

Non-Family Members as Successors of Choice in South African Family Businesses

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Abstract : Family firms are a vital component of a country's stability, prosperity and development. Their sustainability, longevity and continuity are critical. Given the premise that family firms wish to continue the business for the benefit of the family, the family founder / owner is faced with an emotionally charged transition option; either to transfer the family business to a family member or to transfer the firm to a non-family member. The rationale employed by family founders to select non-family members as successors/ executives of choice and the concomitant rationale employed by non-family members to select family firms as employers of choice, has been under-researched in the literature of family business succession planning. This qualitative study used semi-structured interviews to gain access to family firm founders/ owners, non-family successors/ executives and industry experts on family business. The findings indicated that the rationale for family members to select non-family successors/ executives was underpinned by the objective to grow the family firm for the benefit of the family. If non-family members were the most suitable candidates to ensure this outcome, family members were comfortable to employ non-family members. Non-family members, despite the knowledge that benefit lay primarily with family members, chose to work for family firms for personal benefits in terms of wealth, security and close connections. A commonly shared value system was a pre-requisite for all respondents. The research study provides insights from family founders/ owners, non-family successors/ executives, and industry experts on the subject of succession planning outside the family structure.

Keywords : agency theory, family business, institutional logics, non-family successors, Stewardship Theory

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