business is a business that is owned or run by members of a single family (Business Jargons, 2015).

Family ownership may be a benefit or disadvantage in some ways; the most common advantage reported by small family-owned businesses was independent from external and internal pressures. This allowed them to pursue the strategic and operational management of the business as they wished. The strength of family ties, the lack of necessity to pay dividends to external shareholders, and the avoidance of debt finance, gives the business the freedom to pursue a low-risk, longer term strategy, aimed at sustainability (Chua et al., 1999, p. 25). This generally means staying at approximately the same size or pursuing a steady, long-run growth strategy, financed (for the most part) through retained earnings. Debt finance is seen as of secondary importance, to be used if necessary, and external investment as an even less attractive option.

Independence can bring disadvantages as well as advantages. Some businesses recognize their own management limitations but are reluctant to change: they feel the current structure operates effectively, and professionalizing management or adopting a different structure would risk losing that advantage (Chua et al., 1999).

Other problems are family business support policy by default due to this as businesses grow larger issues such as governance and succession become of greater important and more complex. Boards were typically small and focused on the immediate family, with little representation of the wider family or non-executive directors. As well as management, that the family member with may be the alder or many be the wealthiest or other ways may take the leadership not by the person which fits the position. Working potential of different family members may differ but must work with in this cycle that the family set, which lead to lack of productivity. And many other problems are part of this research.

A very small minority considered that they were only a family business by default as a result of the definition being utilized (based purely on ownership), and were not a ‘family business’ in any other meaningful way (Ismaek barros, may 2015). Challenges generally arose through simply being a small business, rather than a family business, as did some strengths, such as autonomy (Yilmazer and Schrank (2010)). However, these challenges and strengths may be exacerbated or ameliorated by aspects of ‘familiness’ (e.g. that this engenders trust, loyalty and shared objectives), which in turn may also encourage the greater likelihood of a more idiosyncratic management style being adopted (NZ Business, August 2005).

In family business there are advantages and disadvantages that arose which make this type of business different from other businesses. But this research mainly focuses on the common problems in this field. And, in addition it will add solution and suggestion as subtopics. But keeping in mind that this research can't cover all the problems that can be faced in all family business.

This study is solve problem of many family created business. Even after creating they luck sustainability and success. There are many reasons for that problem and may need further study. And may be in different company there may be different problems and solutions, but this research will cover common problems faced in Family business.

This research focuses mainly in family business problems like governance and management, lack of diversity, success management, leadership style and so on. And sometimes closeness lid to a point that stops respecting each other, other problems like company policy and laws are not obeyed even if there is, but most don't have it. There are other common problems are included in this research.

It was difficult to find research related to this topic in the content of Ethiopia, which may be lack of accessibility or farther search. I have seen some research related to this topic which are in other country contest or in specific business type.

Moreover according to The Africa report, there were studies on different types of business in east Africa. As shown in there graph below, Ethiopia is the second biggest Family business populated among East Africa. It even concludes that most are small and middle business that couldn't past the 1st generation. Which show there is a problem that this small business don't grow and the other can't pass to the second generation.

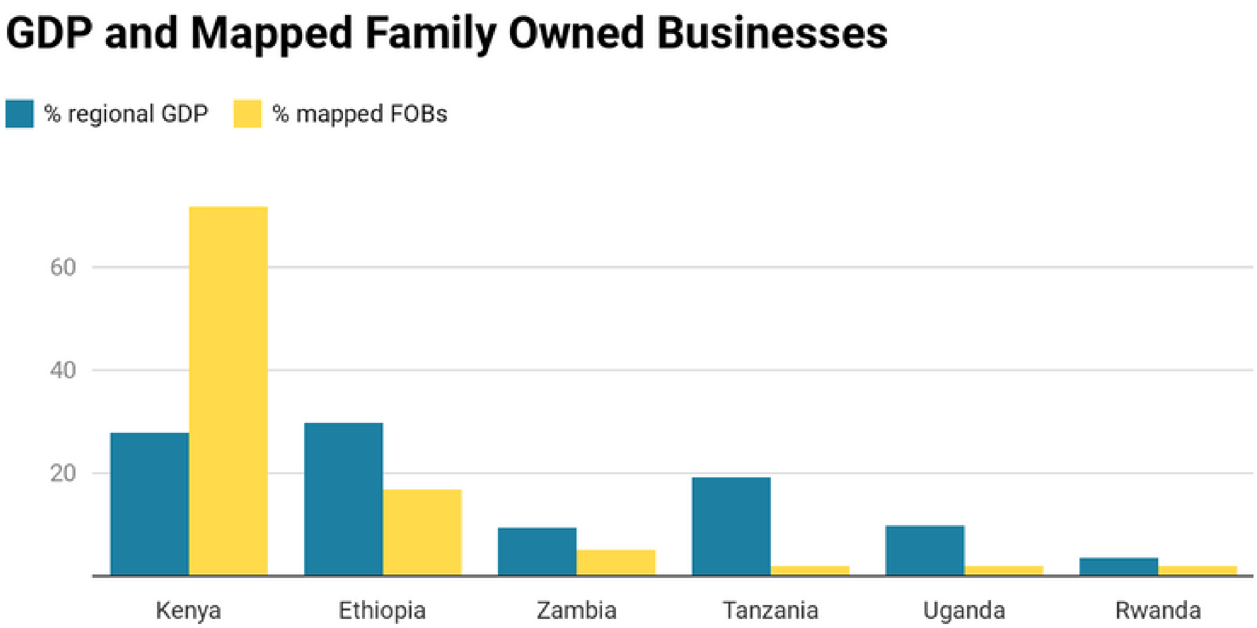


Figure 1.1: East Afica family owned business population
(*scorce: https://www.theafricareport.com/)*

Family businesses in Ethiopia have been and is still one of the biggest business unions, but most don't pass the five years span. Most of this companies are small businesses and don't have a strategic plan or any other plan, which makes it difficult to service. The culture in Ethiopia is one big polling factors to this business eg cultures like communication skill, the elders are always the right one, not having a habits of planning, "Hiloneta", even our work ethics and so on. There will be a detail discussion in the later parts.

In general, the research studies the problem that family business face to have a sustainable and successful business which compete with others too. And, it will suggest some solution and believe knowing the problem is halfway to the solution. But, this research have limitations due to the fact like it can't tell or cover all family problem and solution because every family business and education may face different types of problems and solution since Ethiopia is a very vast country with different background, ethnicity, religion, believe, etc.

1.2. Statement of the problem

The majority of smaller businesses expressed little desire to grow rapidly, citing risk aversion, resistance to change, and a desire for longer term stability and sustainability, over short term growth in profits. Like many other small businesses, most had a ‘comfort zone’ in which they wished to remain (Paul Braidford, Maxine Houston, Gordon Allinson and Professor Ian Stone, 2014).

Apart from the other business related problems, family business face some other problems that other business don‘t. Even all family business in Ethiopia may have there own different problems they face, this research will mention common family business problem that makes their business unsustainable or can't sucside. Some problems are mentioned below.

Mostly running the business is in such a manner as that the family owners; and social accomplishments and preserving family link wealth. A manager or leader are chosen with in the family, and among the family which may be chosen by age, wealth, or other reason not by management skill. This may lead to leadership problem, which means a manager should be a person who fit that position in or out of the family.

Most families were opposed to the involvement of external investors unless absolutely necessary. Not seeking external investment was believed to minimise any possible loss of control, and reduce the need for limitation. And also, boards were typically small and focused on the immediate family, with little representation of the wider family or non-executive directors. This also include luck behaviour to generate dividends. Investment was usually funded from retained earnings.

Family business support policy by default. As businesses grow larger, there is more differentiation where the proportion of non-family businesses begins to be larger than that of family businesses, and the effect of a range of issues is felt more deeply. For example, issues such as governance and succession become of greater importance as family businesses grow larger and more complex.

Some family members are close which sometimes lead to not respecting each other and sometimes lose interest in work. In addition the elder is always right in our culture so no idea from the other are taken.

This type of business is formed with trust which don't have law and policy of governance. And also there is no legal paper or agreement when starting this business which will make it difficult to govern and go according to it. In addition, family disagreements caused more serious difficulties, both within and outside work.

Second generation business owners were more open to changing management, governance or strategy to stimulate growth or profitability, including greater openness to using consultants as sounding boards. Younger family members could feel constricted in their attempts to develop the business by the continued involvement of the older generation.

They have challenge for succession planning in family businesses opportunities for the next generation, were seen as more important than passing on the business as a physical entity. They are mostly not open to management recruitment, management training or recruiting external managers.

There are many researches that was done in other countries but there is no study done in this topic in this country. So, this research contribute in identifying the problems in family business in Ethiopia, which is half way to a solution, and give some solution or recommendation in the discussion part. Moreover, there is a huge gap in research of this topic in Ethiopia Context. So this study believe it will be a step for other research to rise, as mentioned above, since this research can’t do through all problem and every part of the country.

1.3. Research questions

1.3.1. Basic research questions

Based on the research we discussed before, there can be seen that there were some factors on building or running family business. What are some problems that appear in Family business ?

1.3.2. Main Research Question

1. What are the challenges/problems that occur in family business unique from other businesses (in Ethiopia) that challenge it sustainability?
2. Should (is) Governance, succession planning, Education and training in Family business be different from other business type?

3. What are the recommended solutions?

1.4. Objectives of the research

1.4.1. General Objective

The General objective of Study is identifying over all challengs for the creation of a sustainable long term income stream; the growth and preservation of family financial and emotional wealth.

1.4.2. Specific objectives of the study

- To identifying common problems that occurs in family business
- To investigate the effect of the common sustainability challenges in family business
- To investigate what mainly causes this problem
- To identify the factor that most significantly affects Family business
- To determine the degree of the challenges affecting family business.
- To summarize all challenges and problems under variables to find solutions.

1.5. Significance of the study

The study will be supportive for public all current and future public projects as well as can be equally significant to all family business sector in Ethiopia. The findings of this study can also be used as a reference for other researchers and students planning to undertake their research on around project on family business.

1.6. Delimitation/scope of the study

This research studies to the extent of identifying common problems that most family business face and challenges that causes insuficiente business. It listes down the comment problems and what causes them and listed what can be the solution for that. It also see the definition, advantages and disadvantages of this type of business. Most of the time the problem in family business is Governance, that is mainly discussed in this research. The reason for most of the fall of this business is directly towards leadership style.

The limitation of this study is, since Ethiopia is a very large country which have different culture, religion, ethnicity, background, believe, etc it will make it difficult to identify each and every family business in this country. Moreover, different family businesses may have different problems, challenges and solutions, so it will be difficult to cover all problems so this research covered only common problem seen in most family business in Ethiopia.

1.7. Definition of Terms

1.7.1. Conceptual definition

A conceptual definition is a definition outlining the basic principals underlying a term. For the purposes of this review, a conceptual definition was defined as some explanation of the author's intended meaning through family business.

- A company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family.
  (Int. J. Financial Stud. 2014, p.284)
- Family business means a firm's ownership and policy making are dominated by members of an "emotional kinship group" whether members of that group recognize the fact or not. The focus is on emotional connections not genetic . . .
  (Carsrud, 1994, p. 40)
- A business firm many be considered a family business to the extent that its ownership and management are concentrated within a family unit, and to the extent its members strive to achieve, maintain, and/or increase intraorganizational family-based relatedness.
  (Litz, 1995, p. 78)
- The family business is a business governed and/or managed with the intention to shape and/or pursue the vision of the business held by the dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.
  (Chua, Chrisman, & Sharma,1999, p. 25)
- [Family businesses] constitute the whole gamut of enterprises in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm. They influence it via their managerial or board participation, their ownership control, the

strategic preferences of shareholders, and the culture and values family shareholders impart to their enterprise.

(Poza & Daugherty, 2013, p. 5)

- A **family business** is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals.

  (*Alfredo De Massis; Pramodita Sharma; Jess H. Chua; James J. Chrisman (2012))*

1.7.2. Operational definition

A Family is a group consisting of two parents and their children living together as a unit and all the descendants of a common ancestor. And, a Business is an organization or economic system where goods and services are exchanged for one another or for money and every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit. So a Family business is a business that is owned or run by members of a single family.

To give more view or insight on the definition the study put the “The 3 Circle Model”. It shows where family members are holding different identities. Identity is fundamental to how we show up as leaders, and family members can be unaware of how it is affecting their feelings and behavior. This major source of ambiguity and confusion often leads to friction and conflict. Once personal identities are better understood, these points of friction can be managed."(Nick Mayhew, Managing Director, Alembic Strategy).

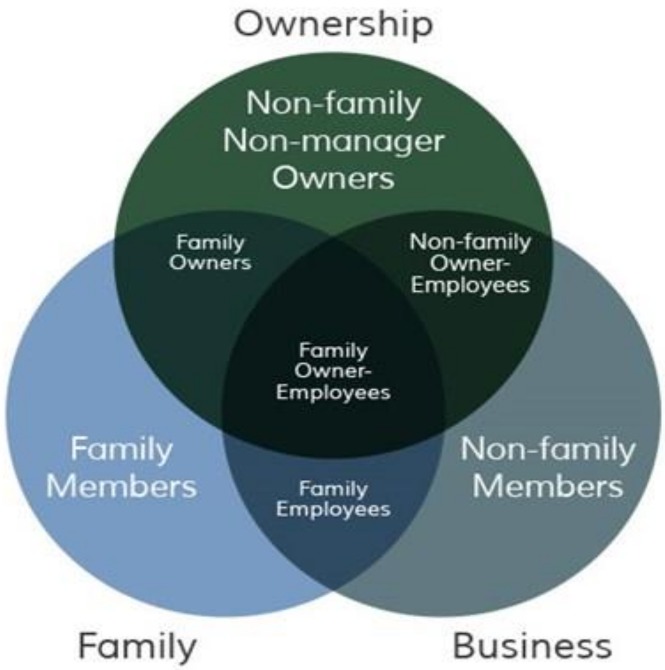


Figure 1.2: TAGIURI AND DAVIS, 1982: THREE-CIRCLE-MODEL OF THE FAMILY BUSINESS SYSTEM

1.8. Organization of the paper

The organization of this study consists of five chapters with different divisions and sub-divisions. Chapter one carries an introduction to the research. This section includes background of the study, statement of the problem, research questions, and objectives of the study, significance, scope and limitation of the study.

Chapter two comprises reviews of theoretic and empirical literatures as well as the conceptual framework that rules this research.

Chapter three dealt with the research methodology part of the study including research design, sources of data, sampling method, sample size, data collection procedures, the study's data collection and analysis process.

Chapter four presents the data analysis results, interpretation and discussion on the analysis. It also identifys unexpected results in it,

Chapter five provides summary of the study, conclusion of the study and suggests possible corrective recommendations that derived from the result of the study.

Chapter 2

Literature review

2.1. Theoretical Review

The family business literature does not subscribe to a single definition of family business. We found many different definitions in our observation. Various authors have called for a systematic analysis of the commonalities in the definitions, but few such analyses have been attempted. Theoretical review explores theories that expound on the topic under study and which, thereby help in better understanding of the study in question while at the same time putting forth a justification for the current study. There are difrent theorys that have been stated before. The study will try to the the most famace ones and mostly used ones, not all the theorys.

The uniqueness of family businesses is the interaction between two systems; the family and the business systems, leading to specific characteristics that we rarely see in other types of businesses. In order to understand the interaction between the family and the business systems, researchers have adopted a diverse range of theories from different fields. Each chapter introduces a theory, demonstrates its previous application in family business research and offers convincing ideas for future research that could contribute to both the family business field and the original theory behind it.

Handler (1989) identifies four dimensions used by writers in the family business literature to define the family firm: degree of ownership and management by family members, interdependent subsystems, generational transfer, and multiple conditions. She observes that although there is no consensus as to what uniquely defines a family business; there seems to be a general agreement that the dimensions to be considered are the first three. There are many that have and still try to define the business.

The family business field has been accused of being traditionally a-theoretical and descriptive in comparison to some of its sister disciplines. But such an accusation is built on a selective reading of the field’s early contributions. Many of the family business field’s most central founding mothers and fathers rooted their work in solid theoretical foundations, even if they were also strongly guided by practice and by the challenges real family businesses and their members were facing (Sharma et al., 2014). Indeed, because of close association of the family and the business systems, family business scholars have been prompt to search for inspiration in various disciplines in order to find appropriate theories to apply in the pursuit to increase the understanding of family enterprises. Often scholars have realized, typically after engaging in a practice similar to what Van de Ven (2007) calls 'engaged scholarship' that in order to understand the influence of the family on the business, traditional organization and management theories have not been enough (Sharma, 2004). As a result, researchers in the family business field were relatively early to use theories from for instance psychology, family studies and pedagogics. Another important realization is that family businesses are not a homogeneous group of organizations. There are many different types of family businesses and in order to capture the similarities and differences among family businesses in relation to important topics and phenomena various theoretical perspectives are needed (Melin & Nordqvist, 2007).

Davis and Marquis (2005) notes that large organizations are the most powerful actors in today's society as result of their large influence on people's lives as employees, consumers, investors and clients. As a consequence, organization theory is today reckoned as the "queen of social sciences, uniquely able to explain the dominant social structures of our times" (Davis and Marquis, 2005, p. 332). Interestingly, if we agree that family businesses represent the most common form of organizations in the world, theories of family businesses should be particularly important and influential today as they deal with a better understanding of a type of organizations that affect particularly many people around the world.

The most frequent use of borrowing theories into family business studies concerns agency theory and resource based theory. When applying them in the family business context, the result has been important contributions to the emerging knowledge base in the field of family businesses (Sharma et al, 2014). However, there are also risks with borrowing established theories for example when borrowing means that scholars deeply rooted in other disciplines 'invade' family business research with assumptions and methodologies that lead to quite narrow contributions and expectations that family business scholars should conform to those disciplinary norms (Birkinshaw, Healy, Suddaby & Weber, 2014). Regarding the resource based view, the application has also lead to the novel conceptualization of familiness, meaning the bundle of resources that are distinctive to a business firm because of a family's involvement (Habbershon & Williams, 1999). Another increasingly borrowed theory is the social capital theory that also has resulted in a specific development around family capital (Arregle, Hitt, Sirmon & Very, 2007; Danes, Stafford, Haynes & Amarapurkar, 2009).

The capacity of developing new theory in management research seems to be low (Birkinshaw et al, 2014). Existing theory fails to explain many aspects of the world of business firms leading to a quest for increased efforts to develop new theory. Here the phenomenon of family business, with both wide distribution and predominant characteristics, makes a case for new theory development. Such theory building may not only be enlightening for the understanding of family business but possibly also travel to other parts of management and social sciences. However, in the future development of family business as a field of study a scholarly conversation on the boundaries and focus of family business studies is needed, as there presently is no agreement on what constitutes the field of family business (cf. Gartner's (2001) discussion on 'blind assumptions in theory development' in entrepreneurship). Such a conversation would also include what theories that are appropriate for the building of family business knowledge.

To conclude, the field of family business studies "is very attractive for the intellectually curious scholar with opportunities for applying a wide range of theoretical lenses. Rich opportunities are available to test theories developed in management and family sciences in the context of family businesses" (Sharma & Melin, 2015, p. xliii).

Below are some of the theories that mention above, they will be elaborated in detail below.

GOVERNANCE AND PERSPECTIVE

AGENCY THEORY

Agency theory provides theoretical lens about how efficient governance in organization can be achieved under different goal's orientation between owners and agents (Moores 2009). This theory is relevant for explaining corporate governance in family organization since it concerns about the importance of goal achievement and the alignment of interest of critical stakeholder (Goel et al. 2014). Furthermore, this theory provides platform on how core elements of governance such as control, legitimacy, and incentives can be articulated within family firms (Nordqvist, Sharma & Chirico 2014). Agency theory also explains about the importance of structure, system and processes of governance can be established in family firms to obtain a better firm performance or efficient governance (Pieper, Klein & Jaskiewicz 2008 p.373; Seibel & Aufseb 2012).

Through agency theory, family firms contribute two contrasting views (Miller et al. 2013). In one hand, family firms produce efficient governance (Anderson & Reeb 2003; Chrisman, Chua & Litz; Jensen & Meckling 1976; Fama & Jensen 1983). On the other hand family firms generate inefficient governance (e.g. Gomez-Meija & Nickel et al. 2001; Morck, Shleifer & Vishny 1988; Mork & Yeung 200; Schulze et al. 2001).

There are some arguments that support the benefit of family firms. The most argument relies on incentives of ownership structure (Bammens, Voordecker & Van Gils 2011; Chua et al. 2012) Family firm enjoy the less of agency cost due to unification of ownership and control (Jensen & Meckling 1976; Fama & Jensen 1983). Since agency problems occur due to the separation of ownership and control, unification nullify agency problems.

In contrast to the view of low agency problems, family firms suffer from conflict among owners (Schulze et al. 2001; Shukla et al. 2014). There are two kinds of principal-principal agency cost: conflict between majority and minority shareholders (Mork & Yeung 2003; Chrisman et al.2010; Shukla et al.2014) and family members action that can detriment both majority and minority investors (Gomez-Meija & Nickel 2001; Schulze et al.2003). Morck, Shleifer and Vishny (1988) found the tendency family firms to applied managerial entrenchment that harm minority shareholder. Managerial entrenchment refers to "capacity of a controlling shareholder to hold senior executive office for an extended period regardless of his or her performance" (Shukla et al. 2014 p.105).

Despite agency theory is the most prominent for family business research this theory may less applicable to explain governance mechanism in family SMEs. Agency Theory deals with agency problems which arise due to the separation ownership and control. This issue is prevalent for large and public firms but not for family SMEs (Chu 2009) since they unify ownership and control (Dyer 2006; Westhead & Howorth 2006). A number investigation about governance issues often emphasize on the role of board director to protect shareholder interest (Pieper 2003). This issue probably is not essential for SMEs due to many SMEs do not recognize this institution (Abor & Adjasi 2007). Agency theory also merely focuses efficiency of governance on the relationship between owners and managements and neglecting other type of relationships (e.g.

suppliers, customers) (Verbeke & Kano 2012). This perspective also does not provide framework that explain when they should adopt particular governance mechanism such as market or hierarchy, or formal and relational governance (Memili et al. 2011).

SOCIAL CAPITAL THEORY

Bourdieu (1986) suggested that social capital is valuable since it contribute to protect material and symbolic benefits which are accumulated from group membership. This capital is located within nexus through acquaintance and recognition (Nahapiet & Ghoshal 1998). The value of social capital is determined by the quantity and quality of variations resources which is located in relationship within nexus (Bourdieu 1986).

The value social capital will be decrease except the relationship always be maintained overtime. Social capital become important in family business research since the relationship between family members potentially produces bonding social capital (Gudmunson & Danes 2013). Bonding social capital link individuals with others within a group facilitate the evaluation, procurement and utilization of necessary resources for exploitation of opportunities (Davidsson and Honig 2003). Through bonding social capital, a family enjoys internal cohesiveness, trust and solidarity among family members in shared goals commitment. Davidsson and Honig (2003) note that through bonding social capital, parents and friend help nascent entrepreneur in the period business startup.

Family firms potentially acquired resources through bridging social capital. Bridging social capital focuses on the benefit of connection between individuals and actors outside his or her groups (Salvato & Melin 2008). Family firms often develop good relationship with stake holder of family firm such as customer, supplier and employees and sometimes enduring across generation of family firms and involve personal attachment. These stakeholders give family firms chance to connect with stakeholder' acquaints to help resources acquisition. Furthermore, enduring relationship and commitment with stakeholder possibly give benefit for family firms in "developing and maintaining social capital" (Dyer 2006).

There some point of view about the connection between social capital and governance in family firms. Social capital control opportunism through shared values, norms, trust and shared vision (Mustakallio et al. 2002; Mosquita & Lazzarani 2008). Socialization common set of value and shared vision will minimize the divergent of interest between individual and organization (Chu 2001). Shared value enables family members "to derive pleasure and meaning from sustaining cross generational relationship and striving mutual goals" (Aronoff & Ward 2001 P.1). Norm is useful since "it transforms individuals from self-seeking and egocentric agents with little sense obligation to others into members of a community with shared interest, a common identity, and a commitment to the common good" (Adler and Kwon 2002 p.25). Trust can be used to mitigate opportunism since it reflects the prediction that the partner will fulfill their responsibility and behave in the expected manner (Verbeke & Gredianus 2009; Zaheer, McEvily, & Perrone 1998). Through shared vision, organization members are encouraged to trust each other and prioritize collective goals rather than individual goals (Tsai & Ghoshal 1998).

Social capital literature provide framework to understand governance mechanism in family firms. It has been argued that social normative elements such as trust, value, vision, and norm create self-enforcing safeguard is effective and efficient to attenuate exchanged hazard (Poppo & Zenger 2002). Trust can be used to mitigate opportunism since it reflects the prediction that the partner will fulfil their responsibility and behave in the expected manner.

There are some critiques addresses for social capital in family firms. Over emphasizes on family ties make family members ignore or become less control toward opportunism (Kellermanns, Eddleston & Zelwegger 2012). Family relation often creates a problem in term of control and monitoring process. Family firms' CEO may be less capable or reluctant to evaluate their performance. Family relationship often creates bias in a CEO's perception about family agents' behavior through filtering and selecting information process. As result, family relationship often decreases the ability of family business' owner-manager (CEO) to control and discipline family agents. It makes owner-managers tend to compromise the unproductive behavior of family members when their actions have consequences toward the relationship inside and outside of the firm (Schulze et al. 2003). Strong bond leads to organizational norm that deviant from universal norm and result in fraudulent activities (Eddleston & Kidwell 2008).

STEWARDSHIP THEORY

Stewardship theory emerges in the field of organization and management since Davis, Schoorman and Donalson published their article in 1997. They criticized at the assumption of human actors in agency theory that solely driven by self-interest (Eddleston, Kellermanns & Zelwegger 2012). Davis et al. (1997) argue that economic man in agency theory is over simplifies the complexity of human actors and neglect the role social systems to individual behavior. Furthermore, they ignore positive side of human actor (Davis et al.1997). They defines stewardship theory as" situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals".

In contrast to agency theory which is developed from economic theory, stewardship theory originates from Psychology and Sociology (Seibel &Aufseb 2011). Psychology provides explanation of how managers identify their self in regard with organizational success. Stewardship theory suggests that organizational success is reflection of individual success (Davis et al 1997).

Managers in stewardship theory represent self-actualizing man since they advance organizational goals rather than individual goals (Corbetta & Salvato 2004). Sociological perspective helps our understanding on how social values create individual values. Davis et al. (1997) suggested that cultural orientation such individual-collectivism, and low-high power distance influence stewardship characteristics in organization.

There are some arguments supports the relevance of stewardship theory in explaining family firms' governance. First, family firms' managers are likely to act as steward since they emotionally involve in family as well as their personal motivation and reputation. When family firm managers act as stewards, then self-control mechanism which are proposed by agency theory become less important (Davis et al. 1997). Second, family firms have a tendency to long term oriented, maintain talented employees, and have a good relationship with stakeholder (Eddleston et al.2012; Miller, Miller & Scholnick 2008).

However, Agency and Stewardship theories have contradictory assumption that result in conflicting result (Verbeke & Kano 2012).Agency theory assumes that human actors will maximize their self-interest that creates misalignment between owners and managers (Davis et al. 1997; Le Bretton & Miller 2009). On the contrary, stewardship theory assumes that human actors will maximize organization goals than individual goals, thus lead to alignment between owners and managers (Davis et al.1997). Using this theory to predict governance mechanism in family business may be not appropriate since this theory have less pay attention toward opportunism which is critical element for selecting the appropriateness governance mechanism. This theory also does not yet provide framework about when positive and negative human side can contribute to formal relationship.

TRANSACTION COST ECONOMY

Transaction cost theory (TCE) is originally proposed by Ronald Coase who published article "The Nature of the Firm" in 1937.He described markets and hierarchies as a governance choice for managing transaction. Coase (1937) argued that the difference of transaction cost was considered to determine governance mechanism between markets and hierarchies. Market governance relies on price, competition and contracts (Barney & Hesterly 1986). Hierarchy governance relies on managerial authority (Barney & Hesterly 1986; Williamson 1985). Through the idea that sometime cost managing transaction across market is higher than transaction within boundary of the firm, Coase (1937) explains why firm exist. However, Coase did not give clear explanation when a transaction should be taken through market and within boundary of the firm (Barney & Hesterly 1986).

He developed Coase's idea by giving explanation about considerable factors that determine governance choice between market and Hierarchy. Those factors include asset specificity, uncertainty and frequency of transaction. Williamson (1985) suggested that the appearance of asset specificity and uncertainty elevates opportunism that makes transaction cost through market governance outweigh its benefit. The task of managers is searching governance mechanism that can minimize transaction cost (1991).

Basic idea of TCE is that if market governance can decrease transaction problems due to opportunism and bounded rationality, then economic actor will prefer to market than hierarchy. In contrast, when market governance too costly to manage exchange problems, it is appropriate to apply hierarchical governance or internal organization.

There are some critiques addresses to TCE. These critiques include: (1) assumption about opportunism, (2) it ignore role of social control in transaction, (3) overemphasize on cost minimization. Transactional Cost Theory has been criticized as neglecting role of social and cultural in transactions.

2.2. Empirical Review

Empirical literature seeks information based on actual experience and observations rather than driving knowledge from theory, belief or logic. Some of the studies conducted by previous researchers have been reviewed and their major findings and observed gaps are presented as follows:

As interest in a field increases, it is useful to take inventory of the work that has been done and integrate the findings in order to consolidate the existing knowledge. This reflective process is necessary to provide directions for future research and derive maximum benefit from previous research efforts. The purpose of this review is to provide such a reflection. Other reviews of the family business literature have appeared in the past few years but they addressed specific topics.

Governance

When the researcher explains the governance of a company or firm the most common word to use is Corporate Governance. Corporate governance is a pivotal subject in business literature (Colarossi, Giorgino, Steri, & Viviani, 2008). It concerns the exercise of power to direct and control companies (Clarke, 2004). As explained by Manawaduge (2012), corporate governance facilitates achieving company objectives, explicates the ways and means of making business decisions, stipulates the distribution of rights and responsibilities of the management and other stakeholders, and aligns the company behavior with the expectation of the society. Hence, corporate governance has significant associations for the financial stability and performance of companies and so the economic growth of the country (Rezaee, 2009). There is no universally agreed definition for what the term corporate governance means, although numerous definitions have been discussed (Anandarajah, 2004). However, defining corporate governance is a difficult exercise because of different culture, legal systems and history (Ramon, 2001). Put simply, as in Heenetigala and Armstrong (2011) and Adams et al. (2011) corporate governance is concerned with internal structures and processes for decision making, accountability, control and behavior at the top of organization (Clarke, 2004), and mechanisms for accountability (Armstrong, Li, Heenatigala, & Clarke, 2011) to the stakeholders. Thus, good governance is a key factor for stable economic development. Corporate governance in developed markets has evolved gradually over centuries as a result of the economic development of industrial capitalism (Chowdary, 2003). However, compared to developed countries, corporate governance has not received as much attention in the context of developing countries (Klautzer, 2013). Further, because of economic, social, and cultural differences between developed and developing countries, the practice of corporate governance in developed countries may not the perfectly suitable for developing countries.

When it comes to family business in general, various and numerous definitions of family business could be seen, but still there is no one common definition. Its definition has been shown above in chapter 1 of this paper. Therefore, it is an important fact that empirical research highlights the predominance of family-owned firms around the world, particularly in emerging markets, including business with the least restrictive definitions of family involvement in a firm (Sharma & Nordqvist, 2008). Therefore, a family business can be defined as a company mostly owned and managed by a single root family. In family owned or controlled businesses, families hold and control a major part of the economy and therefore they design the governance structures that benefit them. Further Neubauer and Lank (1998) revealed that the key elements of a typical corporate governance structure for a family business are the family and its institutions, the board of directors and top management. Hence, family firms rely on the concentration of ownership to achieve the same objectives set out by mandated corporate governance practices. The complex interaction between the family and the firm creates several difficult governance issues (Wellalage & Locke, 2011). For instance, the ownership and control, succession, performance, and governance structures are frequently discussed. This is a common situation in any economy. Mallin (2004) who claims that, when a family business is at stage when it is becoming more difficult to manage, it effectively delays its efficient operation and development. Then is the time to develop more formal governance structures. Therefore it is clear that governance is highly related to family businesses and their growth. Succession is a critical factor, among the critical factors leading to problems within family businesses (Brenes, Madrigal, & Molina-Navarro, 2006). Family business continuity plans commonly establish a governance structure for the family and for the family business (Brenes et al., 2011). The purpose of those structures is to improve strategy and control mechanisms of the family business and, to organize the communication and relationship between family owners and business executives (Brenes et al., 2011). Beside the supervision and control of management, family businesses need to establish governance structures that enhance consistency and shared visions within the family, while at the same time reducing harmful conflicts (Mustakallio, Autio, & Zahra, 2002). Correspondingly, the consideration of the family dimension (i.e. family governance) is an integral part of the governance structure of family firms (Klein, 2009 as in (Siebels & Knyphausen-Aufseß, 2012)).

From the performance perspective, research by Anderson and Reeb (2003) and Villalonga and Amit (2006) find that family firms outperform non-family firms. And Andersona, Mansib, and Reeb (2003) show that family firms incur lower debt cost relative to non-family firms as well. Moreover, based on the size of the family business, or whether the business is listed or not, governance structures of family business may have differences. Further the stage of development of a family enterprise impacts the governance structure (Neubauer & Lank, 1998). Siebels and Knyphausen-Aufseß (2012) disclosed through the previous literature that following a systems approach, the internal governance of a family firm is defined as two interacting subsystems: the business and the family governance system. Though there is no universally accepted single theory or view that makes sense either in governance generally, nor in family firms in particular, a governance structure aids the achievement of goals of a family business through direction and supervision. As a consequence the governance discussion in the family business field has received much attention during the past years (Pieper, 2003). Moreover the focus of research on family business governance has evolved over time, from an almost exclusive focus on individual governance bodies and structures, mainly on the role of the board of directors in the family firm, to a different approach emphasizing the governance system as a whole (Pieper, 2003)

Family involvement in governance, Family governance is distinguished not by the separation but by the unification of ownership and control (Carney, 2005). This makes family business different from widely-held corporations. At the same time this makes governance in family business more complicated due to not being able to apply a typical corporate structure because of the central role that the family plays in ownership and management (Faizal Salieh as in Shenoy, 2014). Therefore, family businesses are governed within unique governance structures which are unique to individual family businesses. Hence, a family dimension is an important part of family business governance and also the cause of the difficulties in management. Further impact of family members who do not actively involved in family business is also very vital for the family business continuation.

Succession Planning

A review of the available literature was conducted in order to gain an understanding of what some of the challenges are that these family-owned businesses are facing as well as what might be some important concepts to implement when going through the process of a generational transition.

Mentorship is one that is common within family owned businesses and is an extremely important leadership process that should take place. The type of mentorship typically taking place in these family firms tend to fall somewhere between formal and informal. These particular relationships are often not well structured, but neither are they spontaneous relationships (Chao, Walz & Gardner, 1992). It is known that the responsibility will eventually be the one taking over the business; that fact alone lends a certain amount of structure to the mentor protégé relationships that are occurring in these family-owned businesses. The mentor is in a position where they are able to impart knowledge that they have collective over time to the next generation; this sharing of knowledge ensures that in some way their legacy lives on (Kumar & Blake-Beard, 2012). In the case of small family-owned businesses this legacy is being shared with and passed down through their children (Kumar & Blake-Beard, 2012; Oglensky, 2008). It is often known from an early age that the children of the generation running the business will someday be in position to take over the leadership of the company. Much of the literature surrounding the concept of mentorship focuses on the positive outcomes of these types of relationships, although, a bad experience between a mentor and protégé may be difficult to work through. Typically, if a protégé has a bad experience with their mentor they are more likely to focus on that experience regardless of the fact that there have been other positive outcomes as a result of the relationship (Eby, Butts, Durley & Ragins, 2010). Because they are family and it is essentially predetermined that they will work together and that knowledge will be passed down through the generations Eby, Butts, Durley and Ragins (2010) mention that issues such as personality differences and approach to work style can be what cause a bad relationship between the mentor and protégé(Alexandra Burns,2014). It is important that members of both generations take their individual roles in the mentorship experience seriously and that they strive to make it as positive of an experience as it possibly can be.

Shared Leadership could be one way to pass knowledge to Successor. Mostly family business have a shared leadership among the members but another common way for shared leadership to be present in a family owned business is when the younger generation is in the process of inheriting the company from the generation before them; there is a time period during which the generations are in the business together working side-by-side sharing decision making responsibilities and leading their organization together at the same time. As the younger generation becomes more capable they begin to share in more of the leadership and decision making responsibilities of the organization. Shared leadership is something that can be difficult for people to understand. (Pearce & Conger, 2003).

The individuals in these family-owned businesses, particularly the outgoing generation, find it difficult to think of leadership in what to them is a completely new and different application. This time spent in a shared leadership relationship accomplishes two distinct and important outcomes. First, it provides the younger generation the opportunity to learn alongside the older generation. Second, it addresses the issue of adapting to the changing landscape of the business they are about to embark in a career in (Alexandra Burns, 2014). It is important for the success of the business that they remain or become innovative and having multiple people in leadership positions simultaneously is the best way to ensure that the organization remains competitive (Hoch, 2013). This shared leadership is an important step in the sharing of knowledge that is an essential part of any successful family-owned business' generational transition (Alexandra Burns,2014)

Generational Differences: A first generation owner often sees the business in a very different way than the second generation does (Chung & Yuen, 2003). The first generation in most cases has built the business from the ground up. In contrast, any generation that becomes involved in the business moving forward has had some amount of exposure to it over time and never knew a time when there was not something of a vibrant functioning business owned by their family. Relationships between family members in family-owned businesses can often be full of tension and it is important that the two generations find a way to work together harmoniously throughout the transition and beyond (Ibrahim, Soufani, & Lam, 2001). The two generations' experience with the business has not necessarily been similar and for this reason it is extremely imperative that the second generation be as well prepared as possible for the transition that will take place. There are many differences between the generations, but one difference in particular that becomes a factor when the two different generations that are working together is feedback. (Lancaster & Stillman, 2002). This issue of feedback and how it is handled may seem as though it is not an overly important matter to consider, but in fact when looking at the important leadership roles both generations are in currently or will be in eventually, feedback will play a central role in shaping the organization.

Relationships is also one particular area of preparedness that should be taken into consideration is relationships. There are a few key relationships to take into account when looking to transition the family business to the second generation: the incoming family member(s) should have strong relationships with the outgoing family member(s) and, the employees of the company, as well as with any vendors or strategic industry alliances (DeNoble, Ehrlich & Singh, 2007; Chung & Yuen, 2003; Morris & Williams, 1997). There is a significant amount of knowledge to be shared between the incumbent and their successor and for that reason that relationship is perhaps the most imperative. These two generations working together is what will give the second generation family member the most significant knowledge as it pertains to the business they are about to take over (Fox, Hamilton & Nilakant, 1996). The transition will prove to be challenging if a strained relationship between the generations causes there to be a lack of communication or miscommunication about important company information.

Transition over Time: Succession has been described as one of the "lengthiest strategic processes for family firms" (Chirico, 2008). It is not possible in all situations to allow this transition to take place slowly, but transitioning over time is a factor that can contribute substantially to the overall success of the transition. Taking time allows for not only the transfer of knowledge, but it also lets the first generation become comfortable with stepping down from their role while at the same time it gives company employees the time to become used to another individual in that leadership role (Giarmarco, 2012). The overall goal of transitioning the organization over time is to ensure the all individuals involved are as prepared as they can be to take on their new roles or be supportive of those whose roles are changing (Alexandra Burns, 2014). Transitioning the company over time is just another building block of the important factor of preparedness.

Education and training

Education is another factor that should be taken into consideration. The importance of learning especially for SMEs in a society with continuing economic and social changes, spurred on by the globalization process and technological developments, learning plays an increasingly important role. It is possible to identify a number of reasons that explain family SMEs' increasing attention to developing the knowledge of their employees, developing the skills and abilities serving the businesses' productive purposes and therefore its competitiveness (European Commission, 2003a):

- New technologies (especially information and communications technology) are introducing new competence and organizational requirements at the work place.
- Family SMEs seem to be particularly affected by the inability of the formal education system to match the enterprises "current needs". This in turn, implies an added need for family SMEs to engage themselves in learning and training activities.
- Management literature increasingly underlines that competitive advantages built on capabilities, knowledge and skills are often less visible to competitors and more difficult to imitate, providing therefore a base for a sustainable and robust advantage.
- The increasing internationalization of markets and the subsequent competitive pressures faced by family SMEs, as well as the changing legal requirements they permanently have to deal with, are resulting in added competence and training needs.

Formal learning strategies

Formal learning strategies involve training that is structured, formal and entails a defined curriculum with specific training goals set and evaluative criteria established. It may be conducted by supervisors, company training centers, businesses, schools and associations. Formal training includes classroom work, seminars, lectures, workshops, and audio-visual presentations. Continuous training is very important for family SMEs since they need to acquire new skills in order to be able to face the new challenges of globalization and the information society. The European Commission (2003a) identified that a barrier to learning is that SME entrepreneurs are often not able to diagnose their own learning needs effectively. The owner/managers limited information and contact with sources of learning results in a limited overview of the opportunities available. Furthermore, SMEs very often feel unwilling to invest in people, as they fear the possibility of skilled labor being "poached" by competitors. Owing to their size, family SMEs often encounter greater difficulties in organizing outside training and in a lot of cases the training provided is very often unsuited to the family business. The times and places for the courses are too inflexible; they require the staff to be away from work for too long periods of time, the content is too theoretical and too formal. Altogether, this means that if alternatives do not exist, even the training courses or programmers available will not be used by SMEs (Goss and Jones, 1999). Other important reasons found were: insufficient financial resources, lack of planning and lack of relevant training courses. The report observed that the typical SME (both family and non-family) is driven by short-term business pressures and is looking for quick and easy solutions that very often, cannot be provided. Baskin (*1998)* also suggests that organizations can develop a “corporate DNA” that holds the organization together. Learning needs to be a more conscious process facilitated by appropriate organizational structures and working routines. Paulsen (1994) maintains that training deficits are symptomatic of many SMEs and can be attributed, in part, to shortcomings in the education and training market, a general lack of demand for training and a lack of specialist human resource development facility to provide structured and planned training. This sentiment is further supported by the findings of the European Commission (2002b) and Goss and Jones (1999). Yet formal training and development provides only a small part of what is learned at work and the potential for informal on-the-job learning is much less constrained by organizational size (Eraut, 1999). The significance of such informal learning is currently increasing and it has been argued that this type of learning is more appropriate to the needs of the SME and its employees (European Commission, 2002b; Goss and Jones, 1999; Penn et al., 1998).

Informal learning strategies

Informal learning strategies are rather unplanned and incidental. Typically, there are no specified training goals as such, nor are there ways to evaluate if the training actually accomplished these goals or not. Informal learning typically occurs so naturally that many people probably are not aware that they are in a training experience at all. According to Goss and Jones (1999) informal learning is a feature of learning in SMEs. They identified a number of factors that influence informal learning senior management's attitudes towards learning and training, the culture and structure of the organization and they all have a part to play in the adoption of formal training and the effectiveness of informal learning(*Journal of European Industrial Training, 2006, 30(7) pp:550-568).* Firstly, attitudes towards learning and training are closely related to the expectations entrepreneurs have regarding their business. Where it is to provide a living, then the need for training associated with growing the business is perceived as irrelevant. Secondly, the culture of entrepreneurial firms is typically paternalistic. Coupled with an informal approach to planning, such cultures are characterized by activity for the “here and now” with an almost abhorrence of analysis and reflection. Sweringa and Wierdsma (1992) identified that in SMEs, experiential learning is where most real learning takes place. Brown and Keep (1999) classify that experiential learning is part of the process of managing the job, dealing with the challenges and problems that arise from the very nature of the work and the environment in which it is taking place. Informal learning is reactive rather than proactive and it does not address the long term needs of the organization that is the need to anticipate change and the implications on skills and knowledge needed by the organization in order to manage change successfully. Consequently, survival depends upon the ability of the organization to learn from critical events and adapt behavior accordingly, to recognize and use the wealth of knowledge created by such events so that opportunities can be maximized (Goss and Jones, 1999; Sweringa and Wierdsma, 1992). These close contacts could enable a better opportunity to learn from experiences as individuals are in a better position to learn from others and more importantly to gain feedback on the consequences of their actions. Such on-the-job, continuous learning depends on individuals having jobs which challenge and stretch them and it is often argued that owner-managers of SMEs find delegation of decision-making more difficult through their insistence on “personal contact and control” (Bosworth and Jacobs, 1989). It is also argued that informal and self-directed learning may require learners to develop their thinking and learning skills if they are to become independent learners. Thus, it is unlikely that informal learning will have a great deal of impact unless it is supported and Eraut et al. (2002). The above discussion has highlighted that informal training is less effective than formal training if one should intentionally be learning a specific area of knowledge or skill in a timely fashion (Journal of European Industrial Training, 2006, 30(7) pp:550-568). However, this form of training often provides the deepest and richest learning because this form is what occurs naturally in life. Nevertheless, training employees generally brings a win-win scenario. Employees are more productive for the firm because they are better skilled to do their job and feel better about themselves because the company is taking an interest in their personal development.

In many family-owned businesses’ generational transitions, the second generation is expected not only to have that more formalized education, but they are expected as well to be able to bring enhanced management practices and an understanding of technology the company is now looking to them to be innovative and to be able to provide new and fresh ideas that will contribute to the long-term success of the company (Craig & Moores, 2005). It is important that the incoming generation have a strong entrepreneurial spirit that motivates them to want to succeed in the family-owned business; this entrepreneurial spirit is something that the first generation often times has to consciously work to instill in their children (Mejbri & Affes, 2012). Knowledge transfer from one generation to the next is critical to the success of family-owned businesses. This knowledge transfer helps to fill the gaps in learning left behind by formal education alone. Education outside of the family firm is important, but it is the sharing of inside knowledge that will ensure the incoming generation has a strong understanding of the inner workings of their family's organization (Chirico, 2008). Explicit knowledge can be shared relatively easily as it is simple to put into writing and this is most often accomplished through the use of tools such as policy and procedure manuals (Chirico, 2008). It is the sharing of tacit knowledge that can present more of a challenge. The sharing and passing down of this type of knowledge that is more experience and skill based often tends to take place over time and is a large part of what occurs during the mentoring process that many family businesses engage in (Chirico, 2008).

2.3. Some Literature Study On Family Business Management From recent years

Since the research don't have a specific part the below are some reviews made about family business throughout the years. The below are the latest and some which are chosen by the study.

Motwani et.al (2006) have examined the results for a survey of 368 family-owned small to medium size enterprises (SMEs) with regard to importance, nature, and extent of succession planning. By categorizing SMEs according to their annual revenues, total number of employees, and number of family members employed within the firm, significant differences were found between larger and smaller firms. Consistent with extent literature, the findings reveal that most family members join the firm for altruistic reasons. Issues related to family relationships were related as significantly more important in firms in which in more family members were employed within the firm. Moreover, for firms with less than US$1m in revenues, a high priority is placed on selecting a successor who possess strong sales and marketing skills. The findings show that regardless of their size , it is important for family-owned business to developed a formal plan for succession, communicate the identity of the successor, and provide training/mentoring to the incumbent CEO.

Denoble(2007) states that the importance of succession planning in family owned business in focused on identifying the key dimensions that could comprise a family business the selfefficacy scale. He employed an exploratory qualitative research methodology by querying a group of family business presidents to describe the skills critical for success. Used a resource-based perspective and relevant family business succession literature, they organized this feedback into a framework depicting the key challenges associated with leadership succession. The precedents comments highlight a set of general and family business skills requirements that fall into the domains of social and human capital.

Sundaramurthy (2008) has presented a model of sustaining trust based on an integration of trust literature with the family business literature. The basic premise of the model is that trust in dynamic and multiple dimensions of trust need to be developed through structures and processes to sustain interpersonal trust inherent in the early stages. Implications of the model and future research directions are outlined.

Dyer and dyer (2009) state that the recent research on family business has focused on how the family affects business performance. Their commentary suggests that researches should also consider how certain variables affect both the business and the family. Suggestions for how to do such research are presented

Cater and justrin (2009) have conducted an exploratory to better understand the development of successors in the small family business, including their approach to the leadership of the firm. It examined variables (and their relationships) that help to explain family business successor leadership. A case study was followed, used grounded theory analysis of qualitative interviews of the top managers of six family businesses. It provided six propositions for future research- namely, concerning positive parent-child relationships, acquiring knowledge, long-term orientation, cooperation, successor roles, and risk orientation.

Chrisman et.l (2010) has examined the 25 articles that have been particularly influential in shaping the state of the art of research on family businesses. These works identified based on a citation analysis of family business article published ever the past 6 years in the four journals that publish most of the research. The authors summarize those influential studies and discuss their most important contributes to scholars' current understanding of family business. By identifying common Themes among those studies, the authors are able to provide directions for future research in the field.

Hot et.al (2010) state that the field of family business research is advanced by further examining the validity and reliability of Klein, astrakhan, and simonies' family influence of power , experience, and cultural scale. Data from 831 family businesses ale analyzed to assess the measures construct validity using exploratory and confirmatory techniques. The hypothesized three factors model emerged to include culture, power, and experience. Extending the previous effort, the measures convergent validity was tested by assessing differences between the measures score and the desires of the senior generation and the commitment of the next generation. Results support an initial level of convergent validity.

Casillas et.al (2010) has examined the present research to improve scholars understanding of the relationship between entrepreneurial orientations (EO) and the growth of family firms in two areas. The authors propose that the EO-growth relationship is contingent on different contextual variables- environmental dynamism and environmental hostility-and an internal variable-generational involvement. Also, they consider EO to be a composite construct integrated from and related to different independent dimensions. Using information from 317 Spanish family firms, results show that (a) EO positively influences growth only in second- generation family businesses; (b) the moderating influence of the generational involvement is related to the risk-taking.

Lorna Collins, Nicholas O'Regan, (2011 Family business has evolved significantly over the past decade and today it is a well accepted and respected field of enquiry. In gaining academic acceptance, it has retained its practitioner roots. The paper argues that it is time for a re-think because the focus of previous family business research has become somewhat convoluted with small- and medium-scale enterprises research (at least in the UK) and with particular parts of the family business rather than the entire family business system. To continue its impressive upward trajectory, family business management and research needs to embrace new theoretical perspectives and approaches, particularly those that come from disciplines such as psychology that at the moment have tenuous links to family business studies. It also needs to embrace learning that can be gained from practitioners and develop useful discourse between stakeholder groups in the family business community

Alexandra Dawson (2012): The main focuses on the construct of human capital in family businesses. It makes three key contributions. First, it furthers our understanding of human capital in family businesses by identifying the underlying dimensions of human capital, involving not only knowledge, skills and abilities but also individual attitudes and motivation. Second, the article puts forward the conditions under which family businesses can achieve and sustain over time an alignment of interests between individual human capital and organizational goals. These conditions will vary depending on whether the external environment is static or dynamic. Third, the article heeds the call, shared by strategic management scholars, to focus on the individual level as well as on the (predominant) group- and organizational-level constructs.

2.4. **Conceptual framework**

Therefore, our research goal is to develop a comprehensive conceptual framework for full consideration of all the potential factors affecting family business problem needed to avoid failure in the future and improve the efficiency of problem solving. Since this is descriptive research in its nature, it is not necesary to have a conceptual frame work, but the below model will show the variables mentioned in the literature review. The reseach expectes to have an out come of the below graph.

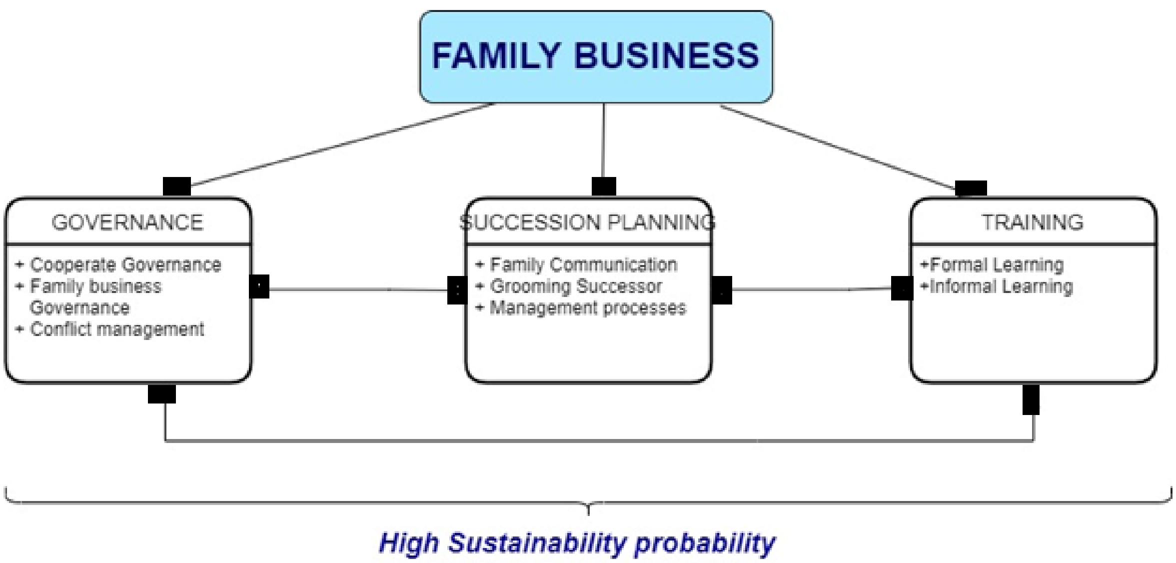


Figure 2.1: Conceptual framework of Family business that the research expects.

This model well illustrates the processes and activities that need to be taken to ensure the success and smooth transfer of family businesses. The variables in this study are Governance, Succession planning and Education & training.

Chapter 3

Research Design and Methodology

3.1. Introduction

The research needs research design to have master plan specifying the methods and procedures for collecting and analyzing the needed information. This research will use different methodology to collect data from the population that are directly or indirectly involved. The details will be discussed in the subtopic below.

3.2. Research approach

This research uses both Quantitative and Qualitative research approaches because the data refers to non-numeric information such as interview transcripts, note and text documents. From the qualitative categories the research uses Content analysis which refers to the process of categorizing verbal or behavioural data to classify, summarize and tabulate the data. Qualitative research is primarily exploratory in nature, and helps a researcher better understand motivations, needs, processes, and rationale for behaviors (among ofther things) (Aspers, P., Corte, U. What is Qualitative in Qualitative Research, 2019). It provides deep insights into a situation, and helps form ideas or hypotheses for potential quantitative research. Using mixed/both approach for research are complementary methods that work well together to provide insights that are both deep and wide. Regardless of the research objectives, now more than ever researchers have options and countless qual/quant tools to design projects that deliver more actionable insight(Chuck Miller, May 2020). To explain it more the research uses interview, questionnaire and observation, so the data is classified and summarized to make the research.

3.3. Research design/type

This research is a Descriptive research design, which is a type of research design that aims to obtain information to systematically describe a phenomenon, situation, or population. More specifically, it helps answer the what, when, where, and how questions regarding the research problem, rather than the why (voxco, 2022).

The descriptive method of research can involve the use of many different kinds of research methods to investigate the variables in question. It predominantly employs quantitative data, although qualitative data is also used sometimes for descriptive purposes (voxco, 2022). It is important to note that in the descriptive method of research, unlike in experimental research, the researcher does not control or manipulate any variables. Instead, the variables are only identified, observed, and measured.

3.4. Sampling design

The research have to obtaining a sample from a family business owners and related population in Ethiopia. We have used some kind of surveys and we will see in the subtopics.

3.5. Target Population

Since the research in about family business the target of the population is anyone who have family business and employees which are in or was in this type of business. Data is collected by interviewing those people that are willing to answer the question prepared to identify the needed information. There are many small family business and some large business in Ethiopia in this study, but it was random and try to include every type.

3.6. Sampling technique

The sampling technique for this research is stratified random sampling because the sampling is divided into groups even it is random. It should be divided from the family members and employees; it should be divided in the leaders from others(since this research focus in their leadership style). In addition, the sample should be proportional to the member of family business in Ethiopia.

3.7. Sample size

The size of this study were 68 particepants which are mostly direct family business ownes and few empoyes of this typs of businesses. It will have been best if there was a large number but the shortage of information and willingnes of people made it hard to collect data. So the total data of the participants is 68 peoples which is token as 100% of participants of the research.

3.8. Sampling procedure

There are steps this study will follow before, during and after the methodology used. They are listed below in the paragraph. This are the steps of the methodology.

The steps to followed are first it identifyed the business that are family based. Then ask their willingness for the data needed for the research by explaining what its about. After that it was divided by group that are needed and identify which are interviewed and which are giving questionnaires, if needed observation may be added in the company(willingness of the organization depend). Fourth step is it asked what time schedule are the interviews available and hold that schedule and go interview them. The other step was spreading questinarys and collecting them from the population that are needed for the information. The sixth step is getting through the data, then analyzed and concluded the data collected. The next step was blending the data analysed and the research together. Last but not least, it was corrected and reviewed the research to finish and submit it.

3.9. Sources of Data

3.9.1. Primary source

This primary or first priorities are the family members that are involved in family business. This are the people that are the first victim of this type of business and they know what they when through during or after creation. The other primary target are those families that did not suscide the family business but used to be in it once. They could be a good way to know the major problems.

The others are employers that work and used to work in the family business. This peoples observe what was right and wrong in the company and mostly are likely to know the wrong things more that the family member even know. There experience and what the difference between other working environment will be documented

3.9.2. Secondary source

The secondary sources of information are international studies and research made on Family businesses thought out the years. These researches are universal to take as a reference point. The article by Mekonnen Teshome(2017) and Johnnes Kinfu(Prof.) are good glimpse for this topic in Ethiopia. This two were the data I found on this topic that were on the context of Ethiopia.

3.10. Data Collection methodology

This research has used different kinds of data collection methodology which are structured interview guides, Observation checklists and questionnaires. This is because different groups need different approach to collect data. It was interviewed the family members, the managers and some employes that more or useful information are needed.

Questionnaires are a way to get many data from different peoples. There were questions to ask people that are working in this type of business. In addition, some questionnaires was given to employes that are involved in this type of busines to identify the understanding of the community. If the complaint or business owners are willing there was some observation to be precised and live witness for the advantage and disadvantage of family business. It will make it more reliable this way, so that is why it was choosen this method in addition

3.11. Data collection instrument

Since the data collection methodology is different there should be different ways to collect them. Even though it depends on the persion feeling and wantings. So it was used face-to-face (or personal), mail(or postal) and telephone interviews to collect data. First prefered way is trying the face to face method but if the person is only available or want to use telephone or mail, that was the method that is used. Thisl make it ful information combined. Both have there advantages and disadvantages, which are in person you will witness live and could read the person reaction, but it will take energy and time to go to that person. Phone and email solve the disadvantage but lose the advantage of in persion method.

3.12. Data analysis methods

This research uses both Quantitative and Qualitative data analysis because the data refers to both numeric information and other analyzation such as interview transcripts, note and text documents. From the Qualitative categories the research uses Content analysis which refers to the process of categorizing verbal or behavioural data to classify, summarize and tabulate the data. To explain it more the research uses interview, questionnaire and observation, so the data is classified and summarized to make the research**.**

3.13. Validity and reliability

3.13.1. Validity

The quality of being logical of this research is valid. Since this type of business is and was in the society for so long, this subject matter is logical to study. As some family business is successful and some are not this show there are some things that makes a difference for success that should be studied. So the solution is also functional and officially acceptable by the society since this is an important part of our society.

3.13.2. Reliability

This research has the quality of being trustworthy or of performing consistently well for a long time because this subject is and was part of the society and it will be, because it can't stop(both family and business are nonstop things). The degree to which the result of specification can be almost depended on to be accurate. There is no false statement or data that will be included in this research and real data, information and sources are all included So this research is reliable to be trusted.

3.14. Research Ethics

Right to Choose: everyone has the right to determine whether or not to participate in this research.

Right to Safety: research has the right to safety from physical or psychological harm. While it is unusual for a respondent to be exposed to physical harm, it is common for a respondent to be placed in a physiologically damaging situation. If Individuals don't feel good I will not presses them to participate in a study.

Right to be informed: research participants have the right to be informed of all aspects of a research task. Knowing what is involved, how long it will take, and what will be done with the data, a person can make an intelligent choice whether to participate in the project.

Right to Privacy: all consumers have the right to privacy. Consumer privacy can be defined in terms of two dimensions of control. The first dimension includes control of unwanted telephone, mail, email, or personal intrusion in the consumer's environment, and the second concerns control of information about the consumer.

Confidentiality: Individual respondents will never be identified in reporting survey findings; completely anonymous summaries. Respondents will be asked for their consent to participate in a survey, and their privacy and rights must be observed.

Chapter Four

Data Presentation, Analysis and Discussion

4.1. Introduction

This chapter describes the final outcomes as well as the methodology used to arrive at those results. Thus, background information of respondents will be presented to give clear picture of the target population.

4.2. Response Rate

Even if it was hard to identify Family united business in Ethiopia due to clear existing data of company's profile, 70 participants were part of the interview and questionnaires were given to few big family business owners and most for middle and small family business owners. From those questionnaires, 97% were correctly filled out and returned and the other 3% were not returned. The questionnaire and interview question also includes close-ended questions, which is used to obtain data from the target group using simple random sampling.

4.3. Demographic profile of respondents

This part of data analysis is to help what group of people are part of the data, and to give a good view on what to conclude. Even more, for the peoples who need farther research on this topic could foresee what to expect or go for.

4.3.1. Gender Distribution of Respondents

The table below presents the gender distribution of family business owners' participants. As shown in the table 63% of the respondents are found to be male employees while only 36% were female employees. This shows that this type of business are predominantly held by males.

Category	**Amount**	**Percent**	**Remark**
Male	43	63%	
Female	25	36%	
Total	68	100%	

Table 4.1. Gender

4.3.2. Age Structure of Respondents

With regard to the age structure, 28 owners (i.e. 41.18%) fall within the age group of "30-40". This is an indication of the presence of more adult within the Company. 11 owners (27.94%) were between the age range of 40-50 years of age, 11(16.18%) were between 25-30 years of age, 7(10.29%) between >50 years of age, and 3 owners (4.41%) was above 18-25 years of age(refer table below).

Category	**Amount**	**Percent**	**Remark**
18-25	3	4.41	
25-30	11	16.18	
30-40	28	41.18	
40-50	19	27.94	
50<	7	10.29	
Total	68	100	

Table 4.2. Age Structure of Respondents

4.3.3 Marital Status of Respondents

As shown in table 3, 51 Family business owners (75%) are married, 13(19.12%) are single, 2(2.94%) are widowed and 2 out of them (2.94%) are divorced. The number of married owners, which is 75%, is an indication of the engagement of large number of respondents in both family and work domains (refer table 3).

Category	**Frequency**	**Percent**	**Remark**
Single	13	19.12	
Married	51	75	
Divorced	2	2.94	
Widowed	2	2.94	
Total	68	100	

Table 4.3: Marital Status of Respondents

4.3.4. **Educational Qualification**

To assume the level of Family business owners' requirement of education level and to give assessment the table below shows the percent. As shown in table 5, the responses of target owners also reveals that 31 owners (45.59%) hold their 1st degree, then the second highest of educational level is under High school graduate (including elementary level and illiterate) is 12(17.65) while the remaining 25 are in different level of education(refer table 5).

Category	**Frequency**	**percent**	**Remark**
< High School	12	17.65	
High School graduate	6	8.83	
Certificate	5	7.35	
Diploma	4	5.88	
Bachelor	31	45.59	
Masters	8	11.76	
PHD<	2	2.94	
Total	68	100	

Table 4.4: Educational Qualification

4.3.5. Amount of years in Business

Out of 31 family business owned companies that the survey occurred most of the companies have age of less than 5 year which is 18(58.06%), 5(16.12%) are between 5-10 years, 3(9.68%) are between 10-15 years and the rest 5 are above 15 years. Which show the difficulty of sustainability as the year length enlarge.

Category	**Frequency**	**percent**	**Remark**
< 5	18	58.06	
5-10	5	16.13	
10-15	3	9.68	
15-20	2	6.45	
20-25	2	6.45	
>25	1	3.23	
Total	31	100	

Table 4.5: Amount of years in Business

4.4. Results and discussions

4.4.1. Business Ownership

One of the first questions we ask clients is, “How do you own your family business?” This question can haunt the family members even after years of existence in the family business. Creating an effective family business ownership can resolve some of difficult questions arising in every family business:

The lack of awareness that family business ownership requires a set of choices is perhaps the greatest and most harmful misconception in the field of family business. Indeed, a failure to understand your ownership options can ultimately cripple your business, causing it to lose its competitive advantage, even resulting in buy-outs or sales that nobody really wants.

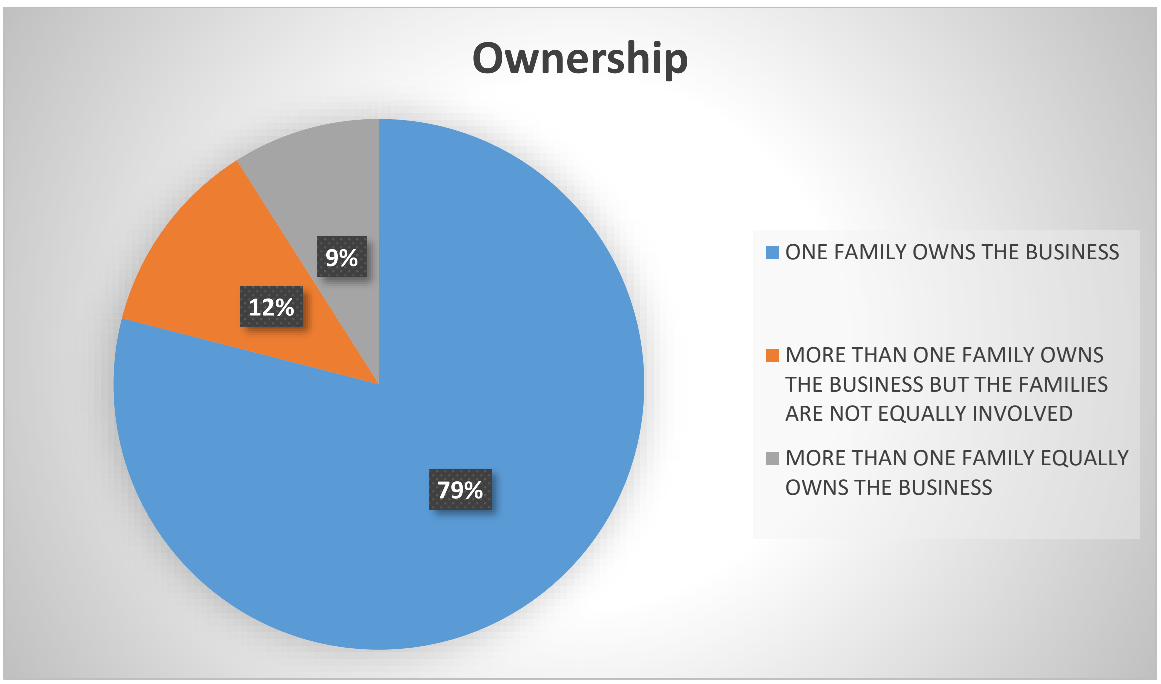


Figure 4.1: Ownership

To elaborate this, the ownership in different companies have a different level. The business owned fully by the family members only (79%) are greater in number. Which show the wanting of belongingness and not wanting to add other external stockholder among them. The remaining businesses are owned by more than one family, but with unequal ownership (12%), or owned equally by more than one family (9%).

As said by one interviewed owner that is working on a Gold mining sector, has explained about how ownership have been out of the family members quote

“As we started the business with my two sons and brother, we have thought to be only owned by our circle. But there were some factors that made our decision change. One factor was, the one who discover the place and sold it to us want a shareholding in the company, which was our first outsider to add in the group. The other factor was, our government policy that it is a must to give share to the farmers around that area which added some farmers in the share. So this business have turned form fully family owned to family dominant company. By Now I think we get used to external stakeholders, which lead us to selling stock since we need the money to buy big machines.”

The other side small business, like one of the interview of two sisters with a little Cafe, are straggling even to get enough profit to think about stock, she said

“Logically I have a bigger contribution in money on opening this café. But we are now working equally and all we think of is trying to grow this café and make it sustainable. Since the work is on and off I can’t say this is the amount we take per month, but we take it as salary and we have ‘Eqube’ for the growth of the company. So we have never thought of ownership and what will be next when our business is sustainable. “

So most companies have almost the same thought as the above two companies, which shows how ownership and stockholding are in Ethiopia. Most companies don’t have a clear policy and values when it comes to how to handle ownership and stockholding. They are same companies, like Tomoca coffe which stayed 60 years in coffee roosting, that have clear ownership policy and stayed as family business till now. Other, mostly small family owned business, don’t have any written or unwritten planes and policy about it, even most didn’t think about it.

4.4.2. Governance

Family governance is a framework for joint decision-making among family members based on shared values, a common mission or purpose, and a collective vision for the family's future. It can help families recognize and manage their wealth, define roles, set boundaries for individuals and enable members to manage competing and interrelated interests (BNY Mellon, 2018).

Most family businesses take on the characteristics of their founder or founding family, especially in their formative years, operating under a system of consolidated decision-making commonly referred to as a "benevolent dictatorship." As the company grows, the family expands and the founder begins to transition ownership and control to future generations, the need to establish effective models for cooperation and joint decision-making among family members becomes more important.

According to the Survey, 71% of family firms do not have procedures for resolving conflicts between family members. The more stakeholders who are involved (whether they are family owners, family owner-employees, non-family owners or non-family executive management), the more important a formal set of processes becomes. Furthermore, as the owners become further removed from daily operations of the business, or as the business expands beyond the family's scope of expertise, systems must be put in place to engage professional management teams and a board of advisors to help the company grow and prosper.

Governance measures can be put to assist a family owned business in professionalizing the business, such as a board of directors, a family council, and a family employment policy. Several of the suggested tools are graphed on following graph. For example, one tool is having a family employment policy outlining guidelines for management position eligibility, educational achievements, or years of outside work experience of family members interested in entering the family business.

The other thing that was examined was if this businesses have a formal strategic planes or policy for governance and for managing other things. As the survey finding, out of the 31 companies (100%), the ones that have and uses this strategies are 9.68%, this companies uses this strongly. The 16.13% put of them have necessary strategies & policy and uses them more than 60% of the time but not fully. The third group according to this study are the one who have the written lows and some strategies but don’t use them at all or uses them the list, which are 25.81% out of companies. The last and having the most percentage out of them are the group that does have any type of this strategy or have not consider having them yet are 48.38%, which most of the are SME. The below graph will show this four group in percent how much this companies are related to the formal governance strategies, policies and other planes.

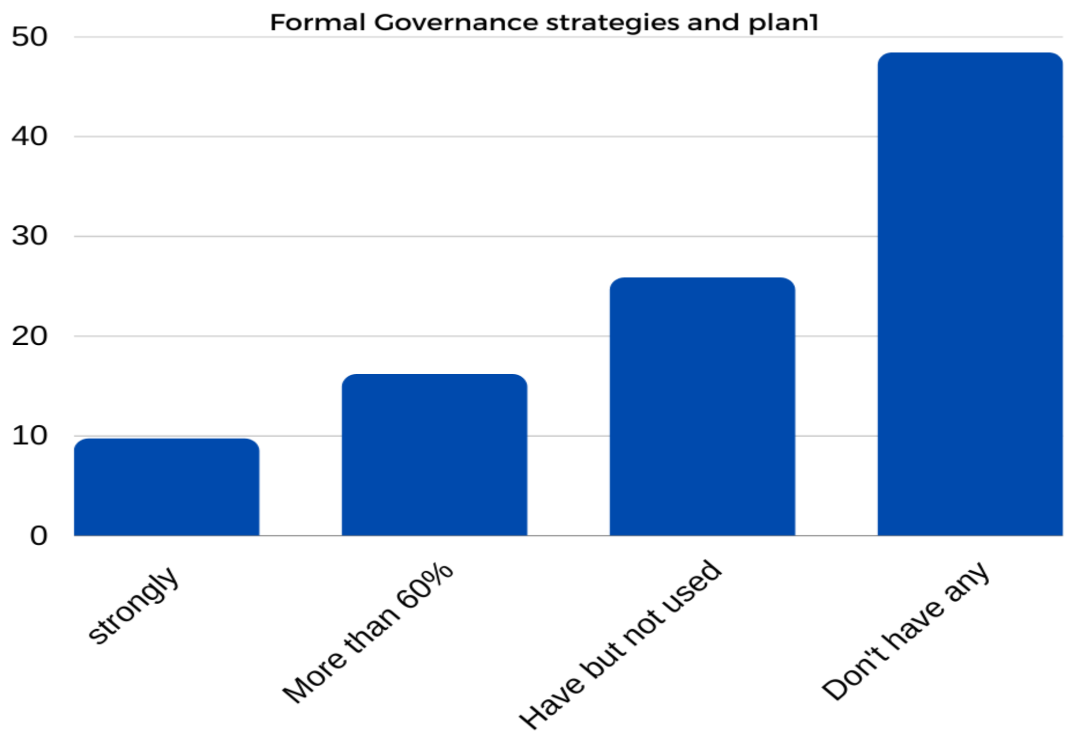


Figure 4.2: The amount of Formal governance strategies and plan existence

The least commonly used family governance tools were the family constitution and prenuptial policies. A family constitution provides guidance for the relationship between family members, managers, and shareholders. It documents the values and principles of the family business, the strategic goals, and the ways in which the business family will make decisions about ownership and management

"The focus of family governance should be to find consensus on matters where owners' wishes matter most, as well as to provide family members with a shared sense of identity and mission that transcends their individual interests in the business. While every family business is unique, embracing systematic governance processes can help any family business achieve goals shared by virtually all: orderly decision making, peaceful continuity, and the freedom to make decisions based on the highest and best purposes of both the business and the family."(*Source: Craig E. Aronoff and John L. Ward (2011)*

The other thing from the survey is important to mention should be a culture and structure of open family communication. The culture in Ethiopia make it hard to communicate or give answer to elders. For example one respondent said

“When we have meeting we discuss, argue and same time’s thing might get hot, since the chairman is my father other stuff member and advisor have difficulty in me talking against my dad. They even think we don’t get along even outside working area. They even one told me it is disrespectful to be against my father. But know they see me and my dad having a great relationship outside the meeting room and understand the whole concept; they don’t mind us and are freely communicating now. I same times imagine what if I went with the cultural flow….”

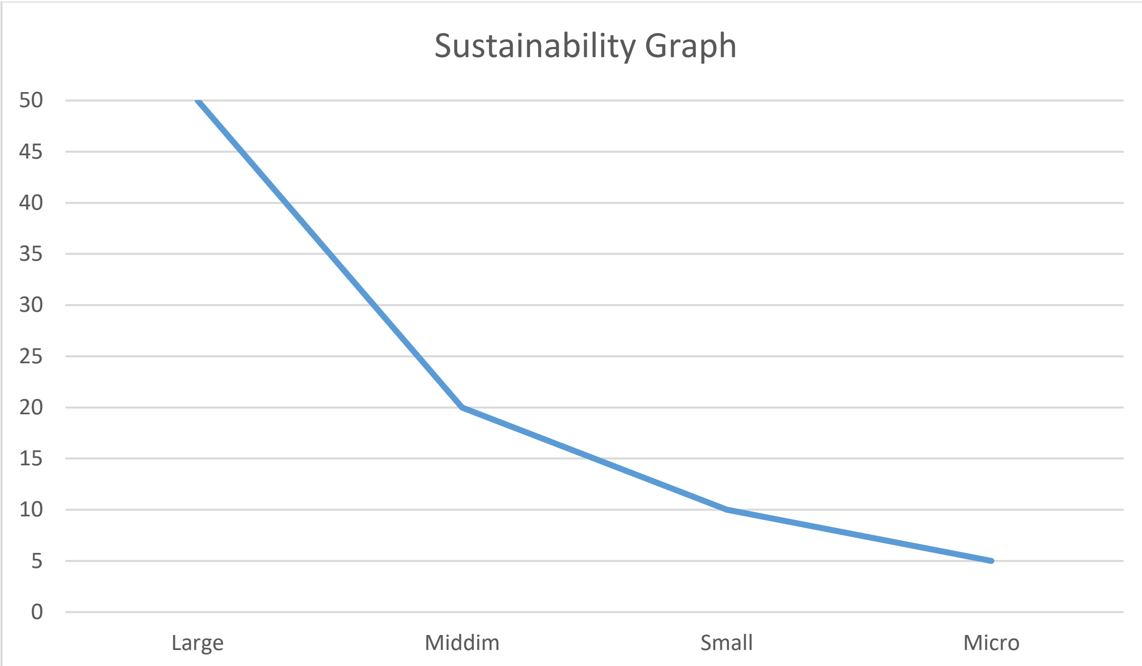
Other findings were, boards were typically small and focused on the immediate family, with little representation of the wider family or non-executive directors. A slight majority of interviewees had no non family executives on the board. Only few (the largest businesses interviewed) had formal, legal arrangements in place to define family rights and responsibilities, such as a family constitution or family council. Most owners had little experience outside the family business, and/or little management training. And, those businesses which were more ambitious for growth often had family owners with greater exposure to such experiences, either in other businesses or academic.

Resistance to external managers mainly derived from a lack of growth ambition. Most owners preferred internal promotion to recruitment. Some interviewees reported difficulties in recruiting senior, experienced managers because of a perceived lack of career progression within the business (either because it would remain small, or they would never be able to progress to taking an equity stake) or their ‘corporate’ style not fitting well with the more distinctive management style of the business.

To conclude this, this study recommends, in family business developing family governance is just as important as developing corporate governance.

4.4.3. Sustaining the business

The dreary statistics are familiar to all of us who work with family businesses: family businesses make up 90% of the 15 million operations in the United States. Only one-third make it to the second generation. And only 10% make to the third (Marshall B.paisner, Sustaining the familybusiness,2000). The same is true in Ethiopia, as the year increases the percent of the sustainability decreases. Which Show a problem. The survey shows most business are under 5 years of age. The companies more than one generation are very few, like East Africa Holding, School of Tomorrow and Tomoca Coffe.



Business types

Figure 4.3: Sustainability Graph

This shows the small business have less age than that of the large industries. This may be with the risk management budget or the ground rule that exist, the large industries have a great survival rate than all of them. To sustain in the business industry it have many challenges by its own let alone being a family own business with its own problems. Almost all participants agree in the write low like strategic plan, marketing plan, risk management, company rules & policies, Job description. But the degree of their agreement may differ. Same differ in which are more important with are less important for its sustainability which needs more research in this area. Even thow they agree in the need most don't have them or uses them even they have a written rule of the company. The companies that uses the written rule and plan where asked if they have plan to update or revise the those paper, they all have plan for that but some don't have specific update date some have. The problem in this study section is it is hard to numerical put it number. But we can conclude that most companies don't have the written rules or plans, among those there are some who have planned and wanted to have the ground rules. But still same, spatially the small business, don't even plan to have them which they think the main focus at that stage is to get profit and survive.

4.4.4. Succession planning

Succession planning is one of the greatest family business challenges. It is one of the most important topics in family business because it directly affects the long life of the family owned business. Only 19% of the family owned businesses surveyed have a formal, written succession plan in place. A slightly higher percentage have an emergency succession plan in the event that the current leader(s) becomes unexpectedly incapacitated

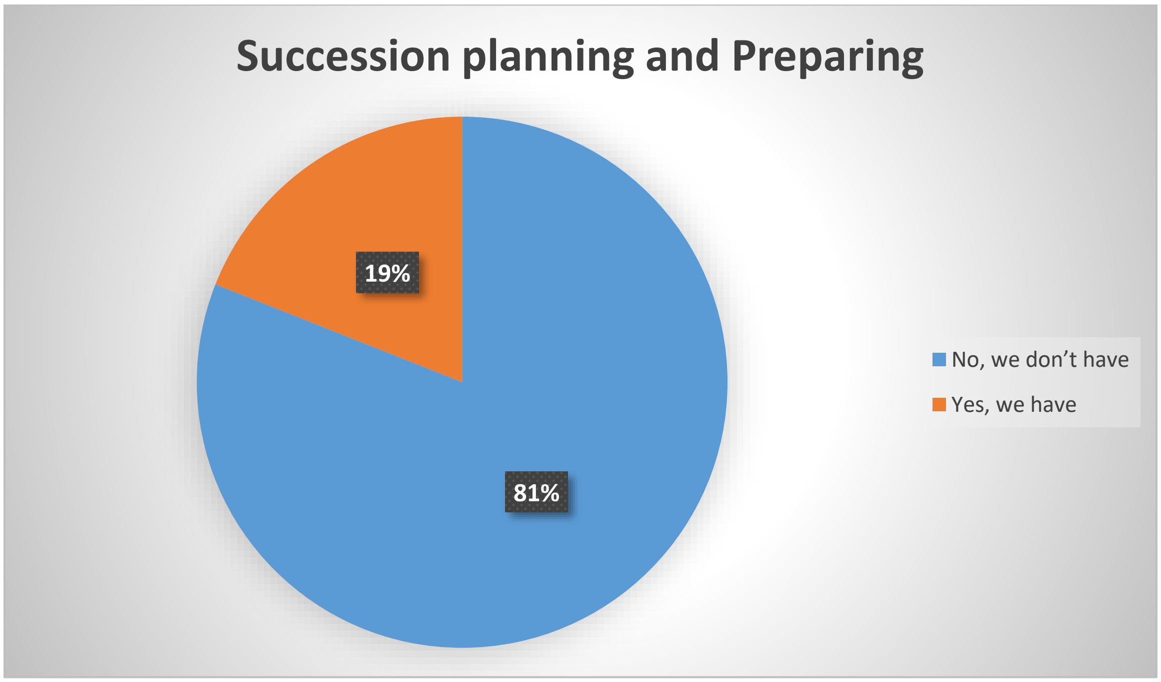


Figure 4.4: percentage of companies Succession planning

Most companies are small business that didn't think of Succession planning due to the same reason as before. One respondent said

"Who hates to have something to give your children? I wish that all the time, but for now my wish is to feed my children and help them to be successful by education. I don't want them to be like me, I wish they have a professional job instead, like doctor…"

In other side, the secondary source from school of tomorrow (it have been passed to the 2nd generation now) said,

"The owner of the school was there father, but he had the ambition to give his children which is ready or have grown enough one branch of the school to manage. There were one branch after the other throw the 30 years. Respectively all the children have different branches to manage but above them he was still managing them. When the time to retire, the amazing part is this, He hand it over to the smallest child as a head. The man was wise he was helping his children to have skill and choice the one which best fit the position."

The respondents were asked to indicate how much importance they place on several different factors.

No	Factors	UNRELATED (%)	Neutral (%)	Important (%)	Very important (%)
1	Stability of the company	3	9	34	54
2	Presence of the competent successor	6	11	38	45
3	Best person for the job among the family identification	7	16	40	40
4	Family harmony related issues	14	19	43	24
5	Thinking it is to early	6	18	45	31
6	Thinking no need	58	25	14	3

Table 4.6: The factor for still not planning succession plan.

4.4.5. Education and training interests

The key findings of this study are that family prefer an informal learning strategy than a formal strategy and family in small business are stuck by the lack of financial resources so as to enable learning and training to occur within the business.

When creating the business none of this company have an educational qualification to form the union, but the main focus of the study is about the willingness and plan of the member to improve them self. Whether they have or not somethings to improve their quality or plan like training, workshop, generation educating/ training and so on.

Lack of training is most common thing is the members of the family. The informal culture found in many family businesses can result in a negligent attitude to training new employees, whether they are family members or not.

A family's rising generation needs opportunities for development and leadership more than ever. As usual the long aged companies have a better approach to this topic that the middle and small aged companies. But even the long aged company don't have satisfactory approach, plan or strategy. In Ethiopia the succession is when the owner (father/mother/the top generation) die, which make this transaction very difficult for the new generation and the company. There should be a proper training and on job education for the successors.

The other finding of the study is the owners and peoples who worked in the company have different believe what kind of training the company needs or what the company needs for improving their problems. So this part is way out of the scope of the study to see all there need and give what their training topics should be. But the study generally believe there is a lack of education and training in this business area. The need and believe in what they think is missing or what can solve their problems lays on the companies and part of the peoples.

The below graph is taken from the study of Cooney et.al, (2011) for the case of Muslim entrepreneurs in Ireland. But I believe they have a great similarity in why they are not giving or taking trainings.

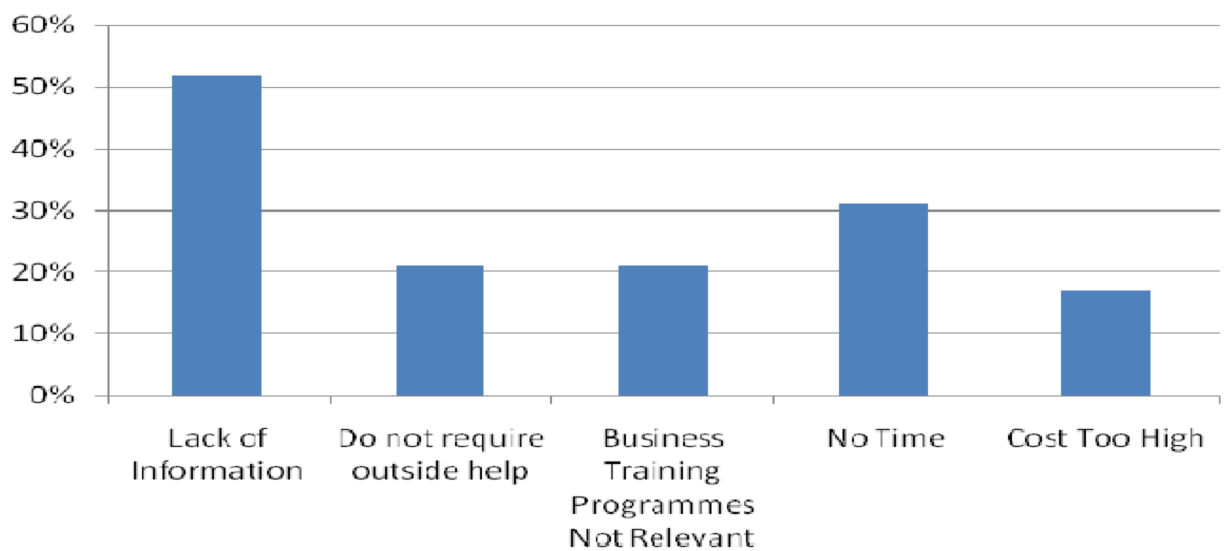


Figure 4.5: Reasons for Not Participating on Business Training Programs

4.5. Discussion

The purpose of this study is to gain insight into the challenge's faced by Family owned business aside from other business type challenges. Through this, the researcher expects to shed some light on what should be done to increase the sustainability of family business in Ethiopia. The design selected to achieve the objective is a both quantitative and qualitative exploratory research design to capture the how and what of the collective experience. It is believed that using mixed exploratory study is best suited for identifying and capturing the participants' and understanding their shared experiences.

In this part of the paper there will be three discussion parts which will be categorize or analysis from under the research questions. First, it will summarize the key findings from the research and link them to the initial research question. Seek to answer this question: What should readers take away from this paper? Second, place the findings in context. This step will involve going back to the literature review section and analyzing how the results fit in with previous research. Third, mention and discuss any unexpected results. Describe the results and provide a reasonable interpretation of why they may have appeared (Discussion Section for Research Papers, Fall 2021).

Unique Challenges that occur in family business in Ethiopia

The first question of this research was "Is there a different problems that come across family business unique from the other business areas?" Starting the research there were expectations and believe that there were different problems that arises in Family business in Ethiopia. So this research have proved that there are different problems different from other businesses. They are

1. Ethiopian's culture of making plans, elder concept and winging to daily challenges.
2. A culture and structure of open family communication.
3. Not take thing serous or living many responsibility on one person
4. Valuing overall family above individual or family branch needs.
5. The importance of demonstrated competence in assigning responsibilities.
6. An effective generational succession plan for the continuity of the family firm.
7. The creation of family conflict management processes.
8. The creation and maintenance of an effective family governance plan.

This and other problems are concluded and given categories like luck of good governance, luck of Succession planning, luck of education and training, on acting the present and the future and so on. The many problems that arises come or lays in this categories. This will be discussed in the next challenges of sustainability in family Business.

The challenges for it sustainability

As mentions above, we will discuss the problem that was found in the research and their solution with regard of the literature review.

Good Governance

In family business, developing family governance is just as important as developing corporate governance. Having a clear structure that defines roles and responsibilities in the family business, aligning the needs of individuals within the family with the needs of the business, helps to prevent issues and conflict from arising, having a written low or a clear low, considering to have a strategy that work for them and so on.

Power in family union is shared among the board, current owners and the wider family in a way that is often complex. As long as everyone understands who does what and why, conflicts and misunderstandings can more easily be avoided and a smooth management of the business ensured.

An article written on Add Value (www.valueaddedcoaching.com) on 'Global leaders in Family Business Management, Succession Planning, and Family Business Leadership' explained the benefits of effective Family business ownership as follows

- Management team feels empowered
- Management team has all support from family shareholders
- Reduced conflict between family owners and management
- Clear roles, responsibilities and expectations of shareholders: voting or nonvoting, active or inactive
- Smooth Ownership transitions

And add a solutions as,

OWNERS ARE ENGAGED BY:

- Ensuring a clear distinction between Ownership and Management

- Structuring business ownership and ownership of several other family assets
- Distributing the ownership within the family – for beneficial ownership versus ownership in trust
- Defining roles, responsibilities of the family members who are owners versus those family members managing the business
- Effective, focused and performance driven Board of Directors

Governance solution

A family first should begin to organize itself and should often meet for a formal and regular family business meeting with the founders to exchange information about the business between operators and children and new generation communication and decision-making skills. The family should have Family Council, Family Assembly, Family Association, Owner's Council, and/or Board of Advisors (*Harry F. Martin (2001)).*

As the founder begins to think about retirement and next generation reach maturity and begin to create families of their own, the family council may find it useful to hold regular "family assemblies" for the larger group. These meetings serve as a platform for the family council to report to the broader family members on the state of the company. It also serves as a forum to teach and reinforce the family's core values and culture.

Board of Advisors

Finally, when leaders find aspects of their business have grown beyond their expertise, it is time to form a board of advisors (*Harry F. Martin, 2001).* As shown above, this types of business lack diversity so this group should consist of independent, multidisciplinary experts from inside and outside of the business's core industries who can provide guidance and help with unbiased strategic decision-making without fear of retaliation by any of the family's constituents. Should conflict arise amongst family members, the board of advisors can resolve conflicts and reinforce family business governance and structure *(Harry F. Martin, 2001).*

Managing Family meetings effectively

Making decisions together as a united family is difficult. So, in order to maintain agreement and effectively manage family meetings, it is important to take the time to learn about one another's strengths, interests, skills and communication styles. It is also important to find unities to work toward, such as shared family values and a common vision for the family. Once friendship is established, the family can focus on developing family business policies and create a framework for joint decision-making in order to effectively pass control of the family business to future generations of stakeholders.

Separating family and business decision-making is the goal: even it is difficult to separate them it is necessary to eliminate all personal interests or conflicts of interest, but family governance procedures make it easier to identify and address them with reasonable objectivity.

Family governance needs to evolve to take account of predictable developments. Family firms become more complex over time as the business expands, the family grows and ownership reduces. Meaning when family member owner grows and the business grows it will be hard to still be using the old strategy or not having any strategy. The more growth the more there will be issues. The below graph show and support the above finding in some ways.

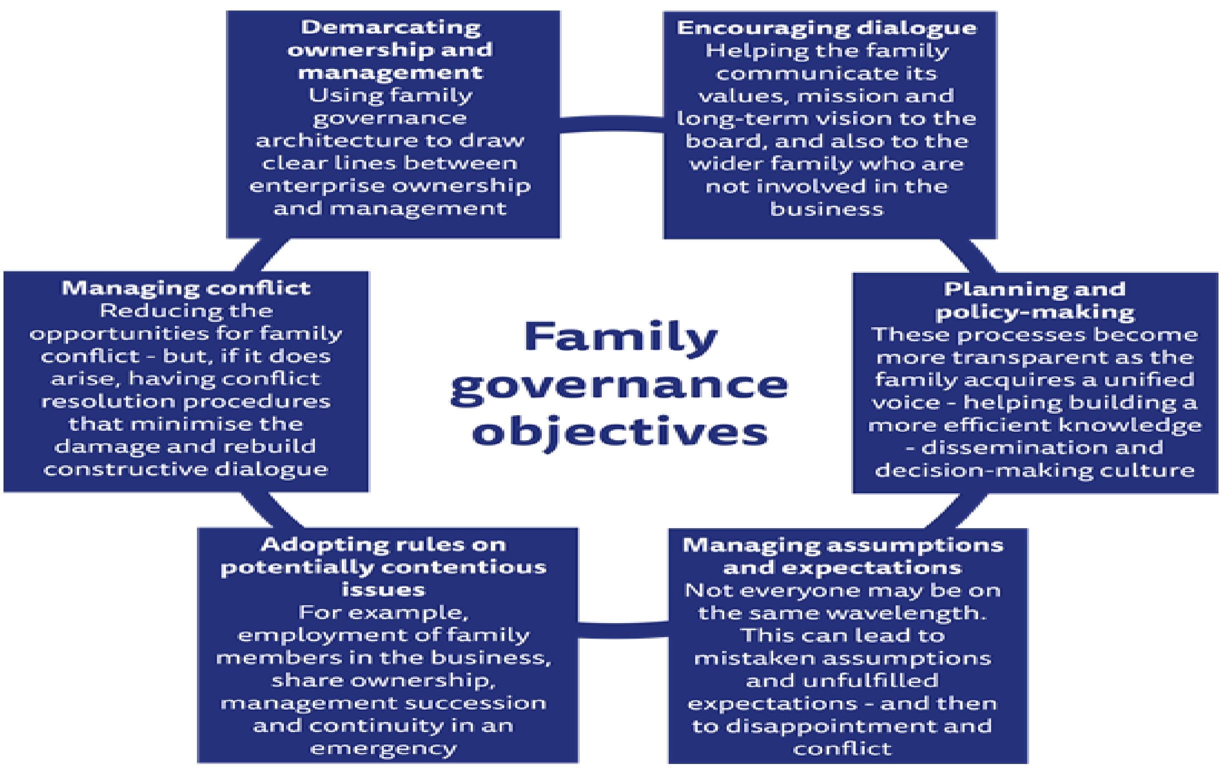


Figure 4.6: Family Governance and its objectives

(Source: Adapted from Harry F. Martin (2001) "Is Family Governance an Oxymoron?", Family Business Review, XIV (2), pp.91–96.)

Succession planning

As shown in the survey finding, most of the companies don't have a plan successor in line, even in mind. Most small and medium companies are the victims of this specially. In Ethiopia succession comes after the death of the owner, which leads to the down fall of the companies. Most family business don't want their ownership to go out of the family (as the survey finding), so the succession planning should be very important. But this is the most difficult thing to do, plan and identify the one. Moreover, Research shows that the first transition is the most challenging one, as the firm moves from a centralized to a shared form of control. Succession planning and giving share of ownership is different things. Choses should not be biased, favored or unfair. Eg the elder should be the one, or this child is active in socializing, take the favorite child forward, etc…

Solution for Succession planning

Start planning early: It is never too early to plan for succession**.** The earlier you start thinking about the future of your business, the easier it becomes to make the right decision when it becomes time serious or, even better, you won't have to make difficult decisions at all, because structures are already in place, and roles already agreed.

Ownership succession and management succession are two separate things, which do not have to occur at the same time**.** When we talk about succession planning in family business, we mainly refer to having conversations and making plans about who will run the business in the future.

Believing it will help here are Marc's eight steps to consider when planning for your company's eventual succession process. Family Business Succession Planning Checklist

1. Set specific, long-term goals for ownerships: Planning should begin years before any succession takes place. During the process, both the current owner and any potential successor should set out their long-term goals for the business.

2. Establish a set of managerial competencies: Draw up a list of the skills that you believe are essential in your role as company owner, and that are must-haves for any successor. This checklist can then be used to assess any potential successor, as well as help your current team understand what you're already bringing to the company.

3. Evaluate the management team: Who are the team around you, and what are their standout skills?

4. Debrief the assessment: Analyze the findings of this managerial evaluation against your checklist of required competencies. If any of the people you had in mind are lacking in some areas, then consider training programmers rather than writing them off completely.

5. Seek out high-quality legal and tax advice: Transfer of ownerships come with significant legal and tax implications. Always consult with quality tax and legal advisors, ideally long in advance of any succession commitment, as long-term tax planning may help ease future costs.

6. Create a robust performance management system: It may not be now, but stepping back from the business little-by-little – rather than leaving at once – can be a great way to help ease the transition period and help a successor bed-in. The best way to do this is to train your managers on staff accountability when it comes to their performance and business outcomes.

7. Identify the successors: These discussions will need to be both candid and confidential if both sides are to feel comfortable.

8. Handcuff your best people: These steps will only work if you're able to keep the best talent in your company.

Education and training

This research have identify a hug gap on training and improving their knowledge by the demand of the company's weakness and needs. Most don't want a formal learning. Business owning families all too often fail to effectively plan for the stability of their company, which can have bad consequences for all involved. Many family owners are unprepared to serve in their ownership role. Most family owners receive shares in the company as part of their inheritance, without adequate orientation. The respondents believe that different types of training help them to solve their problems, but all have different opinion on what types is important and needed. These shows there should be a training to fill their gap and be successful.

According to Ivan Lansberg, who serves as an Academic Director in Kellogg Executive Education's family business programs, here are the reason why Education makes a huge difference because:

- It heightens awareness of the fundamental issues, which leads to a better understanding of what might happen if nothing is done.
- Education gives family-business stakeholders the language to frame their reality and solve problems in a collaborative effort.
- Education breeds hope by helping the family to see unrealized possibilities that are within their reach.

Among the main reasons family businesses fail to understand the importance of education to their companies is that they're uninformed about those benefits, Lansberg said. A lot of business owners aren't tracking that this is a key responsibility of theirs educating their owners.

Overall, Lansberg said, the family-business leaders who remain open to learning and education are setting themselves up for the most promising future. "The most successful business families are naturally curious about family enterprises," he said. "The subject becomes salient. And that philosophy is very much the driver of all of our programs at Kellogg."

The below graph show what are important in business training what are the importance degree.

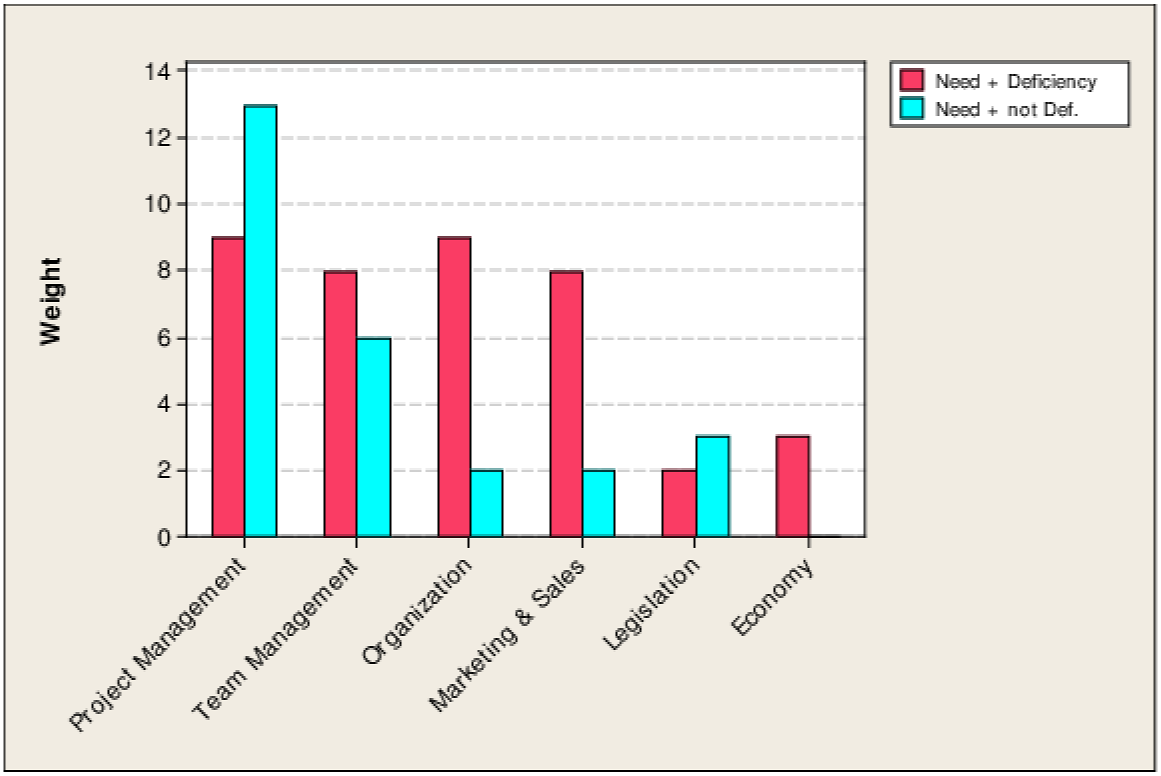


Figure 4.7: Training outcomes, business skills

(*Source:https://www.researchgate.net/publication/270019486_Higher_education_needs_for_the_ICT_Spanish_market*)

4.6. Unexpected results

The research has been good starting point in the study of family business in Ethiopia, but have a great distance to go or study. Doing this research the main challenge was getting information in identifying a family business. It is obvious that there is an information shortage in Ethiopia. There were not statistics on how much business is family business out of all or which companies are family owned businesses. After that finding the owners was a challenge. The other thing was, there was no related research in Ethiopia context; there were two articles that were in the internet in Ethiopia context. These shows there hug gap in the study of this area and should be farther digging to come to a better solution.

As that aside, the second unexpected result is the high number of family business in Ethiopia. There are many new and small businesses that are family owned. And also there is surprising number of big and long aged company as well owned by family. As the study of ‘theafricareport’ Ethiopia is the second highest populated family business in East Africa.

The third, there are family member who are just part of the ownership just by name, they don’t have any involvement or have a job to do with any company related issues. Maybe there husband or some other person is in control of the business.

Chapter five

Summary of the study

5.1. Conclusion

Family owned businesses are a unique and dynamic field of study. Though understudied (Winter et al., 1998), family-owned businesses are not in hiding, and can be seen all around us throughout the world (Heck & Trent, 1999). Family owned businesses represent a unique and powerful population in the community, and should be recognized for their continued contribution to the economic development of Ethiopia. This study is tackling the unique family business that lead to it faller. The findings of this study may help to educate family business managers on some of the factors that are associated with not only perceiving business success, but also experiencing family business profitability.

The strength of any family business lays in the relationships that exist among family members. These relationships create a common bond that allows members of the business to trust one another and to work in an environment in which they feel supported and accepted. When the business succeeds, the family succeeds as well. However, as has been described above, it is the relational nature of a family business that also makes it complex and, at times, difficult to manage. The complexity of creating a successful family business cannot be overstated.

The objective of this research was to study the unique characteristics of family businesses and the challenges and opportunities faced by family businesses. Some research questions were formed to define the thesis topic and to determine the information that is relevant for this research. The general research questions of this thesis were:

1. How family businesses and its challenges differ from non-family businesses?

2. What are the unique challenges and opportunities facing family businesses? How can solve them?

In this chapter the author tracks to answer these questions and summarizes all the research findings. The findings got form the interview and questioner is summarized in chapter 4 to answer those questions.

Family businesses are unique and they have several unique characteristics that differentiate them form other businesses. The main factor that makes family businesses unique is the family's significant impact on the business and ownership. When analyzing the interview results it was clear to see that the unique family business characteristics stated in the finding can be said to apply with the family businesses used in this research. The main characteristics separating family businesses form other businesses relate to long-term business planning, the existence of family traditions, cultural influence, sense of responsibility towards the business, the importance of trust, and the supportive interaction between family and business. The unique family business values are also one characteristic that separates family businesses from non-family businesses and also act as a source of competitive advantage.

In the literature review, theories used in family business research also point out some differences between family and non-family businesses. The case companies have features of all the theories and models mentioned in the theoretical framework. Agency and stewardship theories arise from the hypothesis that in business there is a separation between ownership and management. This however isn't usually the case with family businesses, in which the owner and manager is the same person or are related to each other. This also applies to most of the companies used in this research. Most interviewees agree that there are unique family business characteristics, which can be used as a source of competitive advantage and give a possibility to stand out from other businesses. Social capital theory has also been used in family business research. The expressive mechanism behind social capital is trust, which has already been mentioned to have a great meaning in the companies' operations.

There's several unique challenges and opportunities facing family businesses and after conducting the research analysis it can be seen that the interview results can be applied with the challenges and opportunities found in chapter 3. Conflicts in family businesses are usually different in nature due to the family's impact on the business. Conflicts are also usually seen as a threat to family relationships, which can make it hard to maintain open conversation in family businesses. However, the biggest challenge for family businesses is succession, because the changes related to it concern all three family business dimensions: family, business and ownership. Another topic that was included in the research questions related to the unique opportunities of family businesses. These opportunities relate to long-term business planning, close employee relationships, carelessness, family business values, poor future planning and centralized ownership, narrow organization structure, silent knowledge, and supportive family influence.

Business in Ethiopia has many problem by itself let alone add something on it. The family businesses have problem of governance, which most don't have any business strategy, job description, plan, and policy and so on. They prefer to tackle day to day survival necessary for sustaining. The day to day tackling is by itself good but when it's only about that the continuity get questioned. There is a poor culture of planning in any sector in Ethiopia, other problem. There is no clear boundary known in the companies. Succession planning is no were near to planning or preparing. Most companies don't pass the 1st generation. The other finding is there are many family owned companies are created in Ethiopia, the study guesses it easy to find each other or filing belongingness toward each other, but most don't last long, not even pass 5 years. Which show they just get in without expecting and knowing about the governance. Ownership and management unclear, lack of education and training and other problems are listed in the study. It include some common solution in the dissociation part of the paper.

5.2. Recommendation

The study have done a brief study of family business in Ethiopia, now the below are some tips and recommendation of the subject area aside from the solution mention on the desiccation part. The recommendation will be divided in to the general thing about the study then the thing family business can do for a better outcome.

First, in general since the study is at its baby stage there should be some farther digging to do

- It recommends Ethiopia Statistic Agency could have a great study and survey on this topic because it a great supporting business type to the country's economy. As mentioned above, this business type have a great number in Ethiopia, moreover, it tackles to big institutions, which are Family and Business.
- It recommends if the study conducted after wise could be specific to one topic. Since this study is a general challenges of family business, it is a scratch on its surface. So it believes it should be a specific topic to the family business.

Secondly, the study recommends to the family business owned and part of them to consider this issues list below to start the business, have or try to have a good governance and is planning to solve their problems, and so on. Here are some recommendations that are related to the findings of the research:

- **Practice good governance**: Good governance requires the involvement of leaders outside the family. This misunderstanding, employed by leading family businesses worldwide, typically takes the shape of a professional, advisory, or supervisory board comprised of non-family members with a limited number of family representatives.
- **Plan for the future**: Successful family businesses don't just let the imperfections fall where they may. They plan for the future, creating family business succession plans long before they actually need them. They also identify talent in employees, both within and outside of the family, investing in them early on to ensure excellent leadership in the future.
- **Put business relationships in writing.** It's easy for family members to be drawn into a business startup without a plan for what they will get out of the business relationship. To avoid hard feelings or miscommunication, put something in writing that defines compensation, ownership shares, duties and other matters.
- **Set boundaries:** /it's Not Family vs. Business/ The combination of family and business can create a multitude of personal and operational challenges. Instead, flexibility allows for family business leaders to respond to what is needed most at any point in time: critical family issues may need to be settled so the business can function properly, while necessary business decisions may have to balance feelings among family members.
- **Develop a succession plan**/Mentor and Plan for Transition/; It is a critical and perhaps necessary chance for renewal; it's a process of change that, when done right, can "keep the

entrepreneurial flame alive in succeeding generations." A family business without a formal succession plan is asking for trouble. The plan should spell out the details of how and when the torch will be passed to a younger generation. It needs to be a financially sound plan for the business, as well as retiring family members. Outside professional advice to draw up a plan is essential.

- **Seek outside advice:** Family firm must protect the internal and be curious about the external. The decision making process for growing a family business can sometimes be too closed. Fresh ideas and creative thinking can get lost in the circle of family relationships. Looking for guidance from outside advisors who are not affiliated with any family members can be a good way to give the business a reality check. The group can aid with conflict management, offer different perspectives and skill sets, and improve objectivity and professionalism.
- **Build an Enviable Company Culture**: Family businesses should focus on building upon their inherent strengths regarding their culture: keeping to their core and continuously adapting their workplace environments to better suit their employees. It is key for the short and long term strength of the organization. Growing an organization's capacity to care for its members will differentiate it from its competitors and help it to succeed.
- **Communicate:** Communicating with employees and family members alike ensures alignment; openness and honesty can prevent various forms of conflict and tension. Types of communication may change to best reach employees quickly; however, face-to-face dialogue is and always will be most effective.

5.3. Implications for further research

As stated in the chapter 1 Introduction, family business research is still at an early stage and in Ethiopia family business research. This can also be seen in the material used when gathering information for the theoretical framework. There is a very limited resource and information in Ethiopia about family business. The same research could also be done again with more inclusive amount of interviewees including several different types of family businesses from increasing the reliability and validity of the research. It could also be interesting to take this research further and find out the level of significance of the different family business challenges and opportunities. Are some challenges more difficult to overcome than others, and which opportunities are the most meaningful for the success of family businesses? It could be also interesting to concentrate on how different challenges are overcome in family businesses.

In general, there should be a research in a specific topic or parts of family business. The two, Family and Business, are very complex topics by itself to give assumption or conclusion. So there should be division in different aspect of the business type to tackle a very accurate conclusion. The other this specifically I suggest is Ethiopian's culture and family business, has to be a researched very deeply more than this research intend to.

5.4. Challenges

As mentioned above there is a huge gap of information in Ethiopia. The information will make thing difficult to give specific analyze on things. The willingness of peoples in this country is difficult. The other problem is, it was hard to communicate e.g. not giving clear answer

In this study, the factors in a family business' continuity are linked to (a) the family setting and the social capital of both direct and invisible members that ensures on-going activities of the family business; (b) the cultural setting related to heritage management, ownership succession, family chieftaincy preservation, and leadership succession, and (c) the institutional uncertainty and a communitarian nature of family firms as a way of living in a developing country making it difficult to plan for the long term.

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APPENDIX: A

Title:- **Family Business data analysis questionnaire**

Dear Participant

Hello, my name is Kalkidan Dessalegn, doing a project paper on Family Business challenges. This is to hear your opinions regarding the different challenges, problem and assets that you faced with doing business with your family member. I am distributing the survey below as a part of my thesis research. If you are willing to take the time to complete the survey I would really appreciate it. Also, below and attached is the required consent for an anonymous survey form. If any questions or issues come up along the way please just let me know. Your responses will be kept confidential and combined with other responses when reporting the results.

Thank you,

Kalkidan Dessalegn

Appendix B:

Survey

Section one:

1. Age*

☐18-25 ☐25-30
☐30-40 ☐40-50
☐50 and above

2. Sex

☐F
☐M

3. Educational level

☐ <High School ☐Diploma ☐PHD

☐High School graduate ☐Bachelor
☐Certificate ☐Masters

4. Marital Status

☐Single ☐Divorced
☐Married ☐Widowed

6. How long have your business stayed *

☐< 5 yrs ☐15-20 yrs
☐5-10 yrs ☐20-25 yrs
☐10-15 yrs ☐>25 yrs

7. What is your business sector/what is specifically the family owned business sector

____

Section Two:

Please select the option which best represent your view

No	Questions	Yes/There is	No/ there is none	Don't know	On the process

1	Does your business have a written strategic plan?				
2	Has this strategic plan been communicated to family member, staff and advisers?				
3	Have you formally assesses the business capacity to fulfill your strategic plan				
4	Is there a formal way to allocate duties and responsibilities within your organization (e.g.; job description?)				
5	Has it been agreed that your business will continue in family ownership?				
6	Do you have any written plans regarding the transfer of ownership to the next generation?				
7	Do you have a process for reviewing these plane on a regular basis?				
8	Do you share this information with other family members, staff and other?				
9	Is there a formal process for shareholders to cash in their share?				
10	Is there agreement about the possibility of external of ownership to non-family?				
11	Is there a family member who was been identified as the next business leader?				
12	Is there a plan or process in place to develop the next generation?				
13	Is there a plan to fund the retirement of a senior generation?				
14	We agree that family members may work in the business only if they possess the appropriate qualification or experience fulfill the job description.				
15	Pay and reward for family members is fair and open				
16	Communication between family members is good				

17	We have a clear set of values that we work to				
18	We invest in the development of the younger generation to help them prepare greater responsibility				
19	Family member enjoy spending time together out of the business				
20	Do you have a conflict management plan/process?				

Section Three:

1. What do you think works well about family ownership in your business?

____

____

____

2. What is the area that you and your family need to work or regarding ownership?

____

____

____

3. What do you think you and your family need to work on the/ to be effective as a family?

____

____

____

4. How is the share or stockholding in your company? How do you handle it on the profit?

____

____

5. What do you think about Ethiopian culture that influence the business type? Identify them specifically.

____

____

6. As the family business evolves over time the skill and experience required to run the board of directors are family business strategy with most?

☐Marketing ☐HR

☐Finance ☐Strategy

☐Operations ☐Risk management

☐Communication ☐none of the above

☐Other ______________

7. What formal education or training or workshop do you believe is best for the problem solving of the problems or believe it will help to the way to success. Why? (can be more than one)

8. (For New or less than 2 year business) Do you see the business remaining in family ownership in 5 years' time? Why?

9. Do you think family business are stronger when family member are directly involved in the day to day operations? **yes/no/don't know**

10. (For those who don't have)What do you believe among this is the reason strongly support why you don't have a succession planning

No	Factors	UNRELATED	Neutral	Important	Very important
1	Stability of the company				
2	Presence of the competent successor				
3	Best person for the job among the family identification				
4	Family harmony related issues				
5	Thinking it is to early				
6	Thinking no need				

11. Any Other Unsaid thing you would like to add