CHAPTER 1

INTRODUCTION, PROBLEM STATEMENT AND DEMARCATION OF THE STUDY

1.1 INTRODUCTION

The size of the family business component of the South African economy suggests that it is a predominant way of doing business in this country (Venter, 2002; Maas 1999a + b). Some authors suggest that up to 80% of South African businesses and up to 60% of companies listed on the JSE Securities Exchange are family businesses (Ackerman, 2001:325; Dickinson, 2000:3; Venter, 2002; Meyer, 1994:1). What is more important, however, is that their influence, as well as their numbers can be expected to increase substantially in the future (Clarke, 1993:14; Laubscher, 1993:1; Ryan, 1995:12). The reasons for its growing importance are the ongoing rationalization of large businesses, as well as the inability of the formal sector to create new jobs (Venter, 2002). Finally, and most importantly, the creation of family businesses offers powerful opportunities for economic and social empowerment in South Africa (Venter, 2002:32).

Internationally, the overwhelming majority of family businesses are small or medium-sized (Bjuggern and Sund, 2000:2; Goldberg, 1991:2; Hume, 1999:3, Maas, 1999b; Serrano, 2000:23). Even the most conservative estimates put the proportion of all worldwide business enterprises owned or managed by families at between 65% and 90% (Gersick,Davis,McCollon and Lansberg, 1997b: 2; Sharma, Chrisman and Chua, 2000:233; Van der Merwe 1999; Zimmer and Scaborough 2002:19; Venter 2002:32). In several countries, family businesses form the majority of all businesses. The figures for various countries are: France (60%), Germany (60%), the Netherlands (74%), Portugal (70%), Belgium (70%), United Kingdom (70%), Spain (75%), Sweden (79%), Finland (80%), Greece (80%), Cyprus (80%), Italy (93%), Australia (75%) and the USA (95%),(IFERA,2003).

Another factor that contributes to the importance of family business is its ability to generate wealth at exceptional levels. Joint research between the United States, Britain and South Africa (Hugo, 1996:7) revealed that successful family businesses generated jobs and wealth on a much larger scale than any other type of business. For instance, family businesses listed in the industrial sector of the JSE Securities Exchange during the period 1987 to 1992 recorded a rate of return of 36%, compared to the rate of return of 27% recorded by non-family businesses (Venter, 2002:33). Expressed differently, family businesses create as much as 30 cents more for every Rand than that generated by non-family-owned businesses (John, 1994:26; Venter, 2002:33; Maas, 1999a; b).

One has to accept that, to sustain and enhance the considerable contribution of family business to national economic growth in general, a family business is fundamentally different from the other forms of private economic organizations (Maas, 1999b; Venter, 2002). The key difference is that the affairs of a family business are closely and intricately intertwined with the personal financial affairs of the family, and also with the power relationships, blood ties, emotional bonds and inheritance issues within that family (Astrachan and

Astrachan, 1993; Connolly and Jay 1996:5; Morris, Sharma, Chrisman and Chua, 1997:387; Sharma, Chrisman and Chua, 1997:2; Venter, 2002).

Given the dominance of family business in so many national economies all over the world, its poor survival rate is, however, a continuing source of concern (Sharma, 1997; Morris *et al*., 1997: 386). As few as three out of ten family businesses survive into the second generation (Beckhard and Dyer, 1983), and less than 15% survive into the third generation (Morris *et al*., 1997). A major factor in the poor survival rate of family businesses is poor governance (Neuebauer and Lank, 1998; Ward, 1995). The insistence of many stakeholders in the South African economy on good governance has led to the so-called King Reports (King, 1994; 2002), the prominence of which have placed governance issues firmly in the public domain. More important, however, is the fact that several authors have suggested (Neuebauer and Lank, 1998; Ward, 1995) and empirically proven (Neuebauer and Lank, 1998) a direct link between the survival of business entities over the long term and good governance. As recently as this year(2004) the R 6.3 Billion loss to Spoornet has been attributed to poor corporate governance(Transnet to face as finance chief quits, Business Day, 31 August 2004).

In the small business environment in general and the family business environment in particular, the link between longevity and good governance is complicated by two additional factors. The first is the failure to understand that the specific operating characteristics of a family business can be the source of persistent business problems, missed opportunities, and unnecessary risks that could and should have been avoided. At the same time, failure by the members of a family business to acknowledge the unique characteristics of their business could similarly have severe and lasting adverse consequences inside the business (Venter, 2002:34). To allow a family business to make a rightful contribution to any country's economy, one has to acknowledge that its unique nature will need to impact on its corporate governance (Neuebauer and Lank, 1998).

The second complicating factor is the reality that corporate governance will not be "standardised" for all ethnic groupings functioning in an economy (Hofstede, 2001). In other words, only through effective corporate governance can family business survive and prosper, and contribute effectively to a country's economy. But although the way in which corporate governance is implemented, has been shown to be affected by ethnic and cultural influences (Ward, 1995; Rietveld, 1997).

Despite the acknowledgement by some authors that ethnic and cultural influences impact on family businesses (Ward, 1995), very few (if any) studies have been carried out to explore the relationship between cultural influence in family businesses and its impact on corporate governance – and thus ultimately on its survival and contribution to national economic prosperity.

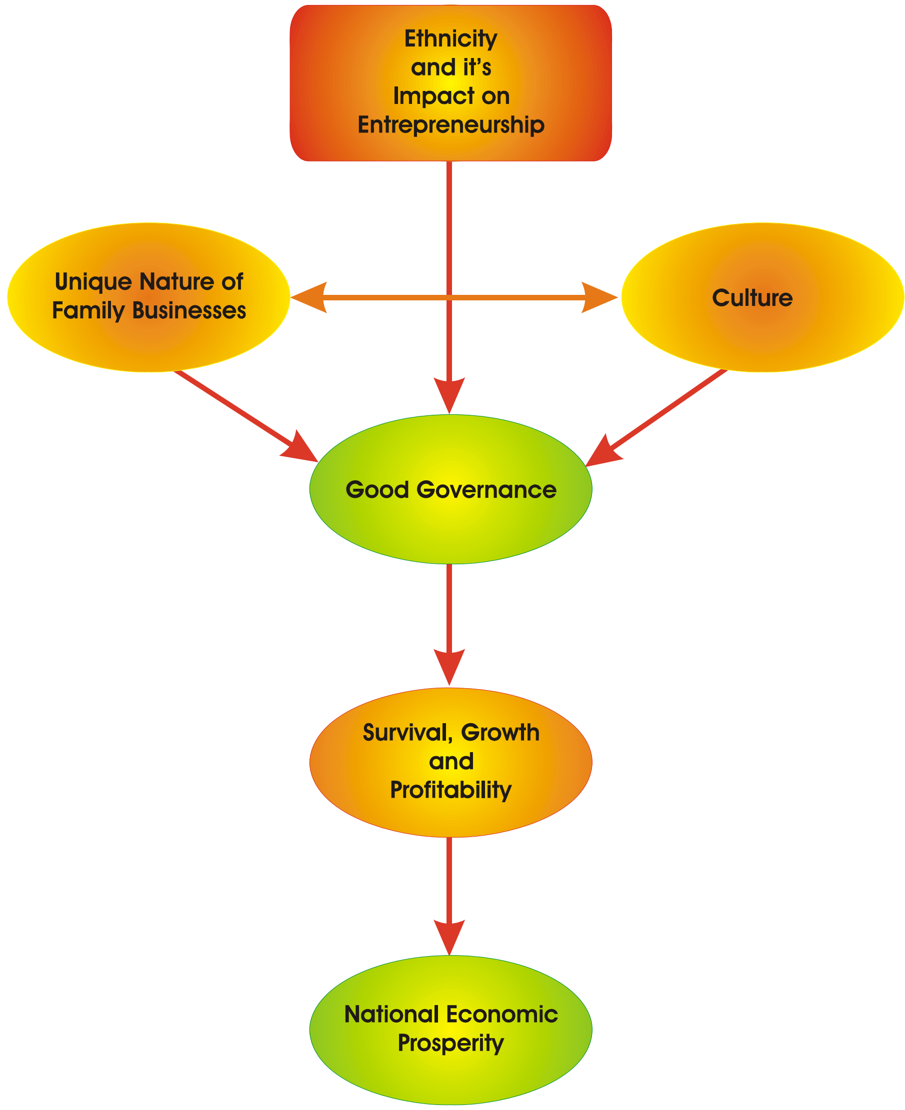
Certainly no empirical study has been done in South Africa to investigate this phenomenon. A study of this nature is of even more importance if one considers the economic influence of Greek families in the South African economy. More than 80% of Spar outlets are controlled by Greek families and 90% of the South African shipping supply industry, ship chandler's services. Fast-food outlets such as Spur's and Debonairs, and *at retail level* Seven Eleven's, Fruit and Veg, Famous Brands, and Pick 'n Pay - to name a few – are dominated by Greek interests.

To summarise, given the relative importance of family businesses in South Africa in general, as well as the considerable influence of Greek family control in particular, the absence of empirical evidence on the relationship between cultural influences and good governance presents an important gap in the family-business literature. This study addresses this limitation by identifying the factors that influence good governance in Greek family businesses in South Africa.

Once the factors that could enhance good governance have been identified, one can proceed to the effective management of governance to ensure that these important business entities optimise their critically important contribution to the South African economy.

The theoretical rationale for this study is graphically depicted in Fig 1.1.

Figure 1.1: Theoretical Rationale



SOURCE: RESEARCHER'S OWN CONSTRUCTION

1.2 <u>STATEMENT OF THE RESEARCH PROBLEM</u>

As a significant component of the South Africa economy, one would expect that there would be extensive debate, analysis and attention centred on family businesses. The incongruous reality is that this sector has been largely overlooked and ignored by South African academics and economic commentators alike (Venter 2002:33; Maas, 1999a; b). Rarely has family business been singled out as the focus of attention in its own right. This is unfortunate, especially if one considers the economic value of family businesses in general and the economic importance of Greek businesses in South Africa. Against this background, the research problem investigated in this study is:

To identify the organisational and social variables that will ensure the sustainability and promotion of good governance in family businesses within the Greek family business community of South Africa

In order to address the research problem, the following objectives will be pursued:

1. To identify the factors (variables) that will promote the growth, sustainability and good governance in family-owned business within South Africa (a literature review).
2. To construct a theoretical model that will describe the relationships between all of the variables that can impact on good governance.
3. To empirically test the proposed theoretical model among Greek family members in South Africa.

In the theoretical model that forms the basis of this study, good corporate governance will be the dependent variable. The outcome of the study will be a set of guidelines that can assist Greek families to ensure good corporate governance in their family business, thereby ensuring its long-term survival, growth and profitability.

1.3 HYPOTHESES

To address the objectives as set out above, the following research hypotheses will be empirically tested.

H^{1a} : There is a positive relationship between Strategic Planning and Perceived Good Governance in Greek family businesses in South Africa.

H^{2} : There is a positive relationship between the existence of Governance Structures and Perceived Good Governance in Greek family businesses in South Africa.

H^{2a} : There is a positive relationship between the use of Outside Advice and Perceived Good Governance in Greek family businesses in South Africa.

H^{3} : There is a positive relationship between the extent of Management Succession Planning and Perceived Good Governance in Greek family businesses in South Africa.

H^{3a} : There is a positive relationship between the use of Outside Advice and Management Succession Planning in South African Greek Family Businesses.

H^{4} : There is a positive relationship between the existence of a Shared Vision and Perceived Good Governance.

H^{4a} : There is a positive relationship between Cultural Values Alignment and Ethnic Entrepreneurial Growth.

H^{5} : There is a positive relationship between Ethnic Entrepreneurial Growth and Perceived Good Governance in Greek family businesses in South Africa.

H^{5a} : There is a positive relationship between Cultural Values Alignment and Vision.

H^{6} : There is a positive relationship between Open Family Communication and Perceived Good Governance in Greek family businesses in South Africa.

H^{6a} : There is a positive relationship between Harmonious Family Relationships and Family Communication in Greek family businesses in South Africa.

H^{7} : There is a positive relationship between Profitability and Perceived Good Governance.

H^{7a} : There is a positive relationship between Harmonious Family Relationship and Profitability in Greek family businesses in South Africa.

H^{8} : There is a positive relationship between Trust and Perceived Good Governance in Greek family businesses in South Africa.

H^{8a} : There is a positive relationship between Harmonious Family Relationships and Trust in Greek family businesses in South Africa.

H^{9} : There is a positive relationship between Commitment and Perceived Good Governance.

H^{9a} : There is a positive relationship between Harmonious Family Relationships and Commitment in Greek family businesses in South Africa.

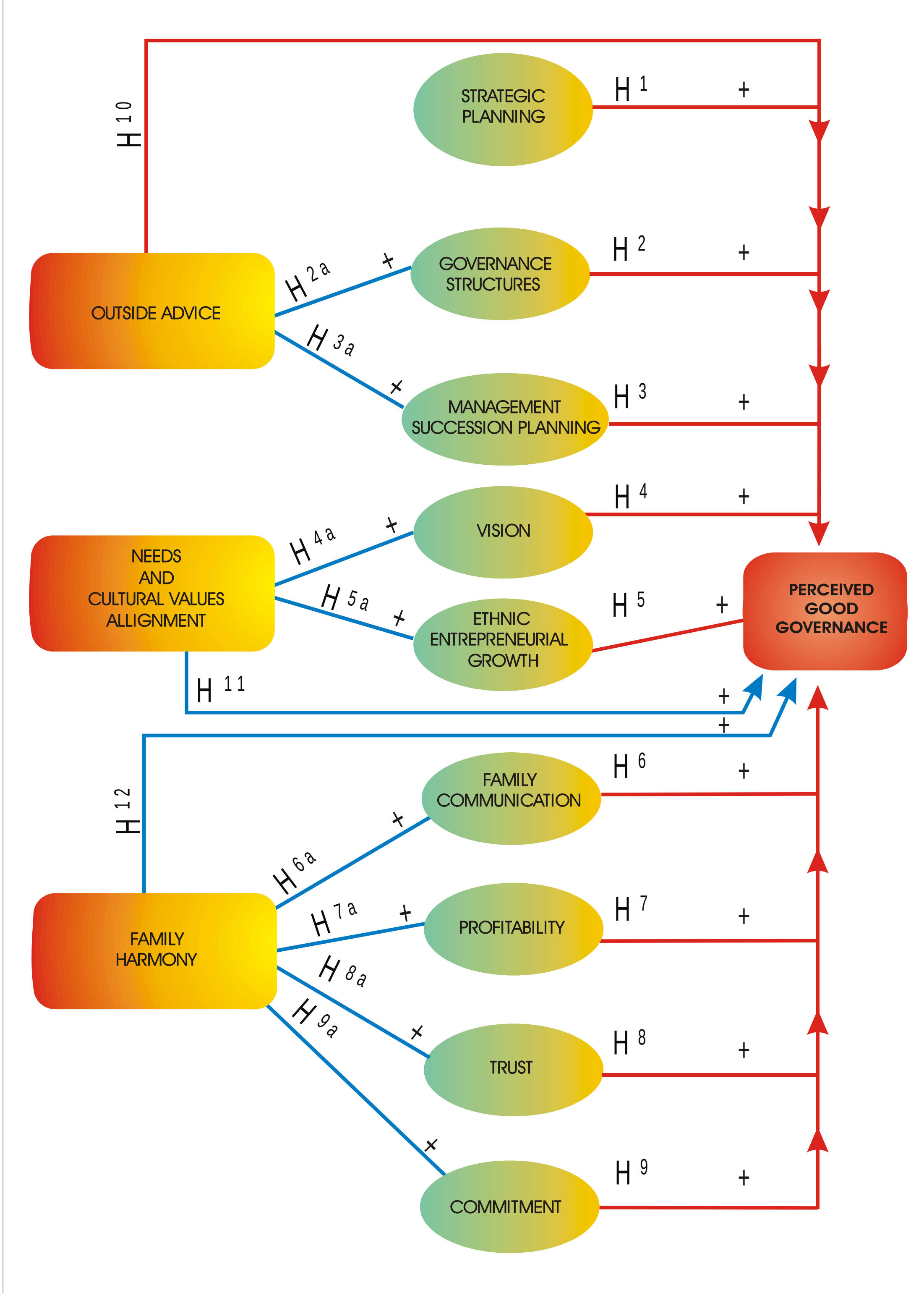
H^{10} : There is a positive relationship between the use of Expert Outside Advice and Perceived Good Governance in Greek family businesses in South Africa.

H^{11} : There is a positive relationship between Needs and Cultural Values Alignment and Perceived Good Governance.

H^{12} : There is a positive relationship between Harmonious Family Relationships and Perceived Good Governance.

The relationships (hypotheses) described above are depicted in graphical format in Figure 1.1.

FIGURE 1.2: THEORETICAL MODEL OF GOOD GOVERNANCE FOR SOUTH AFRICAN GREEK FAMILY BUSINESS



SOURCE: RESEARCHER'S OWN CONSTRUCTION

The proposed theoretical model will be empirically tested among respondents from Greek family businesses in South Africa.

1.4 RESEARCH DESIGN AND METHODOLOGY

In order to address the objectives of the study and to test all the hypotheses, the research strategy was divided into two main components, namely the primary and the secondary study. Chapter 7 will discuss the research design and methodology in greater detail.

1.4.1 Secondary Sources

No similar research study that focuses exclusively on Greek family businesses has previously been undertaken in South Africa. In order to identify as many factors as possible that could influence the governance process of Greek family businesses in South Africa, a comprehensive literature search was conducted. Secondary sources from related subject disciplines such as Ethnic Entrepreneurship, Business Management, Family Business Management, Sociology, Organisational and Industrial Psychology, Law and Anthropology, were first consulted. International and national libraries supplied data by means of inter-library loan facilities at Rhodes University and included SAMINET, EMERALD, DIALOGUE, SCIENCEDIRECT, AMI/FORM, NEXUS and the Internet. The researcher also joined the Family Firm Institute (FFI) in Boston, U.S.A., to obtain international data on all family-business-related issues and to make use of international study groups.

1.4.2 Primary Sources

Based on the literature review, questionnaires in English and Greek were developed and pre-tested amongst 21 respondents from Greek family businesses, in order to ensure ease of understanding and timeous completion. The procedures used to develop the measuring instrument used in this study are described in more detail in Chapter 7. The development of the proposed model (Figure 1.1) was based on discussions with various international and national experts familiar with family businesses. In South Africa, informal interviews were conducted with four members of a Greek family-business consortium consisting of 34 individual businesses.

1.4.3 Sample

In order to achieve an adequate response rate, field workers of Greek origin were employed in the different regions of South Africa to collect data from Greek family businesses. Direct contact was established with the Greek Embassy in Pretoria, the Greek Consulates in Johannesburg and Cape Town, and the various Hellenic and Cypriot communities in South Africa, to identify potential participants. The potential respondents were also requested to further identify other Greek family businesses that could be approached to assist in the survey. The snowball sampling technique used in this study is detailed in Chapter 7.

1.4.4 Measuring Instrument

Questionnaires were developed, which were worded to address the individual member involved in the Greek family business. The measuring instrument used in this study consisted of items whose reliability and validity had been confirmed in previous studies. When published items were not available, self-developed items were used. As perceptions and attitudes were measured during the empirical study, all questionnaire items were linked to 7-point Likert-type scale.

1.4.5 Statistical Procedures

In order to identify the unique factors in the data, an exploratory factor analysis was performed. In this way, the discriminant validity of the measuring instrument was confirmed. The computer program BMDP 4 M (Frane, Jennrich and Sampson, 1990) was used for this purpose. To confirm the reliability of the instrument used, each factor's Cronbach- Alpha coefficient was calculated. Structural equation modelling (SEM) analysis was used to evaluate the relationships amongst the set of variables identified as influencing good governance in Greek family businesses in South Africa.

1.5 CONTRIBUTION OF THE STUDY

The point of departure of this study is that the high mortality of family businesses could be reduced if the challenging issue of governance could be successfully addressed. This study investigates how good governance practices can be implemented in Greek family businesses in South Africa. It also attempts to contribute to the body of knowledge regarding family businesses internationally. Both national and international searches have confirmed that no such study has been attempted, even internationally.

A further contribution of this study is that it makes use of an advanced statistical technique called Structural Equation Modelling (SEM) to simultaneously analyse multiple interdependent relationships amongst the variables that can impact on good governance practices in family businesses. SEM distinguishes this study from other previous studies which used less sophisticated multiple regression models which often relied more on qualitive evidence. This remains a major limitation in all family-related research – even in an international context.

1.6 SCOPE OF THE STUDY

The literature identified several factors that may influence the success of Greek family businesses in South Africa. This research will, however, focus on governance only, as it is widely regarded as a major determinant of success or failure among family businesses internationally (Neuebauer and Lank, 1998).

1.7 DEFINITIONS OF CONCEPTS

The following three concepts need to be clarified:

1.7.1 Family business

A family business is one that is owned by members of the same family to shape and/or pursue the formal or implicit vision of the business, in which it is the intention of family members to hand the business over to the next generation, or which has already been handed over to a family member to manage and/or control it. (Venter 2002:17).

1.7.2 Greek family business

Based on Venter's (2002) definition, the following definition is proposed for South African Greek family businesses.

The Greek family business in South Africa is business governed with the intention of shaping and pursuing the vision of the founder and the values of the family; it is controlled by members of the same family, with the intention that it should also be sustainable across the other generations of the Greek family concerned.

1.7.3 Governance

The concept of family business governance is defined as a system of processes and structures to direct, control and account for the family and the family business at the highest level. In this context, ***directing*** means being involved in decisions that are strategic in nature. ***Controlling*** means oversight of management performance and monitoring the achievements of objectives. ***Accounting for*** means being responsible towards those making legitimate demands for the family business's accountability. Controlling and accountability are different activities, but they can be seen as two sides of the same coin (Neuebauer and Lank, 1998).

1.8 STRUCTURE OF THE THESIS

Chapter 1 serves as an introduction and general orientation to the study of Greek family businesses in South Africa. It also presents the purpose, objectives and hypotheses of the research. Secondary and primary sources related to the thesis are discussed, followed by the demarcation of the field of study.

Chapter 2 offers a discussion of the family business and explores its economic importance in an international context. The chapter will also provide a definition of Greek family business. Discussions on the structures of family business relationships are followed by the various conceptual models used to develop an understanding of the nature of family business. Differences between family and non-family businesses are then discussed, followed by an exposition of the differences between family businesses and other businesses, problems facing the family businesses, and family business life cycles.

Chapter 3 discusses the main differences between entrepreneurs and ethnic entrepreneurs, followed by a discussion of the characteristics of ethnic entrepreneurship and ethnic business. The concept of trans-national entrepreneurs is then discussed, to better understand the immigrant enterprise. Ethnic entrepreneurship and migration issues are then examined, leading to an analysis of migration and assimilation issues as applicable to Greek immigration. Factors related to entrepreneurship conclude Chapter 3.

Chapter 4 focuses mainly on the nature and importance of cultural influences and the South African Greek family. Cultural and structural theories and the link between national culture and entrepreneurship are examined. The nature and concept of South African Greek culture and the central role of the South African Greek family are also explored.

Chapter 5 presents a critical assessment of factors that may influence governance in family businesses. Various governance models and views will be examined. Corporate governance developments in the UK and South Africa are also discussed, followed by the rules of the family and the business that may influence the existence of good governance.

Chapter 6 presents the proposed theoretical model of perceived good governance. This chapter will discuss how factors pertaining to the founder/current owner(s), the family, and the Board of Directors may influence good governance.

Chapter 7 describes the research design and methodology of the study. It further details the nature of the sample, the measuring instruments used, and the statistical analyses performed to analyse the data.

Chapter 8 presents the empirical results and the reliability and validity assessments of the measuring instruments used in this study. It is followed by the results of the empirical assessment of the various factors impacting on perceived good governance.

The final chapter of this study, Chapter 9, summarises the study, offers some conclusions and considers the limitations of this study. It concludes with a section detailing managerial recommendations which, if implemented, should ensure the implementation of good governance in Greek family businesses in South Africa.

CHAPTER 2

THE FAMILY AND THE BUSINESS

2.1 INTRODUCTION

Given the relative importance of family businesses in South Africa in general, as well as the considerable influence of South African Greek family businesses in particular, the absence of empirical evidence on the relationship between cultural influences and good governance presents an important gap in the family business literature. This chapter addresses these limitations by identifying the factors that influence the family business. Once these factors have been identified, one can proceed to the effective management of governance for family businesses, to ensure that these entities optimise their critically important contribution to the South African economy.

As suggested in Chapter 1, businesses can be divided into two broad categories, namely family-owned and non-family-owned businesses. It was also pointed out that family businesses are a dominant form of business, and the reason why family businesses are of interest to researchers is that there is a possibility that their ownership and control structures have an effect on the way they are managed.

Daily and Dollinger (1991:60) maintain that family businesses are different from other businesses because ownership and control of the business interests infringe on family interests, and hence conflicts occur quite often as the business and family may strive to realise different objectives. According to Daily and Dollinger (1991:60), the "problem is that family businesses have a built-in Achilles' heel. Two systems interact – the family and the business – and these two systems are not necessarily compatible. On the contrary, examples of destructive family feuds are not hard to find."

Levinson (1971:90) concurs with this view and points out that the possible conflicts in family businesses arise when managerial decisions are influenced by feelings about, and responsibilities towards, relatives in the business, when nepotism exerts a negative influence. Conflict also arises when a company is run more to honour a family tradition than for its own needs and purposes. Under these circumstances there is likely to be turmoil.

Recognition of these circumstances may help researchers understand why many Western family businesses cease to exist after ten years, and why only three out of ten survive into the second generation (Beckard and Dyer, 1983) while less than 15% survive into the third generation (Morris, Williams, Allen and Avila, 1997:386).

Kaslow (1993) provides further insight into the reasons for failure, by pointing out that conflicts amongst family members within a family business tend to be circular and last over a long period of time because of the interaction between relationships in the workplace. In other words, a particular family conflict can impact on a subsequent business decision that, in turn, creates new sources of difference within the family (Morris *et al*., 1997:387).

This chapter offers a discussion of the family business, and explores its economic importance in an international context. The chapter will also provide a definition of Greek family businesses. Discussions on the structures of family business relationships are followed by the various conceptual models used to develop an understanding of the nature of family businesses and other businesses, problems facing the family business, and family business life cycles.

2.2 DEFINING THE FAMILY BUSINESS

Any attempt to define the family business must account for a range of configurations as well as for the factors that distinguish it from other organisations. The degree of family members' involvement in the business can range from ownership of shares to full participation in management, or somewhere in between. These factors contribute to the complexity in defining the term "family business" (Neuebauer and Lank, 1998).

Bearing this in mind, Handler (1989:262) offered a broad definition of a family business, based on the literature available at the time: "A family business is defined here as an organisation whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board." Handler's (1989) definition adds another dimension in the search for a satisfactory definition. With the influence of family members, he argues, comes the involvement of the attitudes of family members towards the issue of succession. Once attitudes and values are brought to the fore, it is necessary to consider the cultural context within which the family business operates. Could the very definition of what constitutes a family business be culture-specific? If a family business is defined from the perspective of the business as central, with the family as an adjunct, then it implies that the involvement of family members will not be high, and therefore attitudes and values are not a prominent influence (Handler, 1989). On the other hand, if a family business is defined from the perspective where the family is central, with the business as an adjunct, a different scenario arises.

The importance of the family in family business operations implies that family members will have substantial influence, and therefore attitudes and values become important in defining the family business. The relative importance of the family in different societies varies across cultures, and therefore, one can conclude that the definition of the term family business is **culture-specific**. (Koslow, 1993; Ng, 1999; Daily and Dollinger, 1991; Sharma, 1997; Neuebauer and Lank, 1998).

It is not surprising that, as suggested by Lansberg, Perrow and Rogolsky (1988:1), attempting to define the term "family business" can quickly become a very complicated exercise. While it appears that academics are unable to reach consensus as to its definition, there are nevertheless commonalities among most of the definitions found in the literature. These definitions generally tend to focus on ownership and/or control of the business by the family. The proposed definitions seem to suggest that the primary focus of family businesses is **business** and the way in which it is related to the family; the business is central and the family is an adjunct. A good example of this emphasis of business over family is Holland and Boulton's (1984) view of the family-business relationship. They studied internal and external coalition and relationships and their effects on decision-making in family businesses. They used the phrases "internal" to the business, and "external" to the business. "The problem of managing this relationship relates to managing both external coalitions (management of stakeholder relationships) and internal coalitions (organisational politics)." The perspective is again taken from the business' point of view, confirming the point that the family business is a business with the family involved.

Chua, Chrisman and Sharma, (1999:2) completed an extensive review of family business literature. They compiled a list of 21 definitions that touch on the degree or nature of family involvement. Several observations can be made about these definitions. First, with few exceptions, the definitions do not differentiate between governance and management. Second, some require controlling ownership or family management alone, while others require both ownership and management. Thus, the definitions include three qualified combinations of ownership and management. These are:

(A) Family owned and family managed
(B) Family owned but not family managed
(C) Family managed but not family owned

All the definitions, which appear in Chua *et al*., (1999) consider combination (A) to be a "family business". There is disagreement, however, on the other two combinations, although most authors seem to prefer combination (B) to (C).

Third, while some definitions do not require family ownership, those that do imply, explicitly or implicitly, controlling ownership, although they differ with respect to the acceptable patterns of controlling ownership. The list of controlling owners includes:

- An individual

- Two persons, unrelated by blood or marriage
- Two persons, related by blood or marriage
- A nuclear family
- More than one nuclear family
- An extended family
- More than one extended family
- The public

The definitions that are based on family ownership unanimously consider ownership by a nuclear, family to be a prerequisite. They disagree, however, about all the other aspects, especially the last one, public ownership.

In summary, there appears to be total agreement that a business owned and managed by a nuclear family is a family business. Once one deviates from that particular combination of ownership pattern and management involvement, researchers hold different opinions (Neuebauer and Lank, 1998).

A definition of a family business must stipulate its uniqueness, which begs the question: What is this uniqueness? It is not the fact that the members of the family own and/or manage a business. According to Chua *et al*., (1999:1)

"What makes a family business unique is that the pattern of ownership, governance, management, and succession materially influences the firm's goals, strategies, structure, and the manner in which each is formulated, designed, and implemented."

In other words, scholars study family businesses because they believe that the family component shapes the business in a way that the family members or executives in non-family businesses do not and cannot (Lansberg, 1983; Chua; *et al*., 1999:2).

To illustrate this family component, one has to extend the debate on family business definitions to ownership and management, and sometimes, to succession (Chua *et al*., 1999). Clearly, a business owned and managed by a nuclear family is a family business. By necessity, it will be operated with the intention of pursuing a desired future for the family in accordance with their values and preferences. Family dynamics will affect decisions/actions, and those decisions/actions will assuredly be different from business which is not influenced by either family ownership or family management (Chua, *et al*., 1999).

One needs to consider, for instance, businesses that are family owned but not managed, or family managed but not owned. Welsch (1993) stated that some of these businesses will behave in a fashion that is markedly similar to that of a business owned and managed by a nuclear family, and some will not. As a consequence, researchers might conclude that some of these businesses are family businesses and some are not. If researchers defined family business as only those that are family owned and managed, they would be excluding many businesses that are family businesses. On the other hand, if researchers included as family businesses, all businesses that are either family owned but not family managed, or family managed but not family owned, they would be including many businesses that do not belong to either group? (Welsch, 1993). How can we tell when ownership or management by a family makes the firm a family business? According to Chua *et al.,* (1999), business wholly owned by a family may be treated as the one end of the spectrum. At the other end, a family-managed but not family-owned business may be operated predominantly to pursue the aspirations of the family managing the business with the corresponding benefits for that family, or it may be operated for the benefit of unrelated shareholders (Chua *et al*., 1999). They further argue that there are no clear-cut demarcations on how much ownership or management is necessary to qualify the business as a family business. Should it be complete ownership, majority ownership, or controlling ownership? The presence or absence of a successor offers no better solution to this difficulty (Chua *et al*., 1999).

Chua *et al*., (1999) believe that there must be a primary theoretical imperative that makes the study of family business as a unique type of organisation worthwhile. If not, there is no need for differentiation from the study of other types of business. Therefore, the researcher argues that any attempt to define a family business must start at the theoretical level. For this purpose, Chua *et al*., (1999:3) distinguish between two types of definitions: theoretical and operational. A **theoretical definition** should distinguish one entity or phenomenon from another, based on a conceptual foundation of how the entity, object, or phenomenon is different, and why the differences matter. An **operational definition**, on the other hand, merely identifies the observable and measurable characteristics that differentiate the entity, object, or phenomenon from others. For example, in the field of strategic management, differences in business strategy are theoretically defined as the varying characteristics of the match that each organization achieves or intends to achieve between its internal resources and environmental opportunities

(Chrisman, Hofer, and Bolton, 1988), with the belief that the nature of this match affects organisational performance. Operationally, however, differences in organisational strategies are defined by using the components of strategy, such as competitive weapons and scope (Porter, 1980), investment intensity (Hofer and Schendel, 1978), growth vectors (Ansoff, 1965), segment differentiation (Abell, 1980), and functional policies (Hatten, 1974).

Chua *et al*., (1999) indicate that both types of definition are needed to justify the study of family businesses. The theoretical definition sets the paradigm for the field of study and the standards against which the efficacy of an operational one must be measured. Without a theoretical definition and the rationale for it, there is no standard for determining the validity of any operational definition used by researchers, and such a definition becomes a matter of convenience. On the other hand, without an operational definition, the theoretical definition cannot be applied. Continuing the example, the literature on strategic management suggests that the components by which strategy has been operationalised are valid because they are a reliable means of identifying essential differences in organisational strategies, and they empirically explain why there are differences in organisational performance (Chua *et al*., 1999).

The Greek family business in South Africa is business governed with the intention of shaping and pursuing the vision of the founder and the values of the family; it is controlled by members of the same family, with the intention that it is also sustainable across the other generations of the Greek families concerned.

This definition implies that a South African Greek family business is one whose vision is shaped by the founder/current owner, and controlled by the values of the South African Greek family.

The definition also subsumes family ownership and family management of the business as elements that make pursuit of the vision possible. Therefore it provides a rationale for the literature's preoccupation with these involvements. Since it is sufficient that the family controls the dominant coalition, the family does not necessarily need ownership control. In other words, the definition incorporates all those definitions that emphasise the family's influence on the strategic direction of the business (e.g., Davis, 1983; Davis and Tagiuri, 1985; Donnelley, 1964; Handler, 1989; Pratt and Davis, 1986; Maas, 1999 a + b; Venter, 2002).

2.3 DIFFERENCES BETWEEN FAMILY AND NON-FAMILY BUSINESSES

A number of studies have explored family businesses in isolation, but very few comparative studies of family and non-family businesses have been conducted (Daily and Dollinger, 1995; Venter, 2002; Maas, 1999 a + b; Sharma, 1999). It is now apparent, however, that there is a need for more comparative studies in order to understand the differences between family and non-family businesses, as well as the relationship between the management and performance of family versus non-family businesses (Brockhaus, 1994; Dyer and Handler, 1994; Reynolds, 1995).

Comparative studies of family and non-family businesses have generally failed to appreciate that business demographics can distort bivariate studies exploring the relationship between the management and the performance of these two groups of businesses (Dyer and Handler, 1994; Brockhaus, 1994; Reynolds, 1995). Previous studies focusing upon the management and performance of family and non-family businesses may have identified "demographic sample" differences rather than "real" differences. (Stoy and Hayward, 1992b; Binder and Hamlyn, 1994). Business size can be "stunted/retarded" if a family management team is reluctant to raise external funds because it fears it will entail a loss of family control – for example, by the appointment of a "stranger" to the board (Church, 1969).

Daily and Dollinger (1993) have argued that some family businesses also operate "income substitution" businesses on the sideline, with no plans to grow in size. As a result, some family businesses "only grow at a pace consistent with meeting the advancement needs of organisational members in the family system" (Binder and Hamlyn, 1994). Supporting the above assertion, Daily and Dollinger (1993) found that professionally managed, independent manufacturing businesses with fewer than 500 employees were significantly larger, in terms of number of employees, than family-owned and -managed firms.

Donckels and Frohlich (1991), in their study of small independent manufacturing businesses, noted that the highest numbers of shares owned by members of family businesses were found in the smallest employment-size groups. Cromie *et al.*, (1995), in their study of family and non-family companies in Ireland, also found that family businesses were smaller in terms of employment and sales turnover than non-family businesses. Conversely, in the United Kingdom, Stoy and Hayward (1992:b) found no major differences in either employment or sales-revenue size between family and non-family companies.

Morris *et al.*, (1997:388) identified several differences between family-owned and -managed businesses and non-family controlled businesses. Some of the differences identified by Venter (2002) include the fact that a professional manager in a business that is not family controlled may be expected to rely on shorter time horizons; to be less personally impacted by business failure; to demonstrate more career mobility; to be motivated more by traditional personal reward; and to perceive less job security than the family members who run a family business. She also points out that businesses which are family controlled frequently have more centralised decision-making processes, and control systems that are less formalised, although this centralisation usually changes from generation to generation. The position of a family member in the family business will influence his position in the family. Those who are respected in the business are generally also well respected in their family. As a consequence, personal family issues will often co-mingle with business issues, affecting decision-making processes in family businesses (Venter, 2002).

Various other studies have attempted to contrast the differences between family and non-family businesses with regard to, for example, **strategic behaviour** (Donckels and Frohlich, 1991; Donckels and Lambrecht, 1999; Gallo, 1995; Gudmundson, Harfman and Tower, 1999; Littunen and Hyrsky, 2000; Pistrui *et al.*, 2001:142; Venter, 2002:62-77); **management and ownership imperatives** (Westhead et al., 2001); **customer services** (Lyman, 1991); **organisational buyer behaviour** (File, 1995); **successor development** (Fiengener et al., 1994); **management of human resources** (Astrachan and Kolenko, 1994; Donckels and Frohlich, 1991; Habbershon and Williams, 1999; Moscetello, 1990; Welsch 1993); **business-related goals** (Lee and

Rogoff, 1996); **sectors** (Leach, 1994); **venture capital** (Poutziouris, 2001); and **attributes of owners/managers** (Littnen and Hyrsky, 2000).

2.3.1 National Differences in Family Businesses

Most of the literature on family businesses is based on data collected from studies conducted in the United States. In Europe, Birley (1996) collected data on the extent to which an owner's personal goals affected business decisions, and found that there were differences between countries. For example, "the Austrians, Finns, Danes and Spaniards will sacrifice growth and control for protecting income and investment"; the owners in Belgium, Luxembourg, the Netherlands and Switzerland consider maintaining their businesses at their current sizes to be a high priority; while the **Greeks** are most concerned with **family succession.** Allied to this, the Greeks and the Austrians were found to have a tendency to be Dynasts, where "their primary goals are to grow the business, protect their investment and pass it on to the next generation" (Birley, 1996:7). On the other hand, the Belgians, French, Dutch and Spanish were found to have a tendency to be more protectionist, where their "main priority is to keep their business at its present size while protecting their investment" (Birley, 1996:7).

In a similar study conducted by Burns and Whitehouse (1996), cultural differences were also found between managers of businesses from different European countries. For example, in Britian, the desire to build a business to pass on to the next generation was, in comparison to other countries, not an important motivating factor for the owner managers. In Germany, on the other hand, it was considered of equal importance, as was personal development. By contrast, the Italian owner managers were found not to be interested in making money, but were more concerned with social factors and status – for them, the need to "belong" was a strong motivating factor (Burns and Whitehouse, 1996). From the foregoing, it is reasonable to conclude that there are likely to be cultural differences between entrepreneurs from different parts of the world, including the South African Greek migrants.

2.4 UNIQUE CHARACTERISTICS OF FAMILY BUSINESSES

Family businesses make major contributions to wealth creation, job generation, and competitiveness. Several studies in Western (developed) economies have concluded that family firms account for over two-thirds of all businesses (Kirchhoff and Kirchhoff, 1987; Donckels and Frohlich, 1991; Stephenson, Montieth and Cromie, 1995). Throughout the world studies in the United States have revealed that family firms generate from 40-60% of the gross national product (Ward and Aronoff, 1990).

Family businesses are an important subject for study (Ward and Aronoff, 1995; Maas, 1999 a + b; Venter, 2002; Poutziouris, 2001; Brockhaus, 1995) in summary:

- The majority of independent businesses are family owned
- The prioritising of objectives by family business owners is likely to differ from that of the owners of non-family businesses
- Family businesses are likely to be managed differently from non-family businesses
- Owners of family businesses are more likely to be concerned with transferring the business to the next generation of family members. The fiscal regime (i.e., inheritance and capital gains

tax) is, therefore, of particular concern to owners of family businesses

- To encourage competitiveness, wealth creation, and job generation, policy makers would like to know whether family businesses perform better or worse than non-family businesses. In some instances, policy makers may consider that it is appropriate to provide special support that will encourage the survival and development of family businesses.

Several authors (e.g. Astrachan and Astrachan, 1993; Leach, 1994: 5-23; Venter, 2002) have highlighted the unique characteristics of family-owned and -managed businesses. However, Davis and Tagiuri, (1982), Ghersick *et al.,* (1997b: 3), Maas, (1999b) Poutziouris, (2001) and Venter, (2002) have made very important observations, namely that every unique attribute of the family business could be a source of both benefit and disadvantage to the owners, family members employed in the business, and non-family employees. Davis and Tagiuri, (1982) and Venter, (2002) label these attribute "bivalent", maintaining that the family business success or failure depends on how well these attributes are managed. Venter (2002) believes that the attribute of emotional involvement and ambivalence in family businesses can be an advantage in that the expression of positive feelings creates loyalty and promotes **trust** among the family members**.** On the other hand, this can be a disadvantage if there is a lack of objectivity in communication, and if resentment and guilt complicate work interaction, and covert hostility develops. (Davis and Tagiuri, 1982; Venter, 2002).

According to Venter (2002:68), the advantages of family businesses have been represented primarily in a descriptive fashion, with broad theoretical and anecdotal support that cuts across traditional academic principles. A review of the literature substantiates this descriptive emphasis on the unique characteristics of family businesses and the potential they have for competitive advantage and superior performance (Habberson and Williams, 1999:4; Venter, 2002)

Venter, (2002: 68) identifies the following detailed advantages of family businesses:

- Many family businesses are less bureaucratic and less impersonal than other types of businesses. In a family-controlled business, responsibilities are usually clearly defined and the decision-making process is deliberately restricted to one or two key individuals.
- Key elements of characteristics of family **businesses include trust (**Ayres and Carter, 1995:80; Steier, 2001:363); **shared values** (Van der Merwe, 1999:299); **shared vision** (Van der Merwe, 1999:299); determination of family members in difficult times (Hodgetts and Kuratko, 1998:57; Van de Merwe, 1999: 299; Venter, 2002:70); opportunities for personal growth, social advancement, job security and autonomy (Hodgetts and Kuratko, 1998); and absence of external interference and commitments of shareholders (Van der Merwe, 1999: 299). Family businesses also have a greater independence of action, in the sense that they might have less or no takeover risk (Venter, 2002:70).
- Commitment and a stable culture underpin the fact that family businesses are generally very solid and reliable structures, and are generally perceived as such in the market-place.

- Family businesses draw special strength from the **shared history, identity, and common language** of families. When the key managers are relatives, their traditions, values and priorities spring from a common source, and such a family culture often serves as a great source of pride.
- **Flexibility in time, work. and money** may lead to a competitive advantage for family businesses. They can adapt quickly and easily to changing circumstances (Venter, 2002:69).
- The overriding characteristic that distinguishes most family businesses is a unique atmosphere, which creates a **sense of belonging,** enhancing the common purpose among the work force.
- Knowledge handed down from generation to generation (succession), starting in very early youth, is an important strength of family businesses (Donckels and Lamprecht, 1999:180).
- Enthusiasm and family commitment may also develop **commitment and loyalty** among the work force.
- Family owner-managers may have a different outlook on their employees, their customers, the community, and other important stakeholders, which may positively affect the quality of their product.

2.5 STRUCTURES OF FAMILY BUSINESS RELATIONSHIPS

Holland and Boulton (1984) argued that, while there is a general consensus that family businesses exist as an institution, the organisation as it is named and identified could range from a small "mom-and-pop" firm to a multinational business. The ownership structure can also vary. They preferred to consider a family business as an institution, in an evolutionary context, by describing family businesses in terms of four structural phases, from entrepreneurial to post-family relationships, as illustrated in Table 2.1.

TABLE 2.1: Structures of the Family-Business Relationship

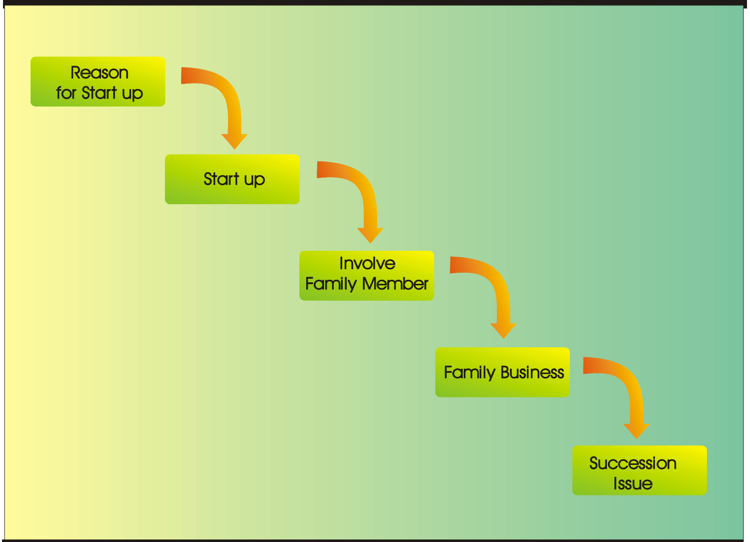
Structure (Stages)	Initiated by	Relationship characterised by	Focus on relationship
I. Pre-family	Founding of business	Concentration of power in single individual	Survival, succession
II. Family	Entry of relative of founder or sole owner/manager into management and/or ownership	Power dispersed among several individuals based on family connection	Resource acquisition
III. Adaptive Family	Sale of stock to non-family members	Power based on management position and stock ownership	Performance
IV. Post-family	Liquidation of family stock holdings	Power based on ability to function in the new organisation	Adjustments

SOURCE: Holland and Boulton (1984:17)

It could be deduced from Table 2.1 that the focus of the family business is on the start-up of a business, and only over time does this business evolve into a family business. At the pre-family stage, although the motive of setting up a family business may exist in the entrepreneur's mind, it is "technically" not a family business until Stage II.

Kaslow (1993: 4) provides an explanation as to how family business in society came into being, by considering the motivating factors individuals. He argues that providing for one's family and being connected to them financially as well as emotionally is a major motivating factor for many adults. He maintain that there can hardly be a better way to encompass one's personal goals and one's need for stature and accomplishment, and to shoulder responsibility for "earning a living" than to intertwine one's career aspirations with seemingly like-minded relatives who comprise the family system, and then by setting up a family business. In essence, at the pre-family stage, the issues for business are no different from the early stages of any other corporation. The concern, for the purpose of this study, arises when the business is seen to be a family business.

FIGURE 2.1: From start-up to Family Business to Succession



SOURCE: Researchers own construction

Figure 2.1 (based on Table 2.1) illustrates the manner, implied in the literature, in which a business evolves into a family business. Initially, the business is a start-up, and therefore is in the pre-family stage. Over time, family members become involved in the business at various levels. Once this occurs, it becomes a family business, and the issue of succession will increase in relevance as the incumbent leader of the business ages (Neuebauer and Lank, 1998).

While it may seem relatively straightforward that once family members (other than the entrepreneur) are involved, a business is defined as a family business, the task of definition is complicated, because each of the dimensions used to distinguish the family business from other types of organisations is not easily identified. "Ownership-management, family involvement in the business, and availability of family members for generational transfer will vary, just as the size and type of the business ranges from small mom-and-pop shops to billion dollar family-owned corporations' (Handler, 1989: 259). Therefore any attempt at defining the family business must account for this range of developmental configurations as well as the factors that distinguish it from other organisations. There is also the matter of the degree of family members' involvement in the business, ranging from ownership of shares to full participation in management. All these elements contribute to the complexity of defining and understanding the term "family business" (Neuebauer and Lank, 1998). Given the close involvement of family members, the attitudes of family members towards all aspects of the family business must be considered.

In order to gain further understanding of family business and its definitions, it is logical to gain a better understanding of the importance of family businesses.

2.6 IMPORTANCE OF FAMILY BUSINESSES

Even the most conservative estimates put the proportion of all worldwide business enterprises owned or managed by families at between 65% and 90% (Gersick *et al*., 1997b: 2; Sharma *et al.,* 2000:233; Van der Merwe 1999:2; Zimmerer and Scarborough 2002:19; Venter 2002:32). Family business is also the predominant way of doing business in South Africa today (Venter, 2002), comprising about 80% of all South African businesses and 60% of the companies listed on the Johannesburg Stock Exchange (Ackerman, 2001:325; Dickinson, 2000:3; Venter, 2002; Meyer, 1994:1). Their influence, as well as their numbers, can be expected to increase substantially in the future (Clarke, 1993:14; Laubscher, 1993:1; Ryan, 1995:12). Possible reasons for the growing importance are the ongoing rationalisation of large businesses, as well as the well-documented inability of the formal sector to create new jobs

(Venter, 2002). Finally, and most importantly, family businesses offer powerful opportunities for economic and social empowerment in South Africa. (Venter, 2002:32).

Internationally, the overwhelming majority of these family businesses are small or medium-sized (Bjuggern and Sund, 2000:2; Goldberg, 1991:2; Hume, 1999:3; Maas, 1999b; Serrano, 2000:23). A study undertaken among 266 families businesses in South Africa (Maas, 1999a: 3) indicated that half of family businesses (49.6%) employed fewer than twenty people. Some of the largest and most powerful South African businesses are family-owned. Examples include Anglo American and Anglovaal, Rembrandt, Liberty, Altron, Pick 'n Pay, Pepkor, Liberty Life, Sage Life, Toyota SA, and Famous Brands (Venter, 2002).

Family businesses are among the most important contributors to wealth and employment in virtually every country of the world. For this reason it is important that more care be taken by public policy-makers everywhere to ensure the health, prosperity, and longevity of this type of business (Neuebauer and Lank, 1998). Joint research between the United States, Britain, and South Africa (Hugo, 1996:7) has revealed the financial superiority of family businesses. In South Africa family businesses listed on the Industrial sector of the JSE Securities Exchange during the period 1987 to 1992, recorded a rate of return of 36%, compared to the rate of return of 27% recorded by non-family businesses (Venter, 2002:33). Research in South Africa (John, 1994:26; Venter, 2002:33; Maas, 1999a) has consistently demonstrated that successful family businesses create jobs and wealth on a scale that outperforms non-family counterparts. In fact, they create as much as 30c more for every Rand generated by non-family-owned businesses.

Considering that family businesses are such a vital component of the South African economy, one would expect that the family business sector would be the focus of extensive debate, analysis, and attention (Maas, 1999b; Venter 2002). The reality is that this sector has been largely ignored by South African academics and economic commentators alike (Venter 2002; Maas, 1999b). Rarely has family business been singled out as a focus of attention in its own right. The reasons for this apathy and neglect are to be found in prejudiced views. Family businesses are thought to be devoid of all rationality, to exhibit rampant nepotism, and to be founded on emotion (Donckels and Lambrecht, 1999:179, Venter, 2002).

According to Maas, (1999b), a family business is fundamentally different from the other major forms of private economic organisations in South Africa. The key difference is that the business affairs of a family business are closely and intricately intertwined with the personal financial affairs of the family, and also with the power relationships, blood ties, emotional bonds, and inheritance issues within that family (Astrachan and Astrachan, 1993; Connolly and Jay 1996:5; Morris *et al.*, 1997:387; Sharma, Chrisman and Chua, 1997:2; Venter, 2002). Failure to understand the specific operating characteristics of a family business can be the source of persistent (business) problems, missed opportunities, and unnecessary risks that could and should have been avoided. At the same time, failure by the members of a family business to acknowledge the unique characteristics of their business could similarly have severe and lasting adverse consequences inside the business (Venter, 2002:34).

Research on family businesses has generally focused on experiences in the United States or, more broadly, the Western world (Yeung, 2000:55).

Experience else where may not be relevant to South Africa, as local ethnic family businesses (more specifically Greek family businesses) may have different objectives and display different patterns of behaviour as influenced by their cultural orientation. Such differences may be partly the result of a different fiscal environment, or the differences in family cultures between South Africa and other countries, and partly the result of differences in the cultures of ethnic entrepreneurs. Therefore, while research and work undertaken elsewhere is probably relevant, it may not necessarily be applicable to South African circumstances without any adaptations (Maas, 1999a + b; Venter, 2002), especially as South Africa has eleven official languages. The complex phenomenon of family businesses requires that a multidisciplinary approach be followed in studying and understanding it (Venter, 2002).

The complexity stems firstly from the nature of business. It is generally acknowledged that doing business at the beginning of the 21st century is much more complex than it was only a few decades ago (Donckels and Lambrecht, 1999:179; Venter, 2002). Problems include restricted resources (human resources, finances, market possibilities); a specific form of organisation that often has its own unique approach to management; inadequate focus on long-term policies; vulnerability to factors in the immediate environment (government and financial institutions, interest groups); difficulty in raising outside capital; economic problems; lack of aid; state and local taxes; and recruiting and retaining properly qualified and responsible workers (Donckels and Lambrecht 1999:179; Venter,2002). In addition to all these factors, the familial character of family businesses adds to its complexity (Venter, 2002). Family businesses have been described as unique and challenging social organisations with unique characteristics that should be acknowledged by members, advisers, and researchers (Hume, 1999: 15; Whiteside and Brown, 1991:383). These special characteristics will be discussed in the remainder of this chapter. Without a proper understanding of the special nature and characteristics of the family business sector, its potential to create economic growth and prosperity in South Africa cannot be realised (Venter, 2002; Maas, 1999 a + b).

Venter (2002) and Maas (1999 a + b) argue that the formation and growth of new firms is a complex process, and many factors associated with this process can only be identified by in-depth investigation at the micro-level of the new firm and the new founder(s). Wide ranges of models have been proposed to explain why businesses are formed (Cooper, 1970, 1971; Shapero, 1985; Martin, 1984; Greenberger and Sexton, 1988). One model, presented by Gibb and Ritchie (1982), suggests that business start-ups can be understood in terms of the situations people encounter and the social groups to which the new business founders relate. This approach stresses the differential importance of various social influences at significant points in the individual's life cycle on the start-up process (Cooper, 1981; Cooper and Dunkelberg, 1986). This approach, like the trait approach, in which venture initiators are born, not made (McClelland, 1961; Brockhaus, 1980, 1982), the psychodynamic models (Kets de Vries, 1977) associated with social marginality (Stanworth and Curran, 1973, Scase and Goffee, 1980, 1982) and the person variable approach (Chell, 1985, pp. 48-51), which uses Mischels' (1973) cognitive social learning variable, are not without their limitations. A common thread throughout these models is the importance of the reasons leading to business start-ups. There has been a tendency among researchers to develop universal theories (Bacharach, 1989). However, many researchers believe that they must break away from this framework, particularly in studying new business formation, because of the complexity of the venture initiation process. For example Gartner, (1985), like Gibb and Ritchie, (1982), argues that researchers should consider differences in the characteristics of the individuals who start the ventures, the organisations that they create, the environment surrounding the new venture, and the process by which the new venture is started. Carsrud *et al.* (1986) suggest a model that examines the interaction between psychological, personal, demographic, organisational, and situation/environmental variables in the venture creation process. Since the problems of studying business formation are exacerbated when one examines the reasons for new business formation across national boundaries, there is further reason to employ conditional explanations (Shane, Kolvereid and Westhead, 1991:1; Venter, 2002).

2.7 PROBLEMS FACING THE FAMILY BUSINESS

Although family businesses are the subject of considerable interest in the United States (Hollander and Elman, Handler, 1990,1991 and 1992a; Dumas, 1992; Daily and Dollinger, 1993; Kets de Vries, 1993; Brockhaus, 1994; Hoy and Verser, 1994; Reynolds, 1995; Morris, Williams, Allen and Avila, 1997), relatively few studies have explored the nature and scale of family business activity elsewhere. Research in the United Kingdom, for example, has been conducted principally by historians (Church, 1993; Jones and Rose, 1993; Prior and Kirby, 1993). Detailed company histories of family businesses have been conducted (Barker, 1977; Rose, 1986), as well as wider overviews of the role played by family businesses in Victorian Britain (Nenadic, 1990 and 1993). The issues facing contemporary family businesses in the United Kingdom have attracted research attention from sociologists (Wheelock, 1992; Ram and Holliday, 1993; Fournier and Lightfoot, 1997) rather than academics in business-related disciplines.

Research on the scale, nature, and economic contributions of contemporary family business activity remains surprisingly limited in the United Kingdom, Europe, and Africa. Yet policy makers need to know whether they should attempt to encourage the survival and development of family firms (Ward, 1995). The business survival issue and the intergenerational transfer of businesses between family members were recognised by Westead and Cowling (1998) as the most prominent areas of concern to family business survival. Smaller family businesses are especially vulnerable, as the expectation is often that they will survive only five to ten years (Perricone, *et al*. 2001:108). The social cost of this high failure rate contributes to the negative social and economic growth in South Africa (Venter, 2002). The liquidation of a family business constitutes a loss not only to the proprietary family, which often has most of its assets tied up in the business, but also to the employees and surrounding community, whose economic wellbeing may depend on the survival of the business (Hume, 1999:6; Lansberg, 1998:121; Venter, 2002). The fact that very few family businesses survive beyond the first generation is therefore a universal phenomenon, independent of cultural context or economic/business environment (Lee *et al*., 2000: 1; Venter, 2002).

Many factors contribute to the high failure rate or lack of longevity of family businesses. Family businesses are the most complex form of business organisation, because the dimension of "family" is **added to the common governance role** of a typical corporation, namely the owner, management/employees, and the board of directors (if there is one)

(Harvey and Evans, 1994b: 331; Leach, 1994:23; Neuebauer and Lank, 1998:14; Venter, 2002). This duality significantly increases the complexity and the number of the roles to be managed. The increased complexity in roles created by the added dimension of family in business is a perceptual source of conflict (Venter, 2002; Neuebauer and Lank, 1998).

Venter (2002), in her study, highlighted the most important issues and the problems faced by the family business. They are as follows:

- Succession from one generation to the next and the associated change of leadership.

- Leadership is seen as a drawback.

- The hardworking entrepreneur often does not have time to devote to his family.

- Ineffective communication might be an important obstacle in family businesses operating effectively.

- External issues facing family businesses include increased international competition; the inability to adjust market needs and wants; the negative impact of inheritance taxes; relationships with unions; and constantly-changing governmental policies (Venter, 2002;Connolly and Jay, 1996:6; Hume, 1999b: 6; Neuebauer and Lank, 1998:17)

- Finally various authors have investigated the issue of conflict in family businesses (Baxter, 1994:4; Davis and Harveston, 1999:311, 2001:14, Handelsman, 1996:9; Harvey and Evans, 1994b: 331; Karro, 2002; Kaye, 1991:21, 1996:359; Kepner, 1991:451; Levinson, 1971; Martin, 2001:95; Sorenson, 1999:133; Troast, Karofsky and Vinton, 1995:49; Venter, 2002). All seem to agree that the successful management of conflict is important to the success of a family business

The preceeding review shows that family businesses are fairly unique business entities that demand their own unique managerial approaches.

2.8 THE DEVELOPMENTAL NATURE OF FAMILY BUSINESSES

Dunn (1999:41) suggests that, to ensure its long-term survival, a family business must prepare itself for the personal and organisational development tasks it will face in the future, by considering people, families, and businesses as dynamic entities undergoing clinical processes of birth, growth, and decline. Venter (2002) points that the life cycles were developed in the literature from individual physiology, organisational theory, and family business theory. Neuebauer and Lank (1998:26) maintain that the challenge is to find ways of clearly describing the complex evolutionary patterns of human organisations in general, and family business in particular, because the governance of a family business should be guided by its position in the evolutionary life cycle. Hershon (1975) was one of the first researchers to take a multigenerational perspective on the family business life cycle, rather that focusing on what transpires during the tenure of the founder or a single owner - manager.

He proposes a two-dimensional graph that explicitly links the progress of a family through three generations (the management succession axis) and normatively suggests appropriate management styles or "patterns" (the organisation development axis) for each stage in the evolution of the family business. A similar model was developed by Benson, Crego, and Drucker (1990). McGivern's model (1978, 1989), which was based on that of Kroeger (1974), proposes that there is a bridge between the organisational life-cycle models and family business succession, and provides valuable insight into the management of succession in small family businesses Venter (2002).

It appears that, conceptually, businesses evolve through some type of life cycle, and various typologies have been used to describe the various stages of an organisation or business's life cycle (e.g. Adizes, 1979:8; Churchill and Lewis, 1983; Greiner, 1972:39; Peiser and Wooten, 1983: 431).

Other business developmental models have been proposed by Goldberg (1991:39); Handelsman (1996:16); Leach (1994:86), and Neuebauer and Lank (1998:26). Venter (2002) points out that organisational life-cycle models generally assume that the organisation will outgrow the managerial capabilities of the founding entrepreneur, and evolve in such a manner that ownership and management become separated. Such models typically ignore issues of succession, and fail to consider the distinct nuances inherent in family-owned and -managed businesses (Morris *et al*., 1997: 69; Neuebauer and Lank, 1998: 33). Dyer (1986) developed a four-phase model, which describes stages in the family business life cycle. His model gained wide acceptance (File, 1995: 33). The four phases are: creating the business (when market success and business

survival are central); growth and development (when estate planning and the distribution of ownership and assets are major tasks); succession to the second generation (when conflict between business elements and family elements is characteristic); and public ownership and professional management (when the family business transitions into professional management and ceases to have the distinctive character of a family business).
According to Neuebauer and Lank, (1998:52) the most useful models are those whose stage descriptions promote better understanding of the current state of the family, the ownership of the business, and the business itself. To make a useful contribution, models should predict both the transitional and the next-stage challenges that have to be faced, and should suggest steps that could be taken to minimise future disruptions (Venter, 2002).

The next two models to be described were developed by Ward (1988 and 1991). The first conceptualisation proposed by Ward (1988) specifies three different life cycles, namely the business life cycle, the organisational life cycle and the business owner's life cycle. Ward (1988) believed that various "forces" influence the passage of the family business through various predictable patterns of growth and change. Among these forces are the following:

- The nature of the business (type of product its stage in the life cycle, competitive and market conditions
- The character of the organisation (size, complexity, speed of change).
- The motivation of the owner-manager (his or her major focus)
- Family financial expectations (the evolution of its needs)
- Family goals (its major focus)

Ward's (1988) model gives three stages of growth in the life cycle of a family business, namely

- Stage I: early
- Stage II: middle
- Stage III: late.

TABLE 2.2: Evolutionary stages of a family business

	Stage I	**Stage II**	**Stage III**
Age of business (or business renewal)	**0-5 years**	**10-20 years**	**20-30 years**
Age of parents	**25-35 years**	**40-50 years**	**55-70 years**
Age of children	**0-10 years**	**15-25 years**	**30-45 years**
Challenges:			
Nature of business	**Rapidly growing and Demanding of time and money**	**Maturing**	**Needing strategic 'regeneration' and reinvestment**
Character of organisations	**Small dynamic**	**Larger and more complex**	**Stagnant**
Owner-Manager motivation	**Committed to business success**	**Desires control and stability**	**Seeks new interests, or is semi-retired; next generation seeks growth and change**
Family financial expectations	**Limited to basic need**	**More needs, including comfort education**	**Larger needs, including security and generosity**
Family goals	**Business success**	**Growth and developme nt of children**	**Family harmony and unity**

SOURCE: Ward, (1988)

Embedded in the model are parts of the life cycles of the parents or owning generation and their children, thereby anticipating his later ownership framework, which places greater emphasis on the generational perspective. While Ward (1991) claimed that his approach applies to both entrepreneurial and mature family enterprises, the underlying schema is most applicable, in Neuebauer and Lank's (1998) opinion, to founder-owned and -managed enterprises. However, if subsequent generations achieve "regeneration", it is easily conceivable that the model could repeat itself several times in dynastic families. The challenges of each stage vary, and there are difficult transitions (Ward, 1988). Individual family businesses will stay for varying periods in each stage, and many will not continue to exist through the three stages. Management styles and strategy, among other things, must change over time if the enterprise is to prosper (Ward, 1988; Neuebauer and Lank, 1998).

Ward (1991) also looked at the evolution of the family company through two different perspectives: ownership (Table 2.4) and management (Table 2.5). In Table 2.4, three stages are formulated, and the familiar evolutionary step approach is once again highlighted. However, in this instance a multigenerational model is presented, with which many family companies can be identified (Neuebauer and Lark, 1998). Dominant shareholder issues are presented for each stage, and the inter-stage transitions can be extremely difficult. Ward (1991) does not posit that there is any automatic progression through the stages (Neuebauer and Lank, 1988). Quite apart from the constant danger that the business may collapse or be sold out of the founding family at any time, family enterprises may stay in the same stage for generations. For example, the oldest child may inherit all the shares and behave like a founder, or in a

Stage Two company one sibling may buy out another. In this case, the dominant shareholder issues start to look very much like those of a founder-stage company. Likewise, Stage Three companies can cycle back either to Stage Two or to Stage One (a process sometimes labelled "pruning the family tree"). Thus multiple combinations and permutations are possible in the ownership structure during the lives of family enterprises (Neuebauer and Lank, 1998).

TABLE 2.4: Ownership issues in the evolving family business

Ownership stage	Dominant shareholder issues
Stage one: the founder(s)	• **Leadership transition** • **Succession** • **Spouse insurance** • **Estate planning**
Stage two: the sibling partnership	• **Maintaining teamwork and harmony** • **Sustaining family ownership** • **Succession**
Stage three: the family dynasty (also called the cousins' confederation)	• **Allocation of corporate capital: dividends debt, and profit levels** • **Shareholder liquidity** • **Family tradition and culture** • **Family conflict resolution** • **Family participation and role** • **Family vision and mission** • **Family linkage with the business**

SOURCE: Ward, (1991)

Table 2.5 views the life cycle of the family business through a different lens, namely the evolution of management stages (Neuebauer and Lank, 1998). This is in fact a hybrid of business approach, management system, and organisational form (Ward, 1991). Dominant management issues vary with each predictable stage, and the transitions can be problematical. Further research is needed on the way in which these two models interact in the real world (Neuebauer and Lank, 1998). One can hypothesise that, depending on which stage of the ownership model coexists with which stage of the management model, they could be mutually supportive or mutually antagonistic, with either beneficial or catastrophic consequences for the family enterprise. Based on these two models, Ward proceeded to describe his experience with the role, structuring, and managing of the board of directors of private (mostly family) enterprises.

TABLE 2.5: Management issues in the evolving family business

Management stage	Dominant management issues
Stage one: entrepreneurship	• Survival • Growth
Stage two: professionalisation	• Adopting professional management systems • Revitalising strategy
Stage three: the holding company	• Allocation of resources • Overseeing investment • Corporate culture • Succession and leadership • Performance of investment • Strategy • Shareholder relations

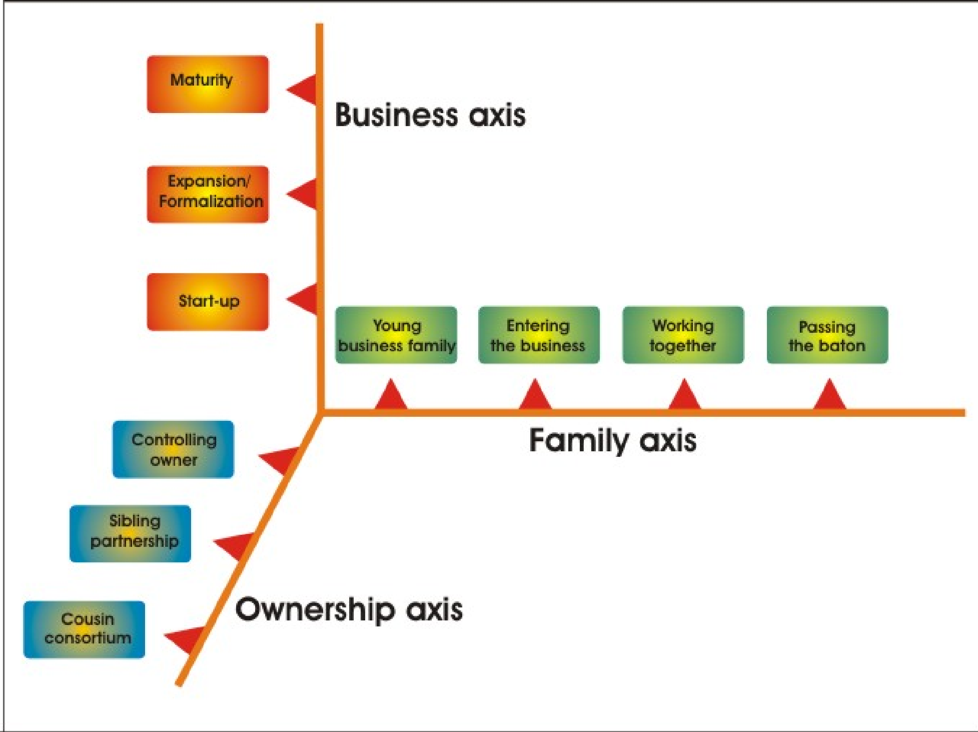
SOURCE: Ward, (1991)

Gersick et al., (1997) have taken a variation of the three-circle model and chosen to focus on Family, Ownership, and Business, and broken each into an individual life cycle. The result is a three-dimensional matrix they call their "Dimensional model" of the family enterprise.

The "Family" axis comprises four stages, namely: Young business family (older generation at work); entering the business (the next generation is employed in the firm); working together (of two generations); and passing the baton (succession). This has been strongly influenced by the work of other individual and family life cycle theorists. The "ownership" axis is derived from Ward (1991) and the three stages are re-labelled, namely: controlling owner, the sibling partnership, and the cousin consortium. The descriptions of each and the intermediate transitions reflect Ward's (1991) fundamental views. The third axis is the "business" one, which is also made up of three stages, namely the start-up, the expansion/formation, and the maturity.

The value of Neuebauer and Lank's (1997) developmental model is that it combines three of the major strands of the life-cycle literature. The inevitable downside is the large number of possible combinations that can be derived from the "4 x 3 x 3 matrix" (Neuebauer and Lank, 1997). Furthermore, a given family enterprise (particularly a larger and older one) can be at more than one stage on any given axis. Gersick et al., (1997) are thus forced, to the advantage and relief of Neuebauer and Lank, to focus periodically on archetypes such as "controlling owner", "young business family" or "start-up businesses."

FIGURE2.2 The Dimensional Model



SOURCE: Gersick *et.al.*, (1997)

2.9 CONCEPTUAL MODELS AND APPROACHES TO THE STUDY OF FAMILY BUSINESSES

Relationships in family businesses are dynamic and interdependent because what occurs in the family may have effects on the business and vice versa (Danes, Zuiker, Kean and Arbuthnot, 1999; Marshack, 1998; Stafford, Duncan, Danes and Winter, 1999). Furthermore, management is sometimes a concern in family businesses because ways of interacting among family members may interfere with financial business decisions (Levinson, 1991). These ways of interacting can divert limited resources from targeted family members' goals (de Vries, 1996; Jaffe, 1991). They may, in turn, lead to short-term decisions that are not conductive to long-term sustainability of the family business (Danes et al., 1999; Stafford et al., 1999; Ward, 1997).

The long-term health and sustainability of any family business depend on its ability to anticipate and respond to change (Ward, 1997). Whether responding to normative transitions or non-normative crises in either the family or the business component of the family business, new patterns of interaction are needed for a family business to remain healthy when these changes occur. Due to the interdependent yet integrated nature of family businesses, they are a unique group with a range of complexities that occur at the intersection of the two systems (Danes, Reuter, Kwon and Doherty, 2002:31). Whether studying families that own businesses or businesses owned by families, the prevailing theoretical orientation is a systems paradigm (Stafford, et al., 1999:197).

Model development should begin with the premise that sustainable family-owned businesses require both minimally functional families and successful businesses (Hollander et al., 1991). This premise is based on research of home-based businesses which indicates that personal or family management practices affect the revenue of home-based businesses (Olson, 1994), and on the literature on family businesses which establishes that family conflict threatens business viability (Ibrahim and Ellis, 1994). Although the literature acknowledges the interaction of families and businesses, the dominant perspective is that family influences harm a business and keep it from being managed in a professional manner (Hollander and Elman, 1998; Kaye, 1991). According to the prevailing view, families and businesses are believed to be two "naturally separate" institutions or systems (Ibrahim and Ellis, 1994). From this perspective, a business is results-orientated and objective, basing decisions on contribution to output, whereas a family is emotion-orientated and irrational.

An alternative view is that businesses are motivated by the pursuit of profit, while families are motivated by biological imperatives and social norms (Ibrahim and Ellis, 1994). The most frequently recommended strategy for successful coexistence of the two systems by both business management consultants and family therapists is what sometimes called "separation" (Ibrahim and Ellis, 1994) or "clear boundary definition" (Rosenblatt, de Mik, Anderson, and Johnson, 1985). One of the advantages of a systems model that guides research design is that it provides a means of aggregating research results to provide a picture of the whole system. A system exists in an environment which is, itself, a set of systems. (Rosenblat *et al.*, 1985; Ibrahim and Ellis, 1999). Consequently, in developing a conceptual model to guide empirical research, deciding whether to use a dual or single system paradigm is not as important as including both the family and the business in the model and selecting the key characteristics of the family and the business for inclusion. (Maas, 1999 a + b). A theoretical model (Stafford, *et al.,* 1999:198) is built on the prevailing paradigm of overlapping systems. The key features of the overlapping family and business systems are different from the prevailing paradigms, however, in that it is not acceptable to sacrifice the family for the good of the business (Maas, 1999a + b).

2.10 THE INTEGRATION OF FAMILY FUNCTIONABILITY AND BUSINESS SUCCESS

Most models developed to explain family businesses reveal a preference for dual systems rather than a single system. Hollander and Ellman (1988) and Whiteside and Herz-Brown (1991) argue in favour of viewing the family business as a single system, and the whole as greater than the sum of its parts. They note that the dual systems approach focuses on characterising the two systems, rather than characterising the whole, and that it results from the interaction of the two. Davis and Tagiuri's (1986) model characterizes the whole that results form the overlap of systems. They propose a Venn diagram model of family businesses in which key attributes of the family businesses derive from overlapping membership in family, ownership, and management groups. The key attributes emerging from the overlap are simultaneous roles, shared identity, a lifelong common history, emotional involvement, private language, mutual awareness, privacy, and the symbolic meaning of the family company. Each of these attributes is both a strength and a weakness, which explains the common description of their model as a "bivalent attribute" model.

Churchill and Hatten (1987), on the other hand, propose a research framework for studying family businesses with succession as its anchor. The framework is built on stages of the family business that derive from the biological reality of parent and child being separate in age and business experience, but joined by bloodline and family experience (Churchill and Hatten, 1987). They see themselves as adding a temporal dimension to Davis and Tagiuri's (1986) model of family business, much as family development theory emphasises the temporal dimension of families. The stages of family businesses are identified as owner-manger, training and development of the new generation, partnership between the generations, and transfer of power. The order of the stages is fixed, but the duration of the stages is dependent on the characteristics of the two generations. Inclusion of the third generation, though not precluded, is not readily apparent according to Churchill and Hatten (1987).

Davis and Stern's (1988) model of family business adaptation, survival, and growth is considered important. In their model, the dimensions of family business that determine its success are the task structure and family organisational behaviour. The family interrelationship system, technology, and market demands are critical inputs from the business environment. Although this is a dual system, the family's interpersonal relationships and intergenerational "process" are aspects of the business environment rather than a full-fledged model of a family system. Davis and Stern (1988) improved previous models of the family business in three ways: first, by using adaptation, growth, and survival (in other words, success) as the criterion for determining key attributes rather than difference from non-family businesses; second, by referring to Churchill and Hatten's (1987) intergenerational process of families as well as interpersonal dynamics of families; and, third, by allowing for the influence of market forces and technology.

Wortman, (1994) proposes a global conceptual paradigm for family business. Wortman (1994) derives his attributes from a survey of the literature on family businesses. The form of this model is very similar to the family ecology models, with their emphasis on the focal system's interactions with particular aspects of the environment. It would be more appropriate to call this an ecological model than a single system model.

2.10.1 Paradigms of Family Functionality

As Sabatelli and Bartle (1995) note, there is a lack of unified theory about the family, along with a proliferation of measures of family functioning. Family ecology theory (Bubolz and Sontag, 1993), family development theory (Rogers and White, 1993), family systems theory (Whitchurch and Constantine, 1993), and family resource management theory (Deacon and Firebaugh, 1998) are potential sources of theoretical models to be used in enhancing our understanding of business-owning families. The first of these family functionality theories to be considered is family ecology theory.

2.10.2 Family ecology theory

Family ecology theory differs from other theoretical orientations in that its focus is on families as they interact with their environment. The family is viewed as "interdependent with its natural physical-biological, human-built, and social-cultural milieu" (Bulbolz and Sontag, 1993: 419). Grounded in the heritage of home economics, family ecology theory is a synthesis of ecology and general systems theory, and underscores the importance of resource management in family adaptation and in creating environment sustainability. The focus is, on the whole, defined as the family and its interdependence with external systems. But the roles of the individuals who constitute the family can also be examined. Bubolz and Sontag (1993) propose that, ideally, family ecological research (a) views individuals as physical-biological and social-biological entities who are organised in a family and interact with one another, and (b) studies the interdependence of the individuals and the family system and all the systems external to the family system.

A limitation of family ecology theory is its highly abstract theoretical concepts. Bubolz and Sontag (1993) note that this abstraction creates an opportunity for defining concepts and identifying the links between concepts more concretely, although they acknowledge that this is not easy work. Notwithstanding the high level of abstraction, Roberts and Feetham (1982) used the theory to develop the Feetham Family Functioning Scale, one of the most well-established self-report instruments for measuring family functioning (Sawin and Harrigan, 1995).

2.10.3 <u>Family development theory</u>

The unique contribution of family development theory lies in its focus on explaining how families change (White, 1991). Early formulations of the theory suggested that families pass through a predetermined sequence of life-cycle stages. According to Mattssich and Hill (1987), one criticism was that many families did not fit into the normative life cycle, and that the theory ignored the historical timing of significant life events. A third criticism was that the theory did not recognise the relationship between the family career and the development of other careers, such as education and work. In an effort to address these issues, White (1991) asserts that family development has no determined cycle; rather, it is a stochastic process. Stages are marked by events, such as marriage, birth, death, and divorce, which change the structure of the family. White (1991) also stresses that the timing and sequencing of the events determine how families function as they move into new stages. Additionally, societal norms, expectations, and sanctions, which are implicitly determined by the historical context, determine the order, prescribe the timing, and are influenced by several institutions, and each individual family is influenced by specific sets of expectations and norms, depending on its institutional affiliations and family structure (White, 1991). Thus, those involved in family-owned businesses have a unique set of pressures and experiences that are different form either the family or the business realms, but which could be explored from either perspective (Ward, 1995).

2.10.4 General systems theory and family systems theory

Psychiatry, not psychology, was the path by which general systems theory was introduced to family social science (Danes, 2002). Thinking about families as systems laid the groundwork for family therapy (Whitchurch and Constantine, 1993; Danes, 2002). The key concepts of general systems theory as related to families are the mutual influence of system components, hierarchy, boundary, equifinality, and feedback. Whitchurch and Constantine, (1993) noted that the family systems literature tends to fall into one of thee main areas: (a) the understanding of the family processes, (b) the relationship between the family system and other systems, or (c) morphogenesis, the study of how the structure of the family systems change. Research studies that take a systems approach to families are well developed in only a few areas. Marital interaction was the first area in which family systems theory was used. Systems approaches have also been used in the area of family dysfunction, where problems such as bulimia, anorexia, alcoholism, and family violence are seen as symptoms of a family problem, rather than as the problems of an individual (Danes *et al*., 2002). The most highly developed area in which systems theory has been used is the development of marital and family taxonomies. The leading family taxonomies, Olsen's Circumplex Model (Olson, Sprenkle and Russell, 1979) and the

Beavers' systems model (Beavers, 1982), are both based on family systems theory.

As could be expected, systems theory is not without its critics. Criticism of general systems theory includes the difficulty of operationalising concepts because of the ambiguity of the theory; difficulty in specifying relationships among concepts, which then leads to a lack of explanatory power; and lack of parsimony in the theory (Whitchurch and Constantine, 1993). Its application to families, in the form of family systems theory, has been useful in applied research on family functioning and measures of family functionality (Danes *et al.*, 2002).

2.10.5 Family resource management theory

Another theory to consider is the so-called "family resource management theory". According to Gross, Crandall, and Knoll (1980), the first theoretical framework in resource management was developed around 1940. Maloch and Deacon (1966) introduced the systems approach to the study of resource management in 1966. By 1975, Deacon and Firebaugh's (1975) systems model was the most widely used approach to the study of resource management. In the Deacon and Firebaugh, (1988) model of family resource management, the family's system is described in terms of relationships rather than structure. According to this theory, the family is composed of two subsystems: personal and managerial. The purpose of the personal subsystem is procreation and the socialisation of family members. The purpose of the managerial subsystem is to support the development of family members. Input from the family's external environment is filtered through the personal subsystem to the managerial subsystem. Inputs to the managerial subsystem are demands for action and resources (Stafford et al., 1999). The managerial subsystem plans and implements the use of resources to meet demands. The outputs of both the managerial subsystem and family system are satisfaction and changed resources.

The systems framework emphasises mechanisms by which the environment influences family resource-use behaviour. The first mechanism is through the family's supply of resources and the idea that societal norms and values heavily influence the standards used to assess those resources. The second mechanism is events (unexpected occurrences requiring action) about which information directly enters planned construction (Danes et al., 2002; Stafford et al., 1999). The concept of events acknowledges uncertainty, and places control and feedback in a more prominent position. In addition, this system's framework introduced the dynamic concept of sequencing, defined as decisions related to the temporal and special ordering of activities to meet demands. Prior to that time, the spatial family resource management literature viewed the specification of goals and standards by which attainment of goals would be assessed as sufficient for goal achievement. The introduction of sequencing acknowledged the multiciplicity of means by which a single goal could be met, and provided a means of coordinating multiple goals (Danes et al., 2002).

2.10.6 Paradigms of Business

"Success" is an ambiguous term commonly used by both lay and professional people to describe the achievements of a business or a person. According to Kuratko, Hornsby, and Naffziger (1997), business owners are motivated by more than just extrinsic rewards, such as increasing personal income. They suggest that intrinsic rewards (e.g. meeting challenges), independence (e.g., maintaining personal freedom), and family security (e.g. building a business) are just as important as set goals that motivate sustained entrepreneurship. Business success, then, is about more than financial success. Two fundamentally different paradigms have been used to examine the determinants of success. One paradigm is the business in an economy. The other is an economically mobile entrepreneur. Leading examples of the former are Davidsson's (1991) model of entrepreneurship growth and Greenberger and Sexton's (1987) model of venture success. The leading example of the latter is human capital theory (Becker, 1993; Portes and Zhou, 1992). Schumpeter's (1934) constraint theory and Knight's (1921) choice theory also fall into this latter category, as does assimilation theory (Jiobu, 1998). Not surprisingly, the paradigms propose different determinants of success, although there may be as much variability within paradigm type as between types (Danes et al., 2002).

2.10.7 <u>The businesses in the economy</u>

Davidsson's (1991) model of entrepreneurship growth views small business financial growth over time as the sum of ability, need, and opportunity. In Davidsson's (1991) model, education and entrepreneurship experience are positive determinants of ability. The manager's age or a business's age are determinants of need. The rate of innovation, market growth rate, customer structure, country characteristics, industry structure, geographic dispersion, and community characteristics are determinants of opportunity.

Greenberger and Sexton's (1987) model of venture success focuses on the role of the entrepreneur and how entrepreneur behaviour changes as the company grows or succeeds. The model includes components that are important in new venture initiation (vision, personality, control desired, and salience of events, self-perceptions, social support, and control possessed) as well as two additional components, namely organisation vision and empowerment of subordinates. Other models determine success by considering macro-level determinants, such as country or community characteristics and industry structure (Davidson, 1991), or micro-level determinants, such as individual endowments of the entrepreneur (Greenberger and Sexton, 1987), with little consideration govem to the owner's management capabilities and the impact such capabilities can have on success.

2.10.8 The economically mobile entrepreneur

Models of economic mobility and entrepreneurship, on the other hand, nominally focus on the individual, but they too, emphasise either community characteristics and industry structure or the individual endowments of the entrepreneur. As Zuiker (1998) notes, human capital theory is the most frequently used theory among researchers taking this approach. Becker (1993) defines human capital as stocks of skills, knowledge, intelligence, and health that could be used to generate both monetary resources and non-monetary resources. Any increases in an individual's stock of human capital would result in "higher future earnings, increased job satisfaction over one's lifetime, and a greater appreciation of nonmarket activities and interests" (Ehrenberg and Smith, 1997:289). Becker (1993: 245) contends that human capital theory helps to explain such diverse phenomena as interpersonal and inter-area differences in earnings, the shape of age-earning profiles (the relation between age and earnings), and the effect of specialisation on skills. Zuiker (1998) uses human capital theory in her early analysis of Hispanic self-employment. She views assimilation as human capital, and incorporates aspects of the family, individual, and relationship capital into her human capital theory of Hispanic self-employment.

Sociologists examining economic mobility have proposed cultural and disadvantaged theories (Light, 1979), assimilation theory (Jibou, 1988), and enclave theory (Portes and Zhou, 1992). These theories place more emphasis on community characteristics than does human capital theory. Cultural theory posits that both the cultural and psychological characteristics of groups predispose members to select business ownership as a means of achievement. According to disadvantage theory, those who are at a disadvantage in the labour market turn to self-employment to avoid low wages and unemployment. This theory has much in common with Schumpeter's (1934) constraint theory, with an ethnic twist.

"Assimilation" refers to the process by which groups adopt and are absorbed into the dominant culture. As groups become more assimilated, their members are less disadvantaged in the labour market and become more upwardly mobile. Ethnic enclaves now allow their members to compensate for their disadvantages in the labour market by trading with people like themselves and relying on informal group enforcement of informal contracts. Measure of assimilation and enclave membership can be viewed as human capital because, although the theories are stated in terms of groups, the measures are individual measures. The measures are also consistent with the productive feature of human capital (Danes et al., 2002).

2.10.9 The Family FIRO Model

The **FIRO** model (Schutz, 1958) and the **Family FIRO** model (Doherty and Colangelo, 1984; Doherty et al., 1991) offer a systemic view that integrates various typological depictions and provides for setting of priorities across a full range of family business changes and dynamics. The models articulate three core dimensions of group and family interaction: inclusion, control, and affection/intimacy (Figure 2.3). These dimensions constitute a developmental sequence in the formation and history of groups and families. That is, issues of inclusion (such as membership and boundaries) are the initial priorities for any group or family, followed by control and power, and then by issues of deep interpersonal connections (Danes et al., 2002). The main difference between the FIRO and Family FIRO models lies in the nuances of the groups with the related vs. non-related members. Because family businesses involve both personal family dynamics and more impersonal business dynamics, this study combines the original FIRO model and the family FIRO model (Danes et al., 1991).

"Inclusion" refers to interactions that concern membership, organisation and bonding (Doherty et al., 1991). Inclusion within the family business defines the family business's core makeup. It defines who is in and who is out of the family business, how the family assigns roles to its members, how bonded its members are, and how it defines itself in relation to the outside world (Doherty et al., 1991). Inclusion has three categories: (a) structure, (b) connectedness, and (c) shared meaning (Doherty et al., 1991). Issues of inclusion often surface in family businesses when there are differing perceptions of who should be involved in running the business and making business decisions. One member may feel a sense of unfairness about being excluded from different aspects of the business. Doherty et al., (1991), believe that financial arrangements lead to inclusion tension when either the spouse is dissatisfied with his or her own involvement in financial decisions that are considered critical or with the spouse's involvement in those decisions, and/or when financial values and beliefs clash.

"Control" refers to family interactions that concern influence and power exertion during family conflict. Control interactions usually take place in families when members experience competing needs and overtly or covertly attempt to address these conflicts (Danes et al., 2002). Applied to family businesses, control issues come to the forefront of a couple's daily interaction when frequent disagreements occur. Danes et al., (2002) state that an important distinction should be made between this control dimension and the concept of power, which is well represented in the family sociology literature. Szinovacz (1987) suggests a growing consensus about the separation of power structures, which concern hierarchy and role patterns, and power interaction, which deals with negotiations, influence strategies, and conflict management processes.

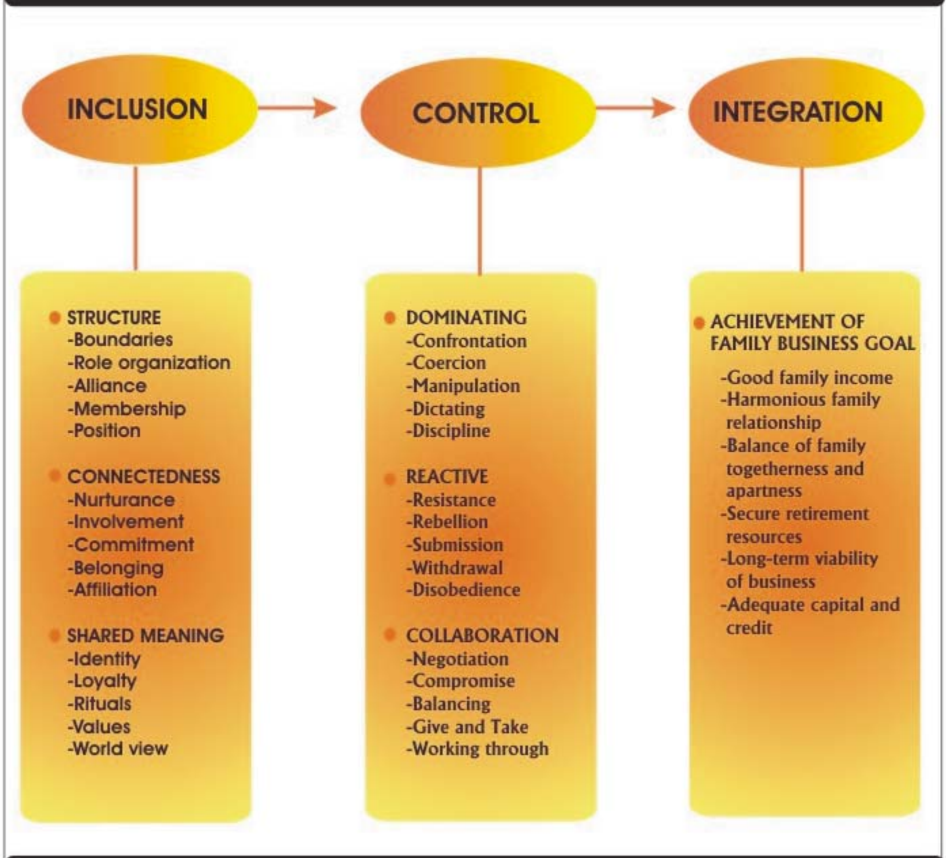
Integrating these concepts of power structures and interaction with the family FIRO model, family issues and interactions concerning structural/role clarity (power structures) belong within the inclusion domain (Danes et al., 2002). The domain of control (Doherty et al., 1991) captures those issues related to working out tensions that develop, i.e. conflict management (power interactions). This dimension is composed of three major types of control interactions: dominating, reactive, and collaborative. The latter is considered the most constructive because parties aspire to a balance of influence rather than unilateral power imposition or reactive undermining of the others' power attempt (Doherty *et al*., 1991). Metz (1993) refers to this latter conflict as "assertive".

"Integration", rather than affection or intimacy as used in the original FIRO and family FIRO models, applies to family business interactions (Danes *et al*., 2002). The change in terms is intended to capture dynamics specific to business rather than general family dynamics. "Integration" means to make a whole by bringing all the parts together. It brings together the interactions among family members and the financial decisions and goals of the business. It is characterised by individual and collective creativity used to solve problems and get work done (Danes *et al*., 2002). These authors indicate that there should be a sense of change and a willingness to take risks. When these characteristics are present, they lead to the wellbeing of the whole system and the achievement of goals (Danes, Zuiker, Kean, and Arbuthnot, 1999). Integrated family business connotes an environment of trust and creativity that brings a higher level of openness to interactions about both family and business issues that influence achievement of goals. Ward (1997) indicates that a healthy company is the foundation of family business continuity, and family and business goals are forces that steer each family business through predictable patterns of growth and change. There are two aspects postulated of the FIRO and family FIRO models that make particular contributions to work on family business.

Firstly, when a family business faces challenges stemming from major or ongoing stressful events, its patterns of inclusion, control, and integration will require reconstruction. Secondly, embedded in these models is an optimal sequence for managing major challenges. More successful adaptation will ensue, if family businesses address their issues in priority sequence. Doherty *et al*., (1991) suggest that inclusion is the "sine qua non" for successful resolution in the control and integration areas. Without effectively addressing the inclusion issues, control dynamics cannot be adequately addressed, thereby precluding the desired side-effect of integration (Doherty, *et al.,* 1991).

When families and practitioners view the core problem only as one of control or power, they are likely to lose sight of the belonging, connectedness, and fairness issues that are often at the heart of business conflict (Danes *et al*., 2002). The developmental approach from the FIRO and family FIRO models allows for structural issues such as identity, role, and justice to be viewed as more than merely a conflict to be addressed rationally and logically through usual conflict resolution approaches. They suggest that, rather, these structural issues can begin to be understood as the root of each spouse's sense of "couple-hood", or the essence of what it means to be a family member working within a family business. It is about testing, questioning, and reaffirming one's sense of belonging, responsibility, and entitlement--namely inclusion--in the couple relationship, as embedded in the interrelated family/business system (Danes, Reuter, Kwan and Doherty, 2002).

Figure 2.3: Family FIRO conceptual Model to Family Business



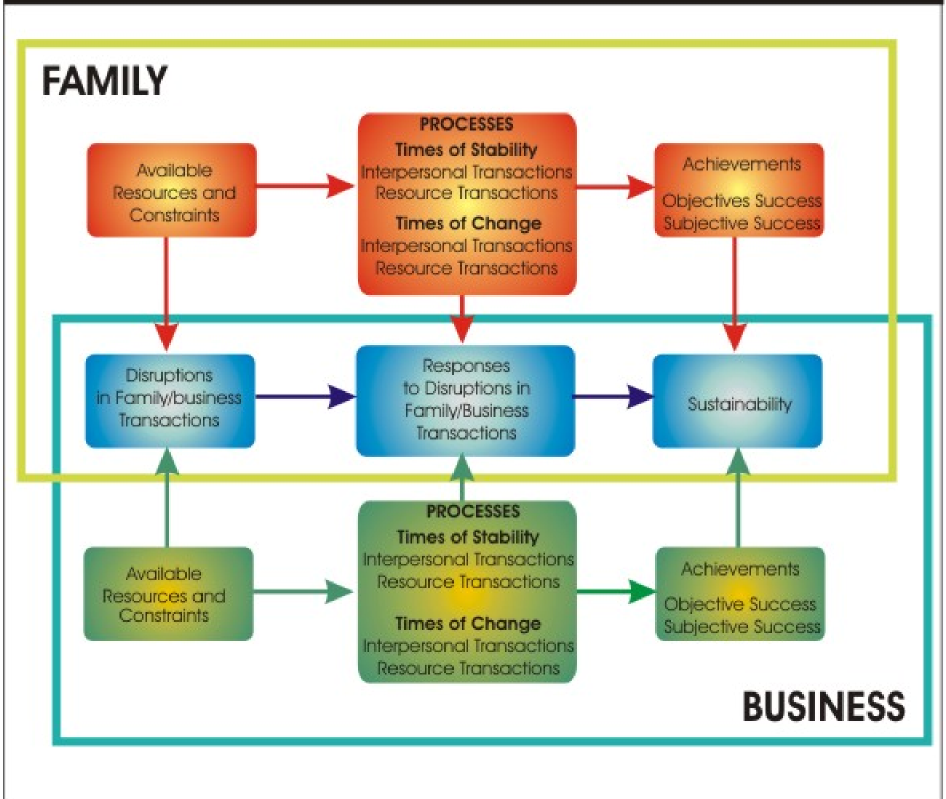
SOURCE: Danes, Rneter, Kwan and Doherty,2002

2.10.10 <u>The Sustainable Family Business Research Model</u>

This section describes a model of family business that is both sufficiently detailed to guide empirical research on family businesses and the owning families, and sufficiently flexible to permit researchers to use more than one theory as they symmetrically analyse the parts of the whole. This model was developed to guide the design of data collection and analyses for the 1997 National Family Business Survey (NFBS).

The systems model of family business pairs a model of family business success with a model of family functionality to yield a model of family business sustainability. The focus of the model, depicted in Figure 2.4, is sustainability of the family business achievements. In this model, business achievements and transactions between the family and the business are a necessary prerequisite for a family business (Hynes and Danes, 1998). Together at the same time, there are family resources and constraints (both broadly defined to include family processes), which can be viewed as occurring more or less independently of the business. By the same token, there are business resources, constraints, and processes that are more or less independent of the family. The general goal of research based on this model is to identify family and business resources and constraints, processes and transactions, which are most likely to lead to business and family achievement and sustainable family businesses (Stafford, Duncan, Dane and Winter, 1999: 203). The model differs from previous models of family business in several ways.

FIGURE 2.4: Sustainable Family Business Models



SOURCE: Stafford, Duncan, Dane and Winter, (1999:204)

Perhaps the most noticeable difference is the inclusion of the family in the model at a comparable level of detail with the business. The most substantive difference from previous models is the inclusion of key features of the family and business systems. The family and business systems include resource use as well as interpersonal relationships, because as viable social systems, families are purposive and rational. According to both neoclassical economic theory of the family and Becker's (1965) household production theory, to survive, families must be efficient in the pursuit of profit. Times of change and times of stability are also included as a means of acknowledging the differences in processes that families and businesses engage in when their own structure and environment are relatively stable versus when they are dynamic (Stafford et al., 1994). Although the model includes analogous processes in the family and business systems, it separates them, to call attention to the differences in purpose and specific content of the processes in the two different systems. The family-supported system portrayed in Figure 2.3 is a purposive social system. As such, it takes available resources and constraints and transforms them via interpersonal and resource transactions into achievements. The achievements are both subjective and objective in nature. Interpersonal and resource transactions may change during times of environmental change, structural change, or both. This portrayal of a family is consistent with Becker's (1965) household production model of the family economics as well as family ecology, family systems, and family resource management models of families. According to the economic theory, the purpose of families is the pursuit of satisfaction (Stafford *et al.*, 1994). According to family resource management theory, the purpose of families is procreation, socialisation, and the support and development of family members.

Regardless of the purpose, the achievements that result from family transactions have a subjective component and an objective component. Satisfaction would be an example of a subjective achievement. Level of living would be an example of objective achievement. It would be appropriate to assess achievements using the criteria consistent with the family's purpose. Available resources and constraints arise from the family's environment and from within the family itself. They include the family members' human capital as well as their assets and debts. Family goals can be thought of as a resource that motivates the use of other resources (Stafford *et al*., 1994). Societal norms and laws, technology, the economy, and the laws of nature are important constraints of family choice. The family combines market goods and services and its own labour to yield achievements. The transactions necessary to yield some achievements are relatively goods-intensive, while others are relatively labour-intensive.

For example, resource transactions are relatively goods-intensive; interpersonal transactions are relatively labour-intensive. It is more important for the family to select appropriate transactions for the desired achievement than it is to classify transactions as either interpersonal or resource. Most real transactions are both (Stafford *et al*., 1994). The model classifies transactions as interpersonal and resource in order to acknowledge explicitly both dimensions of family transactions, and to establish the relevance of both bodies of literature (Ward, 1997). Families have distinctive styles of interpersonal interaction and conflict management. Whiteside and Herz-Brown (1991) also note that families have tasks to accomplish and management styles and structures to accomplish them.

The business system in Figure 2.3 is also a purposive social system. It takes available resources and constraints, and converts them into achievements via resource and interpersonal transactions. According to neoclassical economical theory of the business, the purpose of the business is to maximise profit which is defined as revenue in excess of cost (Ferguson, 1972). The purpose of the business should provide the criteria for assessment of success, whether this is indicated by objective measures, such as adaptability, growth, and survival, or subjective measures, such as an owner's sense of achievement or pleasure in providing a way of life that is consistent with personal values (Stafford *et al*., 1994). Available resources include the human capital of employees, owners, and business culture, as well as assets and debts of the business. Goals and objectives that are consistent with the business's mission, and group commitment to the mission, are also resources for the business. Technology is both a resource and a constraint. Stafford *et al*., (1994) noted that the economy, culture, and laws of nature constrain the choice of transaction. Business managers choose transaction appropriate processes to achieve the desired goals and objectives efficiently, resulting in objective success, subjective success, or both. Actual transactions are both interpersonal and resource transforming. These transactions for business are commonly referred to as "production for goods and services". The model classifies transactions as either interpersonal or resource-based, rather than as goods or services, in order to explicitly acknowledge the emotional orientation of businesses as well as their task of resource orientation.

As Whiteside and Herz-Brown (1991) noted, business organisations have distinctive styles of interpersonal interaction and conflict management. At the interface of the family and business systems, both the family and the business respond to disruptions in their regular transaction patterns. These disruptions may come from either outside the family and business or from within. Outside sources of disruption include public policy changes, economic upheavals, and technological innovation. Inside sources of disruption include marriage, birth, death, and divorce of family members. The disruptions may be either good or bad and they require a response from both the family and the business. Whiteside and Herz-Brown (1991) also point out that the extent of overlap between the family and the business systems will vary from family business to family business. In family businesses where the prevailing orientation is to keep family and business separate, there is little overlap. Conversely, in family businesses where the overlap is great, the area of interface between the family and business systems is considerable.

Sustainability results from the confluence of family business, business success, and the appropriate responses to disruptions. In other words, sustainability requires the ability of the family and the business to co-operate in responding to disruptions in a way that does not impede the success of both (Stafford; Duncan; Dane and Winter, 1991:205).

It can be seen from the preceding literature review that family businesses are shaped internally, as described by these models. Externally, they are shaped by factors within the economic environment of the host country. In the next chapter, migration and assimilation and their impact on ethnic entrepreneurial activity are explored in more detail.

2.11 SUMMARY

Family businesses are the backbone of our economy (Neuebauer and Lank, 1998), and in many respects our free enterprise systems are built on them. The main purpose of this chapter was to examine the nature and importance of family businesses globally and more importantly for this research, in South Africa. As the biggest component of the South African economy, the family business should be a focus of discussion, analysis, and attention.

Family businesses should be kept healthy and well governed, as the wellbeing of our society depends on them to a large degree. Various unique characteristics of family businesses, as well as how they differ from non-family-owned businesses, were discussed in this chapter. The overall lack of longevity of family businesses is a major cause for concern, and a better understanding of their unique characteristics and problems would enhance efforts to protect their considerable contribution to national economies worldwide. This chapter makes a contribution in this respect, by synthesising and integrating the current literature on family businesses.

Chapter 3 will investigate migration, assimilation, and ethnic entrepreneurship as a focal point for Greeks in South Africa.

CHAPTER 3

MIGRATION, ETHNIC AND TRANSNATIONAL ENTREPRENEURS

3.1 INTRODUCTION

Chapter 2 provided an overview of family businesses within a domestic environment. Family businesses on the other hand who migrate or establish themselves in foreign countries often face unique challenges, hardship, and even a degree of persecution. Immigrants have to deal with these circumstances on top of the normal risks and challenges of managing a successful business concern. To provide managerial guidance to migrants in foreign countries, we need to understand the nature and development of migration.

Entrepreneurs from specific ethnic communities are now a well-accepted and established part of the business landscape in most countries of the world. Historically, entrepreneurship has emerged in specific groups organised along ethnic, religious, or other sub-cultural lines. Examples include the Jews in medieval Europe, Marwaris, Jains, and Chettiars in India, Hokkiens/Fukiens in China, the Medici merchants in Italy, as well as more recently, the Tan, Lee, Ng, and Gan clans in Singapore (Lyer 1999; Kotkin, 1993; Landa, 1981). As a result, enclaves of ethnic entrepreneurs can be found in the U.S.A, the U.K., Africa, and other countries of the West. Some examples include the East Indians in Edison, New Jersey; Cubans in Miami; Koreans in Chicago and Los Angeles, and Chinese in San Francisco and Vancouver (Light 1972). Several reasons have been suggested for such ethnic identity and proximity within an overall modern business and professional ethos. Entrepreneurship may arise from a lack of suitable labour-market opportunities (especially because of language barriers and discrimination), a desire to amass wealth and return to one's homeland, and/or from business opportunities created by a growing community of co-ethics (Aldrich and Waldinger, 1990). Such entrepreneurs often retain their distinct ethnic identity and form close linkages with co-ethnic labour and consumers, while choosing to remain segregated from the mainstream culture.

Whether a migrant will engage in a formal or informal business activity depends largely on his or her legal status but also, on his or her economic resources and access to ethnic networks. In this chapter, the unique patterns of business enterprise development by so-called expatriates in foreign counties will be discussed. In particular, attention will be paid to the following key questions: Why do migrants become ethnic entrepreneurs? What are the positive and negative aspects of entrepreneurship for the migrants themselves? It is argued here that migration and self-employment are viewed by many Greeks as an "alternative income-generating activity, a strategy towards inclusion, or a reaction to blocked opportunities in the market" (Barrett *et al*., 1996:789), or as a feasible "survival strategy" for escaping, given the lack of other employment options in mainland Greece. In this ethnic context, entrepreneurship is not viewed as an economic behaviour structured by the existing economic and socio-political structures only, but also as having an important subjective meaning for the self-employed migrant.

3.2 THE RELATIONSHIP BETWEEN ETHNICITY AND ENTREPRENEURSHIP

Despite the importance of culture factors, traditional theories of entrepreneurship pay scant attention to these factors in the rise of entrepreneurship and subsequent business strategies. The dominant economic and psychological factors that are conventionally used in the literature are limited to explaining entrepreneurship and business strategies among groups that are organised along ethnic lines. A limited part of the literature is devoted to ethnic entrepreneurs' entrepreneurial motivations, the formation of enclaves, the use of ethnic and class resources, and the proclivity to specific business forms found in sociology (Aldrich and Waldinger, 1990; Bonacich, 1973; Light, 1972).

Gopalkrishnan and Shapiro, (2000) found that ethnic entrepreneurs are quite intricately connected to family and community sources of support. This is in contrast to the rugged, individualistic, and self-made entrepreneur who is the paragon in Western business literature. Cultural ties and specific cultural factors, of which identity is one, enable the ethnic entrepreneur to view business conduct and strategies rather differently from those emphasised by the "main-stream" entrepreneur. Gopalkrishnan and Shapiro, (2000) offer a unique perspective that suggests that the ethnic entrepreneurs' emphasis is on business cash flow and turnover rather than on margins. These and other culture-based observations enable them to suggest several implications of ethnic competition in the economy. Moreover, they suggest that the spread of such entrepreneurship across national borders may be a characteristic of the next phase of globaliation – one that merges and extends the historical nexus of cultural identity and trade in interesting ways (Gopalkrishnan and Shapiro, 2000).

3.3 DIFFERENCES BETWEEN ENTREPENEURS AND ETHNIC ENTREPENEURS

Not all entrepreneurial activities of immigrants can be labelled ethnic. What distinguishes ethnic entrepreneurs from "main-stream" entrepreneurship is seldom made explicit (Rath, 2000). Does the adjective refer to the origins of the entrepreneur, management strategies, personnel, clientele, and products, or a combination of these? (Rath, 2000). Not all entrepreneurial activities of immigrants can be labelled ethnic. Entrepreneurs can be considered ethnic if they have major advantages or disadvantages as a result of their ethnicity. Ethnic entrepreneurs may benefit from co-ethnic loyalty (from buyers and sellers) and co-ethnic employment. According to Light (1994), entrepreneurs become **ethnic** entrepreneurs when ethnic resources become more important than the non-ethnic resources commonly used in that entrepreneurial activity.

One has to accept that businesses are not isolated units. They grow from links with others. Entrepreneurs need social relations that support the establishment of businesses (Zimmer and Aldrich, 1986; Granovetter, 1985; Light, 1972). Ethnic entrepreneurs need to develop socially meaningful relationships in order to start a business. To start a business, ethnic entrepreneurs draw on "co-ethnics" to help them, but these ties are not a given. They have to activate their networks for them to become social capital. Over time, people reach a point where they recognise each other as part of the same ethnic group by defining them as belonging. "Belongers" are characterised situationally, and definitions may be narrowly or broadly made, depending on circumstances. The innermost circle includes those from the same defined space and time. Those who leave and arrive from the same location at a similar time often share biographies (Bertaux, 1997; Bertaux-Wiame, 1981; Salaff, 2000). **Shared cultural indicators** include language and religion. Identifying features may embrace physiology and demeanour while dress, food, and other familiar consumer items become cultural markers. People draw on such indicators to define others as culturally similar (Salaff, 2000).

Mantzaris (2000), argues that **culture** needs to be maintained over time in order to remain recognisable. Those who once had a common background but have not kept up ties may later not recognise others as close associates. Many South African Greeks who seem similar to outsiders do not themselves feel that they share a common background that warrants ongoing ties. This "drifting apart" lessens the range of others with whom new immigrants can exchange support in a foreign country. In other words, people recognise as familiar co-ethnics those who share networks. As a result, the enclave economy is part of the social structure of families, neighbours, friends, and acquaintances (Mantzaris 2002).

Apart from these direct ties, ethnic members are embedded in several other networks that have a common ethnicity. Ethnicity implies clusters of relationships that embed members in a culture. They not only have associates in common; they are also joined together indirectly through third parties. People who know the same people often share the same perspectives and resources and feel that they are similar. These networks may be rooted in social ties back home and may be created anew in a foreign land by those of colour, who have been excluded from mainstream entrepreneurial networks. By banding together, they create ties that are useful for future entrepreneurs (Light, 1992, Logan, et al., 1994; Mantzaris, 2000). New immigrants/entrepreneurs are most likely to locate suppliers, clients, workers, and capital for enclave firms through multiplex, embedded relationships. These social factors are part of the institutional framework behind enclave entrepreneurship (Salaff, Greve, Wong and Ping, 2002).

Salaff et al., (2002) believe that ethnic entrepreneurs mobilise social capital through ethnic social networks. Entrepreneurs from the same ethnic group will get easier access to business networks in the enclave than will outsiders. They will be in an advantageous position to utilise those ethnic networks. A business that depends on ethnic relations typically establishes **value** chains within the ethnic community. Such businesses will need to have input or output flows that originate mainly within the enclave or the sending country. For instance, ethnic clients seek special cultural products. Employees with a local language ability, other cultural abilities, and other cultural traits are in demand in such ethnic businesses. Non-ethnic clients may recognise ethnic products from symbolics, like the name, product, or location (Fong, et al., 2001); they may look for these products by following through the firm's value chains. In a chain of ethnic firms, the entrepreneur may thus attract other ethnic firms. As a result, ethnic entrepreneurs mobilise through ethnic social networks.

Location is one means to find others of the same ethic community. Ethnic business enclaves are best located where they can take advantage of a large co-ethnic population to become self-employed (Bates, 1994; Bonacich 1973; Min, 1988; Park, 1990; Waldinger, 1994; Zhou, 1992).

Their contacts are expanded and information is shared relatively easily in a concentrated physical space. An established business community of earlier immigrants sends signals to newcomers, indirectly promoting entrepreneurship. Light and Bonacich, (1988) refer to this signalling as "ethnic facilitation". For instance, the Chinese who are concentrated in large communities in New York and Los Angeles have a greater likelihood of being self-employed than Chinese in the rest of the United States (Portes and Zhou, 1999:157).

It is also easier for people to exchange business information if they are concentrated in enclaves. By finding out about new events quickly, co-ethnic employers and employees reduce the impact of the risks associated with investment (Waldinger, 1996: 255; Min, 1988: 74). Business people find a protected market in enclaves. The opportunities that the enclave opens up for small businesses lie in matching of producers and employees. Producers look to the enclave for the employees they need, and employees look there for bosses to work for (Light, *et al*., 1999). The enclave thus becomes a self-sustainable entity.

Although the enterprise can signal its ethnicity chiefly in delimited areas, as long as people can identify with one another and interact, they need not be in one place (Hum, 2001). There are several ways for a business to become visible (Fong *et al*., 2001). People form identities by mingling in ethnic stores, community centres, neighbourhoods, and churches (Bonus, 2000; Kuah and Wong, 2001, Mantzaris, 2000). Applying the network metaphor implies that people with direct, indirect, or multiplex links to others need not locate in a specific place to get in contact (Salaff, Greeve, Wang, and Ping, 2002). On the other hand, Greek ethnic entrepreneurs in South Africa live in widely scattered communities (Mantzaris, 2000).

Ethnic entrepreneurs differ from non-ethnic entrepreneurs in the balance between the various forms of capital. Lack of access to financial capital can be counterbalanced by, for instance, an extensive use of social capital. In such cases, immigrants may take refuge in ethnic resources. Light (1994) summarised which resources can be regarded as **ethnic,** indicating that ethnic resources are the socio-cultural and demographic features of the whole group, which co-ethnic entrepreneurs utilise in business. Ethnic resources characterise a whole group, not just its isolated members. These resources may include kinship and marriage systems, relationships of trust, cultural assumptions, and a pool of underemployed co-ethnic workers. "Ethnicity" is a resource that is instrumental in many economic activities. Ethnic entrepreneurs can and do use this resource. However, ethnic resources are not always an advantage for the immigrant entrepreneur. Ethnic bonding can, at a certain point, become ethnic bondage (Schrover, 2002:2).

Members of ethnic minorities tend to be self-employed more frequently than the natives of a country are. As a result, the percentage of entrepreneurs within an immigrant population will be higher than in society at large. This high percentage may, by creating a favourable entrepreneurial climate, stimulate others within the migrant group to become entrepreneurs as well, thus increasing the entrepreneurial character of the group.

Some authors have described immigrant entrepreneurial activities from a disadvantagageous perspective. They point out that many migrants lack contacts and language abilities, and they are often discriminated against (Spencer and Bean, 1999; Mantzaris, 2000). Immigrant entrepreneurship can thus be seen as a response to a limited opportunity structure. The interaction between resources and opportunity structure that migrants encounter must not be conceived of as immobile and fixed. Opportunities change over time and are not the same for different groups of migrants (nor for men and women within a group).

Given the available alternatives, migrants with poor access to capital (human, social, cultural, and financial) confronting a difficult and competitive labour market, may opt for survivalist entrepreneurship. From an economical point of view, it can be more advantageous to be self-employed. This means that the opportunity costs of entrepreneurship are less, as are the risks of the investments undertaken. Immigrant entrepreneurs are risk takers, as are other entrepreneurs, but the risks may not be the same for both groups (Shrover, 2002).

If it is true that immigrant entrepreneurs are driven by the disadvantage perspective, this would mean that they have a different motive for entrepreneurial activities than their non-immigrant counterparts. Difference in motive may affect the goals and objectives they set for themselves (Shrover, 2002:3).

3.4 CHARACTERISTICS OF ETHNIC ENTREPENEURSHIP

"Niche formation" is a process by which entrepreneurs who share a religious or other common background cluster together in an economic sector, and is a common phenomenon (Shrover, 2002; Mantzaris, 2000). According to Waldinger, (1996) niche formation is the logical outcome of migration. Initially, newcomers have a restricted number of contacts, mostly with people from the same regional background. The exchange of information and recruiting of personnel takes place through these networks and results in a concentration of economic activity in certain sectors. Portes (1994) has pointed out that niche formation may result from a preference amongst migrants for working with people who hopefully will understand them better or are willing to honour their wishes regarding work, for example during the Sabbath or Ramadan (Portes, 1994). Bonacich (1973) puts even more emphasis on ethnic bonding and argues that ethnic groups can act as economic interest groups, because group solidarity leads to the availability of **all kinds of resources** at a relatively low cost. Solidarity results from trust which is maintained through the criss-cross network of personal ties. Trust can lead to low-interest rate loans and easy-to-obtain credit. The high degree of organisation amongst minorities enables them, according to Bonacich (1973), to generate and distribute resources – such as money, information, training, jobs, and labour – more quickly and efficiently than is possible in the surrounding society. Minority success in business promotes societal hostility, and hostility again promotes ethnic solidarity. Restricting the minority in what it can do contributes to the concentration of all efforts on one sector and thus indirectly promotes niche formation (Waldinger, 1996).

Niche formation can evolve from the exclusive access that migrants have to certain trade goods. Migrants can act as the sole representatives of a certain item, or through family ties and other contracts, get more favourable trade conditions. This form of niche formation can be strengthened by the recruitment of employees from the region of origin, who are willing to work for lower wages or longer hours (Portes, 1994).
Migrants can monopolise a sector when a link is made between pre-migratory skills on the one hand and an association between the

specialisation of the group on the other. Ideas in the host society about the qualities of the newcomers can lead to their exclusion, but can also reserve an economic sector for them in a more positive sense. In current South African society, pizza parlours are associated with Italian migrants. This makes it difficult for others to set up similar businesses. As a result, black African migrants who want to run a pizza business often masquerade as Italians by wearing striped t-shirts and using a handful of Italian phrases.

Niche formation need not occur only in a new field. The established population may also withdraw from a field that is no longer considered profitable, and be replaced by newcomers willing, forced, or able to work with lesser margins (Schrover, 2002). Migrants may fill a gap in the market left vacant by others. Light and Karageorgis (1994) have pointed out that the nature of niche formation is determined, amongst other things, by the possibilities it offers for family members to get involved in it. When both men and women can work within the niche, a much closer relationship develops between the group and the economic sector. The possibilities for the family members to get involved depend not only on the nature of the sector, but also on work options outside it. When there are many possibilities within the niche, and only few outside it, ethnic entrepreneurs can profit from the existence of a large reservoir of cheap labour. This will strengthen the success and continuity of the niche. As Sanders and Nee (1987) have shown, the long-term development of a niche is constrained by the principle of competitive exclusion. A niche can support only a restricted number of entrepreneurs.

Looking at niche formation from a historical perspective, Waters (1995) has pointed out that the main determinant of niche formation is mobility of human capital within the larger host society. The establishment of a niche by migrants depends on whether individuals can "move", what Waters calls, their "inheritable economic base', be it land, labour, class, status, or guild membership, freely into the country to which they have migrated (Waters, 1995). Importantly, it must be noted that, although niche formation clearly relates to migration, not all migrants end up in niches, and not all niches show the same persistency (Schrover, 2002).

3.5 CHARACTERISTICS OF THE ETHNIC BUSINESS

Salaff *et al.,* (2002) believe that ethnic subcultures typically give rise to complex economic relations. Proprietors use the norms of the **ethnic culture** to run the business while the employer/employee bond is culturally based. Since culture is a taken-for-granted framework, jobs are often governed by particularistic rules that everyone knows. The hiring contract, the code of conduct, and how the place is run are based on **culture**. Owners hire or work with the chosen ethnic background.

The emphasis on culture in the enclave often helps immigrants transfer knowledge that the market does not recognise (Hum, 2001). This transfer is often the basis of many immigrant businesses. Doctors trained in China cannot use their credentials in Canada. They may apply their skills in the allied trades of massage and acupuncture, as recognised by customers of colleagues. Similarly a Greek architect cannot necessarily use his/her credentials in South Africa, as Greek and South African requirements differ for recognition by the relevant Institute of Architects.

Enclave theorists believe those congregating in the enclave share cultural codes and in this way expand mutual **trust**. Business people are often likely to help others start up as they were helped themselves (Min, 1988). These helping features become part of the definition of enclave life. Enclave members proudly maintain, "**We are the kind of people that help each other**" (Mantzaris, 2000).

Salaff *et al*., (2002) indicate that mutuality works well, because most start-up businesses are small, easy to enter, run, and leave. They are the last-minute work of those with few choices. Small businesses, employees, large investments, that do not require human capital, or a wider organisational context, depend on their social contacts. Mutuality also works well when people draw on multiplex social networks that can enforce reciprocity, but not when a high proportion of co-ethnics work together. Salaff *et al*., (2002) further argue that the construct of ethnic business should not be over-defined. By seeing the business as embedded in value chains, it can be readily understood that not all features of the ethnic business need to be present in any one business. Ethnic businesses may hire other ethnic members, but the product, clients, or the location may not be ethnic. Businesses may also hire non-ethnics for speciality tasks (Anderson and Higgs, 1978; Li, 1993). Furthermore, the ethnic community may exist outside a physical community. Nor does the ethnic constituency have a monopoly over business-related networks. One study reported that there are no differences in the use of social networks by ethnic and non-ethnic entrepreneurs (Zimmer and Aldrich, 1987). Nor is physical concentration required to build social networks. Social networks can be dispersed, and assistance can still flow through them (Aldrich and Reiss, 1976; Waldinger, *et al*., 1990). By limiting the community to set locations, the notion of the enclave itself freezes the networking processes for which visibility is desired. As long as the enclave is rooted in the notion of "community found" as the basis of its personal support, its conceptual strength is masked (Wellman, 1999; Salaff et al., 2002).

There is a downside to the enclave business. Critics retort that cultural arrangements relegate similarly poorly placed people without bargaining power to a narrow competitive arena. Drawing on enclave members often means exploiting them. Faultfinders assert that culture disguises economic power. Invoking culture and non-standard rules may be exploitative (Nee and Sanders, 1987). The concept of the "eth-class" critiques the ethnic enclave concept that culture is classless (Gordon, 1964; Fong, 2001:324-5). Hiring employees outside the labour code gives workers a short-term advantage, but not necessarily legal protection (Kwong, 1987; Salaff, Greeve, Wong and Ping, 2002).

3.6 TRANSNATIONAL ENTREPENEURS

The contemporary literature on immigrant transnationalism points to an alternative form of economic adaptation of foreign minorities in advanced societies, based on the mobilisation of their cross-border social networks (Portes, Haller and Guarnizo, 2001). The phenomenon has been examined mainly on the basis of case studies that note its potential significance for immigrant integration into the receiving countries, and for economic development in the countries of origin. Although immigrant transnationalism has received little attention in the mainstream literature so far, it has the potential to alter the character of the new ethnic communities spawned by contemporary immigration (Portes et al., 2001).

The term "transnational fields" was coined in the immigration literature, and refers to the web of contacts created by immigrants and their home country counterparts, who engage in a pattern of repeated back-and-forth movements across national borders in search of economic advantage and political voice (Portes, 1999; Verovec, 1999; Glick and Schiller, 1999). Initially, such contacts may be purely economic, and involve just the country of origin and that of the destination country. The literature on European immigration to the rest of the world at the turn of the 20th century features numerous examples of sustained cross-border contacts of an economic and political character (Foner, 1997; Piore, 1979). What is novel at present is defined by three features.

The first is the revolutionary innovations in transportation technology and electronic communications that facilitate easy, cheap, and fast contacts across long distances. No matter how motivated, transnational political activists or transnational entrepreneurs of the early 20th century could not sustain the volume or engage in the near-instantaneous exchanges made possible by the new communication technologies (Roberts *et al*., 1999; Levitt, 1997, 2000).

Second, the intense level of contact is made possible by these communication technologies incorporating the seemingly growing number of immigrants and their home country counterparts involved in them. As they cease to be exceptional, transnational activities may become common and even normative, at least in some communities described in the modern literature (Glick, Schiller and Fouron, 1999; Popkin, 1999).

The third feature is the increasing involvement of sending-country governments seeking to promote and guide transnational initiatives and investments of their respective diasporas. This growing official attention reflects the weight acquired by transnational fields and, in turn, promotes them (Landolt, 2000; Smith, 1998; Guarnizo and Smith, 1998).

The problem for the research of immigration is whto decide whether or not the weight of existing evidence justifies coining a new term and opening a new field of inquiry. The phenomenon of transnationalism was initially identified by a team of ethnographers who described it as follows:

> Transnationalism is defined as the processes by which immigrants forge and sustain multi-stranded social relations that link together their societies of origins and settlement. An essential element is the multiplicity of involvements that transmigrants sustain in both home and host societies. We are still groping for a language to describe these social locations (Basch *et al*., 1994:6).

This puzzled attitude is understandable when one is confronted with a phenomenon that, at first, strains the imagination. The improbable spectacle of people of modest means criss-crossing the globe and making use of technologies that were formerly the preserve of powerful corporates defies conventional expectations as to the role of labour immigrants in the world economy. The unconventional character of these practices has also led to scholarly scepticism about their scope and their real significance. Researchers have not been at the forefront of studies of transnationalism, and some have voiced fears that they represent just one more addition to the faddish rhetoric of globalisation - stronger in grand pronouncements than in hard facts (Waldinger, 1998).

3.6.1 Economic Transnationalism

Transnational fields described in the existing literature include political, social, and cultural linkages, as well as those of an economic type (Guarnizo et al., 1999). The following analysis focuses on transnational economic activities for two reasons: first, the impossibility of examining all the diverse forms of the phenomenon in a single chapter and, second, the predominance of transnational entrepreneurship in the case studies reported in the literature. If the term identifies a distinct phenomenon at all, it should emerge most clearly in the economic realm (Logan et al., 1994).

Research on middleman minorities and, particularly, on ethnic enclaves, has made it clear that the economic prospects of immigrants do not hinge exclusively on their conditions of employment in host-country labour markets, but also on their chances for self-employment. Immigrant entrepreneurs have been found to do better economically than their wage earning co-ethnics, and to maintain this advantage even after controlling for human capital characteristics (Portes and Zhou, 1999; Logan, Alba and McNulty, 1994; Wilson and Martin, 1982). The literature on ethnic enclaves has focused primarily on domestic conditions of the immigrant communities and on their relations with the host society. Although references have been made to connections with the home country for such groups as the Koreans (Light and Bonacich, 1988), the main focus has remained the contextual and individual variables that allow enclave entrepreneurs to succeed in their local environment. The concept of transnationalism opens a new dimension in the study of immigrant economic adaptation, because it focuses explicitly on the significance of resilient cross-border ties. The concept may be regarded as an extension of the existing literature on entrepreneurship, but with a focus on international networks, rather than exclusively domestic ones (Roberts et al., 1999). While past economic and sociological theories would lead researchers to focus exclusively on labour market outcomes or local small business as paths for mobility, the concept of transnationalism explicitly targets the cultivation and development of activities spanning national borders. To the extent that such activities are successful, they may allow immigrants to fulfil their economic targets without undergoing a protracted process of acculturation, as was expected in the past (Warner and Srole, 1945; Jasso and Rozensweig, 1990).

Transnational enterprise has a second important dimension, namely its bearing on the economic development of exporting countries. In the past, many exporting nations regarded their emigrants as little more than defectors (Roberts et al., 1999; Smith, 1994). At present, the increase of migrant remittances, investments, and technological innovations linked to the transnational field has caught the attention of many exporting governments. Many small countries on the periphery of the developed world have effectively become "exporters of people", and the remittances and investments of their emigrants have come to exceed the sum total of these countries' commodity exports (Guarnizo, 1994; Glick and Schiller, 1999; Levitt, 2000). The development prospects of these nations may become inextricably linked to the activities of their respective diasporas. Recent activities of Third World countries (including South Africa) in pursuit of the potential benefits of transnationalism are a defining feature of the phenomenon, since at no time in the past have so many government's implemented deliberate policies to further it (Porter et al., 2001).

To summarise, transnational entrepreneurship lies at the intersection of immigrant enterprise, a phenomenon described at length in the research, literature, and the broader field of transnationalism, which includes political and socio-cultural activities. Figure 3.1 portrays these relations. Transnational entrepreneurship has potential significance for the course of immigrant economic adaptation to the receiving societies and for the development of sending nations. It also bears directly on sociological theories of the economy, insofar as the rise of this form of entrepreneurship depends directly on long-distance social networks. This should make the phenomenon worthy of attention by researchers, especially in a period where the forces promoting international migration show no sign of abating, and the size of the immigrant population continues to increase (Massey *et.al*., 1998; Rumbaut, 1996).

Figure 3.1: Types of Activities in Immigrant Communities

Type of Activity	Location	
	Domestic	Cross-border
ECONOMIC	Wage work; self-employment in local enclaves	Transnational Enterprise
POLITICAL	Local ethnic mobilizaons; participating in host country electoral campaigns	Membership in home country political parties; participation in hometown civic committees and political campaigns cultural festivities
SOCIO-CULTURAL	Local ethnic festivals; participation in host country associations and cultural events	Regular performances by home country srtistic groups; participating in hometown cultural festivities and civic celebrations

SOURCE: Portes, Haller & Guarnizo

3.7 ETHNIC ENTREPENEURSHIP AND MIGRATION

Labour migration has dominated migration studies until recently, and only scant attention has been given to entrepreneurial migration. The over-representation of the labour perspective in the migration literature arises because the majority of migrants tend to be job seekers. During the Industrial Revolution in the 1830s, the rural population poured into the cities and towns of Western Europe in search of jobs in the manufacturing sector. These movements were primarily motivated by economic considerations (Mantzaris,2000:41). Studies in developing countries reveal similar reasons behind residential changes. Besides pull factors to urban locations, the push factors also have an important role. Most people were forced into urban areas by socio-economic circumstances in the rural areas, such as poor and unequal distribution of land, natural disasters, population pressure, and unemployment (n'Doen, Gorter, Nijkamp and Rietveld; 1997).

During the Industrial Revolution, plenty of jobs were available in developed countries. When the migrants arrived in urban areas, however, this was not the case in developing countries where employment creation lagged behind an increase in the labour force. As a result, not all migrants successfully obtained jobs in the formal sectors. Birth rates were high and governments had limited economic resources to match the population increase. Those who failed in the labour market were pressed into self-employment activities, such as petty trading, work as street vendors, or household manufacturing (n' Doen et.al., 1997) Most of the self-employment activities in developing countries have taken place in the informal sector (Rogerson, 1988). This sector has been considered a safety net for unemployed people in many developing countries.

Entrepreneurial migration research has attracted scholars from various fields, and they have realised that there is a particular type of migrant with characteristics similar to those of entrepreneurs. Instead of queuing for jobs with the locals, the entrepreneurs create jobs for themselves or even employ other people. The majority of migrants in developed nations come from the developing countries, and their numbers are increasing steadily over time. At first, these migrants were often suspected of taking jobs from the native-born, but the reality was that they were creating jobs for the native-born.

The fact that migrants engage in entrepreneurial activities has been recognised in most studies of ethnic entrepreneurs (Kobrin and Speare, 1983; Lewandowski, 1980). The notion of ethnic entrepreneurs is rather confusing, because ethnicity is used in this context to indicate the geographic origin of the migrants. When we define ethnicity as cultural traits of particular groups who share common customs, behaviour and a common worldview, then the notion of ethnic entrepreneurs is misplaced in certain contexts. For example, the Indonesians in the Netherlands are considered as one ethnic group, although in the country of origin each person comes from a different cultural background. This confusion has been reiterated several times in the study of the Moroccan, Turkish, Indian, and other ethnic groups residing in Europe (Blaschke *et al*., 1990). The Indonesians were introduced into Europe as a single ethnic group, but they actually represent different cultural traits. Thus, the use of the term "ethnic entrepreneurs" in developed countries ignores cultural particularities and refers more to a generic nationality (n'Doen *et al*., 1997). Dean *et al*. prefers the notions of "entrepreneurial migrants" instead of "ethnic entrepreneurs", since ethnic entrepreneurs are generally migrants whose main activities are in entrepreneurial sectors. For the purposes of this study, both concepts, entrepreneurial migrants and ethnic entrepreneurs, are used interchangeably to exhibit a similar process involving migrants in the entrepreneurial sectors.

3.7.1 Ethnic Migration: Conceptual Issues

When discussing the concept of ethnic migration, the migration of entrepreneurs and labour migration are identical concepts. Two explanations are offered in the literature. In the first, ethnic entrepreneurial is a variant of labour migration, which indicates that both share similar characteristics. According to this point of view, entrepreneurs are indeed self-employed and are bound by the rules that apply to the workers in general. Labourers and entrepreneurs must both work harder to realise higher levels of income (n'Doen *et al*., 1997:2).

As with labour migration, entrepreneurs are motivated by a similar drive viz to improve their economic circumstances upon arrival at a destination. They were attracted by the prospect of income from their migration (Harris and Todaro, 1970). They were also subject to the spatial imbalance distribution of factors of production, which forced them to leave their place of origin (Wood, 1981; Guest, 1989; Lansing and Mueller, 1973; Simon, 1986). This is not restricted to labour migration, but pertains to migration of entrepreneurs as well. In that sense, entrepreneurial migration is only a variant of labour migration, and it is unnecessary to distinguish between two. Therefore, explanations offered for labour migration are also valid for migration of entrepreneurs (n'Doen *et al*., 1997; Simon, 1986; Guest, 1989).

The second explanation is that entrepreneurial migration and labour migration do have different characteristics. Entrepreneurs rely more on their management skills, whereas labour migrants attend more to technical skill in performing their jobs (Guest, 1989). According to this school of thought, entrepreneurs rely more on their management skills, whereas labour migrants search for the place that offers the best opportunity for profit. Labour migration, therefor, depends on the availability of jobs in a particular region, with an adequate pay scale. The risk for labour migration occurs when they cannot find jobs in their destination area, but once the job has been secured, their income becomes more stable. Hence that it is clear that ethnic entrepreneurs must be distinguished from labour migration. A separate explanation should be attached to labour and entrepreneurial migration (n'Doen *et al*., 1997; Rietveld, 1997).

3.7.2 Reasons to Engage in Entrepreneurial Activities: Structural vs. Cultural Approach

A major question related to the migration of entrepreneurs is which factors affect migrants' decisions to engage in entrepreneurial activities. The debate on the prerequisites for entrepreneurial activities has been shaped by socio-cultural arguments in which researchers use two approaches to understand the phenomenon, namely the "Structural approach" and the "Cultural approach" (Mavratsas, 1997). The Structural approach argues that the situation in the receiving society is a prime cause for migrants' engagement in entrepreneurial activities (Cole, 1959). Entrepreneurial skills among specific ethnic groups vary from place to place, since different regional socio-economic structures offer different ranges of opportunities for migrants. The migrant's choice depends on the structure relating to social, political, and economic circumstances that offer him or her opportunities to start businesses. Migrants thus develop an interactive approach, in which different factors such as market conditions, ethnic and social networks, degree of accessibility, demand density, government regulation, and social convention facilitate interaction among social groups, and in some way impact upon ethnic entrepreneurship (Mulligan and Reeves, 1983; Gouch, 1984; Timmermans, 1986). It may happen that the migrants planned to enter the formal labour market when they decided to migrate, but changed their minds when they saw opportunity in the entrepreneurial sector. One advantage of self-employment activities is that the migrants can ignore others for their supervision, and rely on themselves for decision-making (Timmermans, 1986). It can be expected that migrants have confidence in the entrepreneurial sector, because they believe that this sector offers them the possibility of achieving glamorous economic advancement without jeopardising their social relations with the native-born colleagues (Razin, 1991; Marger, 1989).

One critical aspect of the opportunity structure is market conditions, where researchers can include degree of market competition and market accessibility. Competition and accessibility in a market are dependent on the types of consumers that migrants serve. The migrants may take advantage of the opportunity in an ethnic product (Waldinger, et al., 1990) as the concentration of an ethnic group within a receiving region increases the demand for an ethnic product. Cultural events and emotional attachment to the home region require that ethnic goods be supplied only by ethnic groups. The new migrants may see an opportunity to serve ethnic dishes, which demand special preparation and cannot necessarily be served by other ethnic groups. For example, most ethnic restaurants in the South African market are operated by the Chinese, Greeks, Italians, and other migrants (Mantzaris, 2000). Apart from building a business on ethnic products, migrants have opportunities for serving the open market (Waldinger, *et al*., 1990). The migrants may cater to a "general" market beyond their own ethnic backgrounds. Exotic products and foods from their home regions are often popular to general consumers and are often in high demand. Ethnic products become widely consumed and can often be provided only by the migrants themselves. Examples of ethnic products are woodcarvings, paintings, and crafts that are often identified with a particular cultural heritage (Waldinger *et al*., 1990).

Migrants can also enter markets that are under-served or markets that have been abandoned by previous entrepreneurs (Waldinger, *et al*., 1990; n'Doen *et al*., 1997). Previous entrepreneurs may move to other sectors or to other places, thus leaving a space for new migrants. In this situation migrants grasp the opportunities when they find that the demands in immigrant regions are still open and are not yet filled by local entrepreneurs. The entrepreneurs often move toward products that are in demand, and they do not restrict themselves to ethnic products. Instead they choose to serve the "general" market with a wide variety of goods. As the migrants encounter unfavourable situations such as job discrimination and other hardships in the receiving region, they often switch to self-employment activities as a safety measure. This often happens to migrants with a limited education or with limited skills. This is not a voluntary decision, but it reflects a no-choice, dead-end alternative after job-search failure. This line of argument is in accord with the "block mobility" theory, in which it is argued that migrants and the local-born workers encounter similar labour market circumstances

(Light, 1995; n'Doen *et al*., 1997). The decision criteria, in an ideal theoretical sense, are based largely on education, merit, and transparent rules, but, in practice, researchers also discover a hidden rule where ethnicity and nativity are included in labour recruitment, which eliminates migrants' opportunities to be accepted in the formal sectors. In other words, even if the work available is usually low-paying jobs, migrants still have to compete with local workers. The implication is that migrants are often forced into entrepreneurial activities, which are not what they have consciously chosen to do (n'Doen *et al*, 1997).

It appears therefore that migrants seek opportunities outside the labour market, and forge social ties among fellow ethnic groups, and the development of an "ethnic enclave" starts. When the numbers of entrepreneurs increase, an ethnic enclave can be established in the receiving region; this enclave is characterised by a concentration of migrants in particular sections of a city or town, and also by tight business and social networks. The enclave is maintained to provide new migrants with the ethnic flavour of the home region, and it becomes institutionalised in order to incorporate new migrants into the host community. It serves as a development centre for promoting ethnic skills of new migrants, and ultimately offers them the possibility of upward social mobility. Skills nurtured within the enclave are thus described as "ethnic capital" (n'Doen *et al*., 1997).

According to Waldinger *et al*., (1990), the progress of the ethnic enterprise is also related to institutional responses in the host society. A policy of encouraging the informal sector in developing countries can initiate the flow of migration. For instance, in a community where there is discrimination in credit access for migrants, there will be a lower propensity for the migrants to remain, as access to credit is important to permanent immigrants who seek business expansion in the receiving society.

According to the Culturalist approach, values and cultural elements are the essential determinants of entrepreneurial activity. Its proponents refute the idea of a structure of opportunities within the receiving society. Those who subscribe to the Culturalist approach believe that each migrant has brought with him or her an entrepreneurial skill that has been ingrained from an early age, or Culturalists think that there are value-laden groups whose skills are cultivated within the family or within the community. These skills are also known as "ethnic resources". The family is the primary institution for grooming entrepreneurial skills under these circumstances (Borjas, 1993). Consequently, ethnic resources are regarded as fundamental to ethnic identity. The Jews in Europe, the Chinese in Southeast Asia, and the Greeks and Italians in South Africa, are closely identified with business since the majority of them engage in business activities.

The Culturalists also regard entrepreneurial activities as part of ethnic ideology. Since it is an ideology, it has to be taught, proselytised, and inculcated into children as a way of life. This is why entrepreneurial activities are seen as an expression of one's faith (n'Doen et al., 1997). There are religious institutions which allow their congregations to engage in entrepreneurial activities, such as the Mennonites in the United States (Redekop, *et al*, 1995). There is also the argument that entrepreneurial activities demonstrate a nationalistic spirit in its citizens. Research into Japanese entrepreneurs during the Meiji Restoration (Hirscmeier, 1971) and the Koreans during the Modernisation period (Byung-Nak Song, 1997) are manifestations of this tendency.

The Culturalist group is associated with the "middleman minority" theory (Turner and Bonacich, 1980). Minority status is seen as a determinant of entrepreneurial activities. The migrants are only small groups, who have been banned from social and political roles in mainstream society because of their minority status. To compensate for this, most minority groups engage in entrepreneurial activities, which give them social recognition in the receiving society. The Chinese in Southeast Asia are a good example; ethnic Chinese are debarred from activities in politics and this compels them to seek opportunities in business (n'Doen *et al*., 1997). The business skills are then passed from one generation to the next, and because it is maintained within the community, it is regarded as ethnic capital (Turner and Bonacich, 1988).

n'Doen *et al*., (1997) offer a "cultural block" theory regarding a cultural and religious practice that prevents some groups from engaging in entrepreneurial activities. The absence of local entrepreneurs (because of their cultural and religious practices) offers migrants opportunities in business activities. A shortage of local entrepreneurs is very common in many developing countries, since business activities are sometimes regarded as undignified, and those who engage in entrepreneurial activities are thought to be disgraceful. This becomes an opportunity when the migrants encounter such a community, and they enter this sector without having to worry about competition with local entrepreneurs. In the past, traditional Japanese society regarded business activities as a dishonourable job, and this attitude allowed the Chinese to successfully enter this sector. As a consequence, Indonesia had a shortage of professionals after the nationalisation of Dutch companies in the late 1950s (n'Doen et al., 1997). To secure the policies of entrepreneurial formation, the government implemented a "benteng" (fortress) programme to protect indigenous business (Robinson, 1986). This policy failed, as very few "indigenous" entrepreneurs succeeded in business. Over time, the Chinese entrepreneurs eventually took over these businesses and made good profits (Robinson, 1986).

Another perspective, suggested by Dijst and Van Kempen (1991), emphasises the role of contextual conditions and offers different results in relation to entrepreneurial activities. In their view, economic, societal, and socio-spatial contexts affect migrants' entrepreneurial drive. In other words, migrants respond differently to different socio-spatial conditions. Newly arrived migrants in regions with high job competition prefer self-employed activities in order to avoid conflict with local people. But in low-competition labour markets, the migrants may choose to work in a more attractive business than migrants with lower education and fewer skills, who are forced into entrepreneurial activities because they cannot meet the requirements set up by the businesses. Entrepreneurial activities usually do not require exceptional academic qualifications, but they do require experience in business activities. n'Doen et al., (1997) consider the labour market as the prime target of migration. They ignore the fact that there are migrants who initially move into entrepreneurial activities because of "native" business acumen.

Besides the socio-spatial context, the prevailing political economic situation also has an impact on the business activities of ethnic entrepreneurs in developing countries. Dijst and Van Kampen (1999) point out that economic policy that rely on imported raw materials can hinder the development of small and medium industries. Small and medium industries employ many people, including migrants. The collapse of these industries will force migrants into entrepreneurial activities. This argument has often been used in the dependency theory, which blames the structure of the international arrangement as the major opposition to the domestic economy of developing nations (n'Doen *et al*, 1997; Waldinger, 1990).

In short, based on the Structuralist perspective, migrants are like a blank paper without any writing. In this situation, the choice for migrants lies only in entrepreneurial activities (Light, 1995). The Culturalist, on the other hand, believes that the migrants bring with them an entrepreneurial skill from their home region. In other words, the paper brought by the migrants is full of marks. In their view, entrepreneurial skill has to be born in the individual migrant. It appears that the Structural approach has gained more support among researchers (Waldinger, 1990; Cole, 1959; Forbes, 1979; nDoen *et al*, 1997). Structural factors are more obviously playing a role in entrepreneurial activities in developing countries.

3.7.3 Ethnic Entrepreneurs in Developing Countries

Okpara (1986) believes that, because of limited data from developing countries, it is not easy to conduct a study on ethnic entrepreneurs despite the fact that ethnic migration is a phenomenon found in most developing countries. There are a few explanations, one of which is based on the modernisation failure theory (Okpara, 1986:70). According to this theory, industrialisation processes in developing countries fail to provide jobs, hence migrants encounter a scarcity of employment. They therefore engage in entrepreneurial activities as a survival strategy.

Studies in developing countries demonstrate that the majority of migrants enter the informal sector (Rogerson, 1988; Forbes, 1979). This sector is regarded as a recepticle for those who fail to secure jobs in the formal sector, which is why the informal sector is regarded as marginal. Migrants from rural areas prefer the formal sector, since jobs there are considered to be prestigious, and they warrant a fixed income regardless of whether the work is long-term or short-term. Ethnic entrepreneurs characteristically belong in small and medium businesses which rely more on co-ethnic or family members for labour recruitment; they exercise control over a particular line of business; they have the tendency to live among fellow migrants; and contact with other groups is restricted to business activities (n'Doen et al, 1997:5).

Waldinger (1990) points out that it is common for the entrepreneurial "class" in developing countries to be dominated by a few ethnic groups. Skills are passed from one generation to another or from fellow migrants to each other; the skills are restricted within the group, and in the future become the property of the group, eventually becoming ethnic capital. All members are required to keep that secret as tightly as possible, and those who break that unspoken rule risk social exclusion. Skill transformations are made almost exclusively within the family and community. Each child in an entrepreneurial family is expected to assist his parents as he grows up, and the entrepreneurial children are trained to run their own business when they reach adulthood. Children's involvement in family business can be seen as institutionalised training for future generations to develop required skills (Borjas, 1993).

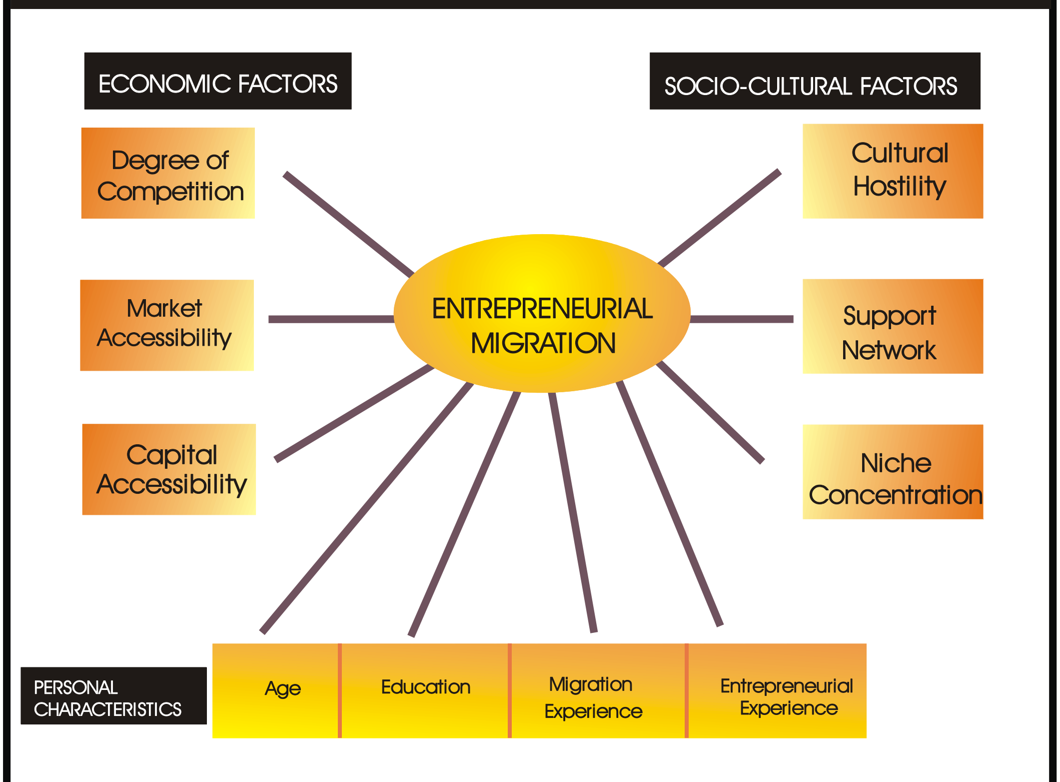
The ties with the home region encourage the migrants to look for the opportunity to invite their kin-group to participate in the business (Boyd, 1989; Gurack and Cases, 1992; Hugo, 1981; n'Doen *et al*; 1997). The reason they invite fellow migrants is to protect a particular line and niche in the market. Since the niche becomes the centre for ethnic business at their point of destination, it quickly becomes saturated with fellow migrants. Earlier migrants become pioneers in a certain line of business, and subsequent generations follow the path of their predecessors until the entire niche is fully controlled. When it is fully controlled by a particular ethnic group, the niche becomes the symbol of that ethnic group. All enterprises within a niche boundary are ethnic enterprises. Each ethnic member is required to promote and maintain these ethnic enterprises. When the niche is totally saturated with migrants of a similar ethnic group, new migrants must build a new niche, which is usually not far from the product line of previous migrants. The whole process develops into an enclave economy in the receiving region (Okpara, 1986; nDoen *et al*, 1997; Waldinger, 1990).

3.7.4 Factors that determine Entrepreneurial Migration

To understand the factors that influence entrepreneurial migration, n'Doen *et al.*, (1997) have introduced the profit-seeking model, which is based on an integrated social-economic framework and which can be applied to the study of entrepreneurial migration in developing countries. (See Figure 3.2). Migrants who engage in entrepreneurial activity consider such factors as market competition, market accessibility, niche concentration, capital accessibility, cultural hospitality, and support networks before deciding to move. These are factors related to locational characteristics, but there are also personal characteristics, such as education, age, entrepreneurial experience, and migration experience, which affect the intention to stay. All these factors are the underlying determinants, and the migration variable of interest, the "intention to stay" in a particular region, refers to the number of years a migrant lives in a region. The decision to stay at a particular place is dependent upon migrants' perceptions of the security of their entrepreneurial activities. When a place offers very little security, the migrants will consider other potential locations (n'Doen <u>et al</u>., 1997).

The model is presented in the following figure.

FIGURE 3.2: Factors that Determine Entrepreneurial Migration



SOURCE: nDoen, Garter, Nijkamp and Rietveld, (1997)

According to n'Doen <u>et al</u>., ten factors constitute the model. The first factor that determines entrepreneurial migration is the "degree of competition". Degree of competition refers to migrants' perceptions of the ratio of entrepreneurs to consumers in a given product line.

Competition may occur within or outside the product niche. Entrepreneurs typically avoid higher degrees of competition and choose markets with lower competition. When a market is saturated, the possibility of realising a profit is very low, and migrants therefore turn to other places to conduct their business activities. It could be expected that the relation between degree of competition and intention to stay is negative. In other words, the lower the degree of competition at a particular place, the higher the intention to stay.

A second factor to consider is "market accessibility". Market accessibility refers to the migrants' perceptions of the degree of access to the market or to consumers. The degree of accessibility is dependent on the prevailing local government regulation of access to strategic locations. As could be expected, a market with easy access is preferable to problematic access. In many instances, access to a particular location is sealed off by earlier migrants as a strategy to maintain business security. The recent migrants are then forced to consider other markets. Market accessibility is positively related to the intention to stay. In other words, the higher the degree of access to a particular market, the higher the intention to stay (Mantzari,2000).

The third entrepreneurial migration factor to consider is "niche concentration". Market niche refers to the line of product controlled by a particular group at the current location. The concentration is measured by the concentration of people from a particular ethnic group in a given product line. The more people from a particular group engage in selling a certain product, the stronger the concentration of the niche. A majority of migrant small and medium entrepreneurs are engaged in the distribution rather than the production sector. The variable niche concentration is thought to be positively related to intention to stay. In other words, the higher the degree of concentration of a certain product line in a particular market, the higher the intention to stay and the longer the length of stay.

The fourth factor determining entrepreneurial migration is "capital accessibility". Capital accessibility refers to migrants' perceptions of the chances to acquire credit at the current destination. Access to credit institutions is essential for business expansion in the future. Access is different from one region to another because of different bureaucratic and social settings prevailing at the time. There are also places where access to credit is very costly because of corruption. The variable capital accessibility exerts a positive impact on the intention to stay. In other words, the higher the access to a capital institution, the higher the intention to stay at the current place, and the longer the length of stay.

The fifth factor determining entrepreneurial migration is "cultural hospitality". Cultural hospitality refers to the social response to migrants in a receiving society. Local hostility can be expressed in various forms, from a subtle response such as boycotting to harsh responses such as physical assault. Physical assault is very rare, but when it occurs, it is the expression of a long period of mounting frustration among the local people. The soft hostile response can occur in an everyday form of resistance such as the exclusion of migrants from social activities among the local societies.

A sixth factor to consider is "support network". Describe a support network as migrants' relations with relatives, family, kin group, or friends in the receiving region. These people provide information or facilities during the process of settlement. Migrants who have family members or kin in a receiving region may reduce the probability of moving from the current place elsewhere. Since the migrants prefer to stay close to other family members or kin group, the larger the concentration of family and kin in a particular place, the greater the likelihood that the new migrants will remain there. The variable support network has a positive impact on the length of stay in the receiving region.

The seventh factor to consider is "education". The effect of education depends on the transferability of skills acquired during school years (Hay, 1980; Robinson and Tomes, 1982). For instance, migrants with a commerce vocational background may have an enhanced ability to assess preferable locations and have less of a tendency to repeat migration. Less educated migrants are more prone to repeat migrations than are the educated ones (Davanzo, 1983). Educated migrants prefer to remain at a certain place for a period of time before moving again. Education has a positive impact on the intention to stay. It is thought that the higher the level of education, the higher the propensity of the migrant to stay, and the longer they want to stay in a particular region.

The eighth variable is "age". Migration research consistently demonstrates a strong correlation between age and migration (Miller, 1977). In other words, younger individuals are more likely to undergo repeat migrations if they discover that the current place is unsuitable for entrepreneurial activities. They are also more likely to travel and experience more of the world before settling in a particular destination. In addition, older migrants usually have family with them, which decreases the possibility of repeat migrations. Thus, the higher the age, the stronger the propensity to stay and the longer the length of stay (Miller, 1977).

The ninth factor is **"**entrepreneurial experience"**.** Migrants with more experience demonstrate a better understanding of the type of location required for their businesses. Experienced migrants prefer to stay in a particular country and are compelled to leave only when extreme crises occur, such as ethnic disorder or riots. People with entrepreneurial experience are typically more aware of socio-economic circumstances than those with less entrepreneurial experience. Those with greater experience are less likely to conduct a repeat migration, so they can reduce transportation costs. Entrepreneurial experience exerts a positive impact on the intention to stay. In other words, the more the experience in entrepreneurial activities, the stronger the intention to settle in a particular place, and the more the experience, the longer the length of stay in the receiving region.

The tenth variable is **"**migration experience"**.** Migration experience refers to the frequency of moves before the migrants finally settle at the current location. The total number of trips made by migrants from one place to another after the age of eighteen can be used as an indicator of migration experience. Migrants with multiple moves are expected to move more than those with less migration experience (Massey, *et al*., 1993). People from families with migration experience may also be more likely to move than those from families with no migration experience. Migration experience has a negative impact on the intention to stay. In other words, the more the migration experience is drawn on, the lower the intention to settle in a particular place and the shorter the length of stay (n'Doen, Gorter and Nijkamp, 1995).

3.8 AN ANALYSIS OF MIGRATION AND ASSIMILATION

Mantzaris, (2000) points out that the long and complex process of assimilation has as its starting point migration, which can be defined as the physical transition of an individual group from one society to another. According to Eisenstadt, (1995), migration itself is accomplished, or can be seen to develop, through three basic stages:

- Motivation to migrate, which includes all the feelings that give rise to the urge for emigration from the old cultural environment, and the circumstances facilitating this motivation;
- The social structure of the migratory process, *i.e.* the general character of the migration, whether temporary or not, the kinds of immigrants involved, and so on;
- Absorption or non-absorption of the immigrant into the social and cultural framework of the new society.

Mantzaris, (2000) argues that the basic fact of the migratory process, (*i.e.*, the physical transplantation of individuals), creates a whole new process of chain reactions and adjustments, which usually culminate in the assimilation of the immigrant into the new host society. Migration, in general, necessitates social and economic adjustments on the part of the community in which the immigrant originates, the one to which he moves, and personal and social adjustments to the culture of the host society. It is important to note that migration is a demographic process which calls for assimilation (Vlachos, 1965).

In the examination of immigration to South Africa by several ethnic groups, assimilation has been a concept related to the process of adjustment of the various ethnic groups (*e.g.* Greeks, Italians, Germans, Chinese and Dutch) to the new culture. This process of adjustment has been explained in different ways by many researchers, who have tried more generally to describe and analyse the philosophy and nature of human relations across the continent (Mantzaris, 2000; Hofstede, 2001; Triandis, 1994 and 2000; Naidoo, 2002).

Among the explanations offered towards understanding the assimilation effort of migrants (the effort to adjust to the larger culture) was one proposed by Hofstede *(et al.,*, 2001). They refer to the "melting pot" concept, which exemplifies the belief that foreigners will fuse with native stock with great rapidity and that a new type of composite will result. Mantzaris (2000) is an advocate of the "Africanisation" concept, by advocating obliteration of any "foreign" attitude and cultural trait. Mantzaris (2000) regards the goal of assimilation as a complete adoption of the cultural patterns of an African society. Opposed to the above concept, at the other end of the spectrum, are proponents of "ethnic federation", or "cultural pluralism", or "cultural democracy" based on the right of each group to maintain its particular life without interference, and which therefore describes assimilation as an accommodating scheme of mutual toleration (Mantzaris, 2000). There have been many ways of proceeding in the analysis of the assimilation process of the several ethnic groups. Three basic questions, however, indicate the interest of the bulk of the literature on the subject:

- What is the meaning of assimilation, or what is the definition of the process of assimilation?
- What are the factors or variables involved in, or influencing, assimilation?

- How do we measure assimilation, or what indices can the researcher use as manifestations of a successful or unsuccessful assimilation of the culture into a larger society?

Park and Burgess (1935) define assimilation as “a process of interpretation and fusion in which persons and groups acquire the memories, sentiments, and attitudes of other persons or groups, and by sharing their experiences and history, are incorporated with them in a common cultural life.” Park (1934) further notes the phenomenon of “re-socialisation” in which the individual learns the new values, attitudes, roles and behavioural expectations of various kinds of larger society.

One other important element in the definition and analysis of assimilation is its gradual, or progressive character. Mantzaris (2000) prefers to view assimilation as “a process of progressive adjustments whereby an immigrant little by little becomes adapted to the physical and socio-cultural environment of the country of his adoption”. The overlapping of concepts, especially between “acculturation” and “assimilation”, becomes obvious in many of the above writings. Mantzaris (2000), who has made an intensive study of South African Greeks, states that: “Acculturation comprehends those phenomena, which result when groups of individuals having different cultures come into continuous contact, with subsequent changes in the original patterns of either or both groups”. Mantzaris (2000) adds that acculturation is to be distinguished from culture-change, of which it is but one aspect, and assimilation, which is at times a phase of acculturation.

It is implied in the various discussions of the concept of assimilation that it is a process, and as a process, one of its first characteristics is its time dimension. There is thus a continual emphasis on the slow character of the process, the gradual acquaintance with the new culture, and at the same time the still slower discarding of the old cultural elements (Vlachos, 1965; Roucek, 1954; Mantzaris, 2000; Bernard, 1950). Assimilation often takes a long time to be achieved; in some cases it may never be completed. There are many instances where, despite long periods of time, assimilation has been at a bare minimum, and where fusion of cultures would take very long time (Hofstede, 2001). According to Koliopolis and Verimis (2002), assimilation, as a process, can be seen as operating on the individual as well as on the collective level. Such a distinction emphasises the additional difference in time span for assimilation between the particular individual and the total ethnic group. They also observe that the individual may become "invisible" in all sorts of social contexts (*e.g.* work situation, church, cultural associations) but still retain contact with a group (ethnic club, language society), which may be visible as a group. Action and interaction may take place, but generally in the sense of "visibility", group assimilation may be a much longer process than individual assimilation (Kolipolis and Verimis, 2002).

The various levels of analysis involved in the discussion of the concept of assimilation and the importance of the above distinctions in the literature can be illustrated by the theoretical schemes of some of the previous research. Among the useful theoretical schemes of the assimilation process is a three-fold distinction by Vlachos (1965), who examined the assimilation of the Greeks in America.

In Vlacho's scheme a distinction is drawn between:

(1) The **economic** and **technical assimilation**, which is an outward adjustment and conformity to the general modes of living;

(2) **Cultural assimilation**, which includes new cultural traits, modification of the old, and psychological re-adjustment;

(3) What he calls **ethnic assimilation**, which he considers the ultimum test of assimilation and which he describes as a biological amalgamation, especially through intermarriage. To introduce the element of the progressive character of assimilation, Vlachos (1965) notes: "The three-fold process of assimilation is rarely completed in the first generation. It requires at least three generations and is strengthened with the accumulation of successive generations".

Kalipaulus and Verimis, (2002) proposed a parallel three-stage assimilation process model consisting of:

(1) **external assimilation**, which is the deliberate and conscious adoption of more outward elements in the culture of the receiving group.

(2) **internal assimilation**, which is a gradual process affected by closer contacts being made with South African life, and the immigrant beginning to appreciate the meanings of the cultural material appropriated; and

(3) **creative assimilation**, which occurs when the member of the ethnic group views the African culture in a more objective and rational manner than one who is racially-minded (Mantzaris, 2000).

Hofstede (2001) offers an alternative exhaustive list of interacting factors that must be taken into account in order to understand the process of assimilation. He refers to the attitude of the dominant host group, attitudes of the minority group, cultural kinship, race, relative number of groups involved in the contract situation, rate of entrance of the minority group, manner of settlement (whether urban or rural, and the extent of isolation), the age and gender composition of the group, and the influence of certain personalities either in opposing or encouraging assimilation.

Mantzaris, (2000) also discusses the elements affecting the nature and extent of the group's assimilation, such as tradition, visibility, real or imagined competition, cultural components of the immigrants, and the social pliability of immigrants (Mantzaris, 2000). Other researchers have offered similar classifications of factors or variables involved in the process of assimilation, such as cultural kinship, language, religion, home life, flow of immigrants, legal obstacles, age opportunities, segregation, and so on. All these factors involved in, or influencing assimilation involve a multiplicity of manifestations of social and cultural participation (Kolipolis and Verimis, 2002; Vlachos, 1965; Berrie, 1951; and Hofstede, 2001).

Kolipoulis and Verimis, (2002) who, as stated above, distinguished three stages of the assimilation process, offer some indices that can be used to assess the success of assimilation. Their indicators are particularly suitable to the second generation, such as:

- Change in externals, *i.e.*, personal appearance, food habits;
- Change of names;
- Occupational adjustment, *i.e.*, moving away from the parental occupational specialisation, increasing white-collar jobs;

- Marriage, *i.e.*, postponement or avoidance of marriage and therefore greater independence;
- Intermarriage;
- The birth rate and decreasing fertility;
- Racial gestures, or fewer gesticulations;
- Crime patterns, which denote the crossing of ethnic lines in delinquent acts and not "idiosyncratic" ethnic crimes (Koliopoulis and Verimis, 2002).

Mantzaris, (2000) proposes the following indicates is of successful assimilation:

- Economic integration, *i.e.*, jobs in factories, participation in unions, and increasing class and economic status;
- Education, especially knowledge of English and more generally exposure to South African values through school;
- Political activity and identification with African ideology;
- Recreation, *i.e.*, mass participation, influence of movies, entertainment, and mass culture;
- Above all, intermarriage, which transcends ethnic, religious, and racial boundaries (Mantzaris, 2000).

There appears to be at least some convergence among the various authors on assimilation, which can be summarised as follows:

- Despite the definitional subtitles, there is, more or less, agreement that assimilation is a process of adjustment to the cultural elements of a surrounding larger group.

- Assimilation, being a process, involves a time dimension and therefore gradual acquaintance with the new culture in successive generations.
- There is recognition of individual and group assimilation.
- There is recognition of an underlying distinction between assimilation as denoting the position in the social order and as expressing the internalisation of values and cultural standards of a larger society.
- In the various theoretical approaches, there are common elements with regard to the factors or variables involved in the process of assimilation. These common elements tend to emphasise:
    - The predisposition and cultural background of the immigrant;
    - The structure of the migratory process;
    - The predisposition of the receiving society and the socio-cultural structure of the receiving area.
- The measurement of assimilation involves certain indices of participation in the South African culture. These indices refer mostly to occupational or economic status, marriage, education, citizenship, and English language competence, and so on.

This study is based on the contemporary literature on migration and assimilation as applicable to the South African Greeks in South Africa. Generally speaking, the South Africans of Greek extractions have not been the focus of many business-related research studies.

3.9 MOTIVATION FOR GREEK MIGRATION TO SOUTH AFRICA

South Africa provided another exit to a continuous search for the extension of the narrow horizon of economic and social reality in the limited frontiers of the earlier years of the newly independent Greek nation (Mantzaris, 2000). For centuries, boys and men have left their barren lands for other nations where their labour was needed, and have sent money back for dowries, land, and even food.

Researchers into migration usually assume that the European immigrants, especially those after 1880, came to South Africa seeking improved economic conditions. There is a distinction on the "pull" of economic opportunity in the country of destination. Although the economic motive has been very strong in the case of Greek immigrants to South Africa, the present research also takes into account many other reasons that created the motivation for emigration, such as relative overpopulation, communication, and political and religious motives.

3.9.1 Economic Reasons

Vlachos (1965) pointed out that the great exodus from Greece at the turn of the 20th century was, first of all, a result of the economic crisis brought about by the complete failure of the then olive crop, which was the main industry of the Peloponnesian Peninsula, and more particularly of the regions around Korinth, Tripolis and Sparta. More generally, from 1882 to 1902, economic conditions in Greece were deplorable. As a result of territorial controversies with Turkey and the expenses of placing the army on a continuous war-footing, large treasury deficits were met by the issuing of paper currency and heavy taxation (Koliopoilis and Verimis, 2002). As a result of a blockade imposed by the Great Powers, which had repeatedly warned Greece against undertaking hostilities with Turkey, the economic crisis in Greece became more acute (Vlachos, 1965).

Mantzaris (2000) notes that, in addition to heavy taxes and the general poor economic conditions at the time, the Greeks also had to bear the crushing weight of the traditional dowry system. Finding money for the purpose of marrying off Greek girls has always been a difficult task in Greece. Many a brother and father emigrated and regularly sent remittances to build the dowry of an unmarried sister or daughter. The economic motive was therefore the main reason for emigration, and prompted Koliopoulis and Verimis (2002) to write: "Stated succinctly, Greece has always been a splendid place to go away from to make a fortune." For this reason the youth of the country were exhorted to leave for the "continent of gold wealth".

3.9.2 Population pressures

Many researchers have emphasised the problem of overpopulation as a pressing factor for emigration (Mantzaris, 2002). Polyzos, (1947), however, in an extensive study on Greek emigration, did not think that such a factor was present. He compared the density and rate of emigration for certain selected years, and showed that during the years that emigration was the highest, population density decreased. It must be pointed out that, given the nature of the Greek soil (about 80% non-arable land) it is misleading to think only in terms of population density relative to land availability. Instead, researchers should rather compare density per unit of arable land. If such a comparison is used, population density actually increased rather than decreased at the time (Vlachos, 1965).

3.9.3 Communication

Koliopoulis and Verimis, (2002) argue that another factor in the motivation for emigration was the extensive advertisement and the selfish activities of steamship agents, who travelled from the valleys to the mountains of Greece and held their coffee-house audiences spellbound with exaggerated tales of the ease with which money could be acquired in Africa, America, and the rest of the world. The poor peasants heard with fascination the stories about the empty virgin lands waiting for the eager toiler, the soft life, and the miracles of modern civilisation. Early immigrants also told stories about the magic attraction of Africa with such statements as “Africa is a woman born to be loved more than any woman in the world and her best lovers are the Persians, Chinese, Italians, the Greeks, the Jews, everyone” (Mantzaris, 2002:14).

In addition to the glamorous advertising, the constant stream of letters sent back by the first arrivals proved a very important factor in the final decision to emigrate (Koliopoulus and Verimis, 2002). The result of this was what Mantzaris, (2000) called “chain migration”, *i.e.*, the exodus which can result from an enthusiastic and attractive “chain letter” sent back home by a successful immigrant abroad. The photographs that usually accompanied such letters showed handsomely attired young relatives in high-buttoned shoes, tight-fitting suits, celluloid-collared silk shirts and cocked hats. They compared all these with the young men who left dressed almost in rags and sometimes barefoot, or with primitive sandals (Mantzaris, 2000).

The resultant admiration and envy were understandable, especially when the writers of such letters added that they had managed to save a few hundred dollars or so, a real treasure when converted into drachmas. Vlachos (1965) showed very vividly the envy of the villagers of the successful immigrant in America when he described the visit of one of them to his native village: "When a son was returning from a visit, the whole town walked out a mile or so to welcome him. Mounted like a medieval knight on the finest horse of the village, the visitor rode proudly with head back and chest thrust forward, for the admiration of the crowd. In this land of frugal living, his ruddy cheeks, thick neck, and stomach rounded by German beer were greatly admired as proofs of prosperity. Everything about him was wonderful, from his shaven neck to his handsome American boots. For days he stood at the coffee-house for all comers, and they never ceased to marvel at his thick roll of bills… it was a wonderful drama to the children, and it provided material for our dreams about what we should some day achieve in America (Vlachos, 1965).

It was no surprise that every able-bodied Greek male saved every drachma and scraped together the price of a steerage ticket to see for himself America, Canada, South Africa, and Africa, and the rest of the planet, to become part of this mythology (Mantzaris, 2000).

3.9.4 Political Reasons

An additional motive for emigration for many young men was an escape from military service (Koliopoulis and Verimis, 2002). Despite the strong nationalistic feelings of many Greeks and the patriotism advocated by the Greek authorities, many Greeks in the military classes subject to call-up left the country for the rest of the world in order to avoid conscription. On the eve of the war of 1912 with Turkey, there were many who, aware of the pending legislation to bar the exodus of draft-age men, hurriedly sold their crops in order to leave before the government could act (Koliopoulis and Verimis, 2002).

The several military adventures of Greece and the national revival that swept the country from 1904 to 1912 had considerable influence on emigration, especially by providing many young Greeks with the determination to free themselves from the political vicissitudes of modern Greek history (Vlachos, 1965).

3.9.5 Religious factors

With respect to emigration from Turkey, where a substantial number of Greeks were residing, the extension of military service to Christians after 1909 was the reason for the flight of many young Christian men. The continuous religious conflict between Moslems and Christians in Turkey and the fear of reprisals when a major conflict between Greece, Bulgaria and Turkey became imminent in 1912, motivated many Greeks to emigrate from Turkey, mainly to the United States (Koliopoulis and Verimis, 2002).

It has been estimated that in the period between 1890 and 1910, one-tenth of the people in Greece and between one-fifth and one-fourth of the Greek labour force left the country. The flight of the most vigorous elements of the nation left Greece almost as a land of women, children, and old people (Vlachos, 1965). Given also the character of the migratory process, practically all the married emigrants left without their wives and children (Mantzaris, 2000).

To summarise, finding themselves in a foreign and sometimes hostile environment, the first Greek immigrants soon realised that they had to unite in one or another form of "togetherness" and maintain their close "ethnic links" in an attempt to resist assimilation. Their efforts to create and develop cohesive interpersonal networks resulted in the formation of ethnic institutional structures capable of maintaining those close links.

The factors discussed in 3.9 played an important role in helping the first Greek immigrants in their attempt to preserve their national and cultural identity and to resist the assimilation "threats" posed by the wider society.

3.10 THE QUANTITATIVE ASPECTS OF GREEK EMIGRATION AND IMMIGRATION

3.10.1 Places of origin of Greeks immigrants

Vlachos, (1965); Mantzaris, (2000); Kolipoulis and Verimis (2002) all report that the places Greek immigrants came from differed according to the time of emigration. Before 1900, they came from the ports and the cities and towns along the coasts of mainland Greece and Asia Minor. After 1900, they started leaving villages in the interior mainland; thus, the Peloponnesians were soon followed by villagers from Sterea Hellas and Thessaly. Later, and especially after the unsuccessful war of Greece against Turkey in 1922, refugees from Asia Minor, European Turkey, and the Hellenic Islands, comprised the bulk of Greek emigration to the United States, Africa, Australia, and the rest of the world.

3.10.2 Problems of definition

One should make a distinction between “Greek emigration” and “immigration from Greece”. “Greek immigration” refers to a group of people, all Greeks, considered as an ethnic group (i.e., Greeks from other areas such as Cyprus, Turkey, etc.) irrespective of their country of origin (Vlachos, 1965). This is also the frame of reference of this study. On the other hand, “migration from Greece” refers more specifically to that group emigrating from Greece (within the established frontiers of each period) and includes all Greek citizens. This distinction is most important in understanding Greek immigration (Vlachos, 1965).

3.10.3 The flow of immigration

Immigration from Greece was most severe between 1905 and 1915 with a peak reached during the year 1907, when 36, 580 persons were recorded as immigrants from Greece, i.e., about 1.5 per cent of the total 2, 631, 950 population of Greece for the same year (Giannakoulis, 1959).

Between 1950 and 1975, another half-million Greeks migrated to Western Europe, mostly to West Germany as “Gastarbeiter” (guest workers). The term indicates that the German state was not interested in assimilating this borrowed labour force, and few Greeks became German citizens. Proximity and cheap travel encouraged most to return to Greece and settle in the urban centres as small businessmen (Moskos, 1989). The number of Greeks residing permanently outside the boundaries of the Greek state is difficult to compute. Mixed marriages have led to significant portions of older diasporas, such as those of Russia and the United States, entering the melting-pot of their adopted countries

(Kaliopaulis and Verimus, 2002). Americans of Greek ancestry appear in official United States statistics for 1980 as 1 968 000, although Greek-American sources make the number as high as 2,500 000. According to Greek statistics, there are today about 1 600 000 Greeks in Western Europe, mostly in Germany. In the last Soviet census in 1989, 358 000 people declared their Greek background: 104 000 in Ukraine, 81 000 in Russia, 100 000 in Georgia, 50 000 in Kazakhstan, 7 500 in Uzbekistan and 7 400 in Armenia (Kaliopaulis and Verimus, 2002).

Of the post-Second World War migrations, the most significant was to Australia, where today there are 422 000 Greeks, followed by Canada with 192 000. Illegal immigrants may increase these numbers by 50%. There are about 720 000 Greeks in Africa and 50 000 in Latin America, half in Brazil and 20 000 in Argentina. The once-thriving communities of the Middle East have declined to only a few thousands, but there are close to 30 000 Greek Jews in Israel (Hassiotes, 2000). Conflicting statistics arise when numbering South African Greeks. The Greek Embassy in Pretoria reports that 400 000 Greeks hold South African passports, but Mantzaris (2000) estimates this to be much less than that.

The exact number of Greeks who came to South Africa (or to the rest of world in this context) will probably never be known. The failure of the Greek movement to keep accurate records and the difficulties of defining a “Greek,” account for most of the confusion. The Greek definition of a Greek has been more all-embracing than the South African one. The Greek authorities held that a person always retained his nationality (Mantzaris, 2000). If his father happened to be Greek, he was also a Greek, regardless of where he was born or where he lived. The question of who is a “Greek” has become a complex one, and the answers range from the strict legalistic definitions of citizenship to such broad definitions as that of the then prime minister of Greece, Venizelos, who said "a Greek is a person who wants to be Greek, feels he is Greek, and says he is Greek", (Mantzaris, 2002).

3.10.4 The gender composition of Greek immigrants

An important characteristic of Greek immigration to South Africa was the heavy proportion of male immigrants. Very few females crossed the ocean in the early years of Greek immigration, and their small percentage increased significantly only after 1923. This percentage continued to rise as the unmarried Greek immigrants brought wives from Greece. From 1896-1990, only four women arrived for every 100 men coming to South Africa. Five women for every 100 men was the proportion for the decade 1901-1910, and sixteen for every 100 men was that for 1911-1920. The figure jumped up to 67 women for every 100 men for the period 1921-1924. For three selected years, 1900, 1920, and 1930, the proportion among immigrants of Greek women to 100 Greek-born men was 11, 23, and 35 respectively (Mantzaris, 2000).

One outcome of the fact the Greek immigrants had such a high percentage of males was their higher level of mobility (Mantzaris, 2000). This also explains their concentration in such occupations as peddlers, or members of railroad gangs, occupations not conducive to settled family life. It is this feeble representation of Greek women to South Africa that made so precarious the staying of the Greek male immigrants in the new country during early years of Greek immigration, and hindered considerably their assimilation into the host country. It can be argued, however, that the lack of Greek women led to a high rate of intermarriage of the early immigrants, which accelerated assimilation. Unfortunately there are no comparative statistics for such a hypothesis, but various sources hint at the rather considerable rate of intermarriage on the part of Greek male immigrants (Vlachos, 1965).

3.10.5 Emigration from South Africa to Greece

One of the outstanding characteristics of Greek immigration, especially in the first quarter of the century, has been impermanence (Mantzaris, 2000). The Greeks were unwilling, at the beginning, to make their homes in South Africa. The almost exclusively male immigration population was expected to work in the new land and send regular remittances home to parents and/or siblings. After they had earned the money, or after dowries had been completed in Greece, they were expected to return and settle in their own native village (Mantzaris, 2000; Koliopoulis and Verimis, 2000; Vlachos, 1965; Polyzos, 1959).

Many immigrants, who had retained close ties with the homeland through correspondence, the Greek press, the Church, and the various Greek organisations, felt more and more strongly the pangs of nostalgia. They saw the homeland as the ideal place for a peaceful life, and with the passing of time the rosy veil of memory covered many ugly aspects of life in Greece. Their bitterness towards the hard life in South Africa was reinforced by the nationalistic feelings aroused in the several war adventures of Greece, and many an immigrant crossed the ocean to return to the familiar soil of his birth (Kolipoulis and Verimis, 2000).
There were many, however, who never made the promised return. Perhaps they were unwilling to admit that they were over-idealising. From a distance and over the years, only the peaks of mountains in the

golden sun could be seen across the seas. Many who went to Greece, on the other hand, found the land without adornment and the reality very barren, unlike the dream during those long years in the mineshafts of Kimberley or the bleak tenements of Johannesburg.

3.11 THE GEOGRAPHICAL DISTRIBUTION OF GREEKS IN SOUTH AFRICA

Once Greek immigrants landed in South Africa, they took three main directions. One option was to go towards the interior, where they would meet other relatives, or friends from the same village or region of Greece. Another group of immigrants drifted to Kimberley, where they would find relatively large Greek colonies. Finally, a third direction was to the Greek immigrants in the big cities, such as Johannesburg, Pretoria, Port Elizabeth, and Bloemfontein, where they had a better chance of meeting other compatriots in a similar ethnic environment (Mantzaris, 2000). Price (1984) has offered a useful scheme of patterns of settlement of Greek immigration to South Africa. First there is "organised" group settlement, which usually took place in such cases as when a large group left the same village together to board a ship and in this organised fashion settle in the new country. The second pattern, described as "chain" settlements, is exemplified in those cases in which immigrants were drawn by "chain" letters or by invitation to join the other immigrants who had preceded them. Finally, third forms of settlement, namely the "gravitation" settlements, were groups of Greek immigrants independently drawn together by attraction of background and common problems. This behaviour explains the existence of some settlements in the bigger cities, and led to the development of ethnic neighbourhoods (Vlachos, 1965; Kolipoulis and Verimis, 2000; Mantzaris, 2000).

Although the majority of the Greek immigrants were villagers, very few of them got involved in agriculture. It was not so much the fact that much of the land had already been distributed among the old immigrants, as that the Greek immigrant peasants had run away from their barren land to avoid the capriciousness and unpredictability of their agricultural profession (Vlachos, 1965). As a result, the Greeks were scattered in cities all over South Africa with heavy concentrations in large urban centres (Mantzaris, 2000).

In this chapter, the Greeks have been examined in both historical and sociological terms. It would perhaps be nonsensical to try to compare the South African Greek immigrants of the 1910s or 1920s with the new generations of South African-born Greeks who have achieved an unprecedented social, economic, and educational mobility.

As this chapter constitutes a pioneer effort in more ways than one, and the lack of both primary and secondary material has become evident in the process, the socio-historical and other comparisons to be found here have been drawn from existing experiences of Greeks in other parts of the diaspora, especially the United States of America. America has been called the "melting pot" of immigrants, and most of the theoretical developments and empirical research on ethnic groups have their foundations there. Although South African Greeks constitute both a numerically strong and historically old ethnic group, they have not received serious attention.

Greek emigration to South Africa was the result of the perpetual structural crisis of Greek society, from the establishment of the first independent Greek state after 1828 up to the present time. This structural crisis and its consequences, social and economic, constitute the primary push factor for emigration. The results of this crisis stem from the devastation of the rural Greek areas and increasing urbanisation (which is not based on a long-term plan). This has forced the Greek economy to face the problem of unemployment, not only in the rural agricultural areas, but also in the urban areas. These sections of the Greek population constitute the main base of the emigrant population. This fact leads to the conclusion that the vast majority of Greek immigrants in South Africa (especially the first generations) are from a rural background.

Although the majority of the first two generations were occupied in small-scale shops (a phenomenon which, as has been shown, occurs even nowadays), there has been increasing upward mobility, which took place mainly after the 1960s and continues in the present time. A consequence of this has been not only the creation of different strata of the "new middle class" but also increasing social phenomena such as alienation and especially assimilation. The latter has been the result of the increasing dominance of the state apparatuses – mainly the school and university – over the stronger institution, socialised within the Greek tradition, i.e. the family. Assimilation within the South African society accounts for the disappearance not only of their Greek culture, but the national identity as well (Mantzaris, 2000). This fact, on the one hand, is the result of the indifference of the Greek government concerning the Greek education of immigrants, and on the other hand, the disorganisation and obvious lack of Greek schools in South Africa (Mantzaris, 2000). Mantzaris (2000) further indicates that, although the economic situation of the great majority of Greek immigrants in South Africa is good, their increasing indifference to the perpetuation of the national and cultural Greek identity of their children is a fact which has resulted in the absorption of the younger generations of Greeks into the South African society, not only on the cultural level, but on the national level as well.

This leads to the next level of discussion: the South African Greeks (through their experience as ethnic entrepreneurs and as part of as an assimilated group) are, to a significant extent, influenced by their distinct cultural background. These cultural considerations influenced the way South African Greeks approached entrepreneurship. Chapter 4 will discuss these important cultural considerations in greater detail.

3.12 SUMMARY

Brockhaus, (2003) asks the question: "Why do entrepreneurs need a theory of entrepreneurship?" His succinct answer is: "because it enables its user to be efficient." According to Brockhaus (2003), "efficiency" for the entrepreneur, means recognising what kind of information is helpful and knowing where it can be obtained. The efficient entrepreneur uses the theory to translate raw data into usable information and to process the data into categories and variables. A good theory indicates to the user how things and events are related – which are likely to be external causes and independent, and which are likely to be internal results and controllable. A good theory also tells entrepreneurs the probable direction of causality. Therefore, an entrepreneur with a good theory of how entrepreneurship works is practical and efficient. This is crucial because entrepreneurship can be expensive. Real-time failures cost money and the irreplaceable time of many people, as well as their hopes and reputations (Brockhaus, 2003).

This chapter dealt with the migration of entrepreneurs in developing countries. Studies on migration primarily focus on labour migration, in which economic factors have become the most important inducements to migrate. This is only a part of the migration process in many developing countries. Another significant consideration of the migration process is the existence of entrepreneurial migrants in these countries. These migrants are characterised by their motivation to engage in business activities, particularly in trading activities. This chapter has focused on entrepreneurial migrants for whom the emphasis is on both economic and socio-cultural factors. Socio-cultural factors play an important role in migration decisions because of the social and political events which often occur in developing countries, and which reflect unstable social and political circumstances in developing countries. Two approaches, the Structural and the Cultural approach, were used as a starting point to examine entrepreneurship migration. The Structural approach emphasises structures of opportunity upon arriving at a receiving region, and the Cultural approach emphasises birthright to business.

Immigrant entrepreneurs use resources and take risks in the same way non-immigrant entrepreneurs do. Their access to resources can, however, in some cases be different. They can respond to this access problem by finding or creating alternative resources or by shifting the balance between resources. Some of the resources can be labelled “ethnic”, because they are available to the members of a certain group only.

Here the argument is advanced that “ethnic” resources must mainly be seen as a form of social capital. Like all social capital, they increase in value when used. If and how they are used and for how long they can be used depends on the opportunity structure that migrants encounter. Use of ethnic resources and restricted access to non-ethnic resources creates characteristics that are specific to immigrant entrepreneurs, niche formation, high rates of self-employment, and enclave business activities.

The literature shows that demands (for skill, a specialised regionally-based product, or cheap, seasonal and flexible labour) can encourage niche formation, but this is not necessarily a sufficient condition for success. Niches only develop on this condition if the demand is large-scale and continuous. Short-lived or limited-scale demand does not lead to niche formation. A link can be made to the nature of the migration process. The niche is enforced by the arrival of new immigrants from the same background. As long as the niche is able to accommodate these newcomers, the niche and the group involved in it will continue to exist and grow. If migration stops, because demand disappears or opportunities in the sending society change, the niche will disappear or will be diluted until it is no longer recognisable. Niches develop gradually. Only at a certain point, after an initial phase, will immigrant activity in a sector develop into niche formation. At this point, people from the sending society start to move towards the niche, thus shaping both the niche and the group involved in it. Because of this, group formation and niche formation are interrelated processes.

The next chapter will explore how cultural factors affect the way in which ethnic entrepreneurs manage their families and their businesses.

CHAPTER 4

CULTURAL INFLUENCES AND THE SOUTH AFRICAN GREEK FAMILY

4.1 INTRODUCTION

Chapter 3 explored the concepts "immigration" and "assimilation" of expiates into the economies of so-called host countries. Chapter 3 also examined the reasons and the patterns of immigration of Greeks in a historical context. Whereas Chapter 3's focus was at the macro-level, the present chapter examines cultural influences at a micro-level - at the business level. More specifically, it examines how cultural factors affect the way in which Greeks (particularly those in South Africa) manage the family and the family business. Chapter 3 also documented the process by which ethnic groups move into business enterprises. The present chapter describes how their cultural orientation contributes to the development of such enterprises, and the importance of family members within the business

It is well accepted that people in particular localities share a number of common characteristics, such as religion, political views, lifestyle patterns, and approaches to work. People normally vary in the ways that they live their lives, but the variations are often reasonably predictable within and across groups of people. (Prime, 1999). The variability is the descriptive dimension of what is termed "culture" (Erez and Earley, 1992; Hofstede, 2001; Bret, 2000; Prime, 1999; Brett et al., 1997; Triandis, 1994, 2000; Fisher *et al.,* 1991; Thompson, 1998). The field of international management often neglects specific aspects of culture in favour of a more easily defined (and less theoretically precise) parameter denoted by geopolitical boundaries (Hofstede, 2001) when discussing managerial practices. Since a broad and complete overview of "culture" is beyond the scope of this chapter, the impact that culture exerts on how South African Greeks govern their families and their businesses will be explored in some detail.

Researchers have demonstrated an increasing interest in studying the development of business activity as a pattern of adjustment by some racial and ethnic groups (Portes and Manning, 1986; Light and Sanchez, 1987; Bonacich, Light and Wong, 1980; Cobas, 1985, 1986; Wilson and Martin, 1982; Sullivan and McCracken, 1988; Horton, 1988). The major theoretical perspectives guiding this chapter are "middleman theory" (Bonacich, 1972) and "ethnic enclave theory" (Wilson and Martin, 1982; Wilson and Portes, 1980). Although there is considerable overlap between these theories, they appear in the literature as unique perspectives that enhance our understanding of the development of business activity by racial and ethnic groups. This chapter also explores the degree to which one enterprise is more prevalent within certain ethnic groups than others. Most studies simply combine all "White" ethnic groups together into one category (Sullivan and McCracken, 1988; Zimmer and Aldrich, 1987), which they then compare with certain "racial" ethnic groups (e.g. Asians versus Whites). Given this narrow focus one can expect that questions still persist about which ethnic groups, if any, are more likely to pursue entrepreneurship (Butten and Herring, 1991).

4.2 CULTURE–RELATED RESEARCH

Several authors have pointed out the biased nature of culture-related research. According to Featherman (1993:41),

> At least two-thirds of published research originates in the West. In the social sciences…America, especially, has exported the major theoretical frameworks, methods of research design and analysis, and with them, the disciplinary form of codifying and organizing scientific knowledge systems.

It is thus important to stimulate the production of rigorous, culturally sensitive research in a variety of geographical settings to ensure that our knowledge base in research becomes less Americo-centered (Triandis, 2000). According to Triandis (2002) American research has shown that self-esteem was the strongest predictor of satisfaction for American adults in enterprise.

In a research programme conducted by Bond and Sabourin, (2000), the logic of collectivist social thought was used to argue that the achievement of relationship and harmony with others would be a major goal in collectivist systems valuing group stability. Since 1980, social scientists have relied on Hofstede's (1980) monumental work, "Culture's consequences", to compare the locations of 40 nations on four dimensions of cultural values. New dimensions have been added to his topology, and more comprehensive value measures have been developed. Others have researched ways to conceptualise and measure culture, such as the assessment of social axioms. In addition, eco-social indicators have been combined to give a way of comparing cultural systems. These new approaches to making sense of culture variation are being utilised to explore ways in which a person's cultural background may be scientifically linked to his or her social and commercial behaviour (Triandis, 2000). The growing appreciation of the role of culture role in organisational behaviour will enhance our understanding of good governance of both the family and the business.

4.3 DEFINING CULTURE

"Culture" is defined as a shared meaning or system, found among those who speak a particular language/dialect, during a specific historic period, and in a definable geographic region (Triandis, 2000). It functions to improve the adaptation of members of a culture to a particular ecology, and it includes the knowledge that people need to have in order to function effectively in their social environment (Triandis, 2000).

Culture thus refers to the core values and beliefs of individuals within a society, which are formed in complex knowledge systems during childhood and reinforced throughout life (Lachman, 1983; Triandis, 1980; Hofstede, 1994, 2001).

According to Samovar and Porter, (1994), "culture" refers to the cumulative deposit of knowledge, experience, beliefs, values, attitudes, meanings, hierarchies, religion, notions of time, roles, spatial relations, concepts of the universe, and material objects and possessions acquired by a group of people in the course of generations, through individual and group striving.

Kluckhohn, (1951) summarises the definition of culture: “Culture is transmitted mainly by symbols, constituting the distinctive achievements of human groups; including their embodiments in artefacts; the essential core of culture consists of traditional (*i.e.*, historically derived and selected) ideas and especially their attached values”. Other commonly applied definitions of culture include Herskovits’ (1955:305) formulation that culture is the man-made part of the environment. Triandis, (1972) and Osgood, (1974) define it as a perception of the man-made part of the environment. Shweider and Le Vine’s (1984) view is that culture is a set of shared meaning systems, whereas Herskovits, (1995) represents a broad, all-encompassing view of culture as the man-made aspect of the environment. Schein’s (1985) view is that the core of culture is the untested assumptions of how and why to behave. Hofstede, (1980), defines culture as a set of mental programmes that control an individual’s responses in a given context, and Parsons and Shils (1951) view culture as a shared characteristic of a high-level social system.

There are several cultural influences on the institutional and organisational levels of human endeavour. Culture shapes the organisations that evolve and the nature of social structures as they grow and adapt (Hofstede, 2001). Societies shape their collectives and social aggregates according to the rules implied by culture. In collectivist cultures (comprising most traditional cultures) people are more likely: (a) to think of themselves as interdependent within their groups (family, co-workers, tribe, co-religionists, country, etc.) rather than the individual self (reflecting the independent self), and to see themselves as autonomous individuals who are independent of their groups (Markus and Kitayama, 1991); (b) to give priority to the goals of their in-group rather than to their personal goals (Triandis, 1995); (c) to use in-group norms rather than personal attitudes to shape their behaviour (Abrahams, Ando and Hinkle, 1998; Suh, Diener, Oishi and Triandis, 1998); and (d) to perceive social relationships as communal (Mills and Clark, 1982). That is, they pay attention to the needs of others and stay in relationships even when that is not maximally beneficial to them. There is evidence that these four aspects are interrelated (Triandis and Gelfand, 1998).

Two broad cultural groupings have been identified in the cultural literature, namely the collectivistic and individualistic cultures. These two differ in that the individualistic culture places a low emphasis on broad, social networks of extended families and friends. The individualistic culture reflects on purely individual reward and action (Triandis, 1980' Hofsted, 2001).

Collectivist cultures have languages that do not require the use of "I" and "you" (Kashima and Kashima, 1997, 1998). They also have many culture-specific relational terms that are not found in individualist cultures, such as "**philotimo"** in Greek (Triandis, 1972), which expresses a feeling of compassion, regarded as a positive attribute of an individual who does what the in-group expects. "**Amae"** in Japanese reflects tolerance of deviation from norms by a dependent person (Yanaguchi, 1998). "**Simpatia"** among Latin Americans (Triandis, Martin, Lisansky and Betancourt, 1984), reflects the expectation that social relationships will include mostly positive and very few negative behaviours. Collectivists use action verbs (e.g. "offered to help") rather than state verbs (e.g. "he is helpful"). This difference exists because collectivists prefer to use context in their communications. Zwier (1997) in four studies, reported empirical support for this cultural difference, by comparing Turkish and Dutch students.

Culture also impacts on people's behaviour and ogranisations. A great deal of management research has been directed towards understanding corporate culture (also referred to as "organizational" culture), which refers to the peripheral or more easily influenced values and beliefs that an individual holds (Hofstede, 2001). An organisation's culture has a relatively weak influence on an individual's core cultural beliefs and values. If these beliefs and values are threatened by organisational practices, one can expect dysfunctional work behaviour or maladjustment (Adler, 1986). Thus, an individual's behaviour in an organisational setting is a product of knowledge systems which are acquired both culturally and individually through unique life experiences (Erez and Earley, 1992).

Finally Mantzaris (1995) summarises views on Greek culture as follows:

- Culture is symbolic communication. Some of its symbols include a group's skills, knowledge, attitudes, values and motives. The meanings of the symbols are learned and deliberately perpetuated in a society through its institutions.
- Culture in its broadest sense is cultivated behaviour; that is, the totality of a person's learned accumulated experience, which is socially transmitted, or more briefly, behaviour through social learning.
- Greek culture is a way of life of its people; the behaviours, beliefs, values, and symbols that are accepted, generally without thinking about them, as something that is passed along by communication from one generation to the next.
- Greek culture consists of patterns, explicit or implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including the

embodiments in artefacts; the essential core of culture consists of traditional ideas and especially the attached values; culture systems may, on the one hand, be considered as products of action, on the other hand, as conditioning influences upon further action.

- Greek culture is the sum total of the learned behaviour that is generally considered to be the tradition, and that is transmitted from generation to generation (Mantzaris, 2000).

4.4 CULTURAL AND STRUCTURAL THEORIES OF ETHNIC GROUPS

In an attempt to understand the relationship between culture and entrepreneuship, Butler and Herring (1991) have suggested middleman theory and ethnic enclave theory, as they can be thought of as cultural and structural patterns of entrepreneurship. Both frameworks identify cultural and structural patterns of various ethnic groups that facilitate or hinder success in the business world. Middleman theory has developed propositions relating to ethnic solidarity, societal hostility, and the development of business enterprises (Triandis, 2000). This theory proposes that, for groups that adjust to society by developing enterprises, hostility is generated towards them from the larger society, and this increases ethnic solidarity, which in turn promotes the further development of business enterprises. As a result, an entrepreneurial culture develops, that keeps the groups from falling to the bottom of the economic ladder in society (Ward, 1995). Over time, such groups begin to occupy the middle part of the economic system, hence the term "middleman" (Bonacich and Modell, 1980).

Butler and Herring, (1991) suggest that, because of the small amount of capital required, groups in this tradition are more likely to concentrate on small-service enterprises. In addition to a heightened sense of the importance of business, these groups develop a strong emphasis on the education of their offspring. As a result, their children are more likely to become professionals, especially in areas that are entrepreneurial in nature. They are often found in occupations such as law, education, and medicine (Butler and Herring, 1991). Mantzaris, (2000) points out that those who are not professionals are more likely to develop enterprises in the middleman tradition (Bonacich and Modell, 1980; Zenner, 1985).

Enclave theory also stresses the development of small business enterprises within ethnic communities, but adds the element of labour market theory (Hofstede, 2001). There are two theoretical constructs of this theory, primary and secondary. The primary sector is made up of jobs that are "good", as measured by excellent opportunities for promotion, remuneration, and company "perks" (*e.g.* health-care plans, quality of workplace, and retirement plans). The secondary sector consists of "bad" jobs that do not provide the employee with opportunities for promotion, remuneration, and company perks. According to the enclave theory, ethnic groups can create the analogue of the primary and secondary jobs within their enterprises (Portes and Bach, 1985; Wilson and Martin, 1982). Portes and Bach, (1985) show how, within the Cuban enclave, there existed both "good" and "bad" jobs. One of the major differences between the two theories is that, while middleman enterprises are found throughout the host population or city, ethnic enclaves are usually concentrated in one section of a city (Portes and Manning, 1986).

Another cultural explanation that attempts to account for differential rates of entrepreneurship among diverse ethnic groups is social learning theory (Schere, Adams, Carley and Wiebe, 1989). This perspective proposes that "role models" act as important environmental factors in forming career preferences. Observing, identifying with, and appreciating the behaviour of others make certain callings more noticeable than others. Through a process of vicarious learning and emulation, people make cognitive evaluations of the overall attractiveness of specific career options. They are either encouraged or discouraged to enter a particular occupation. People are more likely to enter a particular career or profession if they have seen role models successfully performing the activities associated with that career. They are also less likely to pursue a path in which significant others have been unsuccessful (Hofstede, 2001). Research has established the relationship between social learning and entrepreneurial behaviour. It has been shown that over 70% of entrepreneurs come from homes where parents or close relatives owned a small enterprise or were independent professionals such as lawyers, farmers, or accountants (Butler and Herring, 1996).

In summary, members of certain ethnic groups are more likely to be exposed to entrepreneurial behaviour (Ward, 1995). Cultural and structural explanations pose some difficult challenges, however, for analysts who want to distinguish between the separate effects of cultural and structural elements on ethnic entrepreneurial behaviour. As both culture and structure are so extensive, it is advisable to allow ethnicity to act as a proxy for cultural elements (Butler and Herring, 1991).

4.5 THE LINK BETWEEN NATIONAL CULTURE AND ENTREPENEURSHIP

If one accepts that culture is a system of collective values that distinguishes the members of one group from another (Hofstede, 1980; Mueller and Thomas, 2001), then national culture acts as the "common frame of reference or logic by which members of a society view organisations, the environment, and their relations to one another" (Geletkanycz, 1997:617). One of the most commonly employed descriptions of national culture was developed by Hofstede, (1980) who isolated four basic cultural dimensions: uncertainty avoidance, individualism, masculinity, and power distance. "Uncertainty avoidance" measures the ability of a society to deal with inherent ambiguities and complexities in life. Cultures that are high in uncertainty avoidance rely heavily on written rules and regulations, embrace formal structures as a way of coping with uncertainty, and have very little tolerance for ambiguity or changes. Accodring to Kreiser *et al.,* (2001), "individualism" describes the relationship that exists between the individual and the collectivity in a culture. Societies high in individualism value freedom and autonomy, view results as coming from individual (and not group) achievements, and place the interests of the individual over the interests of the group (Kreiser *et al.,* 2001).

"Masculinity", on the other hand, is primarily concerned with the level of aggression and assertiveness present in a culture. Highly masculine cultures place a high level of emphasis on assertive and ostentatious behaviour, and material goods and prestige are highly sought after. Individuals tend to exhibit a high need for achievement, and organisations are more willing to engage in industrial conflict.

The fourth cultural dimension, "power distance", is a "measure of the interpersonal power or influence between B (the boss) and S (the subordinate) as perceived by the least powerful of the two, S (the subordinate)" (Hofstede, 1980: 70-71). According to Kreiser *et al.* (2001), high power-distance cultures exhibit an unequal distribution of power, strong hierarchies and control mechanisms. In power-distance cultures, there is less communication among organisational levels, and a heavy emphasis is placed on subordinates being deferential and obedient to those in positions of power.

Researchers have cited numerous reasons for utilising the cultural dimensions posited by Hofstede (1980). These include the parsimony of the framework (McGrath, MacMillon and Scheinberg, 1992), the reliability and validity of the measures (Shane, 1994, 1995), the capacity of the model to tie cultural orientation to institutional differences between countries (McGrath, MacMillan, Yang and Tsai, 1992), and the ability of the framework to accurately predict individual behaviours (Mueller and Thomas, 2001). Hofstede's (1980) cultural dimensions have also been employed extensively in entrepreneurship research, having been utilised to examine entry mode (Kogut and Singh, 1988), rates of innovation (Morris, Avila and Allen, 1993;Mueller and Thomas, 2001; Shane, 1993), entrepreneurial differences between countries (McGrath, MacMillan, Yang and Tsai, 1992; Takyi-Asiedu, 1993), and behavioural differences between entrepreneurs and non-entrepreneurs (McGrath, MacMillan, and Scheinberg, 1992; Morris, Davis and Allen, 1994).

4.6 THE CONCEPT "ENTREPRENEURIAL ORIENTATION"

Researchers have often conceptualised entrepreneurial organizations as possessing three main characteristics: innovation, risk-taking, and proactiveness (Covin and Slevin, 1989; Miller, 1983; Miller and Friesen, 1982). "Entrepreneurial orientation" is demonstrated by the "extent to which top managers are inclined to take business-related risks (the risk-taking dimension), to favour changes and innovation in order to obtain a competitive advantage for their business (the innovative dimension), and to compete aggressively with other businesses (the proactiveness dimension) (Colvin and Slevin, 1988:218).

Recent research suggests that the three dimensions of entrepreneurial orientation may vary independently of one another (Dess, Lumpkin and McGee, 1999; Marino and Weaver, 2001; Lumpkin and Dess, 1996). This suggests that aggregated measures of entrepreneurial orientation may provide misleading results during the research process, as the individual contributions of each of the three dimensions of entrepreneurial orientation may not be clearly stated. It has been argued in the literature that future research on entrepreneurial orientation may benefit from considering innovation, proactiveness, and risk-taking – separate and unique dimensions of entrepreneurial orientation (Kreiser, Marino and Weaver, 2001; Lumpkin and Dess, 1996).

Several studies have linked national culture to the strategic decision-making process that occurs in entrepreneurial organisations. Geletkanycz (1997 : 14) argues the "differing views and assumptions embedded in national culture are reflected not only in managerial attitudes and beliefs, but also in the behaviours and actions by which organizational members discharge their roles". Mueller and Thomas, (2001) also theorise that national culture is responsible for causing individuals to engage in behaviours that are not as prevalent as in other cultures The argument that national culture affects individual behaviour has often been linked to the formation of business-level entrepreneurial orientation. Various researchers have argued that key decision makers within the business determine the overall strategic orientation of the organisation (Lumpkin and Dess, 1996; Miller, 1983). If national culture affects the way that individuals behave within organisations (Geletkanycz, 1997; Meuller and Thomas, 2001), and individual behaviour affects the strategic orientation displayed by these organizations (Lumpkin and Dess, 1996; Miller, 1983), then it stands to reason that national culture may play a significant role in determining the overall level of a business's entrepreneurial orientation.

4.7 DIFFERENCES BETWEEN WESTERN AND NON-WESTERN CULTURES

Mann, Radford, Burnett, Ford, Bond, Leung, Nakamura, Vaughan and Yang (1998) believe that the activity of decision-making is a universal process. People in all cultures encounter recurrent problems and opportunities that require significant choices between competing alternatives. Despite apparent differences in complexity of decision problems across cultures, the core issues are essentially the same – fulfilment of human needs, protection of the individual, promoting group survival, and maintenance of community norms and standards (Mann *et al.,* 1998). In similar vein, Schwartz (1994) points to universal aspects of the content and structure of human values across cultures, identifying the widespread operation of achievement, power, stimulation, self-direction, hedonism, benevolence, conformity, security, and universalism as basic value types. What may differ across cultures is a set of factors that determine who makes the decision, as well as the values and interests served by the decision. These factors include:

- The authorities and entities vested with responsibility and control over decision-making, as well as sources of expertise and advice, for example, the council of tribal elders, the medicine man, the Chairman of the Board, the Investment Analyst, and so on.
- The sphere in which individuals have freedom of choice, in contrast to areas in which they have limited or no choice, for example, to elect leaders, to operate their own business, and to choose whom they will employ.
- Lastly, ideological principles and societal values that underlie decision rules and the criteria for choice, for example, preference for cautious over risky or adventurous options, and the requirement that chosen alternatives must be supported by the majority or by consensus (Mann *et al*., 1998).

The question of similarities and differences in roles, rights and responsibilities of individuals in decision-making has received little attention in the cross-cultural literature Mann *et al.,* (1998). There is, however, a small but growing research literature on cross-cultural differences in individual cognitive styles of information processing and strategies for decision-making (e.g. Wright, 1985).

At the same time, there is evidence of culture differences in the tendency towards bias and distortion in probability assessments. Wright, (1985), for instance, suggests that when making decisions under uncertainty, Westerners adopt a probabilistic set of outcomes and make relatively fine discriminations or "calibrations" in the assessment of these outcomes. Asians, on the other hand, tend to adopt a non-probabilistic set that leads them to see outcomes as either certain or uncertain. Wright and Phillips (1980) found significant differences between British and South-East Asian subjects in dealing with numerical probabilities. Asian subjects, for example, are less comfortable with probability than Westerners. Wright and Phillips (1980) suggest that the greater "fatalism" of Asian culture may be a contributing factor in the Asian subject's preference for non-probabilistic thinking.

Tse, Lee, Vertinsky, and Wehrung (1988) conducted a cross-cultural study of business executives, which included participants from Canada, the People's Republic of China (PRC), Hong Kong, and Taiwan. Significant differences were found among these groups in terms of decision-making under simulated marketing situations. For example, PRC executives were more inclined than Canadians to adopt face-saving options, to favour long-term business arrangements, and to be less decisive (Tse _et al_., 1988).

Stewart (1985) has postulated that there are major differences in the decision-making styles of Western and non-Western peoples, and draws a sharp contrast between the "technical" style of North American decision-making and the social-collective style of Japanese decision-making. According to Stewart (1985), the Japanese are more likely to "prefer events to shape whatever actions are required…rather than attempt to control it by decision-making" and consider it brash for an individual to make definite decisions regarding her or himself or others" (Stewart, 1985). Citing Hofstede's (1980) analysis of values in 40 countries, Stewart (1985) maintains that the Japanese style is to put off announcing decisions until all uncertainty is removed. Hofstede (1980) claims that, while "using alternatives seems natural for North Americans… the Japanese tend to focus on the best course of action and persevere in it". On the basis of his observations, Stewart (1985) surmises that "decision-making for the ethnic entrepreneur is a social process, not a cognitive and conceptual one as it is with North Americans".

4.8 CULTURAL DIVERSITY AND MANAGEMENT CHALLENGES IN SOUTH AFRICAN BUSINESSES

Western and non-Western people and cultures have for a long time existed in South Africa, but separated ethnic development has led to what has been termed a "cultural patchwork" rather than a "melting pot" (Maylan, 1986). South Africa has a population exceeding 41.2 million people, of whom more than 75% are Blacks, about 12% are Whites, 9% "Coloureds" and 3% Indians. The diversity goes further when one takes into account that Blacks are divided into nine major ethnicities with distinct communities, often with different cultural practices and, of course, languages. As Prime (1999) points out, the new constitution recognises 11 official languages, (nine Black languages, English, and Afrikaans) but English is the business language. Of the nine Black official languages, Zulu is the most commonly spoken, but many South Africans without formal education are fluent in several languages, which they need for communication in the multilingual townships and workplaces. More than 80% of the population are Christian (most Whites and Coloureds, and roughly 60% of Blacks), about 60% of Asians are Hindu, and 20% are Muslim. There is also a large Jewish community. Respect and deference to seniors is shown by both Blacks and Whites, the heritage of an authoritarian culture based on strict religious leaders and parents (Richmond and Gestrin, 1998).

Cultural influences have impacted significantly on the management styles found in South Africa. According to Prime (1999), contrary to Triad economies' management styles, the management of African organisations has traditionally been neglected by the mainstream international management literature. In the literature, three management approaches regarding culture have been identified that are evident in South African businesses. These comprise:

- **The Eurocentric approach**

The Eurocentric approach is the traditional dominant Western and in fact a White Anglo-Saxon Protestant cultured style of mangement (Prime 1999). It is globally consistent with Western value systems, in which the primacy is given to individualism and related self-centred concepts (self-fulfilment, self-development…). Koopman (1991) refers to the Whites being "individualistic exclusivists" and building "exclusive institutions". Most of the private industry is controlled by a handful of super conglomerates with an exclusively "White male Eurocentric" management board (Koopman, 1991).

Several authors have described the manifestations of this traditionally dominant corporate style. Khoza (1994) notes that it is dominated by the idea of a form of opposition: decision-making is based on power relations, and adversarial relationships are fostered between groupings such as managers and the managed, buyers and suppliers, Whites and Blacks. To Jackson (1999), Western cultural management style is characterised by its instrumentalism, where people serve the ends of the organisation. Finally, Mgibi (1994) responses the rationalism of Western management cultural systems as expressed in job descriptions, job evaluations, disciplinary codes, and grievance procedures, stressing the lack of place for dreams, by constantly making the workers aware of the practical limitations and realities of companies.

- **The Afrocentric approach**

Prime, (1999) is of the opinion that the need for an Afrocentric approach to management in South African businesses has been acknowledged by several authors. Afrocentricity remains a broad concept, but it has largely to do with addressing challenges, including economic challenges, in South Africa (Khoza, 1994). Conceptual knowledge about people, their predispositions to work, and their productivity are all connected with Africa's inclusivist "*Ubuntu*-based" value system. To Koopman (1991), *Ubuntu* implies the belief that man is very much part of the societal fabric, and that each individual will see the need to find his place in a societal structure. As he says: "*Ubuntu* covers the cultural propensity for African people to be community inclusivist orientated. It is a concept that brings to the fore images of humanism, supportiveness, cooperation and solidarity, within the community" (Koopman, 1991 : 12).

According to Khoza (1994), the *Ubuntu* philosophy and the community concept of the corporation have significant practical implications for corporate life. A community concept requires that people feel a sense of belonging, that management be approachable, and that the atmosphere be informal with a free flow of information. It places a great importance on working for the common good. Mgibi (1994) points out that *Ubuntu* means fundamentally relying on traditional African management values and practices, such as an oral culture of learning, and using traditional healers, folk singers, market women and traditional peasant farmers as role models for inspiring and empowering leadership. Other African-based *Ubuntu* principles are about creating an inclusive enterprising community, and establishing intimate relationships (Mgibi, 1994). Lessem (1994) notes that the view in Africa is that a group needs “stroking”, nurturing, and attention.

Much has been written about **individualist-collectivist** philosophies and their impact on management, but the large body of literature does not provide an adequate explanation of African communalism, although generally traditional African society may be regarded as being low in individualism (Blunt and Jones, 1992). To Khoza (1994), *Ubuntu* is an orientation to life that is opposed to individualism and insensitive competitiveness, but is not comfortable with collectivism where collectivism stresses the importance of the social unit to the point of depersonalising the individual (Khoza, 1994).

- **The synergistic inspirational approach**

The third management approach prevalent in South Africa is based on the acknowledgement that this country must understand and take profit from its dual heritage. It involves consciously integrating traditional African management practices, values, and philosophies, with Western management techniques (Prime, 1999). Lessem (1989, 1996) demonstrates the need for reconciliation in a creative tension of the four different cultural worlds present in South Africa: Western competition and Eastern cooperation, Northern coordination and Southern cocreation (community based management). Koopman (1994) described the ideal new South African organisation as being developed under a “pragmatic humanism” approach, in which the way to incorporate inclusivism is to seek unity in diversity. It means building trust and respect for different values, building common values, and learning from each other (Prime, 1999).

Mgibi (1997) described the challenge of synthesising different tribal, racial, economic, social, political, and cultural values in South African management, because there is a need for management as a discipline to have a strong value, and philosophical, base as a foundation of practice, to enforce good governance. He draws a parallel between the feudal African hunter’s attributes and those of the the modern entrepreneur (emotional resilience, persistence, hunch, instinct, an eye for chance, enthusiasm, and the capacity to work hard, to take risks, and to improvise). Mgibi, (1997) describes the implementation of what he calls “Inspirational Management”.

The process of management change is going through four major stages: releasing the hunter’s spirit, releasing the communal spirit, developing a village spirit, and releasing a productive spirit. The business has to be driven by a powerful vision. Rational management systems only assist in the process, and all these approaches are based on “synergistic” approaches to manage cultural diversity (Adler, 1991). The premise that business holds about cultural diversity is that a creative combination of strengths is more efficient. It may be particularly true for South African Greek businesses if they want to cope with the future.

4.9 CULTURAL ADJUSTMENTS

Mantzaris, (2000) draws attention to an important distinction in the culture literature, namely that between integration into the network of social relationships of the larger culture and internationalisation of the new cultural standards, or what has been called "resocialisation". Vlachos, (1965) made such a distinction in respect of the assimilation process, by separating "behavioural assimilation" or acculturation, from "structural assimilation". Behavioural assimilation means absorption of the cultural traits and patterns of the host society (Gordon, 1960; Vlachos, 1965; Mantzaris, 2000; Hofstede, 2001). Structural assimilation, on the other hand, refers to the entrance of the immigrants and their descendants into social cliques, organisations, institutional activities, and general social life of the receiving society. (See Chapter 3). It is the structural assimilation that leads to the creation of either primary relationships, such as friendships, or secondary relationships, such as earning a living or carrying out political responsibilities. Gordon's (1960) thesis, which is in opposition to previous research, is that while behavioural assimilation, or acculturation, has taken place in America to a considerable degree, structural assimilation, (with some important exceptions) has not been extensive.

There evolves a basic distinction between what can be described as "cultural" and "structural" assimilation (Mantzaris, 2000). The distinction, which may be expressed in various terms, is illuminated by a definition of culture proposed by Triandis (1994). According to him, culture is defined as "the transmitted and created content and patterns of values, ideas and other symbolic-meaningful systems as factors in the shaping of human behaviour and the artefacts produced through behaviour". The social system, on the other hand, according to the same author, is the relational system between individuals and collectives (Triandis, 1994). The "structural assimilation" of Gordon (1960) would imply participation in what Triandis (1994) calls a "social system".

The implications from the above distinctions are that, in cultural assimilation, the immigrants and their descendants are assimilated to the degree that they internalise and express South African cultural patterns and values, and fulfil at least the universal roles of the host society. In this arrangement they are allowed to retain certain particularistic traits from the old culture. However, these traits are modified to a certain degree in their transplantation from the old traditional culture to the South African society (Mantzaris, 2000). Structural or social assimilation, on the other hand, revolves mainly around the actual participation in the political, educational, occupational, and other aspects of the "social system" (Vlachos, 1965).

Cultural assimilation of immigrants and their offspring in South Africa, according to Mantzaris (2000), requires only the acceptance of the major values, rules, and behaviour patterns of South African society, and allows considerable deviation from customary patterns in secondary areas. The social assimilation of the immigrants requires only participation in the major institutional areas of the receiving society, or in Vlachos's (1965) terms, "structural assimilation".

The conceptual scheme suggested by Vlachos, (1965) allows further distinctions in the assimilation process, especially on the various levels that Greek assimilation has taken place in South Africa, and is currently taking place. Vlachos, (1965) prefers to use the term "absorption" as the broadest term of the terminology of cultural adjustment and the interchange of ideas, beliefs, and customs, between groups of people who differ culturally and come into contact. According to Vlachos (1965), there are three main indices of full absorption:

- Acculturation, which indicates the extent to which the immigrant learns the various roles, norms and customs of the absorbing society. Such an operation includes two distinct levels. One is that of learning a certain number of roles and habits; the other is that of internalising these roles and habits and behaving in accordance to them.
- Personal adjustment, which encompasses the effects that the process of absorption has on the personality of the immigrant, and his coping with his frustrations.
- Institutional dispersion, which refers to the general social-structural level of the migrant group and its place in the social structure of the absorbing society. It is at this level that absorption finds its culminating point, in the complete loss of ethnic identity of the migrant group in the context of the new society (Vlachos, 1965).

Vlachos's (1965) "acculturation" corresponds to Gordon's (1960) "behavioural assimilation", whereas "institutional dispersion" is identical with "structural assimilation".

4.10 CULTURAL SYNDROMES AND COMMUNICATION

Culture is relevant for in at least two domains: how conflict starts and how conflict evolves (Triandis, 2000). Poor communication is the major cause of the first, and the way members of different cultures treat out-groups is relevant for understanding the second of these domains.

When people come into contact with members of other cultures, they are often not aware of their miscommunications, because they think that the others are more or less the same as themselves. This is the stage of **unconscious incompetence**. After some interpersonal difficulties, people realise that they are miscommunicating, but they do not know exactly what is wrong. That is the stage of **conscious incompetence.** As they get to know more and more about the culture of the others, they begin to communicate correctly, but they have to make an effort to communicate in a different way. This is the stage of **conscious competence.** Finally, after they have developed the habits of correct communication with the members of the other culture, they reach the stage of **unconscious competence,** where the communication is effortless and correct (Triandis, 2000).

A serious problem in communication is that people do not perceive the same “causes” of behaviour (Miller, 1984; Morris and Peng, 1994). When the actor thinks that a behaviour is due to one cause and the observer thinks that the behaviour is due to another cause, each gives a different meaning to the behaviour. For instance, a businessman may invite another businessman to dinner. The host may do so because he likes the other businessman. The guest, however, may see the cause as “his boss told him to invite me". Obviously, the meaning of the invitation is different for the two businessmen (Triandis, 2000).

According to Triandis, (2000), there exists a well-researched phenomenon called "attribution". When two groups, A and B, are in conflict, if a member of group B does something "nice", members of group A attribute the behaviour to external factors (*e.g.* he was forced to do it under the circumstances). When a member of group B does something "nasty", members of group A attribute it to internal factors (*e.g.* they are nasty "by nature"). The attributions that B makes about the behaviour of group A are exact mirror images, that is, when A does something nice, it is due to external factors, and when A does something nasty, it is due to internal factors. When a member of group A makes attributions about the actions of members of group A, if the action is positive, it is attributed to internal factors, and if it is negative, it is attributed to external factors (Triandis, 2000). In all cultures, when researchers ask actors why they did something, they report external causes, but observers of these actions tend to use causes internal to the actor. This is called the "fundamental attribution error". People all over the world have a tendency to make attributions incorrectly. However, those from individualistic cultures are even more biased in this respect than those from collectivist cultures (Triandis, 2000).

Another factor in miscommunication is the tendency of collectivists to sample the context of communications more than individualists, which results in their paying more attention to gestures, eye contact, level of voice, the direction of two bodies, touching, the distance between the bodies, and the like. According to Fiedler, Mitchell and Triandis, (1971), there is a strong likelihood of error and misinterpretation in the way people interpret paralinguistic cues. The way people use time can also result in misunderstandings, because people from monochronic time cultures are used to carrying on one conversation at the time, whereas people who use polychronic time carry on several conversations simultaneously, which confuses and frustrates the users of monochronic time (Hofstede, 2001).

The structure of messages can be another source of difficulty. Triandis, (2000), points out that Western people tend to organize their thoughts and messages in a linear fashion: fact 1, fact 2, etc., generalization, conclusion. In many other cultures, people start with a conclusion, then find the facts that fit the conclusion, and permit deviations from a straight line. In some cases the argument is like a spiral, starting from general ideological or mystical considerations, and gradually zeroing in to a conclusion (Triandis, 1994). The extent to which ideology *versus* pragmatic matters are categorised also varies with culture (Triandis, 2000). Glenn, (1981) provides an interesting example. At a United Nations conference, the Russians advocated the use of reinforced structures whereas the American delegates said that "It depends on what works best" (pragmatic). Delegates from the Third World interpreted the exchange in favour of the Russians. They thought that the Americans were saying that, "We are not good enough to use what they are using" (Glen, 1981).

Interpersonal difficulties can also harm cross-cultural communication. Triandis, (2000) . For example, when presenting a position, the universalist may expect that all the facts will "fit in" with the position, whereas the particularist may not feel that this is necessary. When such expectations are present, the particularist might need to start the communication process with a universalist position (*e.g.* “We are all in favour of peace”) and then present the particularist view. Another source of miscommunication is that in some cultures communications are “associative” and in others “abstractive” (In the West, communication is typically “abstractive”. That is, one abstracts the most important elements of the argument and organises them for presentation. An associative presentation can present anything that is vaguely related to the point, which can frustrate the Westener (Szalay, 1993). For example, in 1932 the finance minister of Japan was assassinated after agreeing to a 17% revaluation of the yen. In 1971, the American Treasury Secretary Connolly, oblivious to Japanese history, demanded a 17% revaluation of the yen. His Japanese counterpart rejected it without explanation. When Connolly suggested a 16.9% upward evaluation, the Japanese minister accepted it (Cohen, 1991).

4.11 PROBLEM SOLVING AND CULTURE

It is unfortunately true that the cultural embeddedness of strategies and strategic knowledge in problem solving has not received a great deal of attention in the literature (Strohschneider and Gűss, 1999). Most of the cross-cultural research on thinking and problem solving belongs to what Vijver and Willemsen (1993: 319) call the “formal tradition”. In order to understand the interaction between problem-solving strategies and cultural context, we can, as a first step, look for appropriate metatheoretical frameworks. Berry, (1993) for instance, in his “ecological approach”, argues that behaviours are adapted to the ecological as well as the socio-political context in which they occur. This context emphasises a functional perspective on thinking. It implies that problem-solving strategies are usually not developed for their own sake or because cognitive skills are valued *per se*, but in order to tackle specific adaptational problems. These strategies are used as long as they fulfil their specific purpose, no matter how awkward or suboptional they seem to be from the outside (Barry, 1993). The importance of practical activity for the development of problem-solving styles has been stressed by the so called “sociohistorical school” (Cole, 1988). According to this line of thought, the development of problem-solving skills is dependent on (among other factors) culture-specific tasks and goals, the typical ways of transmitting knowledge (*e.g.* abstract instruction *versus* guided participation), and the available material and symbolic tools (Strohschneider and Gűss, 1999).

Empirical studies in the “cognition-in-action” tradition have clearly demonstrated that people develop and use highly sophisticated strategies in dealing with specific tasks that are important to them (Gauvain, 1993, Scriber, 1984), In many cases, however, people are not able to generalise the strategies to other contexts. More importantly, within the complex problem-solving perspective, it is possible to develop a framework for the understanding of national cultural influences on the development of problem-solving patterns and strategic knowledge. Strohschneider and Gűss, (1999) argue that, from a strictly functional position, there are basically five (probably inter-related) aspects of culture that contribute to the development of specific problem-solving patterns.

- **Predictability and “planability” of the environment.** It is obvious that the stability of the environment (taken here to include climatic as well as social or economical aspects) is influential in the development of problem-solving styles (Gardner and Rogoff, 1990). If an environment is completely unpredictable, there is not much problem solving required, because there will be routine solutions available for all kinds of tasks. Only when the environment is dynamic does some sort of problem solving become necessary. Slow and predictable rates of change may allow for knowledge-based, analytic, and long-term strategies to develop (Agarwal, Tripathi and Srivastava, 1983; Sundberg, Poole and Tyler, 1983). An environment in a constant state of flux (as in change) requires *ad hoc* and short-term strategies (Lindblom, 1959; Timmons, 2000).

- **The degree to which a culture requires and promotes experiences in different areas of problem solving ("exposure").** Exposure may be related to the accountability of the environment, but may also be a function of dominant value systems or the availability of resources necessary to promote exposure. It has been shown in intercultural studies (Schaub and Strohschneider, 1992) that the amount of problem-solving experience is a crucial factor in the development of strategic competencies. The greater the range of problems from different domains the individual has to tackle, the more likely he or she is to develop the strategic competence necessary to deal successfully with novel and complex problems. The amount of schooling and the methods of teaching are important in this context (Scribner and Cole, 1973). In particular, if learning at school is equated to absorbing and repeating prefabricated solutions, there will be only limited development of problem-solving expertise (Strohschneider and Gűss, 1999).

- **Legitimacy of norms and value system.** Value systems and philosophies of life are means of reducing uncertainties and defining proper goals, as well as ways of reaching these goals (Rokeach, 1973). If value systems have a high degree of legitimacy and therefore assume the status of behavioural norms, value systems can again reduce the necessity of problem solving. In so-called post-modern societies, value systems often have lost their traditional, prescriptive power or have become fragmented. Different domains of life (like family, profession, and leisure time) may be only loosely integrated, and even if there is a high accountability on a day-to-day basis, when it comes to important or critical events, the individual has a choice of different strategic possibilities (Strohschneider and Gűss, 1999).

- **Power distance and social hierarchy.** Attempts to solve a problem make sense only when one is given sufficient leeway not only to find a solution but also to make it work. The notion of "control span" (Frese, Kring, Soose and Zempel, 1996) captures this idea. High power-distance cultures are more likely to limit the control span of individuals who are not at the top of the hierarchy, and thus hamper individual problem solving rather than promoting it. This is not to say that high power distance necessarily results in poor strategies. However, problem-solving techniques will concentrate more on possibly adverse social implications of decisions, and will therefore be rather conservative, or risk-avoidant (Frese *et al.*, 1996; Nair, 1997).

- **Individualism *versus* collectivism.** This raises the question whether one type of culture requires more problems solving than

> another. However, there should be differences in the degree to which the social environment is taken into account. How individualistic cultures reinforce individualistic problem solving, aimed at increasing personal benefits even at the cost of others, is well documented (Gabrielidis, Stephan, Ybarra, Dos Santos Pearson and Villareal, 1997; Yu and Yank, 1994). In collectivist cultures, personal benefits are less valued if other members of relevant groups suffer or if group-orientated values (group harmony) are endangered. Therefore, individualistic cultures should require short-term, problem-focused strategies as compared to collectivist cultures. (Strohschneider and Gűss, 1999).

For South African Greeks, negotiation is a form of social interaction (Mantzaris, 2000). It is the process by which two or more parties try to resolve perceived incompatible goals (Carnevale and Pruitt, 1992). In order to understand the effect of culture on negotiation, it is useful to have a mental mode of negotiation (Brett *et al*., 2000). What is it that people mean when they say they negotiate? What is involved in negotiating? What is a good outcome in negotiation? What does it take to get a good outcome? What goes wrong in a negotiation that has a bad outcome? If culture has an effect on negotiation, the mental models of negotiators from one culture may not coordinate with those from another culture, making the specification of a single mental model problematic (Brett, 2000).

According to Brett, (2000) there are two ways to approach this problem of specifying a mental model of negotiation. One is to specify the model in use in one culture and then compare and contrast its elements with the elements of models of negotiation from other cultures. Alternatively, researchers can specify the mental models of negotiation in many different cultures and aggregate their common and unique elements. The latter approach is less likely to overlook culturally unique aspects of negotiation, but requires the prior existence or current construction of many culturally "emic" (unique) models of negotiation (Brett, Tinsley, Janssens, Barsness, and Lytle, 1997).

Recent empirical research suggests that cultures differ with respect to the basis of power in negotiation (Brett and Okumura, 1998) and appropriate standards of fairness (Leung, 1997). Cultures also differ with respect to information sharing, both in the extent to which information is viewed as important in negotiation (Brett *et al*., 1988; Mantzaris, 2000), and in the approach to sharing information relevant to reaching integrative agreements (Adair, Okumura and Brett, 1998c). Some cultures share the information about interests and priorities needed to reach integrative agreements directly, while others share that information indirectly, and still others not at all (Adair *et al*., 1998a). Other research shows cultural differences in the emphasis placed on interests, rights, and power in dispute resolution (Tinsley, 1997, 1998).

4.12 THE NATURE OF SOUTH AFRICAN GREEK CULTURE

Those who have researched the process of assimilation of Greeks in South Africa have noted the emergence of a distinct culture as a cross-breeding between Greek and South African cultural configurations (Mantzaris, 2000; Koliopoulis and Verimis, 2002; Dicks, 1971).

The Greek-South African cultural fusion has allowed many Greeks to assimilate into the general South African culture by a cushioning of the shock of transition. However, at the same time, the South African Greek culture may have accentuated the dilemma of cultural identification with one or another culture (Mantzaris, 2000). Thus the South African Greek culture may have influenced assimilation of the various generations of Greeks, either by accelerating the process through the introduction and speedier acceptance of South African culture configurations, or by slowing the process through a perpetuation of Greek cultural configurations.

It has been argued in Chapter 3 that assimilation refers to the process of culture change which takes place when a person is exposed, over a long period of time, to a culture different from his own. Such a process is more often reciprocal, since both groups contribute elements which eventually get combined into a new culture. Mantzaris, (2000); Vlachos, (1965); Pederson, (1950); Hofstede, (2001); and Koliopoulos and Verimis, (2002) concur that there are three elements involved in the process of culture change. They are:

- The native culture of the group, or the culture of the larger society;
- The "foreign" culture, or the culture of the immigrant group; and
- The emerging culture, or the culture "as it is becoming".

Such a reciprocal process and the emergence of a distinct culture have been going on for almost all ethnic groups in South Africa, as well as internationally. Koliopoulos and Verimis (2002) noted the formation of a new Polish-American Society out of those fragments separated from Polish society and embedded in American Society. This society, in structure and prevalent attitudes, is neither Polish nor American, but constitutes a specific new "product" whose "raw materials" have been partly drawn from Polish tradition, partly from the new conditions in which the immigrants live, and partly from American social values as the immigrant sees and interprets them (Koliopoulos and Verimis, 2002).

In similar vein, out of the contact of the American and Greek culture, a new hybrid culture, the Greek-American culture has emerged (Vlachos, 1965). Mantzaris, (2000) believes that the emerging South African Greek culture acted primarily as an agency of adaptation to the culture of the larger society. It is the cushioning medium through which the immigrants and younger South African Greeks were brought up in the ethnic culture, getting acquainted with the workings of the larger South African society, and/or through which members of the ethnic group familiarized themselves with the basic workings and procedures of South African society. At the same time, in a successful combination, the South African Greek culture can contribute to the preservation of an ethnic subculture within the pluralistic framework of the South African social structure (Mantzaris, 2000).

In short, the South African Greek culture is a distinct culture form, differing from both the South African and Greek cultures.

4.13 CHARACTERISTICS OF GREEK CULTURE

The South African Greek culture is quite distinct from that of Greece culture proper. Whereas in Greece, culture progressed normally and evolved with the passing of time, (Kolipoulos and Verimis, 2002) the South African Greek culture, as transplanted by the earlier immigrants, did not change, despite the time that passed. In the preservation of the original culture, there was an assertion of nationality and Greekness by the earlier immigrants. Especially for the older generations in South

Africa, any concession to progress, any concession to change, or any deviation from the cultural patterns handed down by tradition would be a concession to "Africanism" (Mantzaris, 2000). In this way it can be said that Greeks in South Africa represented a conservative element, by retaining aspects of rural culture, such as family organisation, which, according to Kolipoulos and Verimis, (2002), have changed in Greece itself.

This general idea can probably explain the perplexity of the (urban) Greek, who, coming from Greece to South Africa today, finds among the South African Greeks a unique culture even against his or her own standards. By the same argument, the frustration of South African Greeks visiting Greece, and especially the big cities, can be explained by their bewilderment at not recognising in Greece a culture which they have been taught to expect while in South Africa (Mantzaris,2000).

The South African Greek culture is also distinct from the South African culture in that many of its basic elements are composed of Greek cultural configurations which are not part of the typical South African way of life. As has been indicated above, this South African Greek culture is important in that it has successfully combined distinct elements of the two contributing ways of life. Typical Greek culturally-influenced behaviours include hospitality, spontaneity, patterns of recreation, family discipline, and mutual interdependence (Kolipoulos and Verimis, 2002; Dicks, 1971). From the South African side, there is the contribution of various cultural elements such as order, business initiative, punctuality, and a certain political philosophy of the rainbow nation (Mantzaris, 2002). All these factors (and behaviours) contribute to form a unique South African Greek culture.

4.14 THE EMERGING SOUTH AFRICAN GREEK CULTURE

There are several elements which combine to form what can be termed an "emerging South African Greek culture". These are discussed below.

4.14.1 Linguistic adjustments

A first example is the new South African Greek language that is developing. This language is characterised by similar grammar and new words borrowed from onomatopoeia and English idiomatic expressions, A new language has developed, which has the characteristics of an almost completely new dialect (Spiro, 2003). It is fascinating to hear South African Greeks converse in a dialect which, although unknown to listeners, sounds familiar to both South African and Greek ears.

Spiro, (2003) points out that most of the words derived from English are rough "sound" translations with familiar morphological affixes, which characterise most of the Greek grammar. At the same time, it should be borne in mind that the early immigrants came mostly from rural regions, in which many of the things they found in the modernised South Africa did not exist in their country (Kolipoulos and Verimis, 2002; Mantzaris, 2000). They had to adopt a whole new vocabulary that would render familiar the many things that surrounded them in the new country, but at the same time would be Greek words in their basic linguistic structure (in phonology and morphology). Words like *farm, ginger-ale, radio* and *sport* had to be phonologically adapted to Greek, and the easiest solution was to give them first Greek phonology and second Greek morphology (Spiro, 2003). The selected list of words of the South African Greek dialect in Table 4.1 illustrates the linguistic adjustment to the larger society.

TABLE 4.1: A Selected List of Words of the South African Greek Dialect

ENGLISH	SOUTH AFRICAN GREEK	ENGLISH	SOUTH AFRICAN GREEK
arrest	arrestaro	hospital	spitali
automobile	atmobily	license	lasintza
bank	bank	machine	mashini
bar	barra	market	marketta
basement	besimo	meat	meaty
basket	basketta	meter	metre
beef-stew	beefestoo	mop	mapa
bill-of-fare	billoferry	move	movaro
boss	bossis	note	nota
box	boxy	park	parki
bum	bammis	peanuts	peanotsa
candy	kantia	picnic	picniki
car	carro	post-office	postoffy
carpet	carpeto	showcase	sokessa
cream	creamy	sidewalk	salisvori
dollar	tallero	sport	sportis
elevator	eleveta	stand	standtza
farm	farma	steak	stecky
ginger-ale	gingerella	stove	stoffa
grocery	grossaria	ticket	ticketto
hotel	hoteli	yard	iarda
		yes	yes or ja

SOURCE: Adapted from Spiro (2003)

4.14.2 <u>Anglicisation of names</u>

The linguistic transformation has also had ramifications for Greek proper names (Cassia and Bada, 1995). Since names are part of a language, they can change as the language is modified. Changes in names illustrate two aspects of the process of assimilation:

- Those changes which are made chiefly in order to facilitate pronunciation and spelling, but which do not necessarily remove the evidence of ancestral origin;

- Those changes of name which completely conceal the nationality of origin and are intended to do so. This is a form of "passing" (Cassia and Bada, 1995).

According to Vlachos, (1965), the analysis of the name change in an immigrant group affords an additional measure of the assimilation process. A tremendous amount of name changing has taken place in South Africa, and as the immigrants became part of the nation, they sometimes dropped their old cognomen entirely and adopted a totally different South African one. This criterion of assimilation should be used with caution, however, since it can denote only a simple adaptation to the external reality of facilitating pronunciation rather than Africanisation itself (Mantzaris, 2000). Families sometimes happened to have Greek names which were easily readable in the English language and thus they were not forced to change them, at least for reasons of spelling (Vlachos, 1965).

4.14.3 <u>Dual consequences of South African Greek culture</u>

The following section deals with the "buffer effect" and conflict as experienced by the South African Greeks.

4.14.3.1 <u>"Buffer effect"</u>

The existence of a distinct South African Greek culture has had the effect of easing the transition to the general culture prevailing in South Africa (Spiro, 2003). Through the channels of the South African Greek culture, the members of the Greek community get accustomed to many of the workings of the larger South African society within the context of their own familiar group. At the same time, this distinct culture helps cushion the shock of an immediate confrontation between the members of the ethnic group and other South African cultures (Mantzaris, 2000).

4.14.3.2 <u>Conflict</u>

The same South African Greek culture, however, can work in a different direction. For many of the members of the Greek community, it contributes to the problems of a cultural conflict (Mantzaris, 2000), for there is always a "Greek tragedy" somewhere in their everyday way of life.

The conceptual scheme of assimilation in Chapter 3 demonstrated that transition from one culture to another is not always harmonious, and calls for certain forms of adjustment. (Cassia and Bada, 1995; Koliopoulos and Veremis, 2002; Mantzaris, 1995, 2000; Vlachos, 1965). According to Kolipoulos and Verimis (2002), transition can take two forms, either the form of a personal adjustment to the culture of the larger society, or the form of social integration. The latter implies the harmonisation of the ethnic groupings with the structure of the larger (national) society.

Both Koliopoulis and Veremis, (2002) and Mantzaris, (2000) point out that there is an important distinction between the first conflict of generations, *i.e.*, conflict between individuals in different "generations", and secondly, a conflict within the individual. The conflict of generations is a conflict which indicates lack of social integration. Conflict with the individual_arises from a social situation as a result of incompatible cultural goals, which indicates personal maladjustment.

4.14.3.3 Conflict of generations (lack of social integration)

The problem of adjustment becomes more profound with the younger generations (Mantzaris, 1978, 1995). The existence of a unique South African Greek culture indicates the conflict between earlier and later generations by the simple fact that the different generations belonged or strove towards different cultural configurations (Mantzaris, 1995). The South African Greek culture could presumably satisfy neither the older (and more conservative) generation, nor the younger one, which strives and thinks more in the realm of the South African culture (Mantzaris, 1974).

Vlachos, (1965) observes that, in America, the older generation of Greek-Americans seem to deal in three different ways with the cultural conflict exemplified by the hybrid Greek-American culture:

These are:

- Resistance to change and outright condemnation of the American way of life.

- Resigned toleration, which indicates the feeling of inability to cope with the assimilationistic forces of society.

- Finally, there is a conscious effort to understand the culture of the larger society and to adjust to the changing outlook of the younger generation.

There is often outright rebellion against the traditional way of living, but more prevalent seems to be an arrangement of mutual toleration with their parents (Mantzaris, 2000).

It is interesting to note, however, that South African Greek families, with the help of their church and the many formal organisations, have been able not only to provide adequate socialisation, but also to create a certain pride in identification with the "Greek" group. Early habits formed in the family were continuously reinforced with the larger "Greek" group (Mantzaris, 2000; Spiro, 2003; Cassia and Bada, 1995; Koliopoulis and Veremis, 2002; and Vlachos, 1965). The important contribution of the South African Greek family rests in many cases on the fact that, in contrast to other ethnic groups, it offered a more or less systematic programme of education in Greek traditions in the context of African reality. Through the cumulative experience of the second generation, an accommodating South African culture was passed to the third and fourth generations (Mantzaris, 2000).

The decisive factor in conflict or integration of generational ideas seems to be the pattern of the South African Greek cohesion. As shown in Chapter 3, whenever there has been a well-organized Greek community to support the earlier "Greek" socialisation of the family, the second or third generation South African Greeks have been rather successful, not only in achieving more or less stable equilibrium with their elders, but also in finding a larger intimate group for identification (Mantzaris, 2000 and Spiro, 2003).

Assimilation and transformation, as indicated above, have had numerous ramifications for the South African Greeks. Not only did they have to deal with conflict in their efforts at transition, but they also had to deal with conflict from within.

4.14.3.4 <u>Conflict within the individual</u>

The phenomenon of generational conflict due to poor social integration has already been discussed. There is, however, another kind of conflict, namely conflict within the individual, which, as noted before, is a manifestation of lack of personal adjustment. In the examination of the Greek communities in South Africa, the various members have been found to react differently to the conflict deriving from incompatible culture goals (Mantzaris, 2000).

An analysis of the third and fourth generations produced the following different manifestations of personal adjustment to conflict.

- The individual largely conforms to the dominant tendencies of the Greek community and remains a part of it. In this sense he is not considered "Africanised" despite many external identifications with the South African culture.

- Although assimilated into the larger community, this person still plays an important role in the organised Greek community life. He somehow balances both ways of life, with fluctuations in his intensity of participation in the life of the Greek community. It should be noted that such an individual, although absorbed by the larger society, still identifies himself as "Greek" and does not hide his ethnic origin.

- Although in no way participating in the life of the Greek community, this person is considered by the other members of the Greek community (as he considers himself) as a member of the ethnic community at large. He is viewed as transmitting "Greekness" between first and third/fourth generations, the "Greekness" being considered mostly in an abstract way of ethnic identification.
- In this case, the individual loses contact with the Greek community entirely, and in many ways becomes part of a hate group against the members of the Greek community. He blames the older people for their insistence on "Greek ways' and ridicules every effort of the Greek group to promote Hellenism or ethnic distinctiveness.

- Finally, there is the "cosmopolitan" South African Greek, who appreciates the problems of the Greeks in South Africa and also the general importance of preservation of certain cultural patterns. At the same time, he makes a conscious effort to remove the barriers that separate the first generation from the larger South African community. He is someone with higher education, who intellectualises the problems of the ethnic stock and also idealises the ramifications of Greek cultural configurations. He is one of the most important agents for the continuation of the Greek cultural tradition. In addition, through his idealisation of the Greek culture and Hellenism, he contributes in a cumulative way to the various forms of a "return" trend or increasing identification with the Greek tradition at large.

In general, however, the majority of people in the second/third generations are, in one way or another, in an ambivalent position towards both the Greek and the South African community. These feelings of ambivalence and the effort to find some form of adjustment result in conflicting attitudes and difficulty in creating clear-cut cultural identification (Mantzaris, 2000).

Hofstede, (2001) points out that marginality can also exist for the third/fourth and successive generations, as long as some form of ethnic culture is perpetuated. The third/fourth generations, however, (See Chapter 3) face the question of the co-existence of the ethnic culture and the culture of the larger society from a different perspective. They have not felt the immediate collision of two different ways of life, and, although in many cases the pressure of the Greek culture through the parents was strong, most of the youngest South African Greeks have been reared in the same way as the rest of the South African population (Mantzaris, 1995, 2000).

For the third/fourth generations of South African Greeks, separation from the larger South African community is inconceivable. At the same time, the younger South African Greeks understand that there are elements of differentiation from the rest of the population, elements which in many instances, far from being sources of feelings of inferiority, are factors of proud identification with a historical and cultural past. There is often a growing feeling of willingness to accept the fact of the ethnic origin and to provide oneself with elements of social location in an ever-growing, anonymous, mass society (Mantzaris, 2000 and Spiro, 2003).

Mantzaris, (1995, 2000) is of the opinion that the third generation, in most cases, has achieved a more stable psychological identity that permits recognition of the diversified character of the South African society.

4.15 THE SOUTH AFRICAN GREEK FAMILY

Despite many influences that could have reduced its effect, Mantzaris, (1978) and Spiro (2003) believe that the family has remained the strongest institution of the South African Greeks. It is not only the main agent of socialisation, but is also the chief educational preserver of Greek ideals and the Greek way of life. Examination of the South African Greek family provides the opportunity to view more closely the moulding of personality of its younger members, the transmission of the South African Greek culture, and the changing patterns through the generations (Mantzaris, 2000).

4.15.1 The patriarchal form of the family

The patriarchal form of the Greek family has always been emphasised (Koliopoulos and Veremis, 2002). In immigrant families, the father has traditionally been the central figure of dignity and authority, whose decisions were the law of the house (Vlachos, 1965). In early immigration periods, a woman's place was in the home, despite the fact that many of them had to fight side-by-side with their husbands for their survival in the various countries (Koliopoulos and Veremis, 2002).

Women were not expected to be interested in anything else than their children and their husbands. The father was the "benign survivor" in the home, and in his presence no joking or fooling around was permitted. His rule over the children was illustrated in the traditional Greek saying, "fear breeds respect; respect breeds love" (Vlachos, 1965; Koliopoulos and Veremis, 2002).

The patriarchal form of the family, the close supervision and guidance of the children, and customs imported from the rural parts of Greece, invariably caused conflict between the older (and presumably more conservative) and younger (and presumably more progressive) generations, especially in matters of courtship and marriage (Koliopoulos and Veremis, 2002). There was strong opposition to dating, and it is with great hesitation that the immigrant parents, or even later generations of South African Greek parents, sometimes accede even to restricted dating among their children (Mantzaris, 2000). Special attention at this point should be given to the phenomenon of intermarriage among South African Greeks, denoting "structural" assimilation, as contrasted to the intense desire of generally older South African Greek parents to marry off their daughters and sons to persons of Greek background.

Intermarriage has been defined by Vlachos, (1965 : 148) as "the marriage of persons deriving from different in-groups and out-groups other than the family, which are culturally conceived as relevant to the choice of a spouse". Intermarriage has been a very important indicator of the assimilation process. In most cases, it facilitates the acquaintance of the mates with a different cultural perspective, brings diversified backgrounds closer, and thus accelerates the process of assimilation (Vlachos, 1965).

The general conclusion in the literature on ethnic and religious intermarriages seems to be that in South Africa (as compared with the inter-religious marriages) inter-ethnic marriages seem to conform more to the conventionally assumed pattern, *i.e.,* heterogamy sets in after the first generation and continues with each succeeding generation without change (Mantzaris, 2000).

Information concerning the marriage patterns of the Greek ethnic group is rather sparse, because of the general lack of census data on South African Greeks. The matter becomes more complicated with the confusion between religion and nationality. The fact that Greek Orthodoxy is not a separate category in religious breakdowns further compromises the availability and accuracy of information on religious intermarriage involving South African Greeks.

The position of the Greek Orthodox Church on religious intermarriage is that of basic opposition to the marriage of Orthodox and non-Orthodox individuals (Spiro, 2003). The Greek Orthodox Church, however, makes a distinction among the non-Orthodox. Intermarriage with "schismatikoi", or those who differ from the belief and practices of the Greek Orthodox Church in minor respects only, is regarded as less objectionable than intermarriage with "haeretikoi", or those who differ in fundamental doctrine (Spiro, 2003). At the same time, whereas in Europe the Greek Orthodox Church requires that children resulting from mixed marriages be raised in the Orthodox religion, in South Africa this is only considered as strongly advisable, but not required (Spiro, 2003). The Church in South Africa does not proselytise among the non-Orthodox parties to intermarriage. In fact it advises people to remain within their own faith, because a good Methodist is better than a poor Greek Orthodox. The Church is mostly interested in retaining its own people (Spiro, 2003).

In the examination of the assimilation process in the institutional area of the family, a variety of different indices of assimilation (such as the family size, the fertility pattern, and the attitudes towards family size) may be used. Irrespective of the criterion used, it appears that the assimilation of Greeks into the host countries of America and South Africa follows a very similar pattern.

It has been argued in this chapter that changes towards South African cultural configurations have taken place in all the institutional areas of culture participation proposed in the conceptual scheme of the present study. In general, because of their central role in the life of South African Greeks, many cultural patterns associated with religion and family remain distinctly Greek and in many respects are more tenaciously conserved than in Greece proper. On the other hand, structural assimilation in the institutional areas of economic status-vocations, organisations and formal associations, commerce, and education, has been very rapid, with the South African Greeks approximating the general population in these areas.

4.15.2 The Greek Language

According to Cilliers (1984), the existence and use of ethnic language have been used as particularly strong indicators of non-assimilation. Many researchers have emphasised that, as long as non-English tongues persist, full assimilation has not taken place (Koliopoulos and Veremis, 2002). Nelson (1998), who conducted a special study of the problems associated with ethnic language usage in the host country, reveals in a comparative table that the Greek-Americans (natives of native parentage) are the last of all ethnic groups who persist in speaking the mother language in the third generation or later. Such an index would classify the Greek-Americans as the most highly assimilated ethnic group in the United States (Vlachos, 1965).

The same findings are also reported by Mantzaris, (2000), who finds that the Greek language has become almost extinct among South African Greeks in the third and fourth generation, because of the inevitable forces of assimilation. According to Mantzaris (2000) other Greek authors, who visited several Greek communities in South Africa, have found not only the absence of the Greek language, (structural assimilation), but also a lack of desire for a continuation of Greek language learning (cultural assimilation).

Bilingualism is an acknowledged characteristic of the first and second generations of immigrants. Bilingualism creates a conflict situation that is usually resolved by assigning distinct social spheres to each language. Most often the South African Greeks create a sharp dichotomy between "internal" Greek and "external" African. In such a language arrangement, the Greek speech is reserved for close intimate relations and the English for open or diffuse social relations. There is above all a core of Greek phrases, untranslatable in their exact meaning into English, which are used to describe situations or feelings of a more intimate nature (Spiro, 2003).

The questions of language learning and language use run deep in the South African Greek community (Spiro, 2003). Greek language, ethnic identity, ethnic entrepreneurship, and the Greek Orthodox Church are linked, as mentioned, in an indivisible cultural trait of South African Greeks. The existence and continuation of one presupposes the others

(Mantzaris, 2000). This trinity is fostered and encouraged by a feeling of cultural superiority and by the idea that South Africans, as well as the rest of mankind, love and admire Greece and anything Greek. Because of the central role of the Greek language in the ethnic culture, its absence signifies high structural and cultural assimilation (Spiro, 2003).

4.15.3 South African Greeks and religion

In attempt to preserve their traditional way of life, the Greek immigrants thought first of all of transplanting their churches (Spiro, 2000); thus, as soon as a few Greeks got together in some city or town in this country, one of the first things they thought of was to establish a place of worship. According to Mantzaris (2000 : 284) Greeks, "this is accomplished by the organisation of an orthodox community which is not usually undertaken until the number of Greeks in the locality reaches 300 to 400". However, there have been cases where a group of 30 to 40 or even 15 families managed to build their own church (Mantzaris, 2000) Greeks. The Greek Church symbolises for the South African Greek his ethnic background and is his only visible link with his homeland, providing at the same time a clear group identity. The Greek is born into his religion, and church affiliation symbolises for him the Greek way of life (Mantzaris, 2000).

Expressed in another way, religion and the church are almost synonymous for the Greeks, and the Greek Orthodox religion is entirely synonymous with Greekness. When the Greek asks, "Is he a Christian?" he means "Is he Greek?" The Greek Church is the main factor in Greek continuity among emigrants nowadays. According to Spiro, (2003), the Church becomes the focal point from which clubs and organisations radiate. Many formal organisations in the community are established through the Church, and quite often the Church and its grounds are the gathering places for all kinds of activities. Many events, such as movies from Greece, meetings, dances, lectures, and picnics, are sponsored and continuously encouraged by the Church. The Church then becomes a major moving force of Greek families, and by its structure and flexibility manages to balance spiritual duties with social functions (Spiro, 2003).

The many religious festivities, especially during Easter and Christmas, provide group participation in impressive rituals and ceremonies, which help in the reaffirmation of faith in Orthodoxy and Hellenism. The priest is ever-present at social functions to provide the needed eulogy, since most social events such as marriages, baptisms, and even divorces have to have the sanction of the Church in order to be valid according to the dogma. The priest thus becomes indispensable in the life of a Greek community (Spiro, 2003; Mantzaris, 2000; Koliopoulos and Veremis, 2002).

But the Church also plays a role as an educational institution in Greece Spiro (2003). From the historical past of Greece, the Orthodox Church has been by necessity the “school of the nation”. In many Greek communities in South Africa, the churches have established independent schools, with a curriculum that has among its primary aims the teaching of the Greek language and the Helleno-Orthodox tradition.

Since the establishment of Sunday schools, the younger generation is taught by the priest, specially hired Greek teachers, or other members of the Greek community, the history and the role of Orthodoxy, Greek civilisation, and accounts of the continuity of Hellenic history. In all Sunday schools the fact is constantly stressed that the history of the early

Church and that of Byzantine Greece are synonymous. Children are expected to take pride in the role of the Greeks in the expansion of Christianity and in the fact that the records of the early Church were written by Greeks in Greek (Spiro, 2003). The supremacy of Orthodoxy is continuously emphasised, together with the underlying cultural superiority of the Hellenic tradition. The prevalent ethnocentrism about the role of the Greeks in the world and the general interpretation of history is exemplified in the continuity of Greece from Ancient Greece through Byzantine to Modern Greece (Spiro, 2003).

The impressive ceremony of the Church, its long tradition, flexibility, and adaptation to the larger society, and the fact that South African Greeks are born into their religion, are among the factors that account for its preservation and central role in the Greek community. As a repository of Greek values and one of the conservative agents, the Greek Church, with its continuous emphasis on Orthodoxy and Hellenism, has been one of the important resistant blocks to assimilation. (Mantzaris, 2000). The general presentation of the central role of the Greek Orthodox Church should not, however, mean that assimilation has not taken place. In the institutional area of religion, researchers can see assimilation as a result of both positive and negative influences (Mantzaris, 2000; Spiro, 2003).

4.15.4 South African Greek communities and community life

Because of the pattern of Greek immigration, *i.e.*, mostly "chain" migration and sometimes a "gravitational" one, distinct groupings in South Africa, based on Greek island or mainland regions, were soon formed (Mantzaris, 2000). As people from the same village usually emigrated together and helped each other to settle in the same place, it was inevitable that large groups of people from the same locality would gather in one place (Dicks, 1971; Vlachos, 1965; Mantzaris, 2000; Koliopoulis and Veremis, 2002).

According to Mantzaris, (1978, 2000), these early groupings were held together by a strong sense of Hellenism, which was the product of centuries of struggle for national existence, by the identification of the Greek Orthodox Church with this struggle, and by the absence of profound differences of customs between the various regions and districts of Greece. The external unifying force has been the **"accumulation"** of problems, and the effort through a Greek community structure in South Africa, to cushion the shock of transition from the native culture to the culture of the surrounding society (Mantzaris, 2000).

The concentration of Greeks in large urban centres and the "gravitational" pattern of settlement described above were also results of the social background of the Greek immigrants. The average Greek is a gregarious person who has lived his life surrounded by relatives and friends (Spiro, 2003). In South Africa, immigrants immediately felt the need to be surrounded by their countrymen, with whom they could use the same language, and with whom they could once again celebrate the traditional Greek holidays (Koliopoulos and Veremis, 2002). An isolated life on the farm, instead of the usual bustling village life, would be inconceivable to the Greek immigrant. Furthermore, given the communal character of Greek rural life, in case of need, the Greek immigrant who was living close to other Greeks would know to whom to run for help, or whom he could ask to be best-man, or godfather for his children (Vlachos, 1965; Mantzaris, 2000; Spiro, 2003).

The effects of the pattern of the migratory process have already been alluded to. The ever-growing circles of common background present a simplified version of the general "community" settlement patterns and interconnections of the Greek ethnic group. The first kinship concentrations (gatherings of close relatives at the same place) were followed by locality (village or town) aggregations. These were results of the "chain" letters and the recruitment of members of the ethnic community from the same place of origin in Greece. Such groupings were later reinforced by the selection of marriage partners, either by matched marriages (*proxeneio*) arranged through the relatives back in the homeland and preferably from the same village from which the early immigrant came, or by actual voyage by the prospective bridegrooms to their native locality and personal selection of their mates (Mantzaris, 2000; Dicks, 1971; Vlachos, 1965; Koliopoulos and Veremis, 2002; Spiro, 2003).

The larger societies (indicating broader regional delineations in Greece) must be understood not on a territorial basis in South Africa, but rather as divisions transcending such lines. These are societies of persons coming from a certain larger geographical region of Greece, such as Macedonians, or Arcadians, or Cretans. It is interesting to note, however, that even such regional and larger societies have major geographical areas of concentration in South Africa, necessitated once more by the pattern of immigration to this country (Mantzaris, 2000).

Mantzaris, (2000) believes that a bond connecting all these various "Greeks" in South Africa has been the national societies and organisations, which have made a valiant effort to rally the South African Greek population in a manifestation of pride and identification with the

Greek ethnic background. In general, it was South African reality that permitted the several immigrant groups to see themselves as a broader common group. South African experience taught the Greek people to disregard particular customs or *mores* of the various localities in the face of an attraction to a larger affiliation. Such an affiliation was achieved on the basis of a common language that permitted communication with each other (Mantzaris, 2000). Thus, the immigrants started thinking of themselves as a large united group on the basis mostly of a common language and religion, rather than a particular place of origin (Koliopoulos and Veremis, 2002). Instead of being identified as Roumelians or Peloponnesians, they became "South African Greeks", although there are still intra-ethnic lines of division among this larger group. South Africans could more easily understand such identification on the basis of language. To the general South African public and to other immigrants, language meant culture, and very soon nationality as well (Mantzaris, 2000).

The community structure among Greeks in South Africa, described above, points to the overall pervasive factor of factionalism and regionalism that runs through the Greek communities in South Africa. These patterns of factionalism and regionalism (characteristics carried over from divisions in Greece) have extended to the South African-born generations, and determine much of the nature of social relationships among South African Greeks. Social contrasts and close friendships, Mantzaris (2000) observed, tend to be confined to the groups of the parents. Choices of godparents and marriage sponsors are usually kinsmen or fellow "villagers" of the parents. The South African Greek community, therefore, can be understood not only as an overall cohesive totality, but also as a federation of diversified sub-groups, determined basically by place of origin in Greece (Mantzaris, 2000).

The difficulties of characterising a "Greek community" are not only the result of definitional difficulties, but also part of a confusion that seems to run through the whole understanding of Greek aggregations in South Africa (Mantzaris, 2000).

It may be advisable to describe a Greek community in an ecological sense, as including all the persons of Greek cultural background residing within a given community territorially defined in South Africa. In the literature of ethnic relations, the existence of an ethnic community has been taken to denote lack of assimilation because of the strong group identification (Mantzaris, 2000). There is, however, considerable evidence refuting such a conclusion. It is not the existence or non-existence of a Greek community that can be used as an index of assimilation, but rather the extent to which the structure of an ethnic community is integrated into the total social structure.

4.15.5 Spiritual kinship: blood brotherhood, spiritual brotherhood, godparent hood

According to Cassia and Bada, (1995), traditional Greek society, in the past and currently, possesses a number of institutions to turn non-kin (***kseni***) into fictional kinsmen. These include blood brotherhood, also called foster brotherhood (***adelfopiia***), spiritual or soul brotherhood (***psikhoadelfosine***), adoption (**iothesia**), and godparenthood (***koumbaria***). Most of these practices, especially those involving spiritual brothers, appear to be folk practices not officially sanctioned by the Church.

Although there are significant variations between them, they possess a cluster of similar characteristics. For example, blood brotherhood and spiritual brotherhood are alike in the following ways: they are often collective, and link together two kinship groups rather than individuals; the relationship are transmitted across generations; and they are often used to prevent an outbreak of hostilities in situations where the vendetta and relations of hostility threaten to disrupt social and commercial life (Cassia and Bada, 1995).

Outside the blood relatives, another form of relation that brings people together is the Greek institution of "***Koumbaros*****".** A *koumbaros* is the person who acts as either the best-man, godparent, or mentor in social and commercial life. This is a very important relation among the Greeks, who consider the *koumbaros* a member of the extended family. In its original form, the *koumbaros*, either in marriage or baptism, was supposed to act as the spiritual mentor of the person under his or her guidance. The institution of *koumbaros* has permitted the Greeks in South Africa to create additional secondary relations with each other, especially among families who already have other blood ties, and to bring in a partner into their family business (Mantzaris,2000).

It is interesting to note that the Greek institution of *koumbaros* can be used as an indication of strong association with Greek culture. This means that the Greeks of South Africa who are engaged in the relationship of *koumbaros* are less assimilated than the persons who do not do so. This phenomenon can also be interpreted to imply that those South African Greeks already peripheral to the Greek group do not enter into the relationship of *koumbaros* (Dicks, 1971).

It should be noted that some family clans who do not have any *koumbaros* relationships **are** considered the most "Africanised". On the other hand, the clans with many *koumbaros* (and blood) relatives are considered the most "Greekish" in the community (Vlachos, 1965; Dicks, 1971; Koliopoulis and Veremis, 2002). Those persons not belonging to any of the family clans and being more or less isolated despite the expectation of high assimilation remain distinctly Greek. There are older persons, widows, widowers, and older unmarried Greeks, who, despite their limited association with the various Greek communities, remain isolated from the larger South African community in a Greek world of their own (Mantzaris, 2000).

4.**16** **TYPES OF SOUTH AFRICAN GREEK FAMILIES**

As has been indicated above, the family is the centre of life for South African Greeks. The family embodied, and, for many, still embodies the ideal Greek way of life and constitutes one of the last institutions to maintain ethnic culture. However, there have been many changes in Greek family organisation in South Africa, which can be visualised in terms of a continuum ranging from the almost-Greek-peasant family to the highly assimilated South African type of family. Thus, in the context of the Greek communities in South Africa, three basic types of South African Greek families can be distinguished.

4.16.1 The first generation South African Greek Family (the "Greekish")

By "Greekish" is meant an organisation of parents and offspring in which both parents are of foreign birth and in which there is a conscious effort to perpetuate the Greek way of life. This family is characterised by the confusion of adapting to the highly industrialised society, since the majority of the parents came from the rural areas of Greece. Such families in South Africa (what other members of the community have labelled "Greekish") tend to be isolated from the larger community and are the core of the various family clans (Mantzaris, 2000). They are typically older people, who, having severed their ties with the Greek homeland, have found it particularly difficult to adapt to the new culture. More often, given the uncertain position in the larger South African community, the older members of these types of families have turned inwards, thus becoming more Greek than the Greeks back in Greece (Koliopoulos and Veremis, 2002). By tenaciously holding on to the peasant traditions, they try to avoid "Africanisation" which is considered by many of them practically treason to what they consider the real essence of Hellenism (Mantzaris, 2000).

Among the general characteristics of this type of family are patriarchal orientation, the sharing of common goals, a strong sense of obligation towards parents and children, strong in-group solidarity, and the many family celebrations (Vlachos, 1965).

4.16.2 <u>The second generation South African Greek family (the "Greeks")</u>

The category "Greeks" is characterised by parents and offspring in which one or both parents are South African-born, but are of Greek extraction. It is a transitional type of family organisation, trying to bridge the gap between Greek and South African culture. It is characterised mostly by a state of conflict between Greek and South African values and by many internal and external pressures, which often lead to confusion and disorganisation (Mantzaris, 2000). Mantzaris, (2000) believes that, in terms of its adjustment to the larger South African society, three forms prevail. First, there is marginality, with resulting continuous ambivalence to either Greek or African culture forms of family organisation; second, there is complete abandonment of the Greek way of life; and third, there is increasing identification with the Greek culture as a compensatory scheme. Among the general characteristics of this type of family organisation are weakening of patriarchal orientation, mobility, lack of participation in either the South African or Greek community, lack of common goals, less religiosity, weakened in-group solidarity, and rebelliousness towards parental supervision (Koliopoulis and Veremis, 2002).

4.16.3 **The third/fourth generations of South African Greek families (the "Notiafrikani")**

Mantzaris, (2000) describes this type of Greek family as the organisation of parents and offspring in which one or both parents are South African born. In many respects, it is the type that can be considered typical the rest of the families of the larger South African communities (Mantzaris, 2000). In this family there are, however, many remnants of the ethnic culture (Koliopoulis and Veremis, 2002).

The most important characteristic of this type of family organisation are its egalitarian orientation and basic atomistic character (Dicks, 1971). The transformation of the extended family (first generation) to clusters of nuclear families (third/fourth generations) has been likened by Mantzaris, (2000) to the general changing patterns of family structure in South

Africa. In South Africa, the cohesiveness that derived from the older patriarchal forms of the extended families has been replaced since World War II by isolated South African Greek households, especially of the third/fourth generation. Despite the increasing atomistic character of the various families, there is still a certain integrated network of mutual assistance within the larger clans, in the form of an independent kin/family system (Mantzaris, 2000; Koliopoulos and Veremis, 2002; Vlachos, 1965).

4.17 GREEK FAMILIES AND SOCIAL RULES

As late as 1980, an estimated two-thirds of murders or attempted murders in Greece were inspired by the male's need to uphold family honour in the face of public humiliation caused by the victim. Although many of the superficial aspects of traditional social behaviour, relationships, and roles have changed, especially in the cities, modern South African Greek society still retains elements of a much more traditional set of values, such as the protection of a family's reputation. Since the 19th Century, upward mobility has been unusually common in Greece. Because the ideal of generational improvement has been widely distributed, Greece class systems have been much more flexible than those of other European countries (Da Vinci, 2003). This flexibility also applies to South Africa. The family is traditionally the most important institution in South African Greek society. People think of themselves primarily as members of families, and rarely "as individuals in the existential sense"
(Mantzariz, 2000). Other writers have noted that South African Greeks traditionally identify themselves first as members of families, then according to their places of origin, and lastly as citizens of a nation (Mantzaris, 2000).

Traditionally all Greek marriages were arranged, generally through the mediation of a matchmaker (Cassia and Bada, 1995). The latter, although unrelated to either family, knew them well enough to be confident that their children were well suited. Opportunities for the young people themselves to meet were rare and restricted to Church, in the presence of their parents, and during the "Sunday afternoon walks", where girls and boys strolled separately. Love was not seen as a good reason for marriage, for romantic love was not highly esteemed in traditional Greek society. Divorce and separation were virtually unknown, because through the system of marriage and dowry, kinship and economic ties were so rigidly defined that neither partner could opt out of a marriage without devastating social consequences (Cassia and Bada, 1995).

Urbanisation and modernisation have altered the attitudes of South African Greeks towards marriage. The expansion of school systems has meant that boys and girls meet from an early age and are exposed to modern ideas about social and sexual relations. The great increase in the number of women in the work force has also liberated them from strict parental control (Mantzaris, 2000).

The family is still seen as the basic social unit of all strata of South African Greek societies, whether rural or urban (Koliopoulos and Veremis, 2002). For an individual not to marry or to remain separate from his or her family is viewed as unusual behaviour. Sons and daughters still live with their families until they marry, bypassing the Western tradition of living independently between these two stages of life. Families play a large role in the selection of a mate, although the traditional arranged marriage is now less frequent than in previous generations (Spiro, 2003). Tradition called for courtship to be a time when society examined a young woman's conduct, to evaluate her character. A potential groom and his family still considered a woman's reputation, modesty, and innocence. The chief ingredients of a young woman's honour were demonstrated by her dress as well as her behaviour. By 1970, however, young women commonly dressed in fashionable West European styles, and chaperones were no longer required (Cassia and Bada, 1995).

The basic household, or nuclear family, includes a husband, wife, and their unmarried children. This unit may also include a parent or another family relative, and in most regions a young married couple may live with the parents of the one spouse until they can gain financial independence. In rural tradition, the groom takes his bride to live with his parents at least for a short time; they may remain in that house or in one in the same area, creating an extended family (Mantzaris, 2000).

In traditional Greek society, manhood was attained through marriage and becoming the main support for a family. Similarly, it was only through marriage that a woman could realise what was seen as her main purpose in life, becoming a mother and homemaker. Remaining single reduced a woman to the marginal role of looking after aged parents and being on the periphery of her married siblings' lives (Cassia and Bada, 1995).

Mantzaris, (2000) highlights the fact that a separate "dwelling unit" for the nuclear family has always been recognised as a prerequisite for the couple's economic independence. Accordingly, the head of the family has been seen as morally justified in pursuing the interests of his dependants in all circumstances. The principle of "***symferon***", that is, self-interest, overrides every other consideration. Acting in accordance with the principle of *symferon,* Greek parents do everything in their power to equip their children for the future. In present-day South Africa, this involves providing the best possible education for sons, and securing a house as well as an acceptable education for daughters (Mantzaris, 2000). In traditional Greek villages, houses were built close to one another, encouraging the close contact and cooperation that were necessary for survival in a context of general poverty. The closely-knit community of families provided a sense of belonging and security, but also greatly restricted individuals within accepted norms and boundaries in all aspects of life (Dicks, 1971). Urbanisation has had a liberating effect. As people became wage earners, the self-sufficiency of the nuclear family grew at the expense of community interdependence (Koliopoulis and Veremis, 2002), and despite changes in its structure, the family remained strong in the South African Greek society (Mantzaris, 2000).

4.18 THE INFLUENCE OF GREEK CULTURE ON GREEK BUSINESSES

Within the ethnic business literature, a pronounced association between the family and the business has been made, but there has been a parallel neglect of the dynamics of the family at work. The family has often been seen as critical to the success of minority enterprise (Mars and Ward, 1984; Ward, 1987). Pizacklea (1984) argues that ethnic solidarity would suggest that "cultural" features like the ideology of self-help, the operation of fraternal frameworks and the importance of the family unit are integral to the development of a minority enterprise. This could also be true of South African Greeks. The intensive use of familial labour in key positions in the business have often been viewed as critical to the "success" of the business (Mars and Ward, 1984; Ward, 1987) and would therefore help to account for the success of South African Greek family businesses. Two basic reasons have usually been put forward to explain its ascendancy in minority businesses. Firstly, family labour is cheap, and relatives are prepared to work for long hours (Boissevain *et al.,* 1990). Secondly, family occupation of managerial roles is seen to ease the problem of managerial "control". In their study of minority clothing firms in London, Paris, and New York, Morokvasic *et al.,* (1989) made the point that running a business with relatives and co-ethnics for partners resolves the problems of trust and delegation, an integral part of good governance. See in Chapters 5 and 6.

Watkins and Watkins, (1986) argue that entrepreneurs are likely to be the progeny of entrepreneurial families, although this does not necessarily mean a continuation of the established family businesses. They add that the male entrepreneur is likely to have a traditional-style marriage with a wife who plays a subservient and supportive role, both in the home, by (single-handedly) bringing up a family, and working in the business during the early stages of its existence. This usually involves doing the books for the company or undertaking secretarial, cleaning, or packing work. Finch's (1983) research adds the entertainment of business associates to the list of supporting duties. In contrast, female entrepreneurs are far more likely to be single. But, as Watkins and Watkins, (1984: 224) have discovered, even when the female entrepreneur was married, "in those few cases where the husband was involved with the business it was usually in an *ad hoc*, peripheral, 'expert' role rather than a supportive subservient one".

Wheelock, (1991) justified the term "familial economic unit" by pointing out that many women facilitate the survival of their partner's businesses through their domestic labour, which is not explicitly financially rewarded. Thus women play critical roles in the survival of family businesses, through both formal, but unacknowledged, roles within the business, and through a number of "their" ways, and yet because their roles are not usually recognised, their input is frequently ignored by researchers of small businesses.

For Greeks with prevailing patriarchal, masculine-predominance ideology, weakening only among college-educated urban men and urban women with at least a high school education, husbands and wives may have incongruous perceptions of the decision-making process, regardless of the societal stage of development or cultural ideologies. The incongruence between husbands' and wives' perceptions of decision-making may be due to one or both spouses' need to dominate the family power structure or to adhere to "egalitarian norms". Thus, a spouse for whom it is very important to be predominant in the decision-making, may perceive only those cues which permit him (or her) to see himself / herself as the most powerful member of the family. The analysis of Greek literature, (by Koliopoulos and Veremis, 2002 and Mantzaris, 2000), for example, showed that when husbands or wives perceive that they prevail in the decision-making, they are satisfied with their marriage, while the opposite is true when they perceive the decision-making as rather "egalitarian".

South African Greeks see economic development as the permanent concern and constant preoccupation of every society. If something is judged to be non-profitable, it is considered of secondary importance, and those involved in non-profitable activities are regarded as dreamers or non-functional elements. To yield profit, values such as competition, influence, expansion, greed, and the like are nurtured (Bantaris, 2003).

Not surprisingly, regional variations have been found in the levels of entrepreneurship between countries. In their cross-national study of entrepreneurship, Davidson and Wiklund (1995) suggested that regional variations in the levels of entrepreneurship are influenced by the cultural values of the people. The claimed that cultural and economic-structural determinants of the new business formation rate were positively correlated, thus suggesting that cultural differences in both values and beliefs help explain regional variances in the supply of entrepreneurship. Despite the cultural relationship, various other studies on migrant and ethnic entrepreneurs have found that cultural beliefs and values rarely suppress aspiring entrepreneurs. Although cultural hostility towards entrepreneurship may stifle it in a particular region, migrant entrepreneurs frequently move to new areas in order to start their enterprises. Thus cultural hostility may prevent entrepreneurship in a particular region, but some other regions will, in part, benefit form the migration of the ethnic entrepreneurs.

4.19 SUMMARY

The primary purpose of this chapter was to assess the nature and importance of cultural influences on the South African Greek family. This chapter has added to the body of culturally conscious research about the South African Greek family, and how culture will impact on the way South African Greeks will govern their family businesses. Besides defining the concept culture in a family business context, this chapter also explored cultural theories about ethnic groupings. The chapter focused on the importance of culture, and considered what impacts it would have on entrepreneurship. Cultural diversity and its effects on management challenges in South Africa formed an integral part of this chapter, thereby setting the stage for an in-depth understanding of South African Greeks, their characteristics, religion, lifestyle patterns, communication, values, “norms”, and approaches to work, which would affect their way of governing their families and businesses.

Chapter 5 will focus on governance issues from an international and national perspective as they relate to business in general and then family business in particular.

CHAPTER 5

CORPORATE GOVERNANCE IN FAMILY-OWNED BUSINESSES

5.1 INTRODUCTION

The cultural orientations of Greeks worldwide and in South Africa in particular were discussed in Chapter 4. It was pointed out that these cultural characteristics and behaviour patterns also impact on how Greeks conduct their business. In the present chapter, the concept of governance is explored against the background of cultural influences that can impact on Greek family businesses.

Shareholders, managers, and business advisors are demanding improved governance of companies through the strengthening of boards of directors and developing more responsive shareholder relations (Davis, 2001). In this chapter, it is argued that governance of family businesses differs from mainstream corporate governance in one important respect: important owners, that is family members, may play multiple roles in the business, and the relationships among the family members may contribute to the unique characteristics of a family business (Dyer and Sanchez, 1998).

Given the duality of the economic and social goals family businesses pursue and the complexity of the stakeholder structures, family businesses need a governance structure that matches the complexity of their constituent stakeholder structure. In addition to management supervision and control, family businesses need to develop governance structures that promote cohesion and a shared vision within the family, to reduce potential conflict (Neuebauer and Lank, 1998). The first goal may be achieved by employing formal controls that minimise opportunism, mirroring the prescriptions of agency theory. The second goal calls for the implementation of social controls that promote social interaction and the formation of a shared vision among the various stakeholders (Gershick *et al.*, 1997; Langsberg, 1999; Neuebauer and Lank, 1998).

"Corporate governance is not just a passing fad; it is an unequivocal, unavoidable necessity," Minister of Finance in South Africa, Trevor Manuel, said in an address during April, 2002 to the Institute of Chartered Secretaries and Administrators (ICSA). "In the same way as man was charged with the responsibility to act as the guardian of the planet for future generations, directors and managers of companies are tasked with preserving and growing value, not for themselves, but for shareholders, investors, employees, pensioners and stakeholders of the future"(Manuel, 2002 : 2). The present major decline in the value of shares around the world is partly attributable to a lack of confidence in corporate decision-making. The days of "hot air" corporations and dotcoms attracting huge amounts of investor capital are gone and there is and must be "a return to value by bringing corporate governance back into fashion". There is a need for good corporate governance to again take pride of place in corporations and governments. Far from being a passing fashion, corporate governance is essential "so that this generation can pass on with confidence to future generations what has been created" (Manuel, 2002).

According to Tricker (1996:2), " whilst management processes have been widely explored, relatively little attention has been paid to the process by which companies are governed. If management is about running businesses, governance is about seeing that they are run properly. All companies need governing as well as managing."

It can be argued that the growth of the South African economy is contingent upon an increase in investor confidence and direct foreign investment, and for the emerging economy on the African continent there are few other measures that will address these objectives more directly and more effectively than good governance. If South African companies are indeed to compete for international capital, and if much-needed jobs are to be created through increased direct foreign investment, conduct in our boardrooms must be beyond question (Maas, 1999a).

In an endeavour to advance a "substance over form" approach to governance within South African Greek family businesses, this chapter looks beyond the recommendations of King II (2002), by considering the underlying governance principles that are used. These core principles are universally applicable and can be used to enhance governance practices, to yield tangible benefits in all companies, regardless of the size of corporate or family business structures. The objective of every family business is, of course, to generate fitting and sustainable returns for its shareholders, and the importance of achieving an appropriate balance between maximising a company's performance and maintaining acceptable levels of good governance cannot be over-emphasised (Neuebauer and Lank, 1998).

In this chapter, an **international perspective** on the governance of family businesses will be explored, as South African Greek family businesses are increasingly being forced to move their activities beyond their South African markets into the international arena.

5.2 THE NATURE OF CORPORATE GOVERNANCE

Corporate governance is a relatively new topic in the field of management theory and practice (Davis and Taigiuri, 1996). A decade ago researchers had hardly coined the term, and even today many managers are put to the test if asked what the term means. In today's management parlance, "corporate governance" is a collective term that includes specific issues arising from interactions among senior management, shareholders, boards of directors, and other corporate stakeholders (Neuebauer and Lank, 1998).

The relative newness of the term does not mean that the phenomenon it describes has not always existed; it most certainly has (Neuebauer and Lank, 1998). Recent discussion has been triggered mainly by the spectacular failure of some large companies. In the aftermath of these failures, the question was raised by the public at large, by the shareholders, and even by the employees and their unions, whether the corporate governance systems should have not prevented this from happening (Neuebauer and Lank, 1998). Earlier efforts to address the issue of how to govern companies entered top management's discussion under the label of the "theory of the firm". Spreading the concept was hindered by the fact that the term "corporate governance" does not translate easily into other languages. As a result, the English term is increasingly being used even outside predominantly English-speaking countries (Lansberg, 1999).

Levitt (2002) believes that, from a purely utilitarian perspective, good corporate governance makes good business sense. Its major advantages must lie in the increased ability to attract foreign and institutional investment, to implement sustainable growth, to identify and manage business and other risks within agreed parameters, and so limit potential liability. According to Neuebauer and Lank, (1998) the word “governance” comes from the Latin verb **gubernare**, to steer or to direct. Tracing the word etymologically makes it easier to understand the definition of corporate governance as it is now used in everyday management practice.

The prominence of the concept in South Africa has been given impetus by the release of King Report 1 in 1994 and the King Report 2 in March 2002 on Corporate Governance. Corporate governance is essentially the practice by which companies are managed and controlled. According to Naidoo (2002), it encompasses:

- The creation and ongoing monitoring of a system of checks and balances to ensure a balanced exercise of power within a company
- The implementation of a system to ensure compliance by the company with its legal and regulatory obligations
- The implementation of a process whereby the risks of the sustainability of the company’s business are identified and managed within agreed parameters
- The developments of practices, which make up and keep the company accountable to the broader society in which it operates.

Corporate governance, then, is essentially about the responsible leadership of companies. This is leadership that is transparent, answerable, and accountable to the company’s identified stakeholders. A useful way of distinguishing between governance, which is primarily the responsibility of the board of directors, and management, as a process, is to think of the interaction between the board and executive management as a circle superimposed on a hierarchical triangle of management. The board is the ultimate decision-making body, while management is a hierarchy with authority delegated downwards through the organisation and accountability upwards towards the chief executive (Tricker, 2001; Naidoo, 2002).

The '**Cadbury Report'** in the U.K. noted that:

"Corporate governance is the system by which companies are directed and controlled."

Neuebauer and Lank (1998) amend this definition slightly:

"**Corporate governance is the system of structures and processes to direct and control corporations and to account for them."**

Neuebauer and Lank (1998:13) believe that "**directing**" means being involved in decisions that are strategic in nature. **Controlling** means oversight of management performance and monitoring of the process towards objectives. **Accounting for** means responsibility towards those legitimately demanding accountability on the part of the business (the stakeholders). Because in family-controlled businesses, the issue of equitable treatment of all family members – those inside the company and those outside – frequently plays a major role, clear accounting and clear responsibilities for accountability are of critical significance. The question of accountability and how it can be guaranteed has gained importance, as there has been a tendency to separate the role of the owner from that of the manager. For obvious reasons, this separation makes clear accounting particularly important.

While Neuebauer and Lank's (1998) definition of corporate governance is means-orientated (the nature of the key corporate governance tasks), a somewhat different light is shed on the concept if one uses an ends-orientated definition. These authors also gave an example of an ends-orientated definition: "corporate governance is a system of structures and processes to secure the economic viability as well as the legitimacy of the corporation." The two key terms in this definition are '**viability'** and **'legitimacy'.** The term "**viability"** stems from the French adjective "**viable"**, "able to live". In the case of the family-controlled enterprise, economic viability means securing the long-term sustainable development of the firm (Neuebauer and Lank, 1998). According to these authors, there exists a huge body of juridical and philosophical insights into the concept "legitimacy". For Neuebauer and Lank (1998), "cooperation" simply means acceptance by society. In other words, in order to flourish in the long term, a business and its conduct have to be in accord with the norms of the society surrounding it. If not, it is doomed. Against this background, the concept corporate governance is defined as:

a system of processes and structures to direct, control, and account for the family and the family business at the highest level.

Davis (2001) believes that the governance of a family business is more complex than non-family business because of the central role exercised by the family that owns and typically leads the business. Many owners of family businesses are concerned with ensuring continued independent ownership (Poutziouris, 2000a; Westhead, 1997; Westhead and Cowling, 1997; Venter, 2002; Maas, 1999 a + b), specifically, that ownership and management with governing control are transferred to the next generation of family members (Westhead, Cowling and Howorth, 2001).

5.2.1 The factors driving the need for improved corporate governance

There are a number of factors driving the growing interest in corporate governance. Some assert that internal controls of publicly held or family-owned corporations are failing, and some compel managers to compensate themselves fairly (Bok, 1993) to optimise operational efficiency (Smith, 1996), to ensure accountability (Roe, 1994), and to maximise the wealth of shareholders (Jensen, 1993). Corroborating anecdotes of management's abuses of power, impropriety, or dereliction of duty are highlighted by the deteriorating system of governance (Monks and Minow, 1996). Collectively, these flaws have added another dimension to Roll's (1986) "hubris hypothesis" that "managers have become insufficiently accountable to shareholders" (Bishop, 1994:3), and buttress the assertion of "management as a self-perpetuating oligarchy" (Jackson and Carter, 1995:884). Donaldson and Preston (1995:87) conclude that eroding governance structures signalled that "the conventional model of the corporation, in managerial forms, has failed to discipline self-serving managerial behaviour." Resolution remains elusive. The default opinion – re-regulation of corporate behaviour by government fiat – is a weak tonic (Jensen, 1993).

Others dismiss political recourse outright. Monks and Minow (1996:15), for instance, assert that "the power of the corporation has advanced to the point of domination of the political process". The limit of government fiat has turned attention to other mechanisms, most notably, institutional investors as the agents positioned to reverse America's governance decline (Davis and Thompson, 1994; Smith, 1996). Some note, however, that political regulation (Romano, 1993), agency distortions between control and liquidity (Coffee, 1991), and philosophical concern about undue concentration of wealth and power (O'Barr, Conley and Brancato, 1992) constrain the latitude of institutional investors. Surveying the state of affairs, Millon, (1993:1373) concludes:

> " We are in the midst of a crisis. It is a crisis of uncertainty over corporate governance law's normative foundations universally. For too many people, the traditional primary shareholder model has outlived its utility and now threatens important values. The uncertainty crisis is here and we should expect it to continue" (Millow, 1993).

5.2.2 Approaches to corporate governance

The governance crisis also has academic overtones. In general, conceptions of governance – essentially, the structures and processes that monitor managers and govern businesses – are far-ranging. Researchers from several disciplines have developed an eclectic literature on philosophies of governance, features of control structures, and the merits of monitoring mechanisms (Jackson and Carter, 1995). Collectively, these works help researchers to understand the relationship between who owns corporations, who controls them, and who operates in the arena. Each invokes a normative premise of accountability to frame interpretation of the boundaries of agency and ownership (Jensen, 1993), internal control asymmetries (Williamson, 1979), coexistence of ownership and control (Coffee, 1991), or division of rights between the firm and society (Donaldson and Preston, 1995). Within this context, Sullivan and Conlon, (1997) see the interdisciplinary agreement that the task of governance is managing and stabilising interdependencies – whether researchers define the link in terms of owners, agents, stakeholders, government, or society – in ways that ensure accountability. Sullivan and Conlon (1997) conclude that philosophical accord has not inspired conceptual congruence.

Certainly, researchers see in particular disciplines the signs of a unified theory of governance structures and behaviours. Examples include finance and its agency-cost perspective, transactional economics and notions of contractarianism, social theory, and communitarian ideals. Across disciplines, different normative codes translate into different perspectives. For example, economics advocates an efficiency-based conception of control and a doctrine of shareholder wealth maximisation (Jensen, 1993) while sociolegalists advocate political and social explanations that emphasise an organisation's embeddedness in realistic social contexts (O'Barr *et al*., 1992; Roe, 1994; Jackson and Carter, 1995). Various researchers assert that dissimilar constructs – such as agency costs (Easterbrook and Fischel, 1991), transaction costs (Williamson, 1979), power relations (Donaldson and Preston, 1995), or institutional legitimacy (Davis and Thompson, 1994) – ought to ground our conception of governance (Sullivan and Conlon, 1997).

Rather than leading to consensus, theoretical pluralism aggravates the current uncertainty crisis, because "excessive theoretical compartmentalization…(makes it) easy to lose sight of the ways in which various schools of thought are related to each other" (Astley and Van de

Ven, 1983:245). At present, the crisis in governance stalls the emergence of a touchstone philosophy – debate plays across legal, economic, strategic, commerce and institutional disciplines about the merits and deficiencies of segregated models (Johnson, Dailly and Ellstrand, 1996).

In short, conceptions and approaches to governance add to the body of knowledge in the way we own our businesses, control them, and who are the main actors in the arena.

5.2.3 **Models of corporate governance**

A survey of the management, finance, institutional, legal, sociology, economy and commerce literatures identified seven distinct models of governance. This study adopts "the convergence of pragmatic and academic conceptualisations of governance" approach to discuss these models. American Principles of Corporate Governance Project (Dooley, 1992) describes corporate governance in terms of two constructs: "responsibility" and "authority". The responsibility model posits a governance system in which all non-operational decisions (*i.e.,* merger or asset sale) made by a board of directors must be ratified by shareholders. The authority model, conversely, vests supreme authority in directors, and strictly limits shareholders' rights to challenge the business judgement of the directors. In an academic context, Allen (1993:1401) expresses this dialectic in terms of the "philosophical realism of sociology", which champions collective responsibility, *versus* the "philosophical nominalism of economics," which advocates efficient authority. Congruence between these pragmatic and academic conceptualisations has led researchers to argue for a continuum that invokes this dialectic in a way that begins to explain the relationships among models.

Sullivan and Conlon, (1997) bind the continuum with concepts of "justice for all" and "liberty of the individual". The positioning of each model follows its stipulation of the relative importance of "justice" *versus* "liberty" in terms of the board of directors construct – to whom do the directors of a business owe the duties of care, loyalty and candour (Berle, 1931; Dodd, 1932; Frankfurter, 1943; Allen, 1993)

5.2.3.1 **Communitarian Model**

The communitarian model holds that the business and its governance are grounded in the moral order of the community – put simply, governing the affairs of the business are the ideals of the body politic (Donaldson and Preston, 1995). The standard of a corporation's usefulness is not whether it creates individual wealth; it helps society gain a greater sense of the meaning of community by honouring individual dignity and promoting overall welfare (Dodd, 1932; Bratton, 1989; Allen, 1993; Jackson and Carter, 1995). Corporations are chartered with a quasi-public obligation to satisfy general community needs in ways that honour individual dignity and promote societal prosperity. Similarly, the corporation's identity supersedes that of the individuals who temporarily manage it. In other words, executives are simply the current guardians of the interests of all corporate stakeholders (Hall, 1989). The communitarian norm of protecting the weak from exploitation by the powerful coaligns the interest of directors, shareholders, and stakeholders.

The resolution of “governance” disputes, as such, mirrors the social model of human action (Durkheim, 1949, 1983), in which “boundedly” people, leading lives embedded in social contexts, champion laws that champion fairness among equals. So conceived, the communitarian model has a greater willingness to use legal intervention to overcome transaction costs and market failures (Millon, 1993). Proponents endorse tactics such as federal chartering or nationalisation of corporations to offset the tendency of large corporations to amass power. While this model is magnanimous in intent, some researchers caution prudence in adopting communtarianism. Berle, (1932:1372), for instance, warns: “Unchecked by present balances, a social-economic absolutism of corporate administrators, even if benevolent, might be unsafe.”

5.2.3.2 Multifiduciary Model

The multifiduciary model also views the corporation in terms that invoke the “philosophical realism of sociology” (Allen, 1993: 1401). It rejects the notion that the public corporation is a private, internal, and contractual nexus, and so defined, devoid of public law significance. The imposition of extensive, uncompensated costs on various non-shareholder constituencies, such as those levied by hostile takeovers, animates the thesis that property rights are ultimately embedded in human rights (Dodd, 1932). Therefore, the destruction of property signifies an intolerable destruction of human rights (Bratton, 1989, 1992). The multifiduciary model argues for transforming shareholder primacy into constituent equivalency, and private law into public law. Doing so grants those persons whose activities fall within the realm of the corporation’s affairs, such as lenders, suppliers, employees, managers, consumers, and bondholders, the right of voice in the governance process (Allen, 1995).

The multifiduciary model is based on the quintessential American belief that power should be dispersed and regulated via a system of checks and balances, which encourages the contestability of ideas among shareholders and stakeholders alike.

5.2.3.3 The Property Model

Berle and Means, (1932) reason that shareholders' relatively limited resources, liquidity goals, and diversification preferences lead them to relinquish direct control over their minor investment with the corporate entity. Shareholders' diffusion creates asymmetries in the information, skill, and incentive needed to monitor their agents (Jensen and Meckling, 1976). Since such asymmetries favour executives, as they resolve inevitable agency problems, which call for a governance structure that accords pre-eminent property rights to the shareholders. These rights are typically expressed in the primary agent-principal relationship. Safeguarding small, faceless shareholders from managers engaging in "self-interest-seeking with guile" (Williamson, 1979:26) requires empowering them with an inalienable, pre-emptive, and inviolate fiduciary right to elect a board of directors that is diligent and dutiful. The conception of governance thus depends on the neoclassic notions of property rights, separation of ownership, control, and organisational hierarchies that economise on transaction costs.

5.2.3.4 Political Action Model

The political action model posits a pluralistic governance approach, in which the shareholders try to influence activities through formal and informal processes that bear "a strong resemblance to the public sector political system" (Pound, 1993:1007). Active investors contest executives' accountability by organising a critical mass of shareholder support through principled, political mechanisms that solicit proxy rights from dispersed and disenfranchised shareholders (Monks and Minow, 1996). In other words, this model calls for activating the interests, preferences, and concerns of all constituencies – provided they can directly or indirectly be communicated via the proxy mechanism – and presuming their concerns are channelled to the board of directors (Monks and Minow, 1996). The political action model aspires to supplant and, perhaps, to replace the formal proxy challenge – a method it judges as inefficient, anachronistic, and extremist (Pound, 1993; Monks and Minow, 1991). Instead, this model proposes an analogue of the "political action committee" to mobilise large and small shareholders. Governance structures and behaviours then shift from individual voting by disenfranchised shareholders to formal campaigns and lobbying from coalitions of organised shareholders.

5.2.3.5 **The Relational Governance Model**

The relational governance model refers to the intent of activist institutions to monitor and, if needed, provoke change in the control structure of businesses judged not to be honouring the primacy of maximising the wealth of shareholders (Davis and Thompson, 1994). Jensen, (1993:867) pinpoints the value of vigilant institutions, noting that, "Active investors are important to a well-functioning governance system because they have the financial interest and independence to view management and policies in an unbiased way. They have the incentives to buck the system to correct problems earlier rather than later when the problems are obvious but difficult to correct" (Jensen, 1993:867).

Allowing large intermediaries to translate control of sizable blocks of debt and equity into a direct say in matters of governance permits them to precede, and perhaps preclude, the opinions of smaller, disenfranchised shareholders (Jackson and Carter, 1995). Special incentives that offset the costs of additional monitoring and institutions may not find it rational to engage in relational investing (Black, 1994). As such, the relational governance model supplants the demographic principle of "one share, one vote" that defines the property model with plutocratic ordering that grants bigger shareholders preferential access to the board (Jackson and Carter, 1995).

5.2.3.6 Natural Entity Model

The natural entity model is based on the principle that the business is the creation of private initiative rather than state fiat. It calls for viewing the organisation as an extension of the individual or, in effect, a natural person (Hall, 1989). Governance takes its cue from the fact that through incorporation, the business becomes a legally separate, legally recognised "person", responsible for its own actions and independent of the interests of its stakeholders (Hughes, 1991). Thus, even if the individual directors enter into a contract where they are unauthorised to sign, the other party to the contract can sue the business, but not individual directors. Equating the notion of the business with the notion of the corporation as the natural creation of private initiative dismisses any characterisation as artificial (Hughes, 1991). So conceived, corporate property rights are an aggregation of individual property rights. The corporation is entitled to the same constitutional rights that society decrees are inalienable to natural persons – among them freedom of expression, protection from illegal search and seizure, and due process (Hall, 1989). Control structures take their cue from the premise that natural law protects the financial interests of shareholders from unique (*i.e.*, unnatural) restrictions on their inalienable property rights (Horwitz, 1985).

5.2.3.7 **Contractarian Model**

The contractarian model is a neoclassical model that sees the business as a convenient system of private ordering that serves as a contracting nexus for the atomistic rational maximises in its direct realm of activity (Coase, 1937; Easterbrook and Fischel, 1991). Those who subscribe to the contractarian model of governance see the business as an artificial entity that has no authority that differs from that of ordinary market contraction between two individuals (Jensen and Meckling, 1976). Rather, the business symbolises a system of property rights that defines a set of principal-agent relations and efficiently divides up claims to assets and residual flow. The notion of the firm as a "nexus of contracts" anticipates corporate constituents who contract freely with the parties that legally make up the corporate persona (Sullivan and Conlon, 1997). Specifying the responsibilities, rewards, and rights of the principal and agent via contract, better controls management misconduct than "vague" board-of-directors' duties. A contractarian model benefits society by removing cumbersome legal and regulatory codes, which in theory, prevent market failures and transaction asymmetries, but, in practice, aggravate costs and erode competitiveness (Jensen, 1993). The compelling norm of wealth maximisation impels the natural tendencies of a self-regulating market to define efficient governance structures and behaviours (Sullivan and Conlon, 1997).

The seven distinct models of governance discussed in Section 5.2 all emphasise and express important approaches to good governance. Although all are individual models of corporate governance, they all emphasise the responsibility of stakeholders to ensure good governance. The next section discusses corporate governance developments in the United Kingdom and South Africa.

5.3 CORPORATE GOVERNANCE DEVELOPMENTS IN SOUTH AFRICA

As a result of widespread mismanagement of business assets by a number of British and South African company directors during the latter part of the 1980s, (Smardon, 1998; Alfred, 2001), various important changes were made to the corporate governance regime in the United Kingdom (U.K.) and South Africa. These changes came about as a result of the recommendations made by the Cadbury, (1992), Greenbury, (1995), and Hampel, (1998) Committees, which were the initiatives of the London Securities exchange and the accounting profession in the U.K. These British initiatives served as a wake-up call to the corporate world in South Africa. Indeed, the recommendations by the Cadbury Committee, (1992) greatly influenced developments in South Africa on the issues of corporate governance.

Ultimately, the King Committee was established in 1991 under the auspices of the Institutes of Directors in Southern Africa to review corporate governance and make recommendations to the corporate world (both public and private), and in particular to the JSE Securities Exchange (JSE). One objective was to implement some of the recommendations of this report in the JSE listing requirements and thus improve the standard of corporate governance in South Africa. In 1994, the King Committee in South Africa issued the King Report 1 report and a Code of Corporate Practices and Conduct. The JSE has implemented many of the recommendations made by the King Committee, which now form part and parcel of the Listing Requirements. Since it was the duty of the King Committee to review corporate governance on an on-going basis, it issued, on 25 July 2001, a draft of the second report on Corporate Governance in South Africa. A Final Report followed on 26 March 2002.

As a result of the recommendations made by the four committees mentioned above, corporate governance has dramatically increased in importance both in South Africa and the U.K. Much was done in the U.S.A. also on the issue of corporate governance. The issue is "very sensitive" in that country at the present moment, following the recent collapse of Enron and WorldCom (Naidoo, 2002). Indeed, confidence has been lost in the independence of its auditors in the aftermath of these two situations.

5.4 CORPORATE GOVERNANCE IN FAMILY-CONTROLLED BUSINESSES

The corporate governance function, as defined above, also concerns family-controlled businesses. So far, only a very limited amount of research has been conducted in that area. Among the noteworthy exceptions are the works of Ward, (1997); Ghersick *et al*., (1997); and Neuebauer and Lank, (1997, 1998). This limitation does not mean, however, that the corporate governance tasks of directing, controlling, and accounting for have not existed in family-controlled enterprises. These have obviously been present all along, although a comprehensive system that formalises these activities may not have been adopted by many family enterprises. The need for such mechanisms becomes, however, more pronounced when the business has reached the "cousins confederation" stage (Neuebauer and Lank, 1998). At that point, the family may have grown quite distant from the business, so that the "glue" of governance mechanisms becomes of paramount importance. In their more advanced forms, corporate governance systems may well be compared to "constitutions of states", based on the German word for corporate governance, which is **Unternehmensverfassung** ("corporate constitution"). The parallels between the frameworks in a family-controlled business and a political constitution (of, say, a state) are indeed remarkable. Neubauer and Lank, (1997) identify a few of the key similarities:

- The constitution of a state can exist in a written or unwritten form. In the first case, researchers would talk about a formal constitution, while the second could be called an actual, *de facto* constitution. An example of the latter is the British Constitution (Neuebauer and Lank, 1997).
- In a political constitution, the basic order of a family-controlled company can either be implied in the business operating rules, customs, institutions, and unwritten "laws", or it can be embodied in one or more documents; the latter typically bear the titles such as " Statement of Family Principles", "Family Rules and Regulations", "Family Values", and, of course, "Family Constitution".
- A political constitution identifies the organs of the state, delineates how the state is directed, how the behaviour of the organs is controlled, and how these organs account for their actions *vis-à-vis* their constituents. Likewise, a corporate governance system (or

constitution) in the family business describes the organs of the business, their tasks, the extent and the limits of their power, their internal structure, the composition of their membership, and their *modus operandi* (including their influence on each other). It also delineates the ways in which one enters and leaves those organs and the institution (Neuebauer and Lank, 1998).

In research carried out by Neuebauer and Lank, (1998), they discovered that, above a certain size, many family businesses do indeed have a constitution. In some cases it is not explicitly formulated (but is adhered to); in others there are clear, discernable structures that identify the tasks to be handled by the different organs, regulate the distribution of power, the execution and limitations of that power, the composition of these organs, and their relationship to each other, as well as the mechanism to resolve conflicts – all typical characteristics of a constitution. The shape and make-up of these constitutions differ, of course, in different companies. Nevertheless, Neuebauer and Lank, (1998) have identified a number of common features in the governance systems they have encountered. The typical corporate governance structure in a family business seems to have the following elements:

- The family itself and institutions, such as family assembly, family council, shareholders' committee
- The board of directors (where one exists)
- Top management (or the executive committee, as they are sometimes called). Normally they are in charge of the everyday running of the business; they are also involved in certain aspects of corporate governance. Galo, (1993); Neuebauer and Lank, (1997); Ward, (1997); Ghersick *et al*., (1997) all state that it is

necessary to make an important observation: the different governance tasks can be handled satisfactorily only if the different organs of the corporate governance structure work closely together.

5.5 MANAGEMENT RESPONSIBILITY FOR CORPORATE GOVERNANCE

Based on the arguments advanced by Tricker (1984), Keasey and Wright (1993) emphasise the need to view corporate governance as having two broad dimensions. The first is the monitoring of management performance and ensuring accountability of management to shareholders, which emphasises the stewardship and accountability dimensions of corporate governance. The second is governance structures and processes needed to encompass mechanisms for motivating managerial behaviour towards the increasing wealth of the business; that is, to enhance enterprise. "Good" corporate governance, therefore, can be seen as referring to the mix of devices, mechanisms, and structures which provide control and accountability, while promoting economic and corporate performance (Short et al., 2001). In contrast to American practice, the majority of boards in the U.K. and in South African companies are dominated by executive directors, a practice that blurs the distinction between directors and management (Naidoo, 2002). Non-executive directors or outside directors have two roles, those of strategic advisor and corporate watchdog. A key area of debate is the conflicting nature of these roles, namely, whether the same individual can perform both roles effectively. Non-executive directors may have the incentives to monitor the activities of executive directors by virtue of their need to maintain their reputations as "decision experts" in the labour market for non-executive directors (Fama and Jensen, 1983). However, a well-functioning labour market in non executive director companies may be compromised where the firing of non executive directors by executive directors leads to a high value being placed on non- executive directors with a reputation of "not rocking the boat" (Naidoo, 2002).

Although the Cadbury Reports (in the U.K.) place a great emphasis on the role of non-executive directors as independent monitors of executive directors, this independence may be compromised by the inherent conflict of interest arising from the dependence of non- executive directors on executive directors for their appointment and terms of remuneration (Davis and Kay, 1993; Kay and Silberston, 1995; Short *et al.*, 2001). A significant body of U.S. research examines the monitoring role of non-executive directors (Weisbach, 1988; Brickley, *et al.*, 1994; Byrd and Hickman, 1992) and suggests that these do appear to improve accountability in crisis situations. However, Baysinger and Butler (1985) argue that boards dominated by outside directors could actually harm shareholders' interests by placing too much emphasis on their monitoring role at the expense of their decision-making and advisory roles.

The Hampel Report, (1998), recognised that an unintended side effect of the Cadbury Committee's emphasis on non-executive directors, was the over-emphasis on their monitoring roles. Baysinger and Hoskisson, (1990) argue that outside directors can have a potentially negative impact on corporate entrepreneurship. Outside directors may emphasise short-term performance, through their reliance on financial evaluations of the business resulting from their limited access to the detailed firm-specific information necessary to evaluate the longer-term strategic performance of the firm. Hoskisson *et al.,* (1995) argue that outside directors may favour expansion via external means, such as acquisitions to enter new markets, as they are better suited to evaluation using financial criteria. Executive directors may prefer to engage in internal innovation, because, while internal innovation may be more risky and difficult to evaluate in a financial sense, inside directors have a more strategic knowledge of the potential outcomes of internal innovation and hence view such innovation as being less uncertain than external innovation.

Given that many empirical studies (Chiplin and Wright, 1987; Hughes, 1993; and O'Sullivan, 1997) report on the poor performance of acquisitions, the potential for outside directors to favour such a means of development is a significant factor to consider when formulating corporate governance guidelines that focus on the monitoring role of outside directors (Short, *et al*., 2001).

John and Senbet (1998) believe that the effectiveness of board monitoring is determined by the board's independence, size, and composition, with boards presumed to be more independent in proportion to the number of outside directors. However, U.S. research on the relationship between effectiveness of boards and "independence" has produced inconclusive results (Dalton et *al*., 1998; Wagner *et al*., 1998). This raises issues concerning the conditions under which either a majority of insider or outsider directors is appropriate, and casts doubt on overly prescriptive views of the efficiency of larger proportions of outsiders on boards of family businesses. Tests of stock-market reaction to the appointment of additional non-executive directors indicate that the market views such events as good news on average (Rosenstein and Wyatt, 1990). However, board size may affect the ability of boards to function effectively.

Jensen, (1993) argues that boards that are too large may be unable to operate effectively because the co-ordination and process problems outweigh the advantages of having a large number of people to draw on. Evidence from a number of countries (Yermack, 1996; Eisenberg et al., 1998 and Conyon and Peck, 1998) generally found a negative relationship between business performance and board size. In general, available evidence, mainly from the U.S.A., suggests that a high ratio of outside to inside directors on the board has a negative effect on corporate entrepreneurship. Hill and Snell (1988) and Baysinger et al., (1991) report a positive relationship between the ratio of insider directors and the (R & D) intensity at the individual firm level. Similarly, Zahra (1996) found a negative relationship between the ratio of outsiders on the board and a number of measures of corporate entrepreneurship, such as innovation, venturing, and renewal factors. However, effective non-executive directors may help to restrain over-investment in under-productive R&D projects (Jensen, 1993).

Overall, the available evidence points to quite positive results in respect of the role of non-executive directors in promoting accountability, while suggesting that non-executive directors may have adverse implications for the enterprise activities of the business, with larger boards generally appearing to have a negative effect on performance. However, the largely U.S.A.-based research is difficult to interpret in the South African context because of the differences in the nature of board structure between the two countries. For example, the finding that increasing the proportion of non-executive directors on the board has a negative effect on enterprise is typically based on samples where the average number and proportion of non-executive directors is much greater than that in South Africa (Naidoo, 2002). In South Africa such a negative relationship may not exist, given the lower proportions of non-executive directors found on most South African boards of directors.

5.6 PLANNING FOR CORPORATE GOVERNANCE

Business and strategic planning are critical for family business success (Brown, 1995; Knight, 1993; Jones, 1982; Ward, 1988), for growth (Astrachan and Kolenko, 1994; Poza, 1989; Ward, 1987, 1997), and for performance (Aram and Cowen, 1990; Arthur Andersen/ MassMutual, 1997; Schwenk and Shrader, 1993). However, research on the business and strategic planning practices of family firms is sparse (Rue and Ibrahim, 1995, 1996; Wortman, 1994), and research focusing on growth-orientated family business is almost non-existent (Sharma, Chrisman, and Chua, 1997; Upton and Heck, 1997) whereas planned growth is particularly important to family business survival (Ward, 1987).

Family businesses face many obstacles to growth (Alcorn, 1982; Peiser and Wooten, 1983; Upton and Petty, 2000), including a reluctance to plan for it (Polstner, 1994; Ward, 1997). Family businesses are urged to incorporate business, strategic, and succession planning for their survival (Ward, 1988). Available research suggests that, while family businesses should engage in strategic and business planning, most do not (Brown, 1995; Rue and Ibrahim, 1996; Silverzweig and D'Agostino, 1995; Ward, 1987. Greenwald and Associates (1993), in a national survey of 614 family businesses, found that 58% of those businesses had no written business plan. In a survey of 3033 family businesses, Andersen and Narus, (1995) revealed that 69% had no written strategic plan. On the other hand, Rue and Ibrahim, (1996) noted that family businesses in Georgia engaged in more planning than previously thought, with over half of their sample reported having written long-range plans, and 97% reporting some specific plans related to growth. Ward, (1997) points out that family firms may not plan if the founder is fixated on a previously successful strategy. The founder may become inflexible and stifle growth. Family firms prefer privacy, as do many closely held firms, and planning may be neglected because it requires sharing what might be considered confidential information (Mintzberg, 1994). The preference for privacy can influence growth when family managers will not share knowledge of the family business with non-family managers (Mead, 1994).

In a comparative analysis of family businesses, Rue and Ibrahim (1995) found that those who perform at a better-than-the-industry average have higher participation by the board of directors in business planning. They also have significantly higher board participation in strategic areas such as approving capital expenditures, evaluating top managers' performance, and planning managerial succession. Upton *et al*., (2002) conclude that the board's involvement in the strategic planning processes may be somewhat related to the performance of the business. Little is known about the choices that family firms make when considering strategies. Daily and Dollinger, (1992) using the Miles and Snow, (1978) typography of Defender, Prospector, Analyser, and Reactor strategies, found that family businesses tend to adopt either the Defender strategy or the Prospector strategy more often than non-family businesses do.

The Prospector strategy is considered a growth strategy while growth is not a highly ranked goal among family businesses (Arthur Andersen /MassMutual, 1997; Greenwald and Associates, 1993; Tagiuri and Davis, 1992). This is in stark contrast to Fortune 1000 companies, which include growth as one of their most important goals (Deloitte and Touche, 1996). Rue and Ibrahim, (1996) found that family businesses set goals for a growth plan to grow first through equipment acquisitions, second through marketing, third through hiring key personnel, and finally through new product development and plant expansion. In a study of the "top priorities" of family firms, Zinger and Mount, 1993, found that these firms do not see new products and services as the key concern. However, Blake and Saleh, (1995) concluded that family businesses operating in uncertain environments react to that uncertainty by increasing the levels of innovative activity, a strategic response that encourages the introduction of new products or services.

The strategies of family businesses may also reflect their long-term perspective (Danco, 1975; Ward, 1988), strong founder values, (Collins and Porras, 1994) and motivation for quality (Lyman, 1991; Muson, 1990). Donckels and Frolich, (1991) suggested that family firms are more likely to prefer opportunities with potential for long-term stable outcomes to dynamic growth risk strategies. Researchers know that fast-growth firms are more likely to engage in strategic planning than their slower-growth counterparts (Barringer, Jones, and Lewis, 1998; Eggers, 1999; Eggers, Lehy, and Mikalachki, 1997; Shuman, Sussman, and Shaw, 1985; Siegel, Siegel, and Macmillan, 1993; Woo *et al*., 1989). Fast-growth firms are also more likely to engage in research and development (McCann, 1991; McGee and Dowling, 1994) and to emphasise products/service quality (Barringer, Jones and Lewis, 1998; Hills and Narayana, 1989).

Porter, (1980), well known for the delineation of types of business-level strategies, suggested that there are three generic, or basic, business level strategies, which he identified as overall cost leadership, differentiation, and focus. Porter acknowledged that a business could carry out (either) the overall cost of leadership of the differentiation strategy (broadly), by targeting an industry-wide market, or more narrowly, by targeting a particular segment of the market. Porter, (1980) referred to the targeting of a narrow segment of the market as a "focus strategy". Since Porter's (1980) seminal theoretical work, many other researchers have empirically examined these generic business-level strategies and have suggested additional strategies that a business might use to outperform other firms in the industry. Ireland and Hitt (1997) suggested that a time-based strategy could influence performance for high-growth entrepreneurial firms.

This section has emphasised the importance of strategic and business planning for family businesses. Planning for corporate governance will assist in family business success, growth, and performance. The next section will deal with the important role of family involvement in corporate governance.

5.7 THE FAMILY INVOLVEMENT IN CORPORATE GOVERNANCE

Neuebauer and Lank, (1998) believe that families who wish to continue as managers and/or owners of their business increase the probability of being able to so, if they themselves are strong, cohesive, and appropriately "enmeshed" (as opposed to "alienated" or "disengaged"). As Aronoff and Ward, (1992) have said, "The values, ideals and sense of purpose nurtured by the owning family are potentially a vast source of strength and energy for a business." A wealthy owner family with strong values, in fact, may be the greatest resource a business can have (Aronoff and Ward, 1992).

This sentiment is shared by Whiteside _et al_., (1993), who state that a strong cohesive family brings a multitude of potential strengths to a business. According to Tolstoy, (the Russian novelist), “happy families are all alike; every unhappy family is unhappy in its own way”. This conclusion may have been the inspiration for family therapists and family systems specialists to search for the commonalities of strong, cohesive families. Stinnett and De Fran, (1985), in their study of 3000 families, identified the following key elements of a strong cohesive family:

- Commitment to each other
- Mutual appreciation
- Open communication
- Spending time together
- Spiritual wellness
- Ability to cope with life’s challenges.

Stinnet _et.al_.(1985) add that commitment “could be considered the foundation on which the other characteristics are built.” Skynner, (1993), summarised what he had learned over his long career about the characteristics of unusually healthy families by listing six major rubrics:

- **Positive attitude to human encounter.** Unusually healthy families tend to be warm and friendly to each other and outsiders. They manifest concern and are kind and supportive in their relations with others. They make good neighbours and voluntarily engage in activities that help the communities in which they live.

- **"Loose – tight".** Unusually healthy families also manifest an interesting paradox. They are extremely intimate and involved with each other and place great value on long-term fidelity. However, they are not so enmeshed that they are incapable of allowing their members independence and their own separate identities. The members can be happy on their own and at the same time look forward with joy to the next time they will meet their relatives.

- **Efficient communication.** In line with many other studies of healthy, strong families, Skynner found much evidence of open, clear, direct, and frank communication. Healthy families search for opportunities for communication and enjoy dialogue. While discussions can become quite emotional, even heated, the underlying ethic remains one of caring, even when in disagreement.

- **Control.** In spite of what may seem to be implied by the above characteristics, Skynner's families are not managed in a laissez-faire manner. It is not a case of everyone "doing his or her own thing". As the children grow up, parents exercise firm control when needed and explain the reasons for their decisions. However, whenever possible they consult with their children and try to accommodate everyone's needs.

- **Coalition.** The families Skynner (1993) studied had a particular view of power sharing. They worked hard to create a coalition between them where power was equally shared. This power sharing was seen as natural and was accomplished with ease and in friendship.

- **Preparedness for change.** Healthy families teach their members to consider change as natural and to be expected. Thus the preparedness for change is high, and the ability to cope with even the death of a loved one is greater than in most families. That this is possible is due to the strong support systems that they have developed over time. Their life-long positive relationships in the marriage and the family provide great strength in adversity. These families often have a wide social network where they are valued and from which they can draw support. Lastly, it is common for unusually healthy families to have value systems that transcend self and family, and whose moral and religious codes facilitate the acceptance of change with relative equanimity (Skynner, 1993; Neubauer and Lank, 1998).

5.8 THE IMPORTANCE OF FAMILY COMMUNICATION IN CORPORATE GOVERNANCE

A culture of open family communication, reinforced by structured processes, is an integral precondition to creating a successful family governance process. Other key areas of family life must have an open communication culture or process. Available family governance processes cannot survive in an atmosphere of ignorance and distrust (Martin, 2001).

In smaller first - and second-generation families, communication is facilitated through annual family meetings guided by good communication processes for both family and family business matters (Aronoff and Ward, 1992). Families that have grown to a multigenerational stage may require a formal structure, such as a family council and/or a family office (Neubauer and Lank, 1998). This council meets several times a year to discuss family issues, including performance of the family company or investments. Such meetings provide an open forum for family members to discuss outstanding matters with each other. The council may have key functional responsibilities, such as nomination of family directors to the company board. The family council can also serve as an educational and mentoring facility for the younger generation. Most important, it helps to create and sustain a culture of mutual trust within the family ((Neubauer and Lank, 1998; Martin, 2001).

The second area of open communication requires a regular flow of open communication from the family company, or investment-philanthropy structure to family members (Martin,2001). The closed mode of keeping key financial data from all but a small circle of family members should be avoided. Martin (2001) questions why shareholders of a family business should receive less information than shareholders of a public company, who get quarterly financial reports.

A meaningful family governance process cannot be put into place in a culture of secrecy (Aronoff and Ward, 1992; Martin, 2001; Powell, 1990; Steier, 1998). These two communication processes among the family members and between the family and its business or wealth structure create the knowledge and competency required by family members who will have responsible roles in the family governance model (Martin, 2001; Aronoff and Ward, 1992; Stinnet *et al*., 1985; Skynner, 1993; and Mayer, Davis and Schoorman, 1995). Together with the accumulated experience of being exposed to financial results or philanthropic grants and discussing them with other family members comes some of the understanding required for good governance (Powell, 1990). Company and investment performance results become more familiar subjects for the family rather than unknown, distant data (Martin, 2001). What is really at the heart of this entire communication process is the creation of trust, and family trust creates family harmony (Ward, 1995; Martin, 2001; Aronoff and Ward, 1992).

Neuebauer and Lank, (1998) believe that the various family institutions provide the opportunities for dialogue, networking, cohesion building, and most importantly, processes for building consensus among the owning family on the rules of the game for the family *per se* (intra-family policies), the acceptable boundaries within which the family enterprise must operate, and how the interface between the family and the board of directors/CEO and top management will be managed. Neubauer and Lank, (1998) further believe that the family institutions should make explicit – preferably in written family statements approved by the family assembly or family meeting – what the family stands for, its expectations, and fundamental values.

Neuebauer and Lank, (1998) re-emphasised that it is the family's role to prepare the appropriate questions, debate potential answers, gather input from the board, CEO/top management, and other important stakeholders, and strive for consensus, which ideally should be published in a single or in multiple family statements. The written document(s) should not be considered as engraved in stone, but rather revised periodically as circumstances change (Neuebauer and Lank, 1998).
This section has emphasised the importance of a culture of open communication, reinforced by structured processes. Open communication thus can be seen as a precondition of crafting a successful family

governance process. The next section will discuss the importance of managing any family conflict in the family business.

5.9 FAMILY CONFLICT MANAGEMENT AND CORPORATE GOVERNANCE

Neuebauer and Lank, (1998) believe that another dimension of family communication is of special importance. It relates to conflict and its management. They propose four ways of looking at conflict:

- The competitive or opposing actions of incompatibles
- An antagonistic state or action (as of divergent ideas, interests or persons)
- A hostile encounter: fight, battle, war
- A type of behaviour that occurs when two or more parties are in opposition or in battle as a result of a perceived deprivation by another or others (Neuebauer and Lank, 1998)

Strong, healthy families, implicitly or explicitly, have accepted and internalised in their own value systems the six following propositions (which Neuebauer and Lank (1998) believe to be true.)

- Over time, conflict is inevitable in families (and between the family and its business).
- Conflict is not inherently bad; it can be healthy or unhealthy, functional or dysfunctional.
- How conflict is managed is a determinant of the degree to which a family (and its business) remain healthy and strong.
- There are several management strategies; no single one is a panacea.

- Pre-establishment of the “rules of the game” can obviate many family (and family business) conflicts.
- The goal should be to maximise the win-win prospects of all the parties concerned and arrive at the best decision, given the family’s (and the family business’) mission, goal, and objectives (Neubauer and Lank, 1998).

It is clear from the way that Neuebauer and Lank (1998) have worded these six propositions that they believe they apply equally to intra-family, intra-family business, inter-family, and family business conflicts.

To be successful over generations, a family must be able to survive the inevitable points of family conflict that arise. Therefore it makes sense to anticipate theses conflict areas while creating family values and processes designed to avoid or minimise them. The following are some of the troublesome areas identified by Neuebauer and Lank, (1998) which could lead to conflict situations:

- Angry, isolated family members.
- No liquidity available for family shareholders. Internal (staff) appointments and promotion.
- Anger regarding family company dividend policies
- Use of skilled, trusted family advisors to mediate family conflict.

5.10 THE INVOLVEMENT OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE IN THE FAMILY BUSINESS

The board of directors is a crucial part of a family business’ corporate governance structure. Its role is to add value by directing, guarding, monitoring, and protecting assets (Berle and Means, 1932; Roe, 1994; Jensen, 1989; Ward, 1991; Tomaselli, 1999; and Venter, 2002). It is important that the board performs optimally (Pease and McMillan, 1993). Unlike a public company, the shareholders of a family business are an integral part of the business and family system. They are frequently involved in management, and, through their participation in the family, continuously influence decisions in the business. The board of a family business therefore serves a different purpose from that of a non-family business (Harris, 1989). For a board of directors to work effectively in a business, it must fill a bridging function between the family and the corporate systems. To do this, directors in a family business must be able to understand and respect the family (its needs, values, culture, and goals) and the business (its strategic, financial, and managerial needs).

There seems to be general agreement that an active board can be a crucial resource for both the business and the family. Agreement, however, does not exist concerning issues such as the best structure for the board, the role of the board in family-related problems, and the effectiveness of "legally established" boards versus "advisory" boards where members provide advice but are not legally appointed (Tomaselli, 1999). Heidrich, (1988) and Ward, (1991), for example, attest that, in some cases, family business advisory boards and review councils can perform as well as, or even better than, formally established boards. Nash, (1988), however, assigns poor value to advisory boards.

Craig and Lindsay (2002) recommends the appointment of at least two outside board members, and, ideally, a majority of outside board members being appointed. This is necessary to build an active, independent, and effective board (Danco and Jonovic, 1981; Robinson, 1982; Hubler and Swartz, 1984; MacDonald, 1986; Nash, 1988; Heidrich, 1988; Ward and Handy, 1988; Ward, 1989; Benson, 1990; Schwartz and Barnes, 1991). Others suggest that, given the specific characteristics of family businesses, outside directors are not necessarily free of all the pressures that might (inappropriately) influence their judgement. Therefore, it is not possible that "outsiders" could necessarily fill the duties of directorship of a family business (Alderfer, 1988; Benson, 1986; Dyer, 1986; Harris, 1989; Jonovic, 1989). There are also varying opinions on whether outside directors should get involved in family-related conflicts and problems. Some authors (for example, Mueller, 1988; Ward, 1988; Ford, 1988) suggest that directors should refrain from taking sides in such disputes. They should particularly refrain from doing so as individuals.

Other authors (Alderfer, 1988; Nash, 1988; Harris, 1989; Jonovic, 1989) argue that "smoothing" conflicts and managing the interaction between the "family" and the "business" in order to achieve shareholder agreement and effective interaction is one of the most important roles of directors. This is particularly important for outside directors in family businesses (Tomaselli, 1999).

Generally, there is little known about how board members, in reality, are recruited (Pettigrew, 1992; O'Neal and Thomas, 1995). Executives, when asked about their selection of board members, provide various responses. Brunacker, (1996, 1999) concludes that one or several of the following criteria are used: ownership control within a family, family management, and realised/ intended leadership succession within the family. As indicated by Hoy and Verser, (1994), different elements of the definition do not always coincide. Professional managers or a whole family may, for example, be hired to run a company belonging to a business group. When the business grows, owners may become directors, and then there is a need for a professional management structure (Scase and Goffee, 1982). The emergent "new economy" may motivate a review of the definition of the family business; the Schumpetarian image of the entrepreneur as a builder of an empire for generations to come seems overly optimistic. Instead, the entrepeneur over his/her lifetime may run several firms in parallel and/or sequentially. Nevertheless, a family owner-managed company is considered to be a family business, if perceived as such by the owners (Johannisson and Huse, 2000).

The role of boards, even in small family businesses, is attracting increasing attention within rational-choice frameworks. Agency theory (Pettie and Singer, 1985) and resource arguments from the strategy literature (Castaldi and Wortman, 1984; Ford, 1992; Borch and Huse, 1993;Watkins and Shen, 1997) even indicate that boards may have a more important role in family businesses than in corporations.

Another reason for opening up to external participation on the board is that family businesses run the risk of in-breeding (Miller and Rice, 1967). Active boards in small businesses may also have a disciplinary role, often producing formal planning processes that make the family business owner-manager more aware of managerial aspects of his own business.

Dyer, (1986) makes the board an important component of the culture of the family business. A decisive reason for small family businesses not to implement externally recruited members to their boards may be that this means introducing an alien element in the family-business context. Alternative frameworks to the rational model for director selection may relate to research on leadership, (Sjostrand, 1997) general network theory, (Powell and Smith-Doerr, 1994) more specifically to models of entrepreneurial networking, (Johanisson, 2000a; Brockhaus, 1994) and "similarity-attracts" theory (Wrightsman, 1977). Johannisson and Huse, (2000) argue that the family business is characterized by a configuration of ideologies, each of which is guided by its own rationale (Mariussen *et al.*, 1997; Hjorth and Johannisson, 1998; Johannisson, 2000b). In spite of the assumed importance of boards in family businesses and the intriguing questions concerning competing ideologies that external staffing of the board raises, research is still rare (Daily, *et al.*, 1996; Huse, 1998; Forbes and Milliken, 1999).

5.10.1 Reasons for creating a Board of Directors

When discussing the value and role of the board in a family-controlled company, it is important to realise that there may be legal as well as managerial reasons for the creation of a board. (Neuebauer and Lank, 1998). In most countries, a family-controlled business is required by law to have a board, if it is incorporated. The legal need for a board is even more obvious if the shares of incorporated business are publicly traded (King II, 2002; Ward, 1995; Neuebauer and Lank, 1998). Depending on the country in which the corporation has its headquarters, it may have a one-tier or a two-tier board. One-tier boards are typically found in Anglophile countries and are composed of executive and non-executive members with equal rights and responsibilities (Neuebauer and Lank, 1998). In countries that have adopted the two-tier scheme, there exist supervisory boards composed of members who are not involved in the management of the business (these outsiders can, of course, be members of the owning family, so long as they are not employed by the business), and boards of management consisting only of executives of the business.

If a family-controlled business is not incorporated, it is not legally required to have a board (King II, 2002; Neuebauer and Lank, 1998). In such a case, a good number of family-controlled businesses either do not think about creating a board or shy away from setting one up. One of reasons for this reluctance is the owner's fear of losing some of his or her independence – an aspect that frequently carries a lot of weight for the owner (Neuebauer and Lank, 1998). An appetite for power and independence is frequently the reason why entrepreneurs strike out on their own in the first place, and yet such owners have to ask themselves whether this attitude may be rather short-sighted (Neuebauer and Lank, 1998). According to a study conducted by Ward, (1991) in the U.S.A., in more than 80 family-owned businesses run by third or fourth generations, the existence of an active board not controlled by family members turned out to be the most important element in the survival of those firms (Ward, 1991; Neubauer and Lank, 1998). Although Dyer (1986) draws attention to the crucial role of the board as a governing institution in the family business, research on the characteristics and specific roles of boards of directors in the family business is limited.

The introduction of an external member to the board may radically change the conditions for the ongoing ideological battle in the family business. If the recruitment of external members favours managerialism, researchers assume it is not surprising that traditional, defensive family businesses, dominated by paternalism, are hesitant to invite them (Neubauer and Lank, 1998). Genuinely entrepreneurial businesses may, by contrast, consider the access to managerial competencies as just another resource to exploit when growth is aggressively promoted. The generic argument that Johanisson and Huse, (2000:361) put forward is that, in order to understand board operation in general and recruitment of outside directors in particular, it is crucial to keep in mind the differences in kind between coexisting but competing ideologies in the family business. This is why Johanisson and Huse, (2000) propose an alternative framework to those designating normative-rational motives for having external board members, *i.e.* increased control, access to resources, and improved services. In cases where the family is averse to sharing decision-making power with (or even worse, delegating it to) a group of outsiders, the creation of an advisory board may be seen as a possible compromise (Neuebauer and Lank, 1998).

5.10.2 The Role of the Board of Directors

In its simplest terms, the board of directors is responsible for the strategic direction of the company and is therefore ultimately responsible for ensuring the success of the business of the company, while management is primarily responsible for giving effect to the strategy as defined by the board. In fulfilling this role, the board faces a uniquely demanding set of responsibilities, which are seemingly contradictory (Ward, 1991; Naidoo, 2002; Steier, 1998; Powell, 1990; Maas, 1999a).

According to Naidoo (2002), under the inclusive approach to governance in the 21st century (*i.e.* an approach which calls for a balanced view to be taken on the company's financial performance, and its broader social and non-financial objectives), the board is responsible for defining the purpose of the company (its mission and vision), the values by which it will conduct its day-to-day business operations, and for identifying stakeholders relevant to the business of the company (Naidoo, 2002).
Having done so, the board must then develop a strategy, which addresses all three factors, and oversee its implementation by management. The board must accordingly:

- Be simultaneously entrepreneurial and drive the business forward while always keeping it under prudent control (Lansberg, 1998);
- Be sufficiently knowledgeable about the workings of the company to be answerable for its actions, yet must stand back from the day-to-day management and retain an objective, longer-term view; (Ward, 1987; Maas, 1999a);
- Remain focused on the commercial needs of the business, while acting responsibly towards its employees, business partners, and society as a whole (Harpel, 1998).

King II, (2002) recommended that every board should have a charter and a code of conduct setting out its responsibilities and the way in which conflicts of interest will be addressed. These should be disclosed in a company's Annual Report. As a minimum, the charter should confirm the board's responsibility for the adoption of strategic plans, the overseeing of operational performance and management, the determination of policy and processes to ensure the integrity of the company's risk management and internal control systems, and its philosophy *apropos* the selection, orientation, and evaluation of directors (King II, 2002). Appendix A contains a summary of King II's recommendations dealing with the board of directors. The obligations of the board, and of the individual directors, can be divided into those duties imposed by law (primarily the Companies Act), those which have arisen as a result of custom and common law, and those recommended by the King Code of 1994 and its 2002 sequel. A number of statutory duties attach to directors in their individual capacities (Naidoo, 2002). Appendix B distinguishes between the statutory obligations of companies and directors which carry legal penalties for non-compliance, and those, recommended by King II, (2002) to which all companies should ideally aspire.

The rights and responsibilities of the directors are conferred on them by the Companies Act, the articles of the association of the company, and common law (Naidoo, 2002). Naidoo, (2002) points out that the directors of a company are employed to exercise all the company's powers other than those that, in terms of its Association Articles or the Act of South Africa, are exercised by the company in general meeting. It must be pointed out, however, that legal opinion is divided on whether the relationship of a director *vis-à-vis* the company is akin to that of a trustee or an agent. Nevertheless, a director always stands in a fiduciary relationship to the company . Directors owe their fiduciary duty to the company as a corporate being in its own right, and not to the members individually, not even to a member who is a majority shareholder (Naidoo, 2002). The fiduciary duty is likewise not owed directly to the creditors, employees, or other stakeholders of the company, although there is a range of circumstances in which a director may, by virtue of neglect of his fiduciary duty to the company, be held personally liable to the company's stakeholders Naidoo, (2002).

The composition of the board should reflect the necessity to lead the company successfully as well as to monitor and control its activities. It should be balanced between executive and non-executive directors, so that no individual or small group of individuals can dominate the board's decision-making processes (Turner, 1996). Executive directors are those members of the management team who are appointed to positions on the board. As such, they are usually in the full-time employ of the company and have specific functional duties. Executive directors are faced with a dichotomy of roles. They have a fiduciary role as directors of the company, in which capacity they attend board meetings and exercise control over the management of the company; and they have a role as senior management, in which they are answerable to the company's board of directors (Naidoo, 2002). Although legally, once appointed, they remain directors all of the time, the characteristics of their management roles are different from and additional to their roles as directors.

The potential difficulty with a board, which is dominated by executive directors, is that they may be, in effect, monitoring and supervising their own performance. It is for this reason that the principle of having a board composed largely of non-executive directors, a principle endorsed by King II, makes sense (Turner, 1996; King II, 2002; Naidoo, 2002; London, 1986; and Steier, 1998). Payne, (2000) points out that non-executive directors are directors who are not involved in the day-to-day operation of the business of the company and who do not receive any remuneration from the company other than the director's fees. As such, they are independent of management and should be free from any significant business or other relationship with the company, which might materially hamper their independence. Non-executive directors should be powerful enough to be able to offer tough and unpalatable advice to a company's senior management and that they can play a crucial role in providing a conduit between management and shareholders, representing shareholders' interests within the company. (Maas, 1999b).

From a legal perspective, there is no distinction between executive and non-executive directors (King II, 2002). They carry the same responsibilities and liability, and are not involved on a continuous basis in running the affairs of the company. King II, (2002) adopts a different classification from its predecessor in the respect of directors, classifying them into executive, non-executive, independent, and shadow directors. The latter two are new categories that were previously not defined. King

II, (2002) further indicates that an independent director is a non-executive director who has no existing or prior business, employment, consultancy, or other relationship with the company. A shadow director, on the other hand, is one who influences the course of events behind the scenes, and is for all intents and purposes to be regarded as an executive director. The new classification of directors in King II, (2002) may mean that some previously regarded as non-executives could now be reclassified as executive directors – for instance, those directors who are in the employ of a subsidiary company, or a consultant who is actively involved in advising the company on its business affairs (King II, 2002).

The King II report, (2002) places a far greater value on the inclusion of independent directors on the board, and suggests that certain key positions on the board, that of the chairman and the chairman of the audit committee for instance, should be filled by independent non-executive directors. This goes further than the 1994 Code, which recommended simply that these roles be filled by non-executive directors (King II, 2002).

Naidoo, (2002) believes that there are two separate and distinct tasks to be undertaken by every company: the running of the board, and the executive responsibility for running the company's business. The role of the chairman of the company, who is responsible for the former, should be separated from that of the chief executive officer (CEO, or managing director), who is responsible for the latter. There should be a clear and unambiguous division of responsibility at the helm of the company, to ensure a balance of power and authority (Naidoo, 2002). This was a fundamental principle of the King Code, which has been given added emphasis in King II, (2002) with the inclusion of the recommendation that the chairman be an independent, as well as a non-executive, director. The recent amendments to the JSE listing requirements in the wake of the King II Report (2002) now make the separation of the roles of chairman and chief executive mandatory for companies listed on the JSE in South Africa. Ball and King, (2002) suggest that an effective board chairman should play a pivotal role in ensuring the proper functioning of the board and, as an individual, he should be capable of discharging and doing justice to the responsibilities of that office. The chairman must ensure that all directors play a full and constructive role in the affairs of the company and that non-performing or unsuitable directors are removed from the board (Naidoo, 2002). King II, (2002) recommended that the board likewise critically appraise the performance of the chairman on a regular basis, to establish whether the incumbent is adequately fulfilling the role.

Ball and King, (2002) believe that in practice, in a number of private companies, the role of chairman and CEO are combined, and vested in a single individual. In the smaller, family-owned, private companies, the concentration of power in the hands of a single individual should be guarded against (Naidoo, 2002). The hallmark of sound corporate governance practice is the existence of appropriate checks and balances against the unfettered exercise of power, and the separation of power, rather than its concentration, is a fundamental tenet of good corporate governance (Ward, 1995; Neuebauer and Lank, 1998; Taguiri and Davis, 1996).

Neuebauer and Lank, (1998) advise a more normative approach to the question of what role a board should or could play in a family-controlled business. As a board is a strain on the resources of the company, it is of great importance that it enhances the success of the business. This leads to their first rule: the contribution of a board should be additive; that is; it should improve decisions and/or reduce the risks involved in running the business. Second, the contribution of the board should be distinctive; that is, nobody else in the family business should shoulder the tasks assigned to the board. There is no need for a board to duplicate the work of management or the family (Neuebauer and Lank, 1998). With these two guidelines in mind, the family members have to decide which activities should come under the jurisdictions of the board, and to what degree the board should be involved in these activities.

By the same token, all boards should ask themselves whether they are comfortable with the role the family has assigned to them. After all, by joining the board, the members are lending their good name to the company, and have the right to judge for themselves whether they believe their influence is commensurate with their exposure (Neuebauer and Lank, 1998). In other words, the board must contribute to the key governance tasks (directing, controlling, and accounting for) to a degree commensurate with the role the family wants the board to play (Neuebauer and Lank, 1998).

5.10.3 Director Selection in the Family Business

Organisations are not just vehicles for achievement of goals shared by all members; they are also arenas for emotions and politics (Sjostrand, 1997; Huse, 1998). These "irrationalities" have to be recognised when making sense out of the board-selection processes. In family businesses, this is especially obvious because here business/professional and private/personal interests have to coexist (Maurissen *et al*., 1997). It is important to recognise that family businesses have to accommodate different world views, even contrasting "ideologies" (Johanisson and Huse, 2000; Neubauer and Lank, 1998; Stiles and Taylor, 2001; Grossman and Hart, 1986). The process leading to the selection of directors has both a supply and a demand side. The supply side is the potential and evoked set of directors.

What moves prospective directors to accept or reject a position as a board member in a family business in general, and in a specific business in particular? Earlier studies have shown that the preferences of directors vary (Whisler, 1984; Lorsch and McIver, 1989; Huse, 1995a: 99-105). Some candidates want to utilise their existing competence, some are seeking status or extended networks, some give priorities to businesses where they can learn or gain other benefits, some search for opportunities to influence or take care of particular stakes, and some are guided by risk minimisation in accepting board appointments. Family businesses with solid management are, in general, those that are favoured, but entrepreneurial businesses with an attractive business idea and development potential are also popular (Johanisson and Huse, 2000). Various theoretical frameworks have contributed to the general understanding of how directors are selected, for example agency theory (Fama and Jensen, 1983; Eisenhardt, 1989a), managerial-hegemony theory (Mace, 1971; Herman, 1981), resource-dependence theory (Pfeffer, 1972, 1974), resource-based theory (Barney, 1991), power theories (Useem, 1984).

Agency theory, according to Johanisson and Huse, (2000), suggests that principals (owners) should select board members to monitor mangement (agents). Separations of ownership and control, and mistrust and information asymmetries are dominant ingredients of the agency-theory framework. This reasoning implies that two main attributes are associated with outside board members. The first is that the prospective board members are financially and psychologically independent of the executive management, and will use this integrity to monitor the managers. The second is that the board, as a collective, has sufficient competencies to monitor management, (Johanisson and Huse, 2000).

Johanison and Huse (2000) further indicate that resource-based approaches, resource-dependence theory and also, to a certain extent managerial-hegemony (power) theory, all basically suggest that directors should have roles and competencies that support and supplement those of the executive management. These frameworks all propose that the executive management often has a major influence upon the actual selection of directors. This means that the directors' roles are more related to service functions, such as giving advice, providing network resources, and offering legitimacy, than to control. According to these approaches, two main director attributes are sought: that the board members are people on whom management can rely, and that the board members have the needed professional competencies. The reasoning in certain other theories concerning, for example, power and interlocking directorates implies that directors are selected to preserve management *elites*.

The most obvious candidates for boards in family-controlled businesses are ones who have already faced similar challenges to those confronting the company nominating the directors (Ward, 1995). Other suitable candidates are heads of divisions of larger, publicly traded corporations. They are usually in the younger age range, but nevertheless may be very knowledgeable and easier to attract as board members than, for instance, the top layer of management in their companies. In addition, their own companies may find it desirable for them to gain additional, high-level experience by serving on the board of an interesting family business (Neuebauer and Lank, 1998). Under normal circumstances, a family-controlled business is well advised to look for board members with a good general business sense, rather than highly specialised expertise in a given field.

Broad, sound business judgement can be usefully applied to a wide range of situations, but if the family firm needs highly specialised knowledge for their deliberations at the board level, it can easily be brought in on an *ad hoc* basis. Due to the fact that the relationship between the family and board members is frequently very personal, it is not surprising that the tenure of board members in family-controlled companies tends to be longer than in large, publicly held corporations. This relationship guarantees both continuity and stability, two qualities that are particularly valuable when the time comes to pass the management baton from one generation to the next. At the same time, it is important for the board to be exposed to fresh points of view from time to time, so a certain amount of turnover is desirable. Six years might be a reasonable tenure, as this would allow new members sufficient time to familiarise themselves with the company and make a fruitful contribution before being replaced (Neuebauer and Lank, 1998). In this context, it is important to highlight a new development aimed at keeping board members on their toes: regular performance evaluation.

5.10.4 Evaluating the performance of individual Board members

The question of evaluating the performance of individual directors on a board has been extensively discussed of late, in the context of the corporate governance debate. (Neuebauer and Lank, 1998).

As shown above, the job of a board member is anything but clearly defined. This uncertainty means that by its very nature, such an evaluation has to be largely subjective, with the "truth" emerging from a multitude of opinions. Of necessity, the degree of formality has to be limited; this limited formality highlights the important role the chairman has to play in evaluation procedures. An overview of the different steps in the process is shown in Figure 5.1.

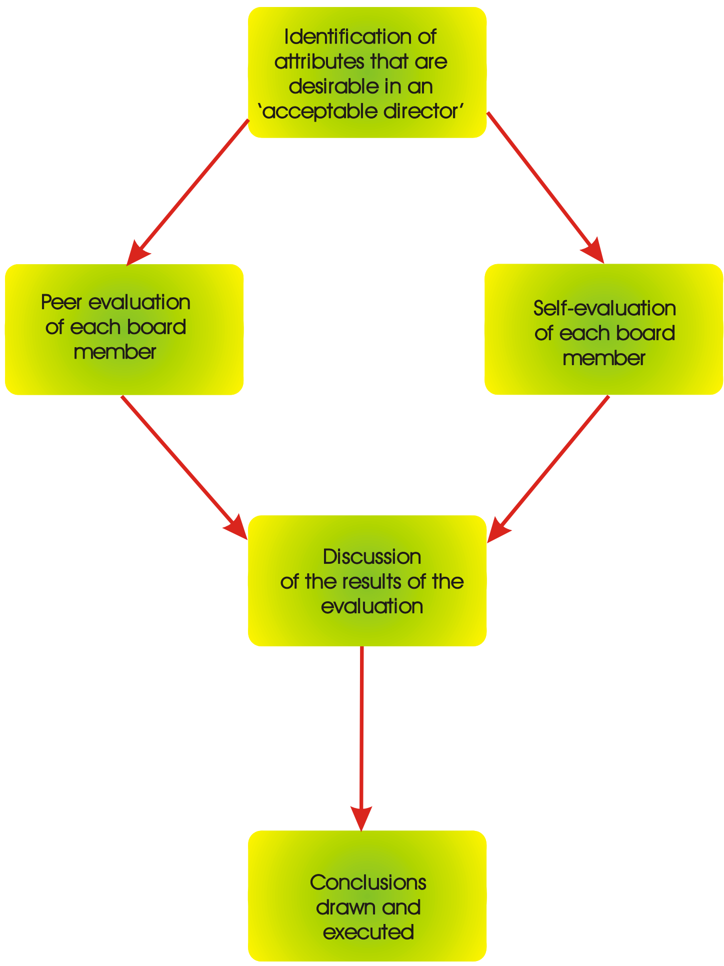
The starting point is the identification of desirable attributes in an "acceptable director". Neuebauer and Lank, (1998) suggest that the whole board has to be involved in the board's tasks, and accordingly developed the following list of required attributes for the members of the board of large enterprises:

- A good knowledge of the business, its organisation and culture;
- A good insight into the industries in which the company is active;
- A consistent display of solid commitment to his/her role as board member (for example good preparation for each board meeting);
- Use of his/her knowledge and experience to give the board and mangement new, strong ideas (distinctive contribution);
- Enhancement of the team performance and development by participation of the board;
- No restriction through conflicts of interest;

- A contribution to the discussions which enhances the quality of decisions made by the board, and adds dynamism to the value-creation process of the firm "additive contribution";
- A consistent display of solid judgement (Neuebauer and Lank, 1998).

Guiding Neuebauer and Lank, (1998) in the development of the list was the principle that such attributes should be observable by the board members in the course of their board work.

FIGURE 5.1: Steps in the peer evaluation process



SOURCE: Neubauer and Lank, (1998:120)

Section 5.10 has discussed the important role and function of the board of directors in the corporate governance process. The next section will deal with the important aspect of succession in family business governance.

5.11 THE IMPORTANCE OF SUCCESSION IN FAMILY BUSINESSES

Studies of succession in family businesses tend to revolve around three interrelated themes: the interconnectedness of family and business issues; structural forms before and after succession; and the succession process itself, which encompasses planning, selection, founder resistance, and preparation of an heir. In reviewing the literature in these areas, the aim is to identify where similarities and differences are expected to occur in alternative cultures. Venter, (2002) points out that one of the most formidable obstacles to the stability and growth of a family business is the issue of succession. To remain a family business, each generation must be succeeded by the next, frequently the ultimate management challenge. The generation in power must let go, and the inheriting generation must desire involvement. Succession imposes a wide variety of significant changes simultaneously on the family ownership and management structures of the family business (Venter, 2002).

Because of the important role the family business sector plays in the South African economy, its survival is of the utmost importance (Venter, 2002). Authors such as Handler and Kram (1988), Welsch (1993) and Handler (1994), who extensively reviewed the literature on family businesses, have concluded that succession is the single most important issue facing family businesses. Welsch, (1993) believes that "the need for practical knowledge about leadership succession is urgent because of the emerging recognition of human assets as particularly critical in the effective implementation of business strategy." Succession is so central to a business's existence that Ward, (1987) chooses to define family businesses in terms of their potential for succession: "… a family business is one that will be passed on for the family's next generation to manage and control". The succession process starts long before the successor joins the family business on a full-time basis (Churchill and Hatten, 1987; Handler, 1991; Longenecker and Schoen, 1987; Scarborough and Zimmerer, 2000, Van der Merwe, 1999; and Venter, 2002). Continuity and succession planning require the development of effective governance structures and processes (Egan 1998; Hutton-Wilson, 2001:8; Langsberg, 1988, 1999a; Langsberg and Astrachan, 1994; Milo and Yannai, 1999; and Ward, 1987).

A fundamental concept in family business research is the interdependence of family, management, and ownership subsystems (Neubauer and Lank, 1998; Kets de Vries, 1993; Handler and Kram, 1988; Ward, 1987; McCollom, 1988). Some argue that failure to separate family from business issues jeopardises succession (Birley, Ng, 2000; and Godfrey, 1999), and is one of the causes of the reported low levels of succession planning (Davis and Harveston, 1998). The balance between the three subsystems is expected to vary with the relative importance of family, individuals, and firm (Litz, 1997; Ng, 2000), which is clearly variable across cultures. In the North American context, Handler and Kram, (1988) argue that the business is a performance-based system, whereas the family is a relationship-based system, and therefore conflicts between the two occur (Ward, 1987). The corollary of this argument is that where family and business systems are more alike, conflict should be reduced, for instance, if the business also has a strong relationship-based system. Indeed, one of the traditional characteristics of family business is purported to be a more humanistic workplace (Davis, 1983). Johanisson and Huse, (2000) argue that three different ideologies can operate within a family firm, and that conflicts are reduced when all share one ideology.

Governance structures can monitor both the family and business systems to ensure that they are adequately attending to all issues associated with leadership and ownership changes (Ward, 1987).

5.11.1 The structural form of succession

There are three main forms of ownership structure, inevitably with many variants (Gersick, Davis, McCollom and Lansberg, 1999): controlling owner, sibling partnership, and cousin consortium. Cousin consortia are reported to be relatively rare in the United States and are more frequently found in Europe, Asia, and Latin America (Lansberg, 1999).
Guerreiro (1996) identifies seven forms of ownership of varying complexity in Portuguese SMEs. The change in form and increased complexity, which frequently occurs with generational succession (Gersick *et al.*, 1997; Lansberg, 1999), is expected to require greater formalisation of systems and roles. It follows that, if Portugal has larger families and more complex structural forms, there may be more evidence of formal succession planning than is usually observed (Poutziouris, 2000b).

A problem experienced in contextualising the concept of succession is that the term "succession planning" is frequently used by many researchers to describe the entire succession process, not only its planning component. Planning, or drafting succession plans, is only one of the steps in the succession process that has an influence on its success. The succession process properly also includes other activities, such as pre-planning analysis, and planning and managing the founder's departure. Other factors, such as the exit style of the founder, may also have an influence on the succession process, but cannot necessarily always be planned (Venter, 2002).

It is important to realise that succession entails much more than simply "unplugging" the retiring leader and "plugging" in the new one (Venter, 2002). Succession in family businesses includes the dynamics that precede and lead up to the actual transition, as well as the aftermath of the transition, and its implications for the various stakeholders. It involves uncovering and examining the dreams of all the key future players and creating from that a coherent dream for the family business (Gersick, Davis, McCollom, Hampton and Lansberg, 1997a: 8, Venter, 2002).

5.11.2 Succession Planning in family businesses

One of the outcomes of resistance to succession is a lack of succession planning (Beckhard and Dyer, 1983; Lansberg and Astrachan, 1994; Lansberg, 1988, 1999; Ward, 1987): arguably "one of the most important reasons why many first-generation family firms do not survive their founders" (Lansberg, 1988: 119). However, others have found that successful transitions follow only informal succession plans (Morris, Williams, Allen, and Avila, 1997). Alternative reasons suggested for the lack of succession planning include a belief that the future is too uncertain, given rapidly changing markets (Ward, 1988), founders' lack of interests outside the business (Handler, 1990), and unclear career interests of offspring (Ward, 1988). Lansberg (1988) presents psychological reasons relating to the founder's resistance and an aversion to open discussion of life after the death of the parents. Interestingly, many of these reasons are strongly dependent on the cultural context. Family businesses in varying cultures may also be predisposed to specific cognitive biases, which affect the degree and formalisation of planning (Busenitz and Barney, 1997).

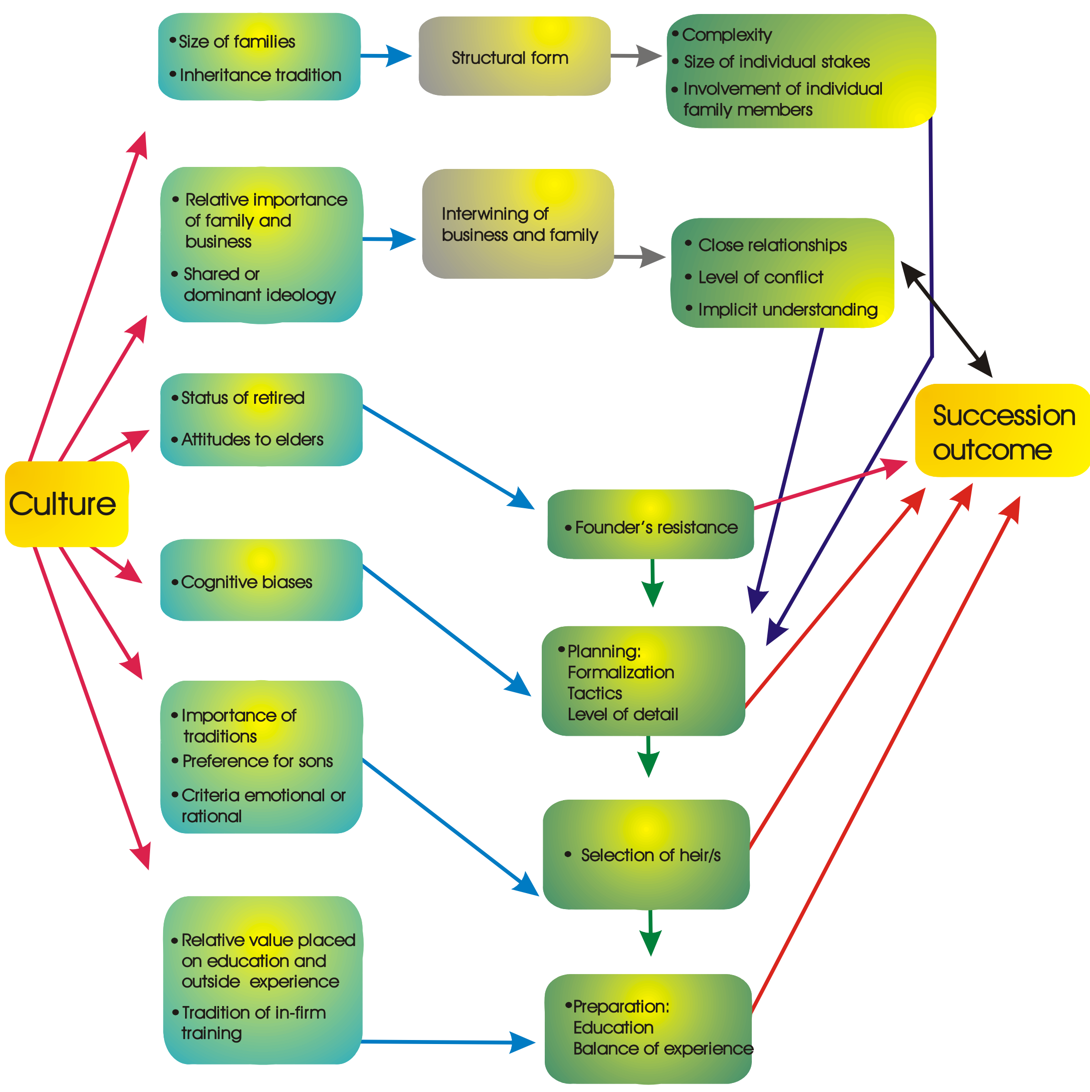
Despite the obvious necessity of proper succession planning in order to safeguard the continuity and vitality of a business, few owners properly plan the succession process (Corbetta and Montemerlo, 1998; Lansberg, 1988; Rosenblatt et al. 1985). Research conducted by Donckels and Hoebeke (1989) on more than 1000 SMEs indicated that two thirds of them had not made any preparations for succession. Similarly, studies within the European community confirmed that a majority of the entrepreneurs had not taken any steps to plan and carry out successions (Bjurren and Sund, 2000:3; 2001: 12). As Venter, (2002) pointed out, succession is a complex, critical issue facing family businesses and a well-considered and planned succession process is imperative in enhancing a business's chances of survival, profitability, and growth.

5.11.3 Conceptual Framework: Effects of Culture on Succession

To describe the impact of culture on family business succession, Howarth and Ali (2001) propose the conceptual framework presented in figure 5.2. The framework summarises the ways in which culture is expected to affect the theoretical constructs of succession and what impact it could have on succession for the South African Greeks. In each strand of the framework, specific aspects of culture are expected to impact on a particular determinant of the succession outcome (Ward, 1997). For example, culture affects the relative value placed on education, which, in turn, impacts on the preparation of potential successors and thus, the succession outcome.

Cultural attitudes are formed through complex processes that are often not clearly understood (OECD, 1998). It is clear that cultural attitudes affect the way in which business is conducted (GTI, 2000). Therefore, practitioners need to consider the way in which culture may be impacting, positively or negatively, on the family business. The framework in Figure 5.2 provides a useful starting point for practitioners to consider the multiple effects of culture on the succession process. Advisors should realise that it is not sufficient to be aware that a cultural effect may exist. To offer appropriate advice, cultural attitudes and their specific need to be understood in depth. Culture goes deep, and by its very nature, is not something that can be changed overnight (Howarth and Ali, 2001).

Figure 5.2: Conceptual Framework: Effects of Culture on Succession



SOURCE: Howorth and Ali (2001:242)

5.12 VISION: A KEY GOVERNANCE MEASURE

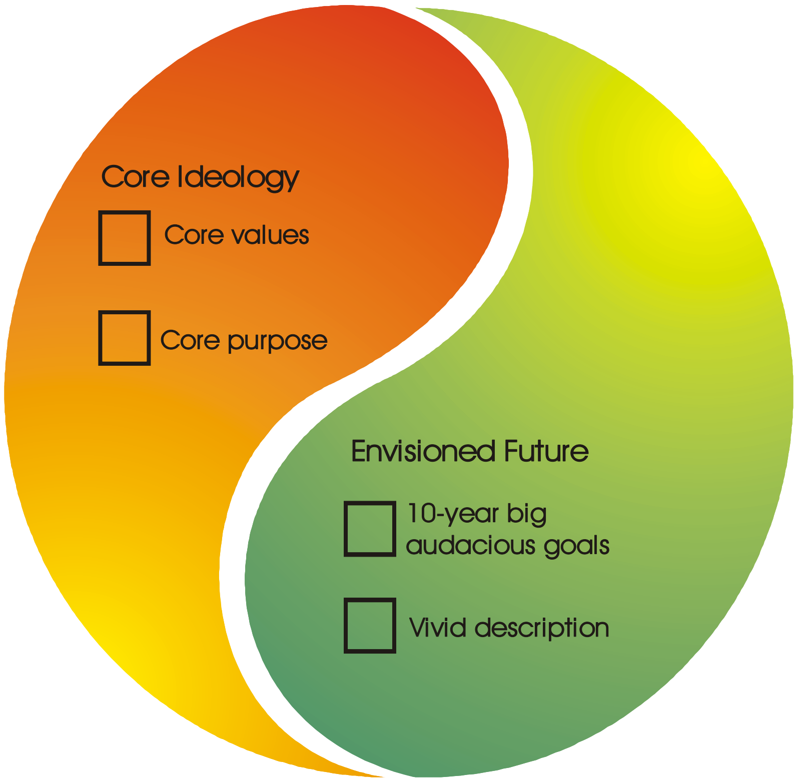
Neuebauer and Lank, (1998) believe that visioning processes are one of the most recent tools designed to establish the long-term direction of a business. "When a manager or a whole organization holds a reasonably clear image of a desirable future, that's vision", asserts Leavitt, (1986) one of the pioneers in this field. He calls visionary managers "pathfinders": "The futures that interest pathfinders are imagined, not predicted." (Leavitt, 1986). In a business, setting a vision is a relatively concrete answer to the question: "What do we want to have created in this company in, say five or ten years' time?" In the light of this question, a definition of the term "corporate vision" could be: "a mental image of a desirable state of the firm in five or ten years' time" (Neuebauer and Lank, 1998). Such an image can be explicitly formulated and written down. It has the advantage that it can be communicated and shared by others in the firm (and known not only to the creator of the vision). The concept is, however, equally valid if the vision exists only in the mind of the entrepreneur as a mental image of the future state. Implicit visions are more common than explicit ones (Neuebauer and Lank, 1998).

Neuebauer and Lank, (1998) assert that a well-prepared vision statement is a carefully worded, inspiring document, usually consisting of several pages, that describes an exciting future state of the firm. They explain in more detail why a vision statement should not be confused with traditional five-year plans.

- First, a strategic plan is typically a forecast. A vision, by contrast, is an expression of "a future imagined" (Leavitt, 1986) by business leaders. As Walt Disney once said, "If you can dream it, you can do it," a statement that has a familiar ring for many founding fathers of family enterprises.

- Second, typical strategic planning is incremental in nature: x% per year. It has certain extrapolating qualities and rarely questions the business fundamentally. By contrast, a visioning process is discontinuous. It represents a step function: one jumps, say, ten years ahead (by asking where one wants to be at that point in time) and describes in vivid terms a desired future state of the organisation.
- Strategic planning very rarely gives rise to vision; rather, visions are established in a process that is separate from that of strategic planning. Strategic planning often becomes the means of realising that vision, as Figure 5.3. illustrates (Neuebauer and Lank, 1998).

FIGURE 5.3: Strategic planning as a means of realising a vision



SOURCE: Neubauer and Lank, (1998)

According to Neuebauer and Lank, (1998), visioning forms part of the entrepreneurial side of mangement. The hallmark of the entrepreneur is that he or she sees opportunities where nobody else sees them. He or she reads the environment differently from "the pack" and responds to it in a unique way, with a unique service or product. As entrepreneurs typically venture into new, uncharted territory, they frequently have to act on little data and a large amount of intuition; this makes it difficult for them to back up their ideas with reliable statistics. Schumpeter (1936), explains the economic development of nations by the presence of great entrepreneurial vision. He writes:

> "Here the success of everything depends upon intuition, the capabilities of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done" (in Parikh *et al.*, 1994).

This section has emphasised the importance of vision in the corporate governance function, thereby assisting in the long-term direction of the business. The next section will discuss the role of trust as a key governance measure in family businesses.

5.13 THE IMPORTANT ROLE OF TRUST IN CORPORATE GOVERNANCE

According to Steier, (2001), a significant body of literature emphasises the important role of trust in organisational governance (Powell, 1987; Bradach and Eccles, 1989; Kramer and Tyler, 1996; Rousseau, Sitkin, Burt and Camerer, 1998). Used effectively, trust represents a major source of competitive advantage to a business. According to Arrow, (1974), as a governance control mechanism, it provides some clear advantages: "Trust is an important lubricant of a social system. It is extremely efficient; it saves people a lot of trouble to have a fair degree of reliance on other people's word" (Steier, 2001; Arrow, 1974).

Mayer, Davis and Schoorman, (1995:1) provide a useful working definition of trust as "the willingness of a party to be vulnerable to the actions of another party, based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party."

The actions of those responsible for the strategic direction of the organisation greatly influence the level of trust within the organisation. Wicks, Berman and Jones, (1999) argue that organisations should strive for a level of optimal trust. These authors suggest that organisations sometimes over- or under-invest in trust and that neither state is desirable. Both too much or too little trust can lead to problems. For example, cases of embezzlement often involve scenarios where too much trust was placed in a particular party. Conversely, too little trust is also an undesirable state, if it has to be replaced by elaborate safeguard mechanisms that greatly increase transaction costs (Steier, 2001).

Striking a balance in which trust is at an optimal level represents a perennial management challenge. From a research and theory development perspective, further understanding of the dynamics of trust within organisations represents a "central issue in the analysis of trust" (Tyler and Kramer, 1996). Steier, (2001) believes that family businesses represent unique organisational forms with dimensions that go beyond the bottom line; subsequently, business transactions are purely economic. For these businesses, trust often represents a fundamental basis for cooperation and potentially provides a key source of competitive advantage. Although family enterprises are challenged to develop governance mechanisms that permit the building and sustaining of optimal trust, relatively little is known about the dynamics of trust within these unique organisational forms (Steier, 2001).

Research in the fields of law, sociology, economics, organisational theory, and strategy has developed a number of different, albeit complementary, concepts related to trust and its role in business transactions and organisational governance. Although legal contracts with "boilerplate" provisions remain an important aspect of the conduct of business, "not all exchanges are neatly rationalised" (Macaulay, 1963: 58). Macaulay's research finds that business people often prefer to rely on mechanisms such as a man's word, a handshake, or common honesty and decency. In essence, trust plays important roles in business transactions, often superseding legalistic remedies in deal creation, deal structuring, and deal termination. Sociologists substantiate this view of economic exchange. For example, Granovetter, (1985) notes that most accounts of economic action provide "undersocialised" or "atomised-actor" explanations; he makes a strong case that business activity is "embedded" in structures of social relations. Similarly, Grabher, (1993:3) observes "various forms of networks involve intricate and durable relations which are based on trust and reciprocal patterns of communication and exchange".

The fields of economics and organisational theory further recognise trust as playing a key role in organisational governance. Building on the work of Coase, (1973), Williamson, (1975) articulates two fundamental forms of economic organisation: market and hierarchy. Williamson (1991) also describes a third generic form of economic organisation as a hybrid, presenting it as an intermediate form of governance. Bradach and Eccles, (1989:97) observe that a "myriad of organisational forms exist along with market and hierarchy". In reiterating that transactions are rarely governed by the single forms of market and hierarchy, they emphasise that these mechanisms "serve as building blocks for complex social structures so common in organisational life". Hybrid arrangements have recently become "highly significant features of the contemporary organisational landscape" (Powell, 1987:68) and have been described as aspects of market transactions and characteristics of hierarchies and fall between the two alternatives on a continuum" (Larson, 1992:76).

Bradach and Eccles (1989:116) cite a growing body of literature suggesting that relational contracting based on trust is an important governance mechanism. They further suggest that the major models of governance – market, hierarchy, and relational contracting based on trusts – are not mutually exclusive and are often "combined with each other in assorted ways in the empirical world." They describe this combination as a "plural form" of governance. Similarly, Ring and Van De Ven, (1992: 484) include trust, along with market and hierarchy, as a significant mode of governance, which is particularly useful in cases of "repeated transactions of highly idiosyncratic assets under conditions of uncertainty, and small numbers bargaining…" These authors view a combination of the risk associated with the venture and the nature of the trust between the parties as being key determinants of whether market hierarchical, or regional, contracts based on trust are used. In other words, each form of governance has its own basis of cooperation. Markets rely largely on coercion, and relational contracting relies on trust. Every form of governance must address the problem of a party's tendency to behave opportunistically (Ring and Van De Ven, 1992). Relational contracting is particularly prone to opportunistic behaviour and relies on a strong element of trust as the basis for cooperation. When the trust is embedded in the relationship, opportunistic behaviour is unlikely to occur because each partner will forego short-term gains in favour of the interests of the partnership (Williamson, 1991).

This section has focused on the importance of trust as a source of competitive advantage for a family business. The next section will emphasise the important role of control in corporate governance.

5.14 THE IMPORTANCE OF CONTROL IN CORPORATE GOVERNANCE

According to Gubitta and Gianecchini, (2002), the analysis of the company's internal control systems and management bodies are one way to study corporate governance. The expression and operating models of the collegial (assembly, board of directors, executive board) or individual (president, CEO) governance structures define the creation of a decision-making process and its effectiveness of control (Gubitta and Gianecchini, 2002). The latter further indicate that, in family businesses, governance receives the family imprinting and becomes a synthesis (sometimes a compromise) between the family values and the business rules, reflecting all of the critical steps in organisational development. These include the delegation process of managerial activities and the creation of a managerial style, the involvement of the family members in the management bodies, the entrepreneurial succession process, and the opening of equity capital to third parties (Ward and Dolan, 1998; Gersick, Davis, McCollom Hampton, and Lansberg, 1997, Gubitta and Gianecchini, 2002).

The need for development in business generated the delegation process. The owners or their family members sometimes hinder this process out of fear of losing control or, most commonly, because they find it hard to implement effective mechanisms of control. When this resistance is overcome, the coalition increases and the first governance issues arise. The shift from strategic planning to action is no longer direct and filterless, because non-family managers participate in the coalition and are responsible for the organisational units such as department, function, and project team (Ward, 1997; Gubitta and Gianecchini, 2002;Hung,1998).

Since the publication of the seminal work of Berle and Means (1932), studies on corporate governance have focused on the separation of ownership and control. Different solutions to this issue are suggested according to different theories explaining this phenomenon. Agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983) focuses on the conflict of interests between principal (the owner) and agent (the manager) and assigns to the governance structure the task of controlling the management's work to avoid opportunistic behaviour, resulting in reduced performance. The main indications for operating in this perspective can be summarised as follows:

- Board of directors' composition. For effective control, the board of directors must be made up mainly of non-executive directors. In business management, the absence of direct involvement on the part of the board of directors heightens its independence and the objectivity of judgement with respect to the management work.
- Leadership. Different individuals should hold the positions of CEO and chairman. Excessive power concentration in the hands of a single person could favour opportunistic behaviours, influencing

the board of directors' membership. To avoid influence of the CEO on the work and independence of the board, the board should not be too small. Moreover, to favour the alignment of capital interests with ownership, the members of the board of directors should also be stakeholders.

Gubitta and Gianecchini, (2002) believe that, to measure the flexibility potential of a governance model, two variables enable the placement of the surveyed firms inside the flexibility matrix of corporate governance models: the degree of openness of the management and control structures and the management and control processes (Golden and Powell, 2000).

5.14.1 Openness Index.

The degree of openness of management and control structures measures the first dimension of flexibility of a governance model. It can be defined as the capability of the model to involve family and non-family individuals in the coalition. These individuals are people who have cognitive, managerial, or financial critical skills necessary for the improvement of business performance. The relation between openness and flexibility is positive, with an increase in both the degree of openness and the ability of the governance structure to attract suitable individuals (Gubitta and Gianecchini, 2002). The measurement of the degree of openness is based on the hypothesis that the involvement of non-family executives in the organisation appointed to manage a business function, process, or area implies an enlargement of the managerial team: they are indispensable to run the business and, therefore, they have to be in the coalition (Hart and Moore, 1990).

Sometimes, business growth saturates the capability of the leader and of all the family members involved in management. Sometimes, interests of family partners diverge, taking them away from operations. In other instances, a non-family manager completes the competencies portfolio if it is not up to date with the family business evolution. The same applies to other family individuals who are not involved in the management, but who sit on the board of directors or other governance bodies (Gubitta and Gianecchini, 2002).

5.14.2 Extension Index.

Gubitta and Gianecchini, (2002) assert that the degree of extension of a corporate governance model measures the quality of a decision-making process. This existing relation between the extension degree and the flexibility of a governance model is positive: a greater extension corresponds to a more efficient placement of responsibilities on the company's governing bodies. Most of all, the extension depends on the coherence of decision-making distribution between the boards, according to their institutional goals. Such coherence comes from rules and managerial practices. Decision-making processes are most effective when the hierarchy of boards corresponds to a decision-making hierarchy for effective control (Gubitta and Gianecchini, 2002).

Another threat to organisational governance of the family business is the absence of an effective market for external control. The shares of most family businesses are closely held and are relatively illiquid. Information concerning business performance is tightly controlled and/or often unavailable even to other family members (Arthur Andersen, 1995). The result is that family businesses are not subject to many of the constraints imposed by the market for external control (Schulze and Dino, 1998). Freedom from the market for external control is both a blessing and a curse. The market emphasis on short-term earnings is frequently blamed for the strategic myopia that often besets American companies (Hill and Jones, 1995). It is also uncertain whether the market rewards or punishes corporate social responsibility (Wood, 1991). Family businesses, as a result, may place less emphasis on short-term financial performance (Ward, 1987) and be better corporate citizens (Astrachan, 1988; Donckels and Froelich, 1991) than non-family firms. The absence of external control, however, can have negative impacts. It is easier for the firm to understate the earnings required to support growth in the absence of market discipline (Drucker, 1989). Schulze and Dino (1998) indicate that the market rewards the firm for addressing its future needs.

A series of studies reflect that there is a positive relationship between stock price and orderly changes in leadership (Warner, Watts and Wruck, 1998), reconstructing (Johnson, Hoskisson, and Hitt, 1994), and announcements of an anticipated shift in strategic direction (Bhagat, Schleifer, and Vishney, 1990). The market for external control, in this manner, provides both vital information and assurance that the conduct of the business is disciplined (Bhagat, Schleifer, and Vishney, 1990). Schulze and Dino (1998) state that proxies exit for external control. Alternatives include increasing the number of family and non-family shareholders, formal stock-valuation and stock redemption programmes, non-family ownership of voting stock via employee-held stock option plans (ESOPs), and direct outside investment. ESOPs are especially effective, inasmuch as employee shareholders are in a position to hold employers accountable for their actions (Heroy, 1994). The second is the development of an active and assertive board of directors that includes outsiders or non-family members. Accountants, attorneys, and friends often fulfil this role (Robinson, 1982). Profit-sharing plans are also helpful since they force the business to monitor performance and curb waste. Finally, the creation of different classes of stock, such as voting and non-voting, occasionally permits family-held businesses to trade shares publicly without losing control of the firm.

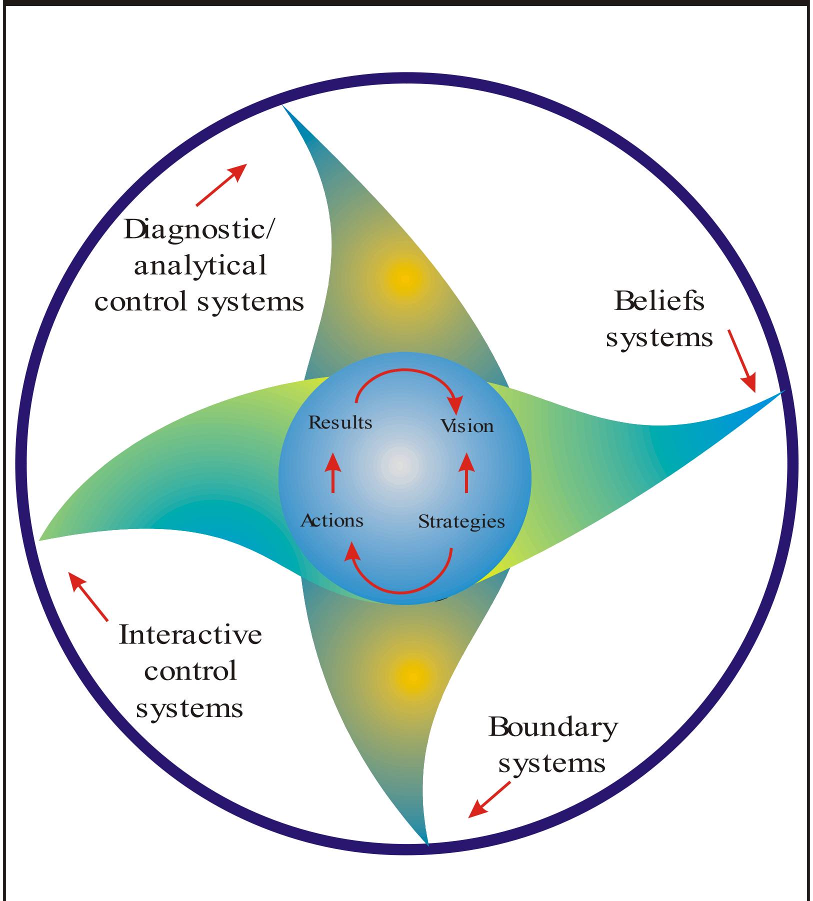
Controlling is a formidable task for any board as well as for any family, particularly in the light of the growing diversity in the activities of businesses and their increasing geographic spread, both of which tend to lead to a loosening of the board's or the family's grip on the organisation. In addition, as the family is frequently rather remote from the business (particularly if the firm has reached the cousins confederation stage), the family typically relies on the board when it comes to overseeing management's activities. This is a practical and logical solution, particularly if there are high-calibre family members on the board. A good board will keep the family informed about the control system and performance (Neubauer and Lank, 1998). The starting point for formulating specifications is to ascertain what data will be needed to allow the board to carry out its dual control task (Parker, 1990), namely:

- To monitor and judge the performance of management (by checking whether the management has created additional value for the owner)
- To fulfil the board's fiduciary duty *vis-à-vis* the family (for instance, by making sure that good systems are in place to prevent the assets of the firm being squandered or even embezzled) (Parker, 1990).

Boards can base their control efforts either on measurable outcomes of the management process (so-called outcome controls) or on the quality of the management processes in place (behaviour controls). Many outcome controls are analytical and/or financial in nature, which means they can be quantified. In addition, they give the impression of being "exact" (although, according to Neuebauer and Lank, (1998) unfortunately, they frequently are not). Another strength is that their application has a strong tradition (hence they are understood by many people) and on the whole they are universally accepted. The most prominent controls are measures of profitability (for example, cash flow) and growth (for example, sales growth). Many observers believe that these quantifiable control measures have to be accompanied by assessments of management processes, control systems, and managerial behaviour, in short, "behaviour controls" (Neuebauer and Lank, 1998).

Behaviour controls have several specific characteristics, some of which are considered to be of enormous importance. First, they are based on ongoing processes; this means that, in principle, one can intervene before a major mishap occurs. Second, by their nature they are judgemental; that is, they are based on subjective information. The higher one is in the hierarchy of the business, the more complex the problems become (Neuebauer and Lank, 1998). This holds true for control issues as well, which as a result frequently cannot be dealt with by neat analytical tools alone. A case in point is the ultimate judgement of the performance of a CEO and whether he or she should be retained or fired. Such a decision should, naturally, be based on as much quantitative data as possible. There are, however, many aspects of the performance of a CEO (such as leadership qualities and entrepreneurship) that can only be judged subjectively by looking at how the CEO carries them out in his or her everyday management of the organisation (Neuebauer and Lank, 1998). The third important characteristic of behaviour controls is that they typically require information that is not produced by conventional reporting systems. Some information can actually be gathered only "by osmosis", for instance absorbed when walking around in the firm or talking to customers and competitors (Neuebauer and Lank, 1998). Simons, (1995) sees control systems as a primary means of realising a strategy. Simons (1995) has proposed the Control System Spoke to aid our understanding of control in business organisations (Fig. 5.5).

FIGURE 5.5: Control Systems Spoke



SOURCE: Adapted from Simons (1995)

In the centre of the wheel presented in Figure 5.5. are the vision, (created by the board, family and top management) the strategies, (chosen by management and approved by the board to implement that vision) and the actions taken to realise the strategy. The four spokes of the wheel represent the means by which the "virtuous spiral" from vision to strategy to action and results is achieved. The four spokes, which represent the key control mechanisms available to the board and top management, are all composed of outcome and process controls, but to varying degrees. Analytical systems (top spoke) are based more on output controls than, for instance, interactive control systems (Neuebauer and Lank, 1998).

This section has focused on the importance of control as a key measure of corporate governance. The next section will discuss the important role of ethics in corporate governance.

5.15 ETHICS IN CORPORATE GOVERNANCE

The concept "ethics" means various things to various people, but it generally relates to knowing what is right or wrong in the workplace and doing what is right for the company's products or services and in relationships with stakeholders. Broadly defined, a company's ethics are the principles and standards that it espouses to guide it in its day-to-day business activities and its relations with internal and external stakeholders, in accordance with its established business values.

In their study, Driscoll and Hoffmann, (2001) and Naidoo, (2002) both concluded that ethics and values are no longer merely personal issues. The root of unethical behaviour may often be systemic and not simply the result of a few rotten apples in the corporate barrel. Ethical people can be brought down by serving a bad organisation, just as people with questionable integrity can be uplifted, or at least neutralised, by serving in an organisation with strong ethical values (Driscoll and Hoffman, 2001). While difficult to quantify in precise economic terms, the impact of bribery on countries, communities, and business enterprises has been devastating (Naidoo, 2002). Ethics are an aspirational objective, and should represent the intrinsic cultural values of the society in which the company operates. No single, universally applicable model can be defined. The King II Report (2002) recommends that, as part of its corporate governance livery, every company define a code of ethics, which commits it to the highest standards of behaviour. The code should be defined in sufficient detail to give clear guidance to employees on acceptable conduct. Examples of ethical values might include trustworthiness, honesty, respect, responsibility and accountability, the pursuit of excellence, law-abiding behaviour, and protection of the environment. The board of directors is responsible for defining the company's code of ethics, while management has to implement the code within the company (King II, 2002).

This section undertook to express the necessity of ethics in business to ensure good governance. Sustainability and its impact on corporate governance will be discussed in the next section.

5.16 SUSTAINABLE DEVELOPMENT AND OF CORPORATE GOVERNANCE

Naidoo, (2002) believes that the English-language definition of "sustainable" implies something lasting, enduring, and capable of longevity. Sustainable development was defined in the 1987 Brundtland

Commission report as business "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987 : 8). For a business, it means sustaining nature's resources as well as the company itself.

The three legs of sustainability (or sustainable development), according to Willard, (1987) are:

- **Economic prosperity –** the long-term economic health of global, local, and corporate economies, not simply individual corporations being profitable in the short-term;
- **Environmental stewardship –** the dimension of sustainable development that requires companies to "do no harm" to the environment through their operations and products, as well as to help restore the environment from harm already done. This requires reducing the amount of energy, water, and material consumed in the manufacture of the company's products, reducing waste, and rehabilitating contaminated sites; and
- **Social responsibility** –_development which is about the welfare of human beings (Willard, 1987).

The concept of sustainability has been adapted in a business context to mean the achievement of balanced, integrated, economic, social, and environmental performance (Naidoo, 2002). Both internationally and in Southern Africa there is increasing pressure on organisations to incorporate transparency and accountability at all the levels into their operating principles (Naidoo, 2002).

In the words of King, II, (2002), non-financial issues (social, health, and environmental) can no longer be regarded as secondary to more conventional business imperatives. By implication, then, sustainable companies report on the "triple bottom line". (The draft of the King II Report released in July 2001 made use of the term "non-financial reporting" to refer to matters such as stakeholder relations, ethical practices, safety, health and environmental issues, and social and transformation issues). The final report uses the term "integrated sustainable reporting". Naidoo, (2002) has already identified the appropriate risk-management practice risks forcing the board to take a holistic view of the "health" of the company and the risks facing it on all levels; so, too, do the demands of sustainability. Assessing the sustainability of a business involves developing measurements and reporting criteria that take account not only of financial issues but also of social and environmental risks and accountability. The company evolves from being concerned only with (and reporting only on) its financial performance, to one which embraces the full gamut of its existence as a corporate citizen (Naidoo, 2002).

5.16.1 <u>The Sustainability Advantages</u>

Willard (2002) identifies seven compelling business benefits for companies implementing triple-bottom-line accountability. These are:

- Easier hiring of employees and greater ability of the socially responsible company to attract and retain top talent;
- Increased employee productivity;
- Reduced manufacturing expenses by reducing waste. Reduced expenses at the company's commercial sites through education and spreading the sustainability message;
- Increased market share from attracting more customers, developing new markets and consequently generating increased revenue;

- Reduced risk, lower insurance costs, and easier access to finance.

Finally, Willard, (2002) illustrates the measurable financial benefits of each of the sustainable strategies listed above for a hypothetical corporation. Not all the benefits will be apparent immediately: companies that pursue the path of sustainability need to take a longer-term view. Likewise, not all the strategies need to be implemented. Each, however, yields a progressive financial benefit. Neuebauer and Lank, (1998) argue that, in deciding which strategy or strategies to implement, management and the board need to asses the nature of the company's business, the amount of work required to implement a particular strategy, the company's budgetary constraints, and the initial costs of implementing each of the approaches. Some of the sustainability strategies such as recycling and zero-waste initiatives will require little or no capital input. Others, such as refurbishing the company's plant or offices to be energy-efficient, may require a large injection of funds. Either way, the company needs to determine its individual milestones and take a progressive view on implementation (Neuebauer and Lank, 1998).

5.17 CREATING A GOVERNANCE STRUCTURE FOR A FAMILY BUSINESS

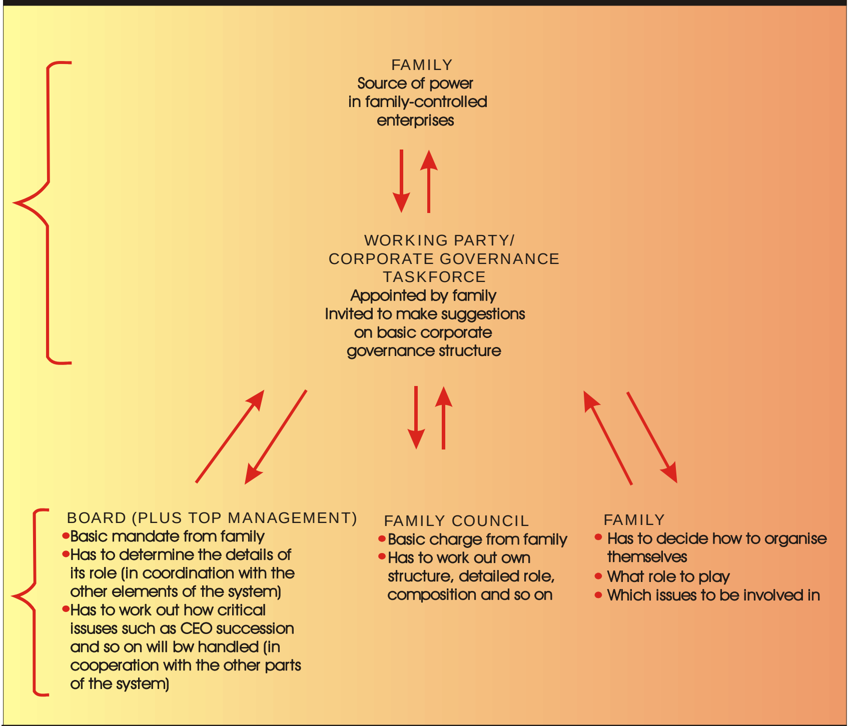
Neuebauer and Lank, (1998), arguably the leaders in governance research of family businesses, posit that a practitioner is typically looking for a step-by-step process when he or she is asked to implement a corporate governance scheme into a family business. It is the aim of this section to provide such a process.

Typically, several groups of participants are involved in such a process (Neuebauer and Lank, 1998):

- The family (in their role as owners), whose interest in improving the ways and means of steering and controlling the business is obvious;
- Representatives of the top management of the company, be they family members (this time wearing their managerial hat) or outsiders, who have to carry out a good proportion of the practical steering and controlling;
- Possibly, process consultants (Neuebauer and Lank, 1998).

The role of a family is to initiate and monitor the process and to stamp its imprint on the key outcomes of the deliberations, turning them into "the law of the land". At the cousins confederation stage, the family is probably too large to drive the process directly, so it may have to appoint a small task force, (five to seven members) which, in addition to the owners (perhaps through the family council), will typically also include representatives from the upper management echelon of the business. For all practical purposes, this small group will serve as the driving force behind the process. It will explore the issues in depth and make suggestions to the family on how to tackle issues within a custom-tailored governance system. The role of outsiders is to keep the process on track, to contribute the experiences they may have gained when applying the process in other businesses, and to play devil's advocate in the discussions (Neuebauer and Lank, 1998).

FIGURE 5.6: Stages of building the governance Structure



SOURCE: Neubauer & Lank, (1998)

Figure 5.6 above shows that there are typically two stages to the process. At the beginning of the first stage, the family members recognise the need for a formal governance system and initiate the process of creating one. The next move is to appoint a corporate governance task force. This working party will prepare suggestions on a formal, integrated, overall governance structure and the contours of its key components. These suggestions will be discussed (and probably modified) by the family and adopted formally. Thus at the end of stage 1, there exists a blueprint of the overall governance structure (Neuebauer and Lank, 1998).

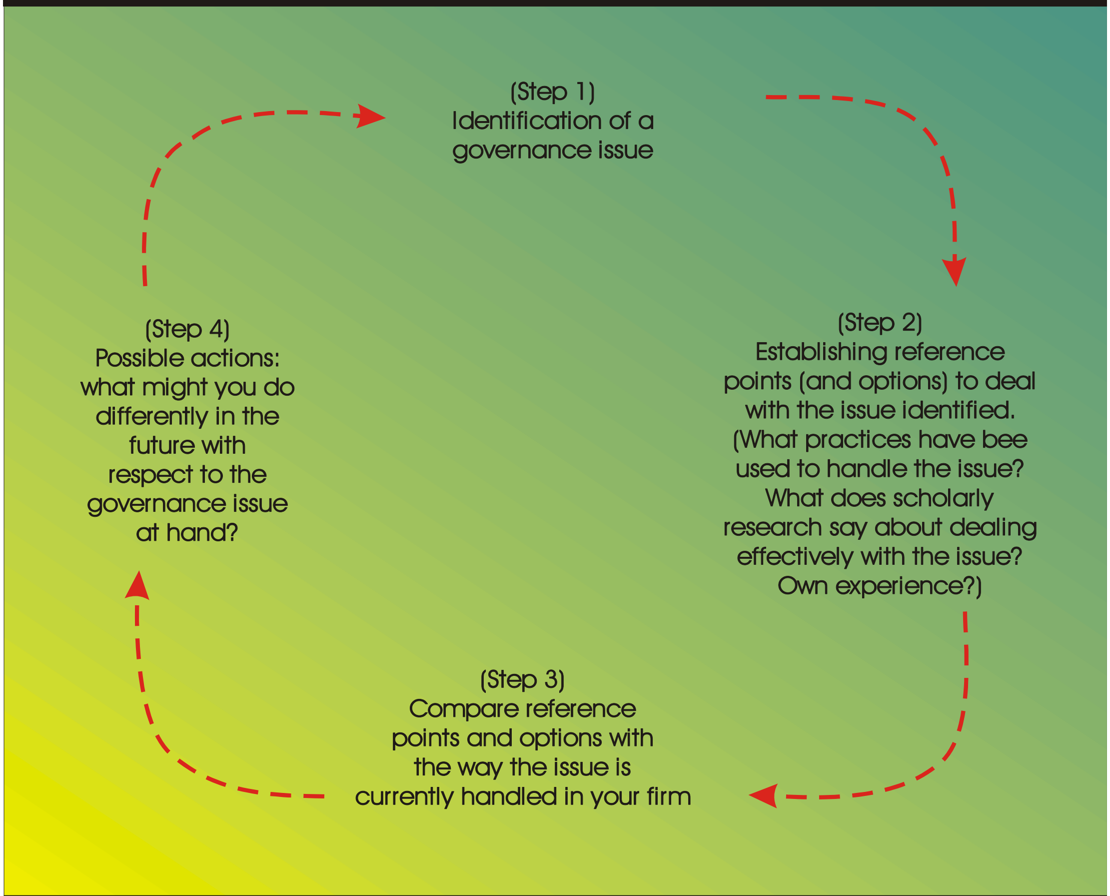
An overall idea of the desired governance structure is an important starting point. The existence of a blueprint can be helpful to the family when setting priorities and answering questions at the second stage, such as what form the family council should take and what type of board they really want. This blueprint also allows the work to be spread among more people than those comprising the original taskforce. To give an example, if in Stage 1 of the discussion, the family decides to create a family council and elects a number of family members to it, that small group can take on the development of this component of the governance system. It can design in detail the role and functioning of the new family council, thus freeing the original task force to concentrate on other aspects of the system (Neuebauer and Lank, 1998). Section 2 shows the elements of a classical governance system in a family business and the main options for creating such specialised task forces. In addition to having a task force on the family council, there will also be one working on the role, composition, and working style of the contemplated board of directors. The original task force will concentrate on how to organise the family properly. They decide, for example, whether there should be a formal family assembly, how it should it be organised, and what decisions it should reserve for itself (Neuebauer and Lank, 1998).

5.17.1 Stage One: Determining the Overall Governance Structure

Dissatisfaction with the decision-making process in the family, internal friction due to the absence of sophisticated conflict-resolution mechanisms, failure of the family business to handle legitimacy issues in the public arena, and sagging economic fortunes – these and similar features usually trigger the process of creating and revamping the governance structure of a family business. At the next move, the family, as the source of power in the family-controlled enterprise – will create a task force to work out a blueprint for the overall governance system.

The *modus operandi* of the task force when creating a blueprint of the overall governance system is shown in Figure 5.7

FIGURE: 5.7: The Basic Modus Operandi



SOURCE: Neubauer & Lank, (1998:240)

As Figure 5.7 demonstrates, each round of the process involves four steps. In step 1 the governance issue is identified and formulated. Issues that are obvious are: How should we structure an overall governance system, and what type of family constitution do we want? The issue can usually be guided by the task force; this typically happens in close cooperation with the family.

Numerous options on the configuration of the overall governance system are open to the task force, ranging from a complete (classical) governance structure to simpler solutions, where only one or two of the components of the classical structure are used. As the task force will have to offer the family well-reasoned arguments to support their suggestions, they will have to weigh up the pro's and con's of the different components of the proposed governance system, and determine how they interact. Neuebauer and Lank, (1998) further state that the following are some of the questions they may want to ask themselves (Neuebauer and Lank, 1998):

- Is there a need to organise the family in order to counter the danger of an erosion of the relationship between the family and its business? As the numbers of generations grow, the risk increases, threatening the very essence of the family business.
- Has the time come to offer some education in family business matters to the upcoming generation?
- How is trust built between the members of the extended family, who may not know each other well?
- Does the younger generation know what it means to be a responsible owner in the broad sense?
- How does the company nurture the sense of responsibility? One frequently used approach to deal with these issues is the creation of a formal family assembly.
- What is the experience of other companies in this respect?

One issue is that the task force cannot avoid addressing the question of whether or not the company ought to have a board. In order to reach a

decision, the task force may ask representatives of family businesses that have differing experiences with boards for help with ideas.
Another important question that the task force has to ask itself is what the relationship between different components of the governance system under consideration might be. How do others relate them to each other? What does the pertinent research in this area say? At the end of step 2 in the *modus operandi,* the task force will prepare a first sketch of the governance blueprint (Neuebauer and Lank, 1998).

In step 3, the task force will compare the results of step 2 with the way the company has so far handled the question of governance. What elements of a governance system are already in place? What is the business's experience with them? The aim of the step is twofold: it will provide an idea of the gap between the best practices elsewhere and the practices in the company, and it will provide an indication of the amount of effort needed to install a comprehensive, state-of-the-art corporate governance system in the company.

According to Neuebauer and Lank, (1998), step 4 of the *modus operandi* is about what might be done differently in the future with respect to the overall governance structure. In this phase, the task force will present the blueprint to the family. Stage 4 (Figure 5.7) coincides with the end of stage 1 in the process of building an overall corporate governance system (Figure 5.19.1.1). This resulting blueprint is fleshed out during stage 2 of the process (Neuebauer and Lank, 1998).

5.17.2 Stage two: Fleshing out the Blueprint

It is conceivable that, at the end of stage 1, quite a number of the proposed components of the family business constitution and individual governance issues will require further investigation. It is important to avoid hectic activism, with a considerable number of task forces working away at numerous problems, so at this point the family should establish a set of priorities. Which of the components of the system are to be fleshed out first? Should the family decide that the family council takes priority? The first job is to appoint a task force to look into the matter, applying exactly the same *modus operandi* as was used when working out the overall blueprint (Figure 5.7). The same applies to organising the family itself more tightly, for instance by instituting a family assembly; but an additional word or two is justified with respect to the creation of a board of directors (Neuebauer and Lank, 1998). As has been pointed out, the board typically plays a pivotal role in the corporate governance of a corporation. If the family decides to have a board, particular care should be taken by the family when formulating the mandate of the board, deciding on its composition, and to working out the relationship between the board and the other parts of the governance system (for example, the family). Once the board has been constituted, the members have a say in what their future roles will be, and hence a degree of give-and-take is necessary at this stage (Neuebauer and Lank, 1998).

Naidoo, (2002) contends that, in implementing a good regime of corporate governance, it is important that companies embrace the principle of "substance over form", and not merely pay lip service to the concept. The implementation of good corporate governance practice may involve a change in existing practices and a shift in mindset, and must

therefore be seen as a gradual exercise, with the recommendations of King II, (2002) currently being the ideal standard in South Africa.
The following are guidelines for good governance in South Africa:

- **Have a long-term development plan.** The development and implementation of a sound corporate governance regime is a big undertaking, needing an evolution of attitudes on governance issues. The board, mangement, and employees should all buy into the need for good governance and be sensitive to the real benefits that can flow from it. To put in place a corporate governance plan of action, because the King Report says so, is simply not enough (King II, 2002; Naidoo, 2002).
- **Aim to implement simple and robust solutions, and to achieve a balance between objectives.** Identify the key requirements of a good regime of governance (for instance, a well-structured board, appropriate financial controls, systems for ensuring statutory compliance with the company, and mechanisms for identifying risks faced by the company and procedures to control them). Management, together with the board of directors, should agree on a priority ranking for each other. Of necessity, issues of statutory and regulatory compliance for private companies must rank above the "nice-to-have" recommendations of King II (see Appendix B). It is for this reason that implementation must be seen as progressive, with the mandatory areas of compliance given priority, followed by the other areas of good governance practice ranked according to the company's own needs (Naidoo, 2002).
- **Don't reinvent the wheel.** Draw on the experience of other companies. Many good policies and documented processes already exist, and the Web is an invaluable source of information.

Websites such as those of the World Bank, the GRI and the OECD (Johanisson and Huse, 2000) include a number of useful governance tools that can be adapted and built on to make them relevant to your particular company (Naidoo, 2002).

- **Apply the 80/20 rule.** Start with the big issues, rank your objectives, and then set flexible time limits for the attainment of each (Naidoo, 2002).
- **Ensure that whatever programmes are implemented have the active backing of the board and top management.**
- **Market the corporate governance and sustainability concepts.** Change cannot be achieved if the people within the company who are meant to implement the new approach do not believe in it. Use in-house programmes in order to boost credibility and awareness, and also provide constant reinforcement of the message (Naidoo, 2002).
- **Be flexible and realistic.** Evaluate the programme on an ongoing basis at all levels throughout the organisation and be prepared to change anything that may not be working. Be realistic in your goals. It is impossible, for example, to expect people who might live without electricity or running water in their home environments to suddenly become committed to the need for environmental conservation.
- **Take bold steps.** Learn to live with the frustrations (Hansen, 2002).

If these issues are addressed and adhered to in the daily activity of everyday work, they will add to the implementing of a good regime of good corporate governance for the business concerned.

5.18 SUMMARY

To paraphrase the words of Michael Katz, (2002) the convener of the King Committee Task Team, on compliance,

> "Corporate governance goes way beyond having an audit committee or non-executive chairman and so on. What South Africa needs is a culture of compliance – without it no governance system in the world is going to make much of a difference. We don't yet have a culture of corporate governance in out society. People merely pay lip service to it".

While corporate governance compliance in terms of King II, (2002) is a recommended code of practice for state-owned enterprises and a large number of public companies, private companies are in the privileged position at the moment of being able to choose whether they wish to embrace progressively a culture of good corporate governance, rather than having compliance forced upon them. The development of a culture of good corporate governance is a gradual, long-term process. Companies must first assess their reasons for compliance, identify their own areas of priority, and address these before any others (King II, 2002).

The most significant obstacle to the implementation of good corporate governance and meaningful social, ethical, and environmental accountability lies in the way management within the organisation thinks. As long as there is a perception of these as "soft issues", they are unlikely to receive the focus they deserve from a value-generating economic point of view.

This chapter identified several variables that may have either a positive or negative influence on corporate governance for family businesses. These factors are important considerations in the effort to strive for perceived good governance in family businesses. These factors also have an impact at individual, group, and organisational level, to ensure good governance.

Against this background, the next chapter will chart a model of good governance for Greek Family Businesses in South Africa. This model will guide the empirical component of this study.

CHAPTER 6

A THEORETICAL MODEL OF GOOD GOVERNANCE FOR SOUTH AFRICAN GREEK FAMILY BUSINESSES

6.1 INTRODUCTION

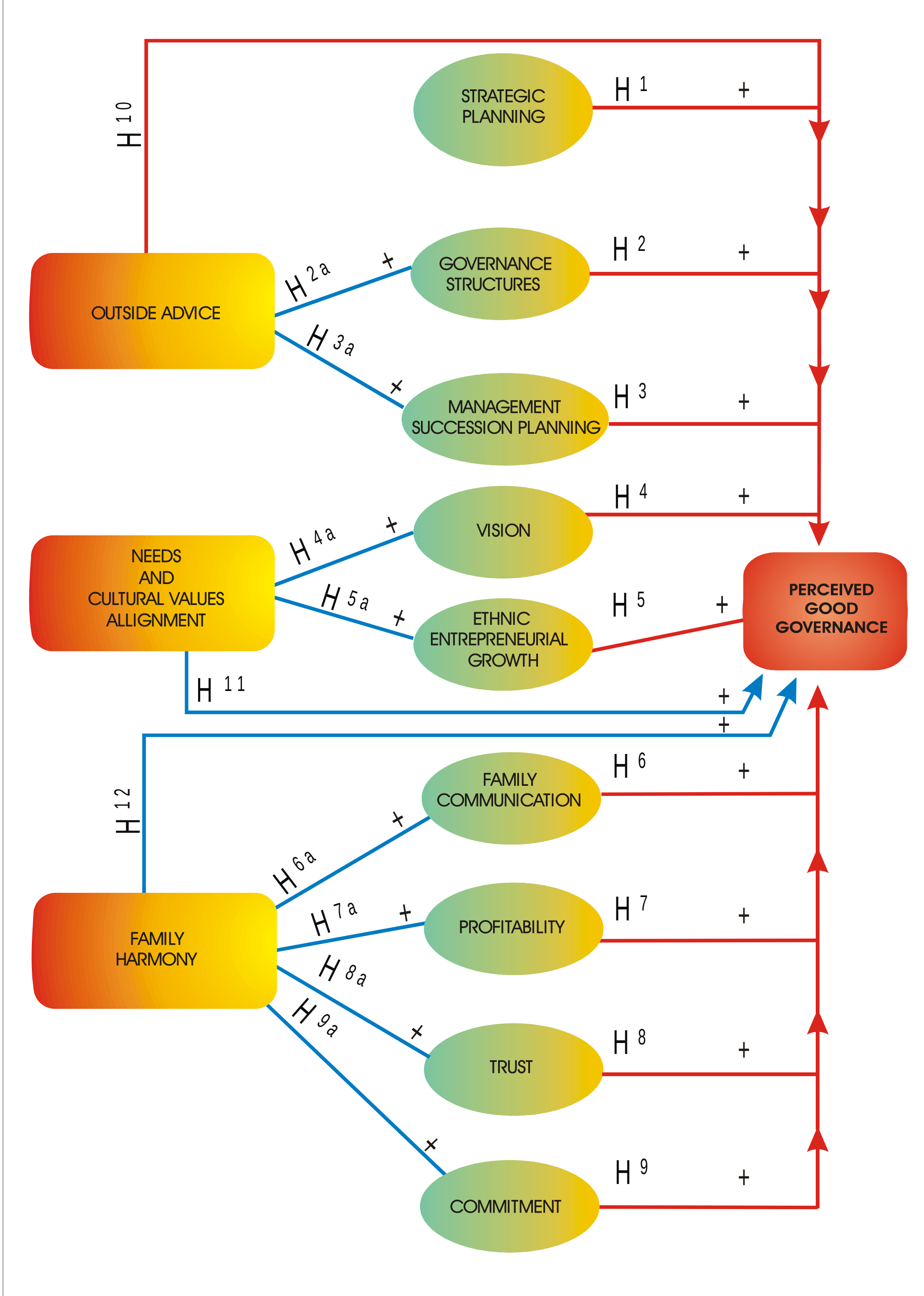
In the previous chapters, various factors that influence governance from a (cultural) family business perspective were discussed. These factors can be categorised into factors pertaining to the influence of the founder/ current owner(s) on governance, those pertaining to the influence of the family on governance, and finally the influence of the board of directors on governance. This chapter discusses the theoretical model of selected variables which are hypothesised to influence good governance. The dependent variable and the independent variables thought to be present in the model are discussed together with their hypothesised relationships. The relationships are based on the discussion of the factors that influence good governance, as presented in the previous chapters. The main focuses of this study are on the internal factors that may influence good governance for family businesses within the Greek communities of South Africa, and therefore the environmental factors will not be investigated, as they are irrelevant to this study.

6.2. THE MODEL

When investigating the relationship between good governance and certain aspects of South African Greek family businesses, the **dependent variable is perceived good governance.** The chosen **independent variables are strategic planning, governance structures, management**

succession planning, vision, ethnic entrepreneurial growth, family communication, agreement to continue family business, trust, commitment, family harmony, needs, cultural values alignment and outside advice. The hypothesised interrelationships are shown in Figure 6.1.

FIGURE 6.1: THEORETICAL MODEL OF GOOD GOVERNANCE FOR SOUTH AFRICAN GREEK FAMILY BUSINESS



SOURCE: RESEARCHER'S OWN CONSTRUCTION

The creation of an effective system of governance is a central task of all organisations (Bradach and Eccles, 1989; Coase, 1973; Powell, 1990; Venter, 2002; Sakhman, 1990; Steier, 1998; Stinchcombe, 1965; Williamson, 1975; 1985; Ward, 1997; Neuebauer and Lank, 1998; and Maas, 1999a). Ward (1997) states that for the family owned business, good governance makes all the difference. On average, well-governed family businesses grow faster and exist for longer (Neuebauer and Lank, 1998). Governance of family businesses differs from mainstream corporate governance in one important respect: dominant family members may have multiple roles in the business. Family businesses typically depict a complex stakeholder structure that involves family members, top management, and a board of directors (Ward, 1997; Neuebauer and Lank, 1998). Ownership is often passed from one generation to the next within the family (Venter, 2002). In addition the owner's family members usually play multiple roles in managing and governing the family business (Tagiuri and Davis, 1996), hereby blurring the governance relationships. Finally, family members as managers often make the most important business decisions (Gallo and Sveen, 1991).

Stability in business requires the development of effective governance structures and processes to enforce good governance. (See Eagan, 1998; Maas, 1999b; Hutton-Wilson, 2001:8; Lansberg, 1988, 1999a; Lansberg and Astrachan, 1994; Milo and Yannani, 1999, Ward, 1987 and Neuebauer and Lank, 1998). Ward, (1997) and Maas, (1999b) on the other hand, indicate that governance structures can monitor both the family and a business system to ensure the myriad of issues associated with entrepreneurial leadership and ownership of a family business are addressed.

Martin, (2001:91) mentions that sound good governance not only takes into account the need to provide security for the family wealth or the business, but also considers the need to cultivate and honour the physical needs of family members. He indicates that the physical side should not be sacrificed in the interests of maximising return on investment. Over time, the family good governance model should be subjected to review if changes are required to keep it relevant (Martin, 2001; Neuebauer and Lank, 1998). Martin (2001) also states that good parenting in wealthy/business families establishes the framework in which a sound governance model can work, as good parenting means that certain values required to execute a good family governance model over time are present.

Davis, (2001); Lansberg, (1999); Ward, (1997); and Neuebauer and Lank, (1998) are of the opinion that the governance of a family business is more complicated than for non-family owned companies because of the central role played by the family. Davis, (2001) and Neuebauer and Lank, (1998) point out that in family businesses (companies whose ownership is controlled by a single family) and other kinds of family enterprises, including family foundations and family investment funds, the lack of effective governance is a major cause of organisational problems.

One of the most formidable obstacles to the stability, growth, and success of the family business is the issue of governance. To build upon and to remain a family business, the ultimate management challenge is to enforce good governance. Because of the important role Greek family businesses play in the South African economy, the ensuring of good governance is of the utmost importance for survival, growth, and sustainability.

6.3 INFLUENCE OF BOARD OF DIRECTORS ON GOVERNANCE

In Chapter 5, various factors were identified that may influence the governance process. The board of directors is a crucial part of a family business's corporate governance structure; its this role is to add value by directing, controlling, guarding, monitoring, and protecting assets (Berle and Means, 1932; Maas, 1999b; Roe, 1994; Jensen, 1989; Ward, 1991; Tomaselli, 1999; and Venter, 2002). The family business's board of directors performs important monitoring and service roles (Forbes and Milliken, 1999). Monitoring (control) centres on hiring, compensating, disciplining, and firing senior managers; approving top managers' initiatives; and evaluating senior managers' performance (Johnson, Daily and Ellstrand, 1996). The service role includes giving advice and counsel to management; establishing links with the external environment; and representing the business in the community. In a family business, the board may have a special role as a bridge between the business and the family (Corbetta and Tomaselli, 1996).

It is important that the board performs to the best of its ability (Pease and McMillan, 1993). Unlike a public company, the shareholders of a family business are an integral part of the business and family system. They are frequently involved in management, and, through their participation in the family, continuously influence decisions in the business (Neubauer and Lank, 1998). The board of a family business therefore serves a different purpose to that of a non-family business (Harris, 1989). Harris (1989) suggests that, for a board of directors to work effectively in a family business, it must fill a bridging function between the family and corporate systems. To do this, directors in a family business must be able to understand and respect the family (its needs, values, culture, and goals) and the business (its strategic, financial, and managerial needs).

Research into, and literature concerning, the specific roles of the board of directors in family businesses is limited (Tomaselli, 1999). There seems to be general agreement, however, that an active board can be a crucial resource for both the business and the family. Factors related to the board of directors that can influence the governance process, and that will be included in the theoretical model to be tested in this research, will now be considered.

6.3.1 Strategic Planning

Family businesses face many obstacles to growth (Alcorn, 1982; Peiser and Wooten, 1983; Upton and Petty, 2000), including a reluctance to plan for it (Plostner, 1994; Ward, 1997). McCann (2003) states that strategic planning is vitally important for two reasons. First, the very process of committing a project to writing for the key stakeholders to review and comment on often creates a much greater sense of collaboration. This process increases the potential for people taking ownership of the project. Second, by reducing the vision to writing and getting feedback from key stakeholders (e.g., a board of advisors), the content of a plan is usually vastly improved. In effect, this rigorous review holds the vision up to the light of day, which usually lets the light shine through the holes (McCann, 2003:125).

Undertaking business and strategic planning is critical (a) for maintaining family business success (Brown, 1995; Knight, 1993; Jones, 1982; Ward, 1988); (b) for promoting growth (Astrachan and Kolenko, 1994; Poza, 1989; Ward, 1987, 1997; Venter, 2002); and (c) for optimising performance (Aram and Cowen, 1990; Arthur Andersen/MassMutual, 1997; Schwenk and Shrader, 1993; Maas, 1999). Planned growth is particularly important to business survival (Ward 1987). Poza (1989) notes that family businesses must consider growth strategies to avoid the decline and liquidation of the family business, to promote continuity and family unity, and to save jobs and create wealth.

Available research suggests that, while family business should perform strategic and business planning, most do not (Brown, 1995; Rue and Ibrahim, 1996; Silverzweig and D'Agostino, 1995; Ward 1987). Greenwald and Associates, (1993), in a national survey of 614 family businesses, found that 58% of those businesses had no written business plan. In a 1997 survey of 3,033 family businesses, Andersen and Narus, (1995) discovered that 69% had no written strategic plan. On the other hand, Rue and Ibrahim, (1996) noted that family business in Georgia engage in more planning than previously thought, with over half of their sample reporting written long-range plans, and 97% reporting some specific plans related to growth.

Ward, (1997) writes that family businesses may not plan if the founder is committed to a previously successful strategy, as he may become inflexible and stifle growth. Family businesses prefer privacy, as do many closely held firms, and planning may be neglected because it requires sharing what might be considered confidential information (Mintzberg, 1994). The preference for privacy can influence growth when family managers will not share knowledge of the family business with non-family managers (Mead, 1994).

In an analysis of family business, Rue and Ibrahim, (1995) found that those who perform at a better-than-the-industry average in prosperity, have higher participation by the board of directors in business planning. They also have significantly higher board participation in strategic areas such as approving capital expenditures, evaluating top manager's performance, and planning managerial succession. Upton *et al.,* (2001) conclude that the board's involvement in the strategic planning process may be to a degree related to performance of the business.

Little is known about the choices that family businesses make when considering strategies. Daily and Dollinger (1992), using the typology of Defender, Prospector, Analyser, and Reactor strategies, found that family businesses tend to adopt either the Defender strategy ("We stick to what we know how to do, and do it as well as or better than anyone else") or the Prospector strategy ("We have a specific program to be innovators and are willing to take the necessary risks of promising new products and services") more often than non-family businesses. The Prospector strategy is considered a growth strategy, although growth is not a highly ranked goal among family businesses (Arthur Anderson / Mass Mutual, 1997; Greenwald and Associates, 1993; Tagiuri and Davis, 1992). This is in stark contrast to Fortune 1000 companies, which include growth as one of their most important goals (Deloitte and Touche, 1996).

Rue and Ibrahim, (1996) found that family businesses that set goals for growth, plan for grow through equipment acquisitions, through marketing, through hiring key personnel, or finally through new product development and plant expansion. In a study of the top priorities of family firms, Zinger and Mount (1993) found that they do not see new products and services as prosperity. They hypothesise that family businesses may adopt strategies that allow them to accomplish family goals, such as maintaining family control and avoiding debt (Berembeim, 1994; Harris, Martine and Ward, 1994; Mishra and McConaughy, 1999). The strategies of family businesses may also reflect their long-term perspective (Danco, 1975; Ward 1988), strong founder values (Collins and Porras, 1994), and motivation for quality (Lynman, 1991; Muson, 1990).

Donckels and Frohlich (1991) suggest that family businesses are more likely to prefer opportunities with the potential for long-term stable outcomes over dynamic growth, and risk strategies. Relatively little research exists on fast-growth firms (Sexton and Smilor, 1997). However, rapidly growing businesses represent most of the power in the small business sector to create wealth, income, and jobs (Brophy, 1997; Kirchoff, 1995; Venter, 2002). Based on existing studies, Upton *et al*. (2001) find that researchers surmise that fast-growth businesses are more likely to engage in strategic planning than their slower-growth counterparts. Fast-growth firms are also more likely to engage in research and development (McCann, 1991; McGee and Dowling, 1994) and emphasise product/service quality (Barringer, Jones, and Lewis, 1998; Hills and Narayana, 1989).

It is therefore hypothesised that:

H^1 : There is a positive relationship between the strategies of strategic planning undertaken and perceived good governance.

6.3.2 Governance Structures

A proper governance structure that represents the diverse needs of new generations and which allows the family business to continue to grow, to be controlled, and to prosper, is important. Sound governance can go a long way toward avoiding many of the typical situations that may erupt in family businesses (Egan, 1998; Martin, 2001; Neuebauer and Lank, 1998; Ward, 1997). The simplest and most direct governance structure has two components: governance of the business (e.g. board of directors); and governance within the family (e.g. family council), (Egan, 1998).

Family businesses have many features that make their governance a particularly challenging task as they typically depict a complex, long-standing stakeholder structure that involves family members, top management, and the board of directors (Neuebauer and Lank, 1998). Members of the owner-family usually play multiple roles in managing and governing the business (Tagiuri and Davis, 1996), thereby blurring the governance relationships. In addition, family members as managers often make the most important business decisions (Gallo & Sveen, 1991), while the emotional attachment to family business ownership may detract from the business's focus on economic goals.

In addition to management supervision and control, family businesses need to develop governance structures that promote cohesion and shared vision within the family and which reduce harmful conflict (Neuebauer and Lank, 1998). This may be achieved by employing formal controls that minimise opportunism, mirroring the prescriptions of agency theory, or by the implementation of social controls that promotes social interaction and the formation of a shared vision among the various stakeholders (Mustakallio and Autio, 2001).

In their study, Astrachan and Kolenko, (1994: 259) find a positive correlation between governance structure and organisational survival across family generations. Egan (1998: 3) maintains that a business with a governance void usually begins to experience problems when the business passes to the second generation. Businesses that survive this transition have a sound, acceptable governance structure.

Family businesses are more likely to undertake strategic planning when they have effective governance structures intact (Neuebauer and Lank, 1998). The establishing and control of good governance structures are strongly influenced by the board of directors, family council or assembly, and shareholders' assembly (Dyer, 1986; Lansberg, 1998:139, 1999b: 285; Leach, 1994:63; Magretta, 1998: 1998:121; Martin, 2001:94; Neuebauer and Lank, 1998; Ward, 1997). The long-term interest of the family shareholders must be maintained through the effective design of the governance structures in family business, so that the growth and continuity of the business can be ensured, and that the family's harmony and welfare are preserved.

Alternatives to the traditional board such as a family council, a review council, or an advisory council have also been recommended for family businesses that are not large or complex enough to draw outside board members (Corbetta and Montemerlo, 1998:10; Dickson, 2000:93; Egan, 1998:4; Milo and Yannai, 1999:5; Neuebauer and Lank, 1998:238; Ryan, 1995:13; Sorenson, 1999:145; Jonovic, 1989:126-135 and Sharma *et al.*, 1997:11). Family councils can also function as boards in many small-and medium-sized family businesses (Jonovic, 1989:135; Lansberg, 1999b: 282-300). In general, it could be argued that the existence of any advisory body will influence the governance structures of family businesses (Venter, 2002).

It is therefore hypothesised that:

H^2 : There is a positive relationship between acceptable governance structures in place and perceived good governance.

6.3.3. Management Succession Planning

Dyer and Handler (2001:74) state that the problem of both ownership and management succession has largely been the focus of research on family-owned businesses, for family dynamics come to the forefront during succession. Research by Levinson (1971); Barnes and Hershon, (1976); Lansberg (1988); Handler and Kram, (1988), and Dyer (1992) has discussed the psychosocial dynamics that make it difficult for the entrepreneur to contemplate transferring ownership and management to the next generation. Succession planning is in direct conflict with the entrepreneur's needs for control, power, and meaning (Handler and Kram, 1988). Lansberg (1988) suggests that the family, managers, suppliers, and customers may play a significant role in colluding against succession planning. The founder's family members may not want to accept the founder's mortality and may see the founder as the only person able to manage family conflicts and keep the family together. They are therefore reluctant to see the founder relinquish the leadership role.

The family may also be unwilling to upset the founder with discussions regarding retirement, because family members can be seen as being disloyal by suggesting retirement. Suppliers and customers who are used to dealing with the founder may resist forming relationships with the next generation of family members who are gaining in power. Thus, it is not at all surprising to learn that few entrepreneurs proactively engage in succession planning, which is often to the detriment of the family and the business (Trow, 1961; Dyer, 1986, 1992).

Handler, (1992) finds that the degree of mutual respect and understanding between the next-generation successor and the founder is a key factor affecting succession. Other critical factors are the degree to which next-generation career interests, psychosocial needs, and life-style needs are met through the business (Venter, 2002). Also, the degree of sibling accommodation rather than rivalry, and the family's commitment to perpetuate the family business are important to the succession process (Venter, 2002). Dyer and Handler, (2001: 76); Davis, (1982), Patrick, (1985); and Iannarelli, (1992) reinforce the importance of looking at succession not only from the perspective of the entrepreneur, but also that of his/her relationship to the heir. Considering the heir's role and including him/her in the planning process is critical to effective succession management (Venter, 2002). There is general agreement that succession is more a process than an event (Churchill & Hatten, 1987; Handler, 1990a; Vancil, 1987). Sharma, (1997:239) also found a positive relationship between management succession planning and the satisfaction of both owner-managers and successors with the succession process event.

Rosenblatt *et al*., (1985) found that family business owners often resisted succession planning and that this, in turn, diminished the probability that the business would survive beyond the first generation. Various other studies support the view held by many researchers that most owners do not plan for succession (Brown and Coverley, 1999:95-96; Dean, 1992:387; Kirby and Lee, 1996:79; Maas, 1999a: 3; Mandelbaum, 1994:370; Santiago, 2000:30; Stempler, 1988:98; Van der Merwe, 1999:249; Vidigal, 2000:18; Venter, 2002).

Some researchers have suggested that the importance of management succession planning to business continuity has been overstated (Aronoff, 1998:181; Astrachan and Aronoff, 1998:72; Kirby and Lee, 1996: 75; Santiago, 2000: 15). A study by Astrachan and Kolenko, (1994: 251) reveals that, while boards of directors, strategic planning, and frequent family meetings are correlated with business longevity over multiple generations, management succession planning is not. Similarly, a study by Santiago, (2000:15) indicates that management succession planning is not necessarily important for the survival of family businesses.

Based on the above-mentioned research findings, it is therefore hypothesised:

H^3: There is a positive relationship between the degree of management succession planning and perceived good governance.

6.3.4 <u>Outside Advice and Governance Structures</u>

Several researchers have suggested that the use of external advisers and governance structures, such as family retreats, family councils, boards of directors, to name but a few, could generally play an important role in governance planning (Dickinson, 2000:93; Dyer, 1986:137; Johnson, 1996:39; Lansberg, 1988:139, 1999b: 285; Morris *et al*., 1997:399; Neubauer and Lank, 1998; Squires, 1998:72; Theune, 2000:30; and Venter, 2002). Malone, (1989) find a positive correlation between the percentage of outsiders on the Board of Directors and the level of strategic governance in the business. The principle of the use of external consultants such as therapists, psychologists, estate-planning specialists, business economists, jurists, and fiscal experts has been advocated (Venter, 2002).

Based on the results of prior research, it has also been suggested that the potential mediating effect of an active Board of Directors on management succession planning should be investigated (Seymour, 1993: 280). As indicated earlier, a proper governance structure that represents the diverse needs of the new generation, and which allows the business to continue to grow and prosper, is important. Sound governance can go a long way towards avoiding many of the typical situations that may erupt in family businesses (Egan, 1998; Martin, 2001; Venter, 2002).

Kirly and Lee, (1996) on the other hand found that only a small proportion of their respondents believe it to be important to establish an advisory council. Venter, (2002:210) argues that "this result does not necessarily imply that the respondents were unaware of the complexity of the succession process." Several respondents specified that bringing in an outside consultant would be considered, at a suitable time. Only 2% of the respondents in a study by Ward and Handy (1988) reported that the Board of Directors of their business had any function or contribution to make towards succession planning. The general lack of a Board of Directors or family council has been indicated in numerous studies (Dean, 1992:385; Dunn, 1999:53; Maas, 1999a + b). Venter (2002:210) has indicated that no positive correlation was found between the existence of both a formal or informal advisory board and the degree of management succession undertaken. Because of the conflicting results obtained from researchers (based on Venter's , (2002:210) research), into the nature of the relationship between the use of external advisers/consultants and governance structures and management succession planning, it was decided to determine the extent of management succession planning undertaken.

The following two hypotheses need to be considered:

H^{10} : There is a positive relationship between the use of expert outside advice and perceived good governance.

H^{3a} : There is a positive relationship between the use of expert outside advice and well-governed management succession for South African Greek family businesses.

Dyer (1986) has also brought attention to the crucial role of the board as a governing institution in the family business, and states that research on the characteristics and specific roles of boards of directors in family businesses is limited. Dyer and Sanchez, (1998), in their survey of the family business review over the period 1988-1997, identify only three empirical papers on the subject of boards. Neuebauer and Lank, (1998) find that external members of the board may radically change the conditions for the ongoing ideological battle in the family business. If the recruitment of external board members favours managerialism, as they assume, it is not surprising that traditional, defensive family businesses, dominated by paternalism, are hesitant to invite them to participate. Genuinely entrepreneurial firms may, by contrast, consider the access to managerial competencies as just another resource to exploit when growth is aggressively promoted. The generic argument that Johanisson and Huse, (200: 361) put forward is that, in order to understand board operation in general and recruitment of outside advice in particular, it is crucial to keep in mind the differences in kind between coexisting but competing ideologies in the family business. This is why Johanisson and Huse, (2000) propose an alternative framework to those designating normative-rational motives for having external board members, *i.e.* increased control, access to resources, and improved services (Johanisson and Huse, 2000).

Since family board members may lack objectivity in business decisions and have emotional attachments to the core business, family businesses need outside board members (in addition to family board members) to obtain more varied and objective advice (Hoy and Verster, 1994). By adopting this structure, the family's emotional attachment to the core business is reduced, and entrepreneurial activities are evaluated on merit, not emotion. As a result, links are strengthened between the entrepreneurship driving forces. Supporters of the appointment of outside board members argue that these members bring fresh perspectives and new directions (Jain, 1980), monitor progress, and act as arbitrators (Lane, 1989; Mace, 1971), assist in succession (Harris, 1989), act as catalysts for change (Mueller, 1988), act as sounding boards for the owner-managers, and are low-cost consultants (Heidrich, 1988). Conversely, others (for example, Ford, 1988; Jonovic, 1989) question the value of outside board members. They suggest that outsiders lack intimate knowledge of the company and its environments, may not be generally available, and lack authority and a definable shareholder interest.

Consequently, the following hypothesis has been formulated:

H^{2a} : There is a positive relationship between the use of expert outside advice and the more effective functioning of governance structures leading towards good governance.

6.4 INFLUENCE OF THE FOUNDER/CURRENT OWNER(S) ON GOVERNANCE OF THE BUSINESS

The founder/current owner(s) play(s) an important role in the effort to enforce good governance. Their demographic characteristics and their interrelation with the Board of Directors and the family were detailed in the previous chapters. The founder/current owner(s) influence factors depicted in the theoretical model are as follows:

6.4.1 Vision

The family business is managed with the intention of shaping and pursuing a vision of the business that is potentially sustainable across generations of the family (Chua, Chrisman and Sharma, 1999). By deduction, a family business is a unity, because its vision is shaped and pursued by a dominant coalition controlled by a family or a small number of families. Significantly, the particular family members to whom the vision belongs are not specified, apart from the owner or the managing group. Neither is it stipulated that this vision must serve only the interests of the family, because the desired future may be partly concerned with society in general (Chua *et al*., 1999).

Sustainability of the vision across generations includes those descriptions that insist upon the availability of a family successor, since such availability facilitates the sustained pursuit of a vision across generations. Finally, because it is the potential sustainability of the vision that is important, the definition also permits the vision to change, although members would not anticipate the vision to change as frequently as would business goals and strategies. Therefore, a business that changes its vision does not cease to be a family business, provided that two conditions are met: (1) that the dominant coalition instituting the change is controlled by members of the family, and (2) that the vision for the business continues to operate as a vehicle for achieving a desired future state of the family (Chua, Chrisman and Sharma, 1999).

The literature on vision includes those firms in which family involvement takes the form of successive generations of management, but not ownership; but it excludes, as it should, those situations where the powerful chief executive of a publicly held company manages during his or her lifetime to pursue his or her own vision, as long as the leadership does not have the potential of passing to the chief executive' spouse, children, or sibling. Chua, Chrisman and Sharma, (1999) do not imply that the vision is or should be shared by all, or even a majority of the members of the family group; nor should it, since it is well known that families are often in conflict and factional (Dyer, 1986). Indeed, the concept of a dominant coalition suggests some amount of opposition. What is required, however, is the power on the part of the holders of the vision to put it into practice (Chua, Chrisman and Sharma, 1999). At certain stages of its development, a family business may be more preoccupied with shaping than pursuing a vision. During these times it may appear that there are only factions but no dominant coalition.

Strategic decisions are often complex, and usually demand the analysis of large amounts of data to ensure good governance (Mustakkalio and Avitis, 2001). A shared vision provides a common framework by which to assess available information and focus on relevant issues. When all the constituents in the family business share a common vision, opportunism is reduced, and the sharing of information increases (Dyer and Singh, 1998). This provides for richer information for strategic decisions. Also, a shared visioned understanding of roles and related tasks promotes internal role specialisation (Ring and Van de Ven, 1994) and this improves the quality of information that different stakeholders make available for decision processes.

Gaining commitment to strategic direction is a challenge because strategic decision processes are laden with conflict (Dooley and Fryxell, 1999). Shared vision promotes coherence in stakeholders' expectations and opinions on organisational goals. Shared vision also promotes cooperative behaviour through clarified role interactions (Ring and Van de Ven, 1994). Established role interactions and shared vision reduce the threat of opportunistic behaviour and help establish a social norm of reciprocity, which reinforces commitment to jointly agreed decisions

(Uzzi, 1996). In a family business, a shared vision involves family members' collective ideas about the future of the business, including desired business domains, desired growth rates, and financial performance. Frequent interaction enable family members to forge a shared view of the goals of the family business. For example, family meetings contribute to expressing shared beliefs (Habbershon and Astrachan, 1997). Ongoing interactions create a shared language and collective narratives that provide a common basis for shared cognition (Nahapiet and Ghoshal, 1998).

Thus it is therefore hypothesised that:

H^4 : There is a positive relationship between shared vision and perceived good governance.

6.4.2 Ethnic Entrepreneurial Growth

Empirical evidence suggests that the large majority of independent start-ups begin by being very small and remain one- to three-person entities throughout their entire existence (Daviddson, Lindmark, and Oloffson, 1998; Delmar and Davidsson, 1999). Consistent with this, Katz and Gartner (1988) separate characteristics of the person from those of the organisation for one-person businesses as well. However, such results suggest that restricting entrepreneurship to the study of the gestation process of "normal" or "average" start-ups only up to the point when they first make a profit, may be too restrictive. Growth up to some arbitrary level after a business first starts as a sole trader may be necessary if it is to be meaningful to talk at all of the creation of "organisations" as they are conceived of in original theory (Katz and Gartner, 1988).

The next aspect we investigate is the effect which **ethnic entrepreneurial growth** may have on **good governance**. Davidsson *et al.,* (2002) state that "if it were accepted that entrepreneurship is (sometimes) growth, the opposite must also be true: growth is (sometimes) entrepreneurship". Davidsson, (1989:7) expressed it as follows: "Is growth entrepreneurship?" The answer to that question is contingent on the extent to which the manager is free to choose. If economic behaviour is discretionary, pursuing continued development of the firm is the more entrepreneurial choice when refraining from doing so constitutes another feasible alternative. In fact, business growth may perhaps best be conceived of as a collective term for several rather different phenomena, requiring separate methods of inquiry as well as separate theoretical explanations (Davidsson and Wiklund, 2000; Delmar, 1997; Delmar and Davidsson, 1998).

It may thus be advisable for research under this paradigm to include in the concept of "emergence" or "creation" what other researchers might call "early growth". The starting point in terms of time and size would thus determine whether or not "growth is entrepreneurship" (Davidsson *et al*., 2002). For the view that "entrepreneurship is new economic activity", the form of growth comes to the fore. Although exceptions exist (e.g. Amit, Livnat, and Zarowin, 1989; Penrose, 1959), the growth literature surprisingly rarely shows a strong interest in how or in which form businesses expand. Examples of growth trajectories and their causes can be found in the literature dealing with related topics such as mergers or acquisitions (Chatterjee and Wernerfelt, 1991; Hoskisson, Johnson, and Moesel, 1994; Markides, 1995) or innovation and technological change (Tushman and Anderson, 1986).

Markides and Williamson, (1996) adopt a resource-based view, and suggest that acquisitions or mergers are used in order to acquire and exploit resources or assets owned by other companies. This ensures that the same resources are unavailable to its rivals at a competitive cost. Penrose, (1959) who preceded them in her original formulation of the resource-based view, suggested that businesses that exhibit organic growth have the ability to detect emerging expansion opportunities, and to recombine existing resources in new ways, so as to take advantage of these opportunities. Penrose (1959) argued that "entrepreneurial resources" (or "entrepreneurial capability") are crucial for organic growth.

Organic growth is a different process. Barney, (1988) argues that the reason organisations choose to grow through acquisitions is often the availability of excessive cash flow. Both financial and managerial mismanagement is related to the size of the business. This would suggest that the business's acquisition growth is determined by the size of its resource pool, rather than by its determination to develop new economic activities (Davidsson *et al.,* 2002). Davidsson *et al*., (2002) also argue that when a business grows as a consequence of adding new activities, researchers have a case of entrepreneurship manifested as growth. The above reinforces the argument that this type of organic growth could justifiably be counted as entrepreneurship, while growth through acquisition could usually not.

From the view that "entrepreneurship is new economic activity", the distinction between organic and acquired growth appears crucial in deciding whether business growth can be regarded as entrepreneurship or not (Davidsson *et al*., 2002). Regarding entrepreneurship not as a dichotomous but as a continuous phenomenon, Venkataraman's (1997) emphasis on discovery and exploitation provides some justification for regarding organic growth as a reflection of entrepreneurship, even when it is "mere" volume growth based on the original activity (Davidson <u>et al</u>., 2002). The quality of discovery – how radical a break with current practices it represents and how large a relative advantage it creates – determines its growth potential (Rogers, 1995; Tushman and Anderson, 1986). The quality of the exploitation determines, in turn, how much of that potential is realised. Therefore, organic growth in volume can be regarded as a measure (admittedly less than perfect) of the "degree" of entrepreneurship and good governance that a particular instance of new economic activity represents (Davidson <u>et al</u>., 2002).

Davidsson <u>et al</u>., (2002) have argued that, when doing empirical work based on Gartner's (1998) definition of entrepreneurship, it would be advisable to include what other researchers might call "early growth" into the operationalisation of "organisational creation". When entrepreneurship is viewed as new economic activity, it is reasonable to assume that growth of business represents entrepreneurship when the growth is achieved organically, whereas growth through acquisition does not normally represent entrepreneurship. As empirical results suggest that young and small businesses grow organically, whereas old and large businesses grow through acquisition, there is, in practice, considerable overlap between the two perspectives as concerns when "growth is entrepreneurship" appears to be the reasonable assumption (Davidsson *et al*., 2002).

Niche ethnic entrepreneurial concentration provides jobs for family members and other relatives. As the family becomes established economically, it invites other family members to join. The new ethnic entrepreneurial migrants begin work in the ethnic enterprise, but when they are later established economically, they invite other family members to join. Poutziouris *et al*, (1999) state that entrepreneurial survivors face the challenge of ensuring the development of both the family business and the general business system, to sustain survival and growth of the family business into the next generations. The main strategic concern of family business growth is to ensure that the process of growth is both supported and controlled by the structures and processes of the business. Growth can take a variety of forms: exploitation of scale economics by plant expansion, modernisation of the technological base, diversification, and consolidation via merger or by other less formal modes of strategic alliance. A central stimulus factor for a successful growth strategy is the acceptance of the need for professionalisation of commercial practice, as the business develops from its previous family-oriented culture (Poutziouris *et al*., 1999).

It is therefore hypothesised that:

H^5 : There is a positive relationship between ethnic entrepreneurial
growth and perceived good governance.

6.4.3 Needs and Cultural Values Alignment

In general, a value is one mode of behaviour preferred over another mode of behaviour. Values are not only influenced by culture but are also very diverse when different cultures are compared (De Mooij, 1999).

Brencic and Zabkar, (2001) explain that values have cognitive, affective, and behavioural components. Morgan and Hunt, (1994) indicate that shared values in business relationships are the extent to which they have common beliefs about visions, goals, growth, policies, and behaviours which are important, and appropriately they posit shared values as a direct precursor to both relationship commitment and trust.

The family dynamic cannot be ignored in the entrepreneurship process of entrepreneurial family businesses (Maas, 1999b). According to Craig and Lindsay, (2002), the family monitors and reviews business activities, to determine whether they put at risk family traditions, culture, values, and assets in the core family business. Among organisational theorists, the tactic of ideological commitment to the notion that efficiency considerations and bureaucratic rationality "… should predominate in the workplace often leads researchers to ignore how the family dynamics of the founder/current owner(s) influence managerial behaviour" (Lansberg *et al.*, 1988). In family business, the family, ownership, and management are inextricably intertwined (Hoy and Verser, 1994; Neuebauer and Lank, 1998).

This can result in a "blurring" among these variables which, in turn, can modify decision making in the business (Neuebauer and Lank, 1998) about business opportunities to be pursued. Generational family businesses, for example, typically develop traditions, values, and customs that are reflected in their administration and business strategies (McWhinney, 1988). As such, family business cultures become resistant to change (see, for example, Dyer, 1986; Harvey and Evans, 1994; Schein, 1995; Gersick *et al.*, 1997). They are more likely to be more heavily resistant to change than other organisations, because the feelings and emotions related to change are likely to be deeper and more intense than those in non-family businesses (Dyer, 1994). This resistance to change permeates the way that things are done in family business. Family business members can develop strong "emotional attachments" to the tradition, culture, values, and family assets in the core family business. When there is a potential or perceived threat to any of these, family business members may attempt to remove the threat and restore the *status quo* (Alderfer, 1988).

Literature reviews have highlighted that the more the personal needs and career interests are aligned with opportunities offered by the family business, the better the chances will be that good governance will succeed in the context of the family business (Kaye, 1999; Neuebauer and Lank, 1998; Shen and Conella, 2002). Muske, (2002) reports that family business members who put family needs ahead of business needs are more likely to remain involved with the company than those who put business needs first (Roe, 1994; La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1998).

Muske, (2002) continues by saying that in family business, governance receives the family imprinting, and becomes a synthesis (sometimes a compromise) between the family values and the business rule, reflecting all the critical steps in organisational development; the delegation process of managerial activities and the creation of a managerial style; the involvement of the family members in the management bodies; the entrepreneurial succession process; and the opening of equity capital to third parties (Ward and Dolan, 1998; Gersick, Davis, McCollom Hampton, and Lansberg, 1997).

Gopalkrishnan and Shapiro, (2000) find that ethnic entrepreneurs are quite intricately connected to family and community sources of support. This is in contrast to the rugged, individualistic, and self-made entrepreneur, the paragon of Western business literature. Moreover, the cultural ties and specific cultural factors, of which identity is one, enable the ethnic entrepreneur to view business conduct and strategies rather than margins. These and other cultural explanations enable these authors to suggest several implications of ethnic competition in the economy. They suggest that the spread of such entrepreneurship across national borders may be characteristic of the next phase of globalisation – one that merges and extends the historical nexus of cultural identity and trade in interesting ways (Gopalkrishnan and Shapiro, 2000).

The following three hypotheses need to be considered:

H^{11} : There is a positive relationship between needs and cultural values alignment and perceived good governance.

H^{4a} : There is a positive relationship between vision and needs and cultural values alignment.

H^{5a} : There is a positive relationship between ethnic entrepreneurial growth and needs and cultural values alignment.

6.5 THE INFLUENCE OF FAMILY ON GOVERNANCE

Family business are entities in which one or more families linked by kinship, close affinity, or solid alliances, hold a sufficiently large share of the risk capital of the company to enable them to make decisions regarding the path the strategic management will follow (Corbetta, 1995).

Gubitla and Gianecchini, (2002) state that, unlike non-family businesses, the success of family business depends on the ability to manage three networks: the familial network, which encompasses all the members of this institution (whether or not they are part of management or shareholders); the organisational network, which includes all the people who take part in the business (at the top, middle, and low levels, whether familial or not); and the environmental network, which involves the external stakeholders, such as customers, suppliers, banks, and other institutions (Bauer, 1993; Gubitla and Gianecchini, 2002).

In the family business, the familial dimension of a business is high when one person simultaneously manages all three networks (Rullani, 1999). This person is the founder of the family business. In addition, this person is at the same time the *paterfamilias* (sensitive to family dynamics and to the future of his dynasty) and the *homo economicus* (careful with the internal organisational relationships and the external business connections) (Bauer, 1993). Over time, growth entails the loss of the personal dimension. Business complexity and financial needs increase, and new issues, such as the separation of ownership, management, and control, arise (Berle and Means, 1932; Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Williamson, 1986; Roe, 1994; Jensen, 1989; Rappapert, 1990); in such a case, the family network disappears.

In other instances, the personal dimension is maintained, even in the case of growth. Financial needs are met without resorting to capital from the market, and the management is then also strengthened by non-family managers (Dyer and Handler, 2001). Regardless of the route the development the business takes, there is an increase in the variety of the involved subjects and, consequently, a differentiation of their objectives

(Mintzberg, 1983; Stiles and Taylor, 2001). The stakeholders' various interests go through the planning of adequate governance processes, activities, and structures (Neuebauer & Lank, 1998). Dyer and Handler, (2001) note that the assumptions underpinning business and family systems are often antithetical, creating complex dilemmas for the entrepreneur. However, the commitment of the family to the success of the business and its governance can also be a very positive force in starting and growing a business (Neuebauer and Lank, 1998). Thus, what are needed are more comparative studies to give a better understanding the differences between family and non-family enterprises. Dyer and Handler, (2001) continue that an entrepreneurial career is extremely demanding, fraught with long hours and high stress. Balancing the needs of both the family and the business is not easy for the entrepreneur. Thus, more research needs to be done to understand how entrepreneurs and their families adjust to an entrepreneurial lifestyle ensuring good governance. Goffeeg and Scase, (1985) have shown that women entrepreneurs may find their careers to be a reflection of their values regarding the family. Indeed, their orientation toward their families in many ways is the mechanism that they use to cope with the needs of work, and the family dilemma is thus managed by entrepreneurs (Dyer and Handler, 2001).

Dyer and Handler, (2001) indicate that the family can play a supportive role for the entrepreneur by providing money, contacts, labour, and other resources. The family can also be supportive of entrepreneurial endeavours and provide a safe haven from the vicissitudes of starting a new business. On the other hand, the family can prove to be an obstacle to starting a new business, by providing few material resources and little or no social support. While much of the research on start-ups has suggested that resources such as capital, raw materials, and labour are critical for the success of a new enterprise, the role of the family as one of the "success factors" needs to be studied more systematically. Researchers could find that the role of the family is a much more important determinant in business success than many of the other, more traditional, factors (Dyer and Handler, 2001).

6.5.1 Family Communication

A culture of open family communication, reinforced by structured processes, is an integral precondition to creating a successful (family) governance process (Martin, 2001: 92; Neuebauer and Lank, 1998; Ward, 1997; Hewett *et al*., 2001). Key areas of family life must also have an open communication culture or process, as a viable family governance process cannot survive in an atmosphere of ignorance and distrust.

Martin (2001) indicates that the place to start is with the communication between the family members themselves, regarding family matters. In smaller first- and second-generation families, this communication can be achieved through regular family meetings, guided by good communication processes for both family and family business matters. Families that have grown to a multigenerational stage may require a formal structure, such as a family council and/or family office. The council meets several times a year to discuss family issues, including performance of the family company or investments. Such meetings provide an open forum for family members to discuss outstanding matters with each other. The council may have key functional responsibilities, such as nomination of family directors to the company board. The family council can also serve as an educational and mentoring facility for the younger generation. Most important, it helps to create and sustain a culture of mutual trust within the family (Martin, 2001; Hewett et al., 2001).

Martin (2001) indicates that the second area of open communication requires a regular flow of information from the family company or investment-philanthropy structure to family members. The closed mode of keeping key financial data from all but a small circle of family members should be avoided. Why should shareholders of a family business receive less information than shareholders of a public company, who receive quarterly financial reports? In addition, how can a meaningful family governance process be put into place in a culture of secrecy?

According to Martin, (2001), the maintenance of these two communication processes among the family members and between the family and its business or wealth structure creates the knowledge and competency required by family members who will have responsible roles in the family governance model. Together with the accumulated experience of being exposed to financial results or philanthropic grants and discussing them with other family members, there develops some of the understanding required for good governance. Company and investment performance results become more familiar subjects for the family rather than unknown, distant data. It is Martin's, (2001) opinion that what is really at the heart of this entire communication process is the creation of trust among family members. Openness and inclusion create family trust, and family trust creates family harmony.

It is therefore hypothesised that:

H6 : There is a positive relation between open communication and perceived good governance.

6.5.2 **Profitability**

Timmons (1999) maintains that having a goal of profitability and crafting a strategy to achieve it are indeed what separate successful entrepreneurs from the rest of the pack. Many entrepreneurs seek only to create a living for themselves. It is quite another thing to grow a business that creates a living for many others, including employees and investors, by creating value – value that can result in capital profitability gain. Setting an appropriate strategy, such as the harvest strategy, achieves many purposes. It can create high standards of achievement and a serious commitment to excellence over the course of developing the business. It can also provide a motivating force and a strategic focus that does not sacrifice customers, employees, and value-added products and services in the process of maximising quarterly earnings.

Timmons, (1999) states that "there is a very significant societal reason also for seeking and building a venture worthy of great profitability, as such ventures provide enormous impact and added value in a variety of ways. Such companies contribute most disproportionately to technological and other innovations, to new jobs, to returns for investors, and to economic vibrancy."

Timmons, (2002) states that within the process of a harvest strategy, the seeds of renewal and investment are sown, as a recycling of entrepreneurial talent and capital is at the very heart of a good governance system of private responsibility for economic renewal and individual initiative. Entrepreneurial companies organise and manage for the long haul in ways that perpetuate the opportunity process of economic regeneration, innovation, great profitability, and renewal. Thus, a harvest strategy of profitability is not just a goal of selling and leaving the company; it is a long-term goal to create real value in a business. It is true, however, that if real value is not created, the business will simply not be worth very much in the marketplace (Timmons, 1999).

It is therefore hypothesised that:

H^7 : There is a positive relation between profitability and perceived good governance.

6.5.3 Family Harmony

Living and working effectively in harmony is a governed phenomenon every soul would strive for. For most of our lives, "our family" is the most important thing of all. Most family business research has failed to recognise family harmony as a variable for perceived good governance. The idea of "the family" is so powerful in the family business network that the family ideology will determine what is "correct and proper" in governing their business, and what is somewhat "wrong". Research in the nature of family ideology has also failed to recognise a considerable number of practical and theoretical difficulties facing any who wish to study family harmony.

Bernades (1997) indicate that most people consider family harmony as the most important aspect of their lives. Scott and Perren (1994:4) observe that, “Family events were by far regarded as the most important aspects of people’s lives”. A report for the Commission of the European Communities, (1993b) demonstrated that 96% of the population in the European Union identified family living as the single most valued aspect of life. The most serious problem for anyone wishing to study family harmony is their proximity to the topic. Family harmony is not a matter of bias, but rather of the strength of beliefs about family lives. Venter (2002:204) indicated that various researchers have provided empirical support for the constructive relationship between harmonious family relationships and their influence on the succession process (Dumas *et al*., 1995:108; Malone, 1989:349; Morris *et al*., 1997:385; Santiago, 2000:29). She further indicated that, for example, a positive relationship between perceived family harmony and continuity planning have been discovered in the empirical results of Malone (1989:349). Therefore, there is a greater possibility that business continuity will be planned if the extent of family harmony is considerable. These results are consistent with the conclusions of Handler (1994:213), who examined the relationship between a positive succession process and the mutual respect and support achieved by the successor with the predecessor during succession (Venter, 2002:204).

Sharma (1997:233) finds that there is a negative correlation relationship between perceived family harmony and the satisfaction with the succession process as experienced by incumbents. However, for both the founders and successors in her study, she perceives that family harmony has a positive relationship with the extent of mutual acceptance of individual roles among family members (Venter, 2002:205).

The following hypotheses are now considered for empirical testing:

H^{12} : There is a positive relation between harmonious family relationships and perceived good governance.

H^{6a} : There is a positive relation between harmonious family relationships and family communication resulting in perceived good governance.

H^{7a} : There is a positive relation between harmonious family relationships and profitability resulting in perceived good governance.

H^{8a} : There is a positive relation between harmonious family relationships and trust resulting in perceived good governance.

H^{9a} : There is positive relation between harmonious family relationships and commitment resulting in perceived good governance.

6.5.4 <u>Trust</u>

Trust plays an important role in business survival and success. Steier, (2001) indicates that a significant body of literature emphasises the role of trust in organisational governance (Powell, 1987; Bradach and Eccles, 1989; Kramer and Tyler, 1996; Rousseau, Sitkin, Burt and Camerer, 1998). Steier, (2001) states that, used effectively, trust represents a major source of competitive advantage for a business. According to Arrow, (1974) as a governance control mechanism, trust provides some clear advantages: “Trust is an important lubricant of a social system. It is extremely efficient; it saves people a lot of trouble to have a fair degree of reliance on other people’s word.” Mayer, Davis and Schoorman, (1995) provide a useful working definition of trust: " the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustee, irrespective of the ability to monitor and control that other party".

Researchers recognise that trust potentially contributes to lower transaction costs, while contributing to more effective managerial coordination and collaboration within the business (Steier, 2001; Rousseau et al., 1998; Mayer et al., 1995). Conversely, distrust can lead to many problems of coordination and control, which consequently undermine the enterprise. There can also be a mismatching of trust where one party does not reciprocate the trust of the other. Steier (2001) further indicates that, given its important role within organisations, trust should be of interest to all of those concerned with business performance.

The actions of those responsible for the strategic direction of the organisation greatly influence the level of trust within organisations. Within this context, Wicks et al. (1999) reinforce the notion that organisations should strive for a level of optimal trust. Wicks et al., (1999) suggest that organisations sometimes over-invest or under-invest in trust, and that neither state is desirable. Striking a balance in which trust is at an optimal level represents a perennial management challenge. From a research and theory development perspective, further understanding the dynamics of trust within organisations represents a "central issue in the analysis of trust" (Tyler and Kramer, 1996).
Numerous authors have described trust and relationship commitment as vital components for maintaining harmonious relationships. In family business relationships, where results depend on the behavioural intent of partners, trust is particularly crucial (Johnson and Cullen, 2002). Trust in

business relationships presents a component of integrated knowledge of relationship variables, which involves a belief that one relationship partner will act in the best interests of the other partner (Anderson and Narus, 1984; Wilson and Möller, 1991; Morgan and Hunt, 1994). Trust derives from a number of diverse areas, including social exchange theory, contractual relationships (Macniel, 1980), trust theory (Gambetta, 1988), organisational theory, the literature on moral development, and the literature on buyer-seller exchange relations (Tynan and O'Malley, 1997). IMP contributions (*e.g*. Häkanson, 1982; Wilson, 1995) have clarified the importance of trust in relationship contexts. The majority of definitions of trust focus on the ability to test the variations of trust in an exchange relationship, and rely on the notion of trust as a belief or expectation of relationships (Tynan and O'Malley, 1997).

Steier (2001) argues that family businesses represent unique organisational forms, with dimensions that go beyond the bottom line; consequently, business transactions are rarely purely economic. In other words, family adds an additional dimension to these transactions. For these businesses, trust often represents a fundamental basis for cooperation, and potentially provides a key source of competitive advantage. In matters of organisational governance, too much or too little trust can be problematic. Although family enterprises are challenged to develop governance mechanisms that permit the building and sustaining of optimal trust, relatively little is known about the dynamics of trust within these unique organisational forms (Steier, 2001).
It is therefore hypothesised that:

H^8 : There is a positive relation between trust and perceived good governance.

6.5.5 **Commitment**

Within the family business scenario, commitment is defined as "the desire to continue relationships at work to ensure its continuance" (Wilson, 1995:2) or as "an implicit or explicit pledge or relational continuity between partners (Dwyer, Schurr, Oh, 1987:14). The literature distinguishes between three distinct types of commitment based on the underlying motives – affective commitment, cost-induced commitment, and obligation-based commitment. Brenic and Zabkar's, (1998) understanding of "commitment" is based upon affective motives such as emotional attachment, belonging, and respect for the partner, which is in the form of a liking to develop and strengthen the relationship with another person or group (Hewett *et al*., 2001). "Affective commitment" is explained by some in terms of the congruence of valuing goals among participants. This means that relationship participants have common beliefs regarding behaviour, goals, and policies (Buchanan, 1974; Mowday *et al*., 1982; Brown; Kim and Frazier, 1997).

The literature focusing on relationships, concentrates on the environment of a Western-country culture, and not on the international or cross-cultural scenario (Hewett and O' Bearden, 2001; Johnson and Cullen, 2002). The same is true when defining commitment and trust. Not a lot of researchers involve the cross-cultural components of trust and commitment in business relationships. Johnson and Cullen (2002), imply that the issue of commitment in cultural exchange has become compelling when expanding to foreign markets (Johnson *et al*., 2002).

It is therefore hypothesised that:

H^9 : There is a positive relation between commitment and perceived good governance.

6.6 SUMMARY

The analysis above has developed a theoretical model, to be empirically tested. This model is presented in Figure 6.1. The factors that influence the perceived good governance process for South African Greek families have been found to be twelve major determinants, namely strategic planning, governance structures, outside advice and governance structures, management succession planning, vision, ethnic entrepreneurial growth, needs and cultural values alignment, family communication, profitability, trust, commitment, and family harmony. Altogether 20 hypotheses have been proposed.

Chapter 7 will discuss the research design and the instruments used to measure the proposed theoretical model.

CHAPTER 7

RESEARCH METHODOLOGY

7.1 INTRODUCTION

While there has been much research done on Western family businesses, scholarly studies on Greek family businesses are limited. In addition, perceived good governance is a concept yet to be studied in the South African family business context.

As stated in Chapter 1, the research problem is to identify the internal factors that will influence and determine good governance and ensure the survival, growth, and sustainability of Greek family businesses in South Africa. In this chapter, the research methodology used in the present study is discussed. The chapter will conclude with the description of the Structural Equation Modelling (SEM) technique used to test the proposed theoretical model.

The proposed model, shown in Figure 6.1, was first discussed with various international and national experts familiar with family businesses. Informal interviews were also conducted with four members from a Greek family business consortium consisting of 34 individual businesses. After minor changes to the model, a questionnaire was developed in both English and Greek, and tested to determine the ease of understanding and the time taken to complete the questions.

7.2 QUANTITATIVE TESTING AND ANALYSIS

7.2.1 Population Studied

As this study is concerned with the governance of South African Greek Family businesses, and as it is particularly interested in the quality of governance as perceived by the founder/current owner(s), the family, and the board of directors, these groups formed the population being studied. No list distinguishing the Greek Family businesses in South Africa from any other groups exists. After numerous attempts to obtain these names from the Greek Embassy in Pretoria had failed, it was decided to follow the "grass-roots" level to obtain a sample. Eventually four Greek family members were identified through the Greek Consulates in Johannesburg and Cape Town, the Greek chambers of commerce in Durban, and the various Hellenic and Cypriot communities who would assist in the interviewing of South African Greek family businessmen. This course of action led to the adoption of a snowball sampling technique in the various regions of the country, conducted by the four members of Greek origin who had agreed to assist with the data collection.

7.2.2 The Questionnaire

Based on the discussion of the family business literature in the previous chapter, a carefully structured questionnaire was developed, which reflected factors that could influence perceived good governance. According to Zikmund, (2000:310), a questionnaire is "a formalized set of questions for obtaining information from the sampled respondents." It has several objectives. Firstly, it should convert the information needed into a set of specific questions that the respondents will be willing and able to answer. Secondly, the questionnaire should motivate respondents to cooperate and to complete the interview. Thirdly, response errors and inaccurate answers should be minimised by the questionnaire, and finally, the questionnaire should collect only the relevant information needed to solve the problem (Zikmund, 2000:310).

The research objective and chosen interview method had an impact on the questions formulated, as South African Greeks are secretive by nature. Initially, a covering letter pointed out the importance of the research and the value of the respondents' participation. Cooper and Schindler (2001:337) suggest the following criteria for deciding on the question content.

- Should this question be asked?
- Is the question of proper scope and coverage?
- Can the respondents answer the questions adequately as asked?

Interviews were either conducted personally or questionnaires were delivered to the interviewee and collected personally. On rare occasions, interviews were done by telephone or e-mail. Altogether 587 respondents were obtained, who could be sampled from 189 Greek family businesses identified during this process.

Ensuring that the research objectives could be met, the researcher paid careful attention to the questionnaire. Question wording is the translation of the desired question content and structure into words that the respondents can clearly and easily understand (Jordaan, 2003:180). Suitable words had to be used in the questionnaire to suit the vocabulary level of the respondents. Several issues and "governance-related" terms were also changed into everyday terminology for better understanding.

All the questions were worded as statements, and respondents had to indicate their degree of agreement or disagreement on a seven-point Likert scale. The survey included 86 questions about the family business members' beliefs, attitudes, and behaviour regarding governance-related issues. All the questions were based on the theoretical discussions on governance-related issues as extracted from the literature. Information needed to address the problem statement, the research objectives, and hypotheses were integrated into the question bank. The questionnaire concluded by asking the respondents to supply some general demographic information.

7.2.2.1 Operationalisation of Variables

The researcher also incorporated and combined (where possible) other reliable and valid measuring instruments. Questions were then formulated in such a way as to ensure that every latent variable in the measuring instrument was measured by at least four items. For the purpose of the present study, it is essential to define the variables used in the proposed model. Various definitions of "independent", "mediation", and "dependent" variables will be discussed below.

Operationalisation of the Antecedent and Mediating Variables

(a) **Strategic Planning**

Strategic planning is critical for any family business's survival, success, and performance. For family businesses, strategic planning not only entails the formulation of a business and industry strategic plan, but also involves the family strategic plan. A "strategic plan" is defined here as deciding on a choice of action which has important consequences and resource demands for the family business. Family business performance and survival depend on the quality of strategic decisions and how well these decisions are implemented. "Decision quality" refers to the extent to which a strategic decision contributes to the achievement and success of the family business goals. "Decision commitment" indicates the extent to which team members accept and commit to the strategic decisions reached. Collectively in this study, decision quality and decision commitment are defined as the decision-making quality of strategic planning to enforce good governance.

In their study, Mustakallio and Autio (2001) measured the strategic planning construct by asking 192 family business respondents to rate the degree of strategic planning on a seven-point Likert scale, comprising six items reporting a Cronbach-alpha coefficient of 0.74. Astrachan and Valenko (1994) used a three-item scale, including items on the existence of formal strategic and written business plans. A mean of 1.36 and SD of 1.05 were reported, but the Cronbach-alpha coefficient was not reported.

In this study, a seven-item scale was used to measure the construct strategic planning. Two items were based on the scale developed by Mustakalio and Autio (2001), and two items from Astrachan and Kolenko (1994). Three additional items were developed for this study to specifically test the nature of strategic planning undertaken by South African Greeks in their respective family businesses. These items were based on the work of Neuebauer and Lank (1998).

(b) **Outside Advice**

Family businesses often make use of external consultants and outside advice from economists, fiscal experts, accountants, commerce experts, jurists, and industrial psychologists, to assist the board of directors or to assist the business as an alternative structure to the formal board of directors. Greek family businesses, as an assimilated group, often make use of (outside) advice in the form of expert opinion from their earlier generation of South Africa Greek elders who are specialists in their respective fields.

For the purpose of the present study, the variable "outside advice" refers to the extent to which Greek family businesses make use of expert outside advice in assisting with governing and advising the family (e.g family council) and the family business concerned (e.g board of directors).

In his study, Robinson (1982:315) established that the small businesses that had engaged an outside consultant in strategic planning experienced significantly higher effectiveness than their counterparts that had not engaged in such an exercise. Sharma (1997), on the other hand, developed a six-item scale to measure the involvement of an advisory board. A Cronbach-alpha coefficient of 0.46 was reported for this scale.

In the present study, a six-item scale was developed to determine the role of outsiders in advising and governing the business, the role of an advisory board, and the board of directors, based on a theory of (Neuebauer and Lank, 1998; Sharma, 1997; Upton *et al.*, 2001) and on exploratory discussions with South African Greek family businesses.

(c) Management Succession Planning

Management succession planning can be defined as planning the transfer of management control from one family member to the next (Venter, 2002). For the purpose of this study, "management succession planning" refers to and includes identification, selection, training, preparation, and communication of the management succession plan and the process of management succession planning.

Venter (2002), in her study, measured the succession criteria for identifying the "best successor" (Cronbach-alpha of 0.643) and the "following of a proper process" with key stakeholders before appointment, (Cronbach-alpha of 0.525). Malone (1989) used a five-point Likert scale, consisting of five items to measure succession planning. His scale had a Cronbach alpha-coefficient of 0.78. Lansberg and Astrachan (1994) used a two-item scale to measure management succession planning (Cronbach- alpha of 0.70), namely the development of selection criteria for identifying the best successor, and secondly whether succession was planned for. Sharma (1997) used a 15-item Likert scale to measure succession planning, and a Cronbach-alpha value of 0.86 was reported.

A six-item scale was used for the present study, to measure management succession planning amongst South African Greek family businesses. Two items, namely communication as to who the successor might be, and selection and training of the selector, were based on the study of Sharma (1997). A further two items were used, based on the study of Lansberg and Astrachan (1994). Two items, namely "Replacing the current owner/manager with a successor in good time" and "Replacing the current owner manager with a successor will not be a haphazard occurrence", were based on the theory from Neuebauer and Lank (1998).

(d) **<u>Governance Structures</u>**

Governance structures for family businesses imply that both the business and the family are in need of governance. The successful activities of a family-owned business depend to a large degree on the awareness of the importance of a sound governance structure. The simplest and most direct governance structures define the vital role of establishing and controlling the governance of the business (e.g. board of directors and shareholders' assembly); and governance within the family (e.g. family council). These governance structures should be designed to safeguard the interests of the family shareholders to ensure growth, control, and continuity of the business, by promoting the family's harmony and welfare.

In this study, the term "governance structures" refers to the overall existence of governance structures for the business and the family, incorporating the extent of formal structures and documentation.

Astrachan and Kolenko (1994:259) designed a seven-point Likert scale to determine the existence of formal business plans, regularly held meetings with family members, and the role of the formal board of directors. A mean of 1.36 and a SD of 1.05 were reported. In the present study, the five-item scale developed to measure the governance structures of Greek family businesses in South Africa was the result of a combination of items originally developed by Astrachan and Kalenko (1994), the theory of Neuebauer and Lank (1998), and informal exploratory discussions with

South African Greek family businessmen. The items developed are the use of formal structures where family and business matters can be discussed, and the role of documentation that describes the relation between the family and the business.

(e) **<u>Needs Alignment</u>**

The literature review has highlighted the fact that the more the personal needs and career interests/needs are aligned with opportunities offered by the family business, the better the chance will be that good governance will prevail in the context of the family business. The literature also reveals that family business members who put family needs ahead of business needs are more likely to remain involved with the family business than those who put the business's needs first. For the purpose of this study, needs alignment in the family business context is the alignment of personal needs with career interest in relation to opportunities offered through and by the family business.

Venter (2002) used four items in her study to measure this variable, namely whether it is exciting, challenging, and rewarding to work in the family business; whether the opportunity exists to exercise influence and gain personal growth in the family business; and whether career needs and interests are closely aligned with opportunities in the business. In the present study, an eight-item scale was developed to measure needs alignment, which were the four items used by Venter (2002) and a combination based on the theory of Neuebauer and Lank (1998), Kaye (1999), Muske (2002) and Shen and Corella (2002).

(f) <u>**Cultural Values Alignment**</u>

Family business members from a particular culture group typically develop strong emotional attachments to their traditions, customs, culture, and beliefs in the core family businesses. When there is a potential or perceived threat to any of these, family business members may attempt to remove the threat and restore the *status quo*. The literature reflects that, in family businesses of a specific culture group, governance receives the family "imprint" and sometimes becomes a synthesis between the family values and the business rule, reflecting all the critical steps in family business development; the delegation process of managerial activities and the creation of a managerial style by the involvement of the family members in the management bodies; the entrepreneurial succession process; and the opening of equity capital to third parties. Generational family businesses typically develop traditions, values, and customs that are reflected in their administration and business strategies.

In the present study, cultural values alignment in the family business context is defined as the alignment of family cultural values with those of the family business concerned.

A four-item scale was constructed which was based on the theory of Hofstede (2001). Items included refer to the existence of cultural values and cultural beliefs, the compatibility of the values, and the compatibility of the customs within the family businesses concerned.

(g) **Vision**

Strategic decisions are often complex and usually demand the analysis of large amounts of data to enforce good governance. As part of the strategic domain, the family business is managed and governed with the intention of shaping and pursuing the vision of the business which is shared by members of the family business in a manner that is potentially sustainable across generations of the business. A shared vision provides a common framework by which to assess available information and focus on relevant issues, thereby providing for richer information for strategic decisions to ensure good governance.

In this study, it is argued that a shared vision promotes coherence in stakeholders' expectations and opinions of the family business' goals. Established role interactions and a shared vision reduce the threat of opportunistic behaviour, and help establish a social norm of reciprocity, which reinforces good governance commitments or faintly agreed decisions and directives. In a family business, a shared vision involves family members' collective ideas about the future of the business, including designed business domains, desired growth rates, and financial performance. Mustakallio and Autio (2001) measured shared vision amongst family members using a three-item scale. This included asking whether family members shared the same vision about the family business; whether family members were committed to jointly agreed goals; and whether family members agreed about the long-term development objectives of the family business. A Cronbach-alpha of 0.77 was reported by these authors for this construct.

A five-item scale was constructed for use in the present study based on the theory of Uzzi (1996), Chua *et al.* (1999), Dooley and Fryxell (1999), Habbershon and Astrachan (1997) and the study done by Mustakalio and Autio (2001).

(h) **Ethnic Entrepreneurial Growth**

Entrepreneurs can be seen as people who identify and utilise opportunities to the benefit of themselves and the environment.
The literature suggests that the nature of entrepreneurship is aligned (sometimes) with growth; and that the opposite must also be true: growth is (sometimes) entrepreneurship. Family businesses that exhibit organic growth have the ability to detect emerging expansion opportunities and to align existing resources in new ways, so as to take advantage of opportunities afforded by the new economic activities. In the present study, ethnic entrepreneurial growth can be seen as fostering the entrepreneurial spirit by following innovative growth strategies, thereby ensuring organic growth for the family businesses concerned.

An eight-item scale was developed based on the theory of Davidson *et al*., (2002), Maas (1999 a,b), Brockhaus (1982), Penrose (1959), Verkataramans (1995), and informal interviews with South African Greek family business entrepreneurs. Ethnic entrepreneurial growth was operationalised as the consideration of future international expansion, the generation of money as an important goal, and the fostering of an entrepreneurial culture within the family business concerned.

(i) **Family Harmony**

In this study, family harmony has been defined as the living and working effectively in harmony within the family business context. This includes respect and appreciation for each other, trust, decision-making contributions, conflict resolution, support, and having concern for each other's welfare.

Earlier research into family business has failed to recognise family harmony as a variable influencing perceived good governance. The idea of "the family" is so powerful in the family business context, that the family ideology will often define what is "correct and proper" in governing their businesses and what is "wrong".

Venter (2002), in her study, developed a six-item scale to measure family harmony, and reported a 0.885 Cronbach-alpha value. Lansberg and Astrachan (1994) measured family relationships using 36 items from a questionnaire that was developed by Olson (1988), to measure family behaviour. They reported a Cronbach-alpha coefficient of 0.89 for family cohesion and 0.77 for family adaptability. A five-item scale was developed by Malone (1989) to measure the degree of harmony amongst family business members. Sharma (1997) measured perceived family harmony by using a five-item scale. He reported a Cronbach-alpha coefficient of 0.92.

In the present study, a six-item scale was developed to measure family harmony. Three items, namely trust amongst family members, respect amongst family members, and problem-solving amongst family members were adapted from the FACES questionnaire (Olsen, 1988). Three items based on the theory of Venter (2002), Olson, Russell, and Sprenkle (1998), Sharma (1997), and informal interviews with South African Greek family businesses, were also adopted.

(j) **Family Communications**

Within a family and business agreement, it is essential for the interests of the family to be known and communicated to all concerned. A viable family governance process cannot survive in an atmosphere of ignorance and distrust. Key areas of family life will flourish in an open communication culture or process. The literature on the topic advocates a continuous communication system between the family and the business, in order to maintain family and business matters in harmony.

For the purpose of this study, it is postulated that a culture of open family communication is an integral precondition to creating a successful family governance process.

A four-item scale was developed for use in this study, based on the theory of Martin (2001) and Neuebauer and Lank (1997). These items referred to the existence of adequate communication channels, the opportunities for communication in the business (including family members), and whether family members were well informed about the business.

(k) **Profitability**

What distinguishes great entrepreneurial business from others is the ability to not only earn a living for themselves and others, but also the ability to create value – value that can result in capital gain. The recycling of entrepreneurial talent, business-value, profit, and capital from family businesses is at the very heart of good governance systems of responsibility for economic renewal and individual initiative. Therefore, a goal of profitability is a long-term goal to create real value added in a business. In this study, "profitability" refers to the enforcing of a goal of profitability and crafting a strategy to achieve it.

A six-item scale was developed for this study based on the theory of Timmons (1999) as well as an exploratory study consisting of interviews with prominent South African Greek entrepreneurs. Items included refer to the guarantee of financial success, increasing revenues based on the entrepreneurial spirit, meeting of profitability targets, and satisfaction with the business's profitability.

(l) **Trust**

Trust plays an important role in business survival and success, and effectively represents a potentially major source of competitive advantage for a business. Various authors have defined trust and relationship commitment as vital components for successful relationships. In family business relationships, where outcomes depend on the behavioural intent of partners, trust is particularly crucial. Trust in business relationships presents a belief that each relationship partner will act in the best interest of the other. In this study, "trust" refers to trust in the family business members' ability to make independent decisions, the ability to govern the business in good faith, and the ability and intention to deliver valued results.

Sornenfeld (2002), in his study, noted that boards are more effective when they have a climate of trust and candour, and a culture of open dissent within the family. In Venter's (2002) study, she combined elements from Byrne (1998), Hartline and Ferrel (1993), and Sharma (1997), to determine the role of trust as a factor analysis.

In the present study, a five-item scale was developed to measure the variable Trust; two of the items pertained to understanding family members confidence in each other, and secondly their decision-making capabilities. Three items were constructed based on the theory of Steur (2001) and Mayer *et al.*, (1995).

(m) **Commitment**

Commitment, in the family business context, is defined as the desire to preserve relationships at work, and to ensure their continuance. It reflects the value which the family place on the business and their willingness to work together. It also stresses the positive link between the longevity of the business and the wellbeing of the family.

In the present study, commitment is defined as the degree to which the family values the business and its future, as well as the commitment of the family members to operating the business within the family. Lansberg and Astrachan (1994) designed a three-item scale to assess the commitment of the family members to continue the business (Cronbach-alpha coefficient value of 0.70). Sharma (1997:91) used a five-item scale to measure commitment to continuation of the family business, and reported a Cronbach-alpha coefficient value of 0.73.

In the present study, a six-item scale was developed to measure this construct, using a combination of the literature from Lansberg and Astrachan (1994), Sharma (1997), and Venter (2002).

Operationalisation of the Dependent Variable : Perceived Good Governance

Perceived good governance in family businesses should provide for two components, namely the good governance of the business and good governance within the family (Neuebauer and Lank; 1998). Various factors influence perceived good governance from a business perspective. These factors can broadly be categorised into factors pertaining to the influence of the founder/current owner(s) on governance; the influence of the family on governance; and the influence of the board of directors on governance.

In this study, perceived good governance for South African Greek family businesses (the dependent variable in this study) is defined as the extent to which various stakeholders in the governance processes are actively involved in the family business, and monitoring of both the family and business systems ensuring that it is adequately attending to the myriad of issues associated with entrepreneurial leadership and ownership, cultivating and honouring the human needs of family members, subjecting to review the family governance model if changes are required; establishing a framework in which a sound governance model can work; maintaining certain values required to execute a good family governance model and finally, enforcing the stability, growth, and success of the family business.

A nine-item scale was therefore developed to measure perceived good governance. These items were mainly self-constructed, based on the work of Neuebauer and Lank (1998), Martin (2001), Davis (2001), Lansberg (1999), Ward (1997) and Lansberg and Asrachan (1994). The scale was developed to measure the specification of clear governance responsibilities, properly regulated governance issues, control measures, clear governance rules, business risks, sustainability planning, systems to ensure legal compliance and lastly, enabling of adequate accountability to all the stakeholders.

7.2.2.2 Administration of Questionnaires

The questionnaire was subjected to a preliminary test amongst 21 respondents of South African Greek family businesses in order to ensure ease of understanding and a suitable length of time for completion. Suggestions and recommendations by the participants were incorporated by way of minor alterations to the final questionnaire. The final items were then randomly sequenced and coded.

Copies of the questionnaire (one in English and one in Greek) were sent to the relevant assistant researchers in the various provinces, at the beginning of February 2004. These individual assistant researchers, of South African Greek origin, then contacted the relevant South African Greek family businesses as identified by the Greek Chambers of Commerce of each province and area. These individual assistant researchers were also assisted by members of the Greek Embassy in Pretoria, the Chambers of Commerce in Johannesburg, Durban, and Cape Town, and other prominent Greek family business entrepreneurs, in identifying and locating South African Greek family businesses.

The decision to use assistant researchers of South African Greek origin was of critical importance to the achievement of a reasonable response rate of completed questionnaires. The researcher, with the assistance of some South African Greek family business entrepreneurs, covered the Eastern Cape area, (including the old Transkei and Ciskei areas), the Orange Free State, the Southern Cape, and the Boland. Included with the questionnaire was a covering letter explaining the goals and purpose of this study. In the letter, respondents were assured that the survey was totally confidential, and that no attempt would be made to identify them by name or by their position in the relevant family business.

All communication regarding the covering letter and questionnaire was printed on the official stationery of Rhodes University. The researcher's contact numbers were included on the cover letter in the case of any confusion, or if assistance was needed. Each assistant researcher was well informed regarding the contents of the questionnaire, following personal discussions and presentations. Questionnaires were either personally delivered to be filled in, or, as in most cases, personal interviews were conducted during the most suitable time, so as not to inconvenience the respondents. In very rare cases, telephonic interviews were conducted, or e-mailed questionnaires were sent to selected respondents.

The researcher and assistant researchers all kept records of how many individual questionnaires were delivered and how many possible members qualified to complete the questionnaires. This basis was used to follow up on outstanding questionnaires until 31 March 2004. All completed questionnaires were collected by the researcher on 2 April 2004 by means of overnight delivery from the various parties. The minimum requirement by the SEM of 300 completed questionnaires was met.

A total of 587 questionnaires were personally delivered by the research team to potential respondents in 189 Greek family businesses in South Africa. A total of 331 completed questionnaires were completed by respondents from 158 different South African Greek family businesses. Hence a response rate of 56.3% was achieved.

7.2.2.3 Demographic Information

Demographic information was obtained via Section B of the questionnaires. This information is summarised in Table 7.1.

TABLE 7.1: DEMOGRAPHIC COMPOSITION OF THE SAMPLE

GENDER	FREQUENCY	PERCENT	CUMULATIVE FREQUENCY	CUMULATIVE PERCENT
MALE	242	73.1	242	73.1
FEMALE	89	26.9	331	100.0
GREEK ORIGIN	**FREQUENCY**	**PERCENT**	**CUMULATIVE FREQUENCY**	**CUMULATIVE PERCENT**
MAINLAND GREEK	45	13.6	45	13.6
CYPRIOT GREEK	75	22.7	120	36.6
AEGAN GREEK	177	53.5	297	89.7
OTHER	34	10.3	331	100.0
PLACE OF BIRTH SOUTH AFRICA	**FREQUENCY**	**PERCENT**	**CUMULATIVE FREQUENCY**	**CUMULATIVE PERCENT**
SOUTH AFRICA	177	53.5	177	53.5
GREECE	103	31.1	280	84.6
EUROPE (BUT NOT GREECE)	15	4.5	295	89.1
IN AFRICA (BUT NOT SA)	26	7.9	321	97.0
OTHER	10	3.0	331	100.0
HOW LONG LIVING IN SA	**FREQUENCY**	**PERCENT**	**CUMULATIVE FREQUENCY**	**CUMULATIVE PERCENT**
AT LEAST 5 YEARS	3	0.9	3	0.9
BETWEEN 5 AND 10 YEARS	3	0.9	6	1.8
BETWEEN 10 AND 15 YEARS	18	5.4	24	7.3
BETWEEN 15 AND 20 YEARS	16	4.8	40	12.1
LONGER THAN 20 YEARS	291	87.9	331	100.0
LOCATION	**FREQUENCY**	**PERCENT**	**CUMULATIVE FREQUENCY**	**CUMULATIVE PERCENT**
NATAL	47	14.19	47	14.19
EASTERN CAPE	162	48.94	209	63.14
WESTERN CAPE	50	15.10	259	78.24
SOUTHERN CAPE	8	2.41	267	80.66
GAUTENG	54	16.31	321	96.97
FREE STATE	10	3.02	331	100.00
NUMBER OF SAME FAMILY MEMBERS IN BUSINESS	**FREQUENCY**	**PERCENT**	**CUMULATIVE FREQUENCY**	**CUMULATIVE PERCENT**
BETWEEN 1 AND 5	179	54.1	179	54.1
BETWEEN 6 AND 10	145	43.8	324	97.9
BETWEEN 11 AND 15	-	-	-	-
BETWEEN 16 AND 20	4	1.2	328	99.1
20 OR MORE	3	0.9	331	100.0
GENERATION IN SA	**FREQUENCY**	**PERCENT**	**CUMULATIVE FREQUENCY**	**CUMULATIVE PERCENT**
FIRST GENERATION	50	15.1	50	15.1
SECOND GENERATION	139	42.0	189	57.1
THIRD GENERATION	121	36.6	310	93.7
FOURTH GENERATION	21	6.3	331	100.0

SOURCE: RESEARCHERS' OWN CONSTRUCTION

Of the 331completed and usable questionnaires returned, the majority (162) came from the Eastern Cape area comprising Kokstad, the old Transkei/Ciskei areas, and the Border. A total of 54 originated from Johannesburg, Pretoria, Rustenburg, Pietersburg, and Nelspruit. The Orange Free State returned a total of 10 questionnaires, mostly from Bloemfontein. Fifty questionnaires came from the Western Cape area of Cape Town and the Boland. The Southern Cape returned 8 questionnaires, mainly from Knysna and George, and finally 47 came from the Natal area of Durban, Pietermaritzburg, and Port St. Johns.

From the total sample of 331, 242 respondents (73.1%) were males and 89 (26.9%) were females. As expected from the majority of the South African Greek sample, the majority of 177 (53.5%) were from Aegean Greek origin also forming mostly part of the earlier period poorer island areas of Greece. Seventy five (22.7%) Cypriot Greeks completed the questionnaire and 45 (13.6%) respondents were from mainland Greece. A total of 34 (10.3%) respondents indicated that their origin was from other areas of the continent (i.e. American or Australian Greeks). Altogether 177 (53.5%) of the sample of South African Greeks were born in South Africa, 103 (31.1%) in Greece, 15 (4.5%) in Europe, 26 (7.9%) in other parts of Africa, and 10 (3.0%) in other than the above areas (i.e. Australia or the Americas). The vast majority of the sample, namely (87.9%), had lived in South Africa for longer than 20 years, 16 (4.8%) had lived in South Africa for 15-20 years, 18 (5.4%) had lived in South Africa for 10-15 years, 3 (0.9%) had lived in South Africa for 5-10 years, and 3 (0.9%) of the total sample for less than 5 years. As regards the longevity of generations in their family businesses, 50 of the respondents (15.1%) were first-generation South African Greeks, 139 respondents (42%) were second-generation Greeks, 212 respondents (36.6%) were third-generation Greeks, and 21 (6.3%) were fourth-generation South African Greeks. The respondents were also asked to number the people of the same family who were involved in the family business. Three (0.9%) of the total sample reported 20 or more family members, 4 (1.2%) gave 16-20 members, 145 (43.8%) had 6-10 members, and the majority of 170 (54.1%) of the respondents indicated that 1-5 members were involved in the same business.

7.3 RELIABILITY OF THE RESEARCH INSTRUMENT

"Reliability" is defined by Hair *et al*., (1998:583) as "the degree to which a set of latent construct indicators are consistent in their measurements." They further indicated that reliability is the extent to which a set of two or more indicators "share" in their measurement of a construct. The indicators of highly reliable constructs are highly inter-correlated, indicating that they are all measuring the same latent construct. As reliability decreases, the indicators become less consistent and thus are poorer indicators of the latent construct. Reliability can be computed as 1.0 minus the measurement error (Cronbach-alpha coefficient). Venter (2002) argued that, in order to assess the psychometric soundness of the measuring instrument used in a study, it is necessary to evaluate the internal consistency between the items expected to measure a construct or latent variable. In the present study, the Cronbach-alpha coefficient was calculated for each of the variables included in the Empirical Model.

As stated above, Cronbach-alpha values are based on the average correlation of variables within a specific set of items measuring a construct. For example, a reliability coefficient of 0.85 indicates that 85% of the variance from the actual scores (obtained from the sample) is due to the variance of the true scores obtained. Researchers analyse reliability in order to determine which items should be selected as a measure of a specific construct. Bernardi (1994:767) indicates that reliability coefficients lower than 0.60 are deemed questionable, 0.70 are acceptable, and coefficients higher than 0.80 are highly reliable.

7.4 DISCRIMINANT VALIDITY OF THE RESEARCH INSTRUMENT

Hair *et al*., (1998:584) define "validity" as "the ability of a construct's indicators to measure accurately the concept under study." They indicate that validity is determined to a great extent by the researcher, for the original definition of the construct (or concept) is proposed by the researcher and must be matched to the selected indicators or measures. Validity does not, however, guarantee reliability, and vice-versa. Hair *et al*., (1998:584) state that a measure "may be accurate (valid), but not consistent (reliable) and it may be quite consistent, but not accurate." Thus, validity and reliability are two separate but interrelated conditions. Both the reliability and validity of the research instrument used needs to be assessed before one proceeds to assessing the strength of relationships in an empirical model.

Venter (2002:248) argues that a measuring instrument is considered to exhibit construct validity if the scale has both convergent and discriminant validity. Hair *et al*., (1998:587) and Venter (2002:248) further indicate that a scale has convergent validity when the construct measured exhibits a strong association with measures of other similar constructs. On theoretical grounds, these measured constructs are expected to be related. Parasuraman (1991:442) argued that discriminant validity refers to the degree to which the instrument shows a construct separating and to be distinct from other constructs. Exploratory factor analysis was performed in the present study to assess the discriminant validity of the research instrument. Exploratory factor analysis is a technique by which researchers can analyse data of a relatively large number of variables, to generate a smaller group of factors, based on the linear combinations of the original data (Churchill, 1979:69; Venter, 2003:248; Lee, 1985:79 and Parasuraman, 1991:757). Cooper (1983:141) argued that those variables that are associated with each other can be identified and brought together with those variables that evaluate and measure the same dimension or variable.

The 4 M component of the computer program BMDP (Frame, Jennrich and Sampson, 1990) was used in this study to perform the exploratory factor analysis in order to identify possible commonalities and extracting factors. Kaiser's rule of Eigenvalues greater than 1.00 was used to determine the number of factors in the data set, as stipulated by Green *et al*. (1988:577). Items were excluded from the exploratory factor if they loaded (0.4) on more than one factor and also if the loading on a factor was less than 0.4.

7.5 METHOD OF DATA ANALYSIS

This chapter concludes with a detailed description of Structural Equation Modelling (SEM), the statistical technique used in this study to assess hypothesised relationships in the Theoretical Model generated to understand the implementation of good governance in Greek family businesses in South Africa.

7.6 STRUCTURAL EQUATION MODELLING

Hair *et al*., (1998:578) indicate that numerous multi-variate statistical analysis methods, provide researchers with powerful tools for addressing a wide range of managerial and theoretical questions. Unfortunately they all share one common limitation in that each technique can examine only a single relationship at a time. These authors also indicate that even those techniques which allow for multiple dependent variables, such as multivariate analysis of variance and chronological analysis, still only present a single relationship between the dependent and independent variables at one time.

To overcome this limitation, the statistical technique of SEM has been developed in recent years. It is a multivariate technique that combines aspects of multiple regression and factor analysis to estimate a series of interrelated dependence relationships simultaneously. SEM is an extension of several multivariate techniques (most notably multiple regression and factor analysis) which also examine a series of dependence relationships simultaneously.

SEM, according to Hair *et al*., (1998:578), has been widely used and appears in almost every conceivable field of study as an evaluation technique. These authors indicate that the reasons for its attractiveness to such diverse areas is twofold: (1) it provides a straightforward method of dealing with multiple relationships simultaneously while providing statistical efficiency, and (2) it has the ability to assess the relationships comprehensively and provide a transition from exploratory to confirmatory analysis. This transition corresponds to greater efforts in all fields of study toward developing a more systematic and holistic view of problems (Hair et al., 1998: 578).

SEM also provides the researcher with the ability to accommodate multiple interrelated dependence relationships in a single model. Its closest analogy is multiple regressions, which can estimate a single relationship (equation), but only SEM can estimate numerous relationships at once. They can be interrelated in that the dependent variable in one equation can be an independent variable in other equation(s). This allows the researcher to model complex relationships that are not possible with any of the other multivariate techniques. It is therefore a more advanced and rigorous statistical technique to analyse data (Hale, 1995:10; Hair et al; 1995:696; and Venter 2002:250).

7.7 THE ROLE OF THEORY IN STRUCTURAL EQUATION MODELLING

There are two basic conditions suggested for the successful use of SEM; firstly that the model has sound theoretical underpinning and secondly that a sound modelling strategy is adopted (Hair et al., 1995; Venter, 2002).

In the first instance, a detailed and accurate questionnaire had to be developed (based on the literature), in order to provide a theoretical foundation of variables (observable questions) to measure the theoretical constructs (latent variables) for the model under investigation. A questionnaire is a formalised set of questions for obtaining information from respondents.

Hair *et al*., (1998:590) stress that a theory-based approach is a necessity for the technique, which needs to be specified by the researcher. Theoretical justification for the model is obtained through an extensive literature survey by the researcher. A basic model may have to be specified to allow for default values in the statistical programmes to fill the remaining estimation issues. Hair *et al*. (1998:590) further indicate that, when modifying the model, the need for a 'theoretical' model to direct the estimation development becomes particularly significant. There is a relatively high risk of "over-fitting" the model, or developing a model with general ability owing to the flexibility of the SEM. As a result, SEM is a confirmatory system, guided more by theory than by empirical results (Hair *et al*., 1998).

The option of a modelling strategy is referred to as a second condition for the successful use of SEM. Hair *et al*. (1998:590) argue that there is no accurate method to apply multivariate techniques. It is understood that the only way to accomplish the desired objectives is for researchers to formulate the objectives of the research and then to apply the appropriate method in the most suitable manner. The confirmatory strategy, the competing models strategy, and the model development strategy are the three distinct strategies stipulated by Hair *et al*. (1998:590-592). It is widely accepted that the most direct application of the SEM is the confirmatory modelling strategy. The researcher specifies a single model and SEM is used to assess its statistical significance. Venter (2003: 251) indicated that it is not necessarily an indication that the best model has been identified if acceptable levels of fit for the overall model, the measurement model, and the structural equation models have been indicated, but rather that various alternative models will have to be investigated. The modelling efforts to improve the estimated model through modifications of the structural/measurement models imply the model development strategy.

Hair *et al*., (1998:592-616) describe seven stages in analysing a model using SEM. These stages had to be followed in this research, including the above requirements as mentioned.

7.8 STAGES IN THE STRUCTURAL EQUATION MODELLING

The various stages of SEM are:

1. Developing a theoretical model
2. Construction of a path diagram of casual relationships
3. Converting a path diagram into a set of structural equations and measurement equations
4. Choosing the input matrix and estimating the proposed model
5. Assessing the identification of model equations
6. Evaluating the results for goodness of fit
7. Making the indicated modifications to the model, if theoretically justified. (Hair *et al*; 1998:592).

The above-mentioned stages will be discussed individually before showing how it was implemented in the research process.

Stage 1: Developing a theoretical model

SEM, according to Hair et al., (1998:592), is "based on casual relationships in which the change in one variable is assumed to result in a change in another variable." They further indicate that "the strength and conviction with which the researcher can assume causation between two variables lies in the theoretical justification to support the analysis, and not in the analytical methods chosen." The theoretical justification of the model to be investigated is the foundation that underpins the method of structural equation analysis (Venter, 2002:252).

In Chapter 6, (based on literature review and research findings), a theoretical model was presented for testing. Hypothesised linkages among the numerous factors were presented which could have an effect on perceived good governance for South African Greek family businesses – the dependent variable.

Stage 2: Constructing a path diagram of casual relationships

Another method of portraying casual relationships is called "path diagrams", which are especially helpful in depicting a series of casual relationships (Hair et al., 1998:594). The authors indicate that a path diagram is more than just a virtual portrayal of the relationships, for it allows the researcher not only to present the predictive relationships amongst constructs (i.e. the independent-dependent variable relationships), but also the associative relationships (correlations) amongst constructs and even indicators. In constructing a path diagram of casual relationships, the hypothesised relationships amongst the constructs included in the models under investigation are portrayed.

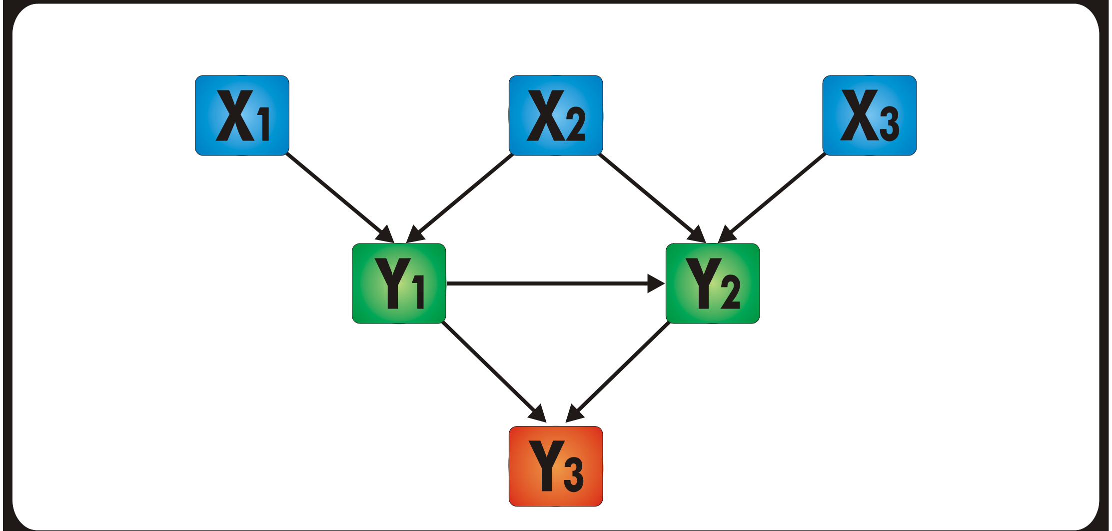
Venter, (2002:252) indicates that a straight arrow denotes a correlation between constructs. In a path diagram, an "endogenous or dependent construct" is referred to as a variable that is predicted or caused by any other constructs in the model. As in the case of this study, the dependent variable is referred to in the model as a variable(s) that is not predicted or "caused" by any other variable(s). In the case of this study, the path diagrams will be presented in Chapter 8.

Stage 3: Converting the path diagram into a set of structural and measurement equations

When developing a theoretical model and portraying it in a path diagram, it becomes necessary to specify the model in more formal terms. Hair *et al*., (1998:596) mention that "this is done firstly through a series of equations that define the structural equations linking the constructs. Secondly, a measurement model, specifying which variables measure which constructs, and thirdly, a set of matrices indicating any hypothesised correlations amongst constructs/variables." They further indicate that "the objective is to link the operational definitions of the variables to theory in order to apply to appropriate empirical tests." Venter, (2002:253) also points out that in the structural model, each hypothesised correlations effect of an exogenous construct on an endogenous construct, or an endogenous construct on another endogenous construct is expressed as an equation. For each equation a structural coefficient (b) is estimated and a error term (E) is included to provide for the sum of the effects of specification and random selection error. (See figure 7.2).

The following is an example of the path diagram to be converted into structural equations:

Figure 7.1 Path Diagram Example



SOURCE: Hair *et al*., (1998:595)

Figure 7.2 Structural Equation Example

EXOGENOUS VARIABLE = EXOGENOUS VARIABLE 1 + EXOGENOUS VARIABLE 2 + ERROR

$$Y_1 = b_1X_1 + b_2X_2 + E_1$$

$$Y_2 = b_3X_2 + b_4X_3 + b_5Y_1 + E_2$$

$$Y_3 = b_6Y_1 + b_7Y_2 + E_3$$

SOURCE: Venter (2002:254)

It can be seen from figure 7.1 and 7.2 that X1 and X2 have an effect on the endogenous variable Y1, and that provision is made for the measurement and specification error E1 of the magnitude B1 and B2. Y2, in turn, is influenced (coefficients, B3 and B4) by the exogenous variables X2, X3, and Y1, and provision is made for the measurement and specification error (E2). The endogenous variable Y3 is influenced by endogenous variables Y1 and Y2, to the extent of B6 and B7, with an error term E3 (Venter, 2002:255).

The path diagrams in this study (as discussed in figure 7.1 and 7.2) will be converted to structural equations and measurement models by using the computer programme LISREL (Jöreskog and Sörbom, 2003).

Stage 4: Choosing the input matrix type (correlation matrix or covariance matrix) and estimating the proposed model

SEM, according to Hair *et al.*, (1998:619), will use either covariance- or correlation matrix as its input matrix. They state: "For confirmatory factor analysis, either type of input matrix can be utilised; but as the objective is an exploration of the pattern of relationships across respondents, correlations are the preferred input data type. This then activates the correlation of the covariance matrix of all the indicators in the model." Venter (2002:256) points out that the measurement model then specifies which manifest variables (indicators) correspond with each latent construct. In doing so, the structural coefficients will then estimate the relationships between the latent variables.

The computer programme for estimation is then chosen, once the structural and measurement models are specified and the input data are selected. The computer programme LISREL (Linear Structural Relations) version 8.54 was used in the current study. Hair et al., (1998:619) mentions that, because of the estimation procedure, constructs must be made scale-invariant in order that the indicators be "standardized" to compare the constructs. Two approaches are used for this procedure, firstly, to set one of the loadings in each construct to the fixed value of 1.0, and secondly, to estimate the construct variance directly. These authors concur that either approach results in the same estimates, but for theory testing purposes, the second approach is recommended.

Stage 5: Assessing the identification of model equations

During stage 5, the research analyst assesses whether the computer programme has produced any meaningless or illogical results in the identification of the structural model. Hair et al., (1998:608). Venter (2002; 256) points out that the symptoms of the identification problems are (1) very large standard errors for one or more coefficients; (2) the inability of the programme to invert the information matrix; (3) unreasonable and impossible estimates such as negative error variances; or (4) high correlations approximately 0.90 or greater amongst estimated coefficients.

Hair et al., (1998; 609) state that if such identification problems occur, researchers should first look at the three main causes:
(1) that there could be a large number of estimated coefficients relative to the number of variances or correlations which are indicated by a small number of degrees of freedom (2) the use of reciprocal effects (two-way casual arrows between two constructs) or (3) failure in fixing the scale of a construct.

The solution to an identification problem is to impose more constraints on the model in order to eliminate some of the estimated coefficients. A structured process should be followed by adding more constraints and deleting paths from the path diagram until the problem is rectified. Attempts are therefore made to achieve an over-identified model that has degrees of freedom available to provide a better estimation of the true casual relationships (Hair *et al*., 1998:610).

Stage 6: Evaluating the results for goodness-of-fit.

According to Hair *et al*., 1998:610), the first step for evaluating the results is to determine offending estimates. After the model is established to provide acceptable estimates, the goodness-of-fit has to be established for the overall model and then separately for the measurement and the structural models. Venter (2002:257) points out that the evaluating of the goodness-of-fit results is an assessment of the extent to which the data and the theoretical models meet the assumptions of SEM. Venter (2002:257) further indicates that "these assumptions must include (1) that the observations were independent; (2) that a random sampling of respondents was conducted and (3) that all relationships were linear."

Hair *et al*., (1998:611) pointed out that there are three types of goodness-of-fit measures, namely: (1) absolute fit measures, (2) incremental fit measures, and (3) parsimonious fit measures. According to these authors, absolute fit measures assess only the overall model fit (both structural and measurement models collectively) with no adjustment for the degree of over-fitting that might occur. Incremental fit measures compare the proposed model to another model specified by the researcher, and parsimonious fit measures adjust the measures of fit to provide comparisons between models with differing numbers of estimated coefficients, in order to determine the amount of fit by the estimated coefficients.

During this stage, an assessment is made of the overall fit of the proposed model of factors that influence perceived good governance for South African Greek family businesses. Chapter 8 will provide an assessment for this purpose, and will reflect on the results of the absolute fit measures based on the Robust Maximum Likelihood estimation method. This implies that the purpose of the statistical analyses was more focused to assess relationships than to obtain good model fit.

Stage 7: Making the indicated modifications to the model if theoretical justified.

Hair *et al*., (1998:614) suggest that during this stage, results should be examined for their correspondence to the proposed theory. Principal relationships in the theory should be supported as expected and should be found statistically significant. Further examinations should determine, with competing models, added insight in alternative or supported formulations of the theory and whether the relationships in the hypothesised directions reflect positive or negative. The empirical results will address these questions and interpretations can be made with the use of standardised versus unstandardised solutions and secondly through model specification.

The identification of the significant casual relationship is therefore important to interpret the results. Residual values greater than about 2.58 are to be considered statistically significant of the 0.05 level (Hair *et al*., 1998:615). Modification indices should also be inspected. A value of 3.84 or greater suggests that a statistically significant reduction in the chi-square is obtained when the coefficient is obtained (Hair *et al.*, 1998:615).

7.9 SUMMARY

The research methodology used in this study was strongly influenced by the research that was conducted. This chapter provided insight into the activities that were carried out with a sample population of South African Greek Family businesses. Demographic information was provided, followed by a description of Structural Equation Modelling (SEM), the statistical technique used in this research to ensure the reliability and validity of the findings. The following chapter will present a detailed feedback from the statistical analysis performed.

CHAPTER 8

EMPIRICAL RESULTS AND INTERPRETATIONS

8.1 INTRODUCTION

This chapter firstly presents a discussion of the exploratory factor analysis conducted to identify potential underlying dimensions or factors in the data and to assess the discriminant validity of the instruments used to measure those factors. This was followed by the assessment of reliability of the factors in the form of a Cronbach-alpha coefficient analysis that was performed. Exploratory factor analysis has been performed on the proposed theoretical model, followed by a path analysis of the casual relationships, in a structural model to estimate the path coefficients of the relations. An assessment of the goodness-of-fit of the theoretical model to the empirical data is also presented in this chapter.

8.2. DISCRIMINANT VALIDITY OF THE MEASURING INSTRUMENT

Exploratory factor analysis was used in this study to assess the discriminant validity of the measuring instrument. The program 4M of the BMDP statistical package (Frane, Gennrich & Sampson, 1990) was used to factor analyse the data. The first step was to examine whether the data was suitable for factor analysis. The critical assumptions underlying factor analysis are more conceptual than statistical. From a statistical standpoint, the researcher must ensure that the data matrix has sufficient correlation to justify the application of factor analysis (Hair *et al*., 1998:99). Visual inspection of the correlations revealed a substantial number of correlations greater than 0.30, indicating that factor analysis was appropriate. The correlations between variables were also analysed by computing the partial correlations between variables (the correlations between variables are taken into account). The small partial correlations indicated that “true” factors existed in the data because the variables were explained by the factors (variates with loadings for each variable).

The next step in the validation process consisted of an exploratory factor analysis to assess whether the data contained different underlying dimensions of governance concerns. For this purpose, a Maximum Likelihood Exploratory Factor Analysis (common factor analysis) was conducted to identify the latent dimensions or constructs represented in the original variables. When a large set of variables is factored, the method first extracts the combinations of variables explaining the greatest amount of variance, and then proceeds to combinations that account for smaller amounts of variance (Hair et al., 1998:103). To determine how many factors to extract, a combination of several criteria were used, namely, the eigenvalues, the percentage of variance criterion, and the scree test criterion (Cattell, 1966:245-276; Hair et al., 1998:104).

Initially the number of factors to be extracted was not specified, but the eigenvalues suggested a total of five factors to be used as the antecendent variables. This suggestion was reached through an iterative process of deleting items that do not demonstrate sufficient discriminant validity, and re-running the Common Factor Analysis until all the remaining items loaded to a significant extent ($p > 0.4$) with no cross-loadings (i.e. loaded on only one factor). The most interpretable factor structure is presented in Table 8.1. All items with loadings < 0.4 were deleted.

The antecendent variables were firstly analysed and the following results were obtained:

TABLE 8.1: ROTATED FACTOR LOADINGS: ANTECENDENT VARIABLES	FACTOR 1: NEEDS ALIGNMENT	FACTOR 2: CULTURAL VALUES ALIGNMENT	FACTOR 3: TRUST	FACTOR 4: FAMILY HARMONY	FACTOR 5: OUTSIDE ADVICE
NA5	0.752	0.027	0.045	- 0.004	0.050
NA4	0.689	0.142	0.011	0.044	- 0.074
NA8	0.575	- 0.077	0.064	0.274	0.123
NA6	0.467	- 0.125	- 0.012	0.161	0.223
OA2	0.456	0.219	- 0.019	- 0.304	0.134
CVA3	- 0.068	0.898	- 0.114	0.151	0.095
CVA4	0.117	0.778	- 0.161	0.076	0.005
CVA5	0.160	0.684	- 0.071	0.110	- 0.163
CVA2	0.172	0.678	0.156	- 0.108	- 0.059
CVA1	- 0.047	0.545	0.152	- 0.015	0.101
OA4	0.048	0.097	0.090	- 0.056	0.798
OA1	0.017	0.079	- 0.126	- 0.052	0.739
OA3	- 0.082	-0.019	0.080	0.106	0.683
OA5	0.089	- 0.011	0.004	- 0.060	0.680
NA7	0.162	- 0.179	- 0.047	0.201	0.448
FH2	0.012	-0.119	0.874	0.104	0.007
FH1	0.019	0.087	0.860	- 0.030	- 0.027
FH5	0.026	0.227	- 0.008	0.627	0.044
FH4	0.123	- 0.054	0.097	0.595	0.069
FH3	0.039	0.360	0.112	0.507	- 0.099
FH6	0.076	0.006	0.283	0.479	0.164
EIGENVALUE:	**5.33**	**2.87**	**1.89**	**0.82**	**0.64**

1) Loadings in red represent significant loadings (p ≥ 0.4)

Table 8.1 indicates that a total of 21 antecendent variables were grouped into five factors, and explains a total of 91.4 % of the variance in the data. The next step was to analyse the intervening variables. The same procedure with factor analyses of the intervening variables was followed.

TABLE 8.2: ROTATED FACTOR LOADINGS: INTERVENING VARIABLES	FACTOR 1: GOVERNANCE STRUCTURES AND PLANNING	FACTOR 2: MANAGEMENT SUCCESSION PLANNING	FACTOR 3: VISION	FACTOR 4: PROFITABILITY	FACTOR 5: FAMILY COMMITMENT AND COMMUNICATION	FACTOR 6: ETHNIC ENTREPRENEURIAL GROWTH
SP6	0.934	- 0.039	0.156	- 0.066	- 0.165	0.095
SP4	0.913	0.002	- 0.110	- 0.002	0.022	0.065
GOV2	0.775	0.017	- 0.021	- 0.065	0.156	0.051
GOV5	0.752	0.017	0.118	0.106	- 0.085	0.051
SP3	0.733	0.038	0.021	0.011	0.149	- 0.016
SP5	0.731	0.094	0.080	0.130	- 0.063	0.024
GOV4	0.707	- 0.040	- 0.087	- 0.029	- 0.045	0.021
GOV1	0.660	0.154	- 0.050	0.002	- 0.092	0.023
SP1	0.657	0.071	- 0.079	- 0.001	0.226	- 0.114
SP2	0.632	0.010	0.047	0.211	0.068	- 0.099
SP7	0.624	- 0.016	0.092	0.129	0.129	- 0.022
GOV3	0.546	0.036	- 0.007	- 0.025	- 0.066	- 0.311
OC4	0.506	0.059	- 0.015	0.190	- 0.044	- 0.272
VISI1	0.446	0.095	0.155	0.062	0.040	0.107
MPLAN1	- 0.002	0.872	- 0.138	- 0.071	0.101	0.028
MPLAN2	0.063	0.790	- 0.030	- 0.078	- 0.015	0.229
MPLAN6	0.101	0.709	0.027	0.027	- 0.036	- 0.181
MPLAN3	0.088	0.665	0.169	0.045	- 0.037	0.039
MPLAN5	- 0.039	0.649	0.020	0.101	0.022	- 0.234
MPLAN4	- 0.014	0.604	0.117	0.080	- 0.046	0.099
OC6	0.039	0.459	- 0.055	0.239	0.095	- 0.141
TRU3	0.055	- 0.102	0.793	- 0.130	0.266	- 0.022
COM4	- 0.037	0.090	0.648	0.061	- 0.020	0.039
ENTG1	0.125	0.006	0.490	0.121	0.178	0.104
PROFIT5	- 0.014	0.046	0.074	0.671	- 0.051	0.041
PROFIT3	0.074	0.121	0.081	0.636	0.030	- 0.015
PROFIT4	0.061	- 0.028	- 0.088	0.616	0.062	0.077
COM1	- 0.099	0.061	0.045	0.002	0.768	- 0.108
TRU1	0.012	-0.019	0.159	- 0.137	0.679	- 0.112
OC1	- 0.004	- 0.060	- 0.011	0.053	0.653	0.143
TRU5	0.018	0.068	0.268	- 0.076	0.603	0.056
OC3	0.087	0.007	0.018	0.173	0.583	0.086
ENTG7	0.135	0.089	- 0.036	0.112	0.492	0.158
ENTG6	- 0.048	- 0.049	0.084	0.181	- 0.031	0.705
ENTG8	0.037	0.091	0.094	0.030	0.220	0.581
EIGENVALUE:	11.01	4.23	1.88	1.34	2.73	1.14

Table 8.2 indicates that a total of 35 items measuring the intervening variables were grouped into six factors, and explains a total of 56.4 % of the variance in the data.

TABLE 8.3: ROTATED FACTOR LOADINGS: DEPENDENT VARIABLES

	FACTOR 1: STAKEHOLDERS INTEREST	FACTOR 2: INTERNAL REGULATORY ENVIRONMENT	FACTOR 3: RISK CONTROL
GG8	0.877	- 0.064	- 0.009
GG9	0.753	- 0.043	0.061
GG4	0.439	0.201	- 0.021
GG1	- 0.032	0.830	- 0.057
GG2	- 0.014	0.601	0.273
GG3	0.166	0.555	0.110
GG7	- 0.058	- 0.014	0.894
GG6	0.054	0.024	0.495
GG5	0.218	0.163	0.340
EIGENVALUE:	3.45	0.60	0.24

Table 8.3 indicates that a total of 9 dependent variables were grouped in three factors, and explains a total of 95.9 % of the variance in the data.

8.3 RELIABILITY OF THE MEASURING INSTRUMENT

"Reliability" refers to the extent to which a scale produces consistent results if repeated measurements are made (Malhorta, 1996:304; Jordaan, 2003:199). According to Hair *et al*.; (1998:90,117) reliability is an assessment of the degree of consistency between multiple measurements of the same variable, and the difference between reliability and validity is that reliability does not relate to what should be measured, but rather to how it is measured.

Zikmund, (2000:280) mentions that two dimensions underlie the concept of reliability, namely, repeatability and internal consistency. The repeatability of a measure can be assessed using the test-retest method.

This involves the administering of the same scale or measure to the same respondents at two separate times to test for stability. The second dimension of reliability concerns the homogeneity of the measure. An attempt to measure an attitude may require asking several similar questions or presenting a battery of scale items. To measure the internal consistency of a multiple-item measure, scores on subsets of the items within the scale are correlated. One technique measuring internal consistency is Cronbach's coefficient alpha. The final items derived from the factor analysis were tested for their reliability by submitting them to a Cronbach alpha assessment. Cronbach alpha's coefficient is a very suitable assessment of the reliability of the construct indicators, because it has the most utility for multi-item scales at the interval level of measurement (Cooper & Schindler, 2001:217).

Following on the above, the Cronbach alpha reliability coefficient was used to assess the consistency of the entire scale. According to Hair *et al.;* (1998:118), the generally agreed lower limit for the Cronbach-alpha coefficient is 0.70, but it can be decreased to 0.60 in the case of exploratory research (as in the case of this study).

Fourteen factors measuring the antecendent, intervening, and dependent variables emerged from the exploratory factor analysis. Cronbach-alpha coefficients were calculated for each factor as well as the item-total correlation for the variables in each factor. Cronbach alpha values of more than 0.70 were recorded for twelve of the fourteen factors, and two factors, namely ethnic entrepreneurial growth of the intervening variables, and risk control of the dependent variables, returned values of 0.691 and 0.677 respectively.

8.4 FACTORS INFLUENCING GOOD GOVERNANCE AS IDENTIFIED BY MEANS OF FACTOR ANALYSIS

Five factors were identified from the exploratory factor analysis of the antecendent data, six factors from the intervening data, and three factors form the dependable factor. The nature of the fourteen factors and their consistency will be discussed individually in the next sections.

8.4.1 Antecedent Variables

8.4.1.1 Antecendent factor 1: Needs Alignment

Only four of the eight items to measure the construct **Needs Alignment** loaded to a significant extent on one factor, namely (NA4, NA5, NA6, NA8). Three items, namely (NA1, NA2 and NA3) did not load on any factor and were deleted. One item (NA7) loaded on the factor of outside advice. One item (OA2), which was intended to measure outside advice, understandably also loaded on this factor.

The five items measuring the latent variable **Needs Alignment**, the Cronbach-alpha, the eigenvalues and the time-to-total correlations are shown in the table below.

ANTECENDENT FACTOR 1: NEEDS ALIGNMENT			
Eigenvalue: 5.33		Cronbach alpha: 0.783	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
NA4	I can realise my business ambitions in this business.	0.689	0.604
NA5	I can have a rewarding career in this business.	0.752	0.681
NA6	This is an exciting business to work for.	0.467	0.502
NA8	Working for this business is very rewarding.	0.575	0.605
OA2	This business has a board of directors.	0.456	0.413

The Cronbach alpha value for this factor is 0.783, and is therefore considered a reliable measuring instrument to measure the latent variable **Needs Alignment**.

8.4.1.2 Antecendent factor 2: Cultural Values Alignment

The initial measuring instrument used to measure the construct **Cultural Values Alignment** consisted of five items. All five items loaded together in the factor analysis as expected. This factor has a Cronbach-alpha coefficient of 0.862 in the table following.

ANTECENDENT FACTOR 2: CULTURAL VALUES ALIGNMENT			
Eigenvalue: 2.87		Cronbach alpha: 0.862	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
CVA1	My cultural values are compatible with those of most people who work here.	0.545	0.507
CVA2	My beliefs and the beliefs of others working here are the same.	0.678	0.679
CVA3	My values and the values of others working here are compatible.	0.898	0.792
CVA4	My customs and the customs of others working here are compatible.	0.778	0.748
CVA5	My cultural values are compatible with the cultural values of the business.	0.684	0.688

8.4.1.3 Antecendent factor 3: Trust

The initial measuring instrument used to measure the construct **Trust** consisted of five items of which no single items loaded together in the factor analyses. The instrument used to measure the construct **Trust** in this study has demonstrated poor discriminant validity. Two items expected to measure Family Harmony, however, (FH1 and FH2) which measured family members' trust and respect for each other, subsequently loaded on a factor that was labelled Trust.

ANTECENDENT FACTOR 3: TRUST			
Eigenvalue: 1.89		Cronbach alpha: 0.858	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
FH1	The family members in this business trust each other.	0.860	0.752
FH2	The family members in this business respect each other.	0.874	0.752

This factor has a high Cronbach-alpha coefficient of 0.856, and is therefore considered a reliable measuring instrument for the construct Trust.

8.4.1.4 Antecendent factor 4: Family Harmony

The initial measuring instrument used six items to measure the construct **Family Harmony**. Four items (FH3, FH4, FH5, FH6) loaded together as expected.

ANTECENDENT FACTOR 4: FAMILY HARMONY			
Eigenvalue: 0.82		Cronbach alpha: 0.756	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
FH3	All family members in this business are allowed to contribute to decision-making.	0.507	0.545
FH4	There is not any conflict among family members in this business.	0.595	0.554
FH5	In this business we solve potential problems amongst family members before they occur.	0.627	0.587
FH6	In this business all the family members support each other.	0.479	0.526

The **Family Harmony** factor has a Cronbach-alpha coefficient of 0.756.

8.4.1.5 Antecendent factor 5: Outside Advice

The initial measuring instrument used six items to measure the construct **Outside Advice**. Four items (OA1, OA3, OA4, OA5) from the initial measuring instrument loaded together on this factor, as expected. One item (OA2) loaded on the Needs Alignment factor and one item (NA7) from the Needs Alignment factor loaded on this factor of Outside Advice. Only one item (OA6) did not load on any of the factors.

ANTECENDENT FACTOR 5: OUTSIDE ADVISE			
Eigenvalue: 0.64		Cronbach alpha: 0.823	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
OA1	There are outside consultants advising this business.	0.739	0.613
OA3	When needed this business draws on the expertise of outsiders.	0.683	0.636
OA4	When needed this business draws on outside expertise to assist with its governance.	0.798	0.714
OA5	This business involves outsiders to assist with its governance.	0.680	0.626
NA7	It is a challenge to work for this business.	0.448	0.500

The **Outside Advice** factor has a high Cronbach-alpha coefficient of 0.823.

8.4.2 INTERVENING VARIABLES

8.4.2.1 Intervening factor 1: Governance Structures and Planning

All seven items from the original questionnaire to measure the construct Strategic Planning loaded together on this factor as expected. In the theoretical model (see Section 6, Chapter 6) it was hypothesised that there is a positive relationship between the extent of strategic planning and governance structures.

It is therefore not unexpected that all five items (GOV1, GOV2, GOV3, GOV4, GOV5) designed to measure the construct governance structures, also loaded on this factor. Two further items (OC4 and VIS1) also loaded together on this construct. The respondents from this study thus interpreted the vision of international expansion and strategic planning as the same construct. Also, to continue working for the business even though respondents had the opportunities to leave was interpreted as effective strategic planning supported by sound governance structures.

INTERVENING FACTOR 1: GOVERNANCE STRUCTURES AND PLANNING			
Eigenvalue: 11.01		Cronbach alpha: 0.941	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
SP1	The long-term strategies of this business are planned long in advance.	0.657	0.701
SP2	This business has a clear long-term vision.	0.632	0.757
SP3	This firm has a formal strategic planning process in place.	0.733	0.774
SP4	This firm has a written strategic plan.	0.913	0.853
SP5	This firm plans years ahead.	0.731	0.798
SP6	The business has a formal business plan.	0.934	0.832
SP7	The business has proper planning processes and procedures in place.	0.624	0.698
GOV1	The business has a formal Board of Directors.	0.660	0.664
GOV2	The family business has a written business plan.	0.775	0.743
GOV3	The business has a formal structure where family and business matters can be discussed.	0.546	0.552
GOV4	The business has a formal document that describes the relationships between the family and the business.	0.707	0.620
GOV5	Business decisions are made using formal management structures.	0.752	0.780
OC4	Even if I get the opportunity to leave I would continue working for this business.	0.506	0.623
VISION1	The owners of this business have a clear vision of international expansion.	0.446	0.536

As all the items of strategic planning and governance constructs loaded together on one factor, it was decided to rename this factor **Governance**

Structures and Planning. This factor has a high Cronbach-alpha coefficient of 0.941.

8.4.2.2 Intervening Factor 2: Management Succession Planning

Six items were included in the questionnaire to measure the construct **Management Succession Planning**. All six items loaded together on this factor as expected. One additional item (OC6), initially intended to measure organisational commitment, also loaded on this factor. This is also understandable, as the item (not to look for a new job soon) directly relates to the issue of management succession planning. Several owner/managers and potential successors completed the questionnaire. Their indication that they will not leave (OC6) was interpreted as part of **Management Succession Planning**.

INTERVENING FACTOR 2: MANAGEMENT SUCCESSION PLANNING			
Eigenvalue: 4.23		Cronbach alpha: 0.881	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
MPLAN1	The person who will take over this business when the current owner/manager retires has already been identified.	0.872	0.751
MPLAN2	The person who will take over this business when the current owner/manager retires is being prepared for his/her role.	0.790	0.701
MPLAN3	There is a proper succession plan in place for this business.	0.665	0.676
MPLAN4	Replacing the current owner/manager with a successor will be done in good time.	0.604	0.598
MPLAN5	Replacing the current owner/manager with a successor will not be a haphazard occurrence.	0.649	0.655
MPLAN6	The identity of the successor to current owner/ manager has been communicated to all concerned.	0.709	0.719
OC6	I will not be looking for a new job soon.	0.459	0.565

The Cronbach-alpha coefficient for the **Management Succession Planning** factor is 0.881.

8.4.2.3 Intervening Factor 3: Vision

A new factor (not initially modelled) emerged from the exploratory factor analysis consisting of three items expected to measure Trust (TRU3), Communication (COM4) and Ethnic Entrepreneurial Growth (ENTG1) respectively. Since these three items measure the desired state as it is visioned to be by the founder/current owner, it was decided to name this factor **Vision**.

INTERVENING FACTOR 3: VISION			
Eigenvalue: 2.73		Cronbach alpha: 0.760	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
TRU3	The family members have a high regard for each others integrity.	0.793	0.659
COM4	The family members are well informed what happens in this business.	0.648	0.551
ENTG1	This business has specific goals to enhance entrepreneurship in the family.	0.490	0.564

The **Vision** factor has a Cronbach-alpha coefficient of 0.76.

8.4.2.4 Intervening Factor 4: Profitability

Six items were included in the original questionnaire to measure the construct **Profitability**. Three items (PROFIT 3, PROFIT 4 and PROFIT 5) loaded together on this factor as expected. The remaining three items (PROFIT 1, PROFIT 2 and PROFIT 6) did not load on any other factors and were deleted.

INTERVENING FACTOR 4: PROFITABILITY			
Eigenvalue: 1.45		Cronbach alpha: 0.743	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
PROFIT3	The financial success of this business is almost guaranteed.	0.636	0.659
PROFIT4	The revenues generated by this business are increasing.	0.616	0.551
PROFIT5	The financial well-being of this business is secure.	0.671	0.564

The **Profitability** factor has a Cronbach-alpha coefficient of 0.743.

8.4.2.5 Intervening Factor 5: Family Commitment and Communication

One of the original four items to measure the construct **Communication** loaded on this factor together with five other items. Two items (TRU1 and TRU5) from the Trust factor and two items (OC1 and OC3) from the factor Organisational Commitment also loaded together on this factor. A further item (ENTG7), initially intended to measure entrepreneurial growth, also loaded. All these items were regarded as measures of one latent variable, and it was decided to rename it as **Family Commitment and Communication.**

INTERVENING FACTOR 5: FAMILY COMMITMENT AND COMMUNICATION			
Eigenvalue: 4.23		Cronbach alpha: 0.837	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
COM1	There is adequate communication in this business.	0.768	0.644
TRUST1	All the family members trust each other.	0.679	0.605
OC1	I strongly identify with this business.	0.653	0.609
TRUST5	All family members believe in each other.	0.603	0.663
OC3	I strongly associate with what this business stands for.	0.583	0.616
ENTG7	The managers of this business are always on the outlook for new innovative ways to do business.	0.492	0.513

8.4.2.6 Intervening Factor 6: Ethnic Entrepreneurial Growth

Eight items were included in the original measuring instrument to measure the construct **Ethnic Entrepreneurial Growth**. Two items (ENTG6 and ENTG8) loaded together on this factor.

INTERVENING FACTOR 6: ETHNIC ENTREPRENEURIAL GROWTH			
Eigenvalue: 0.72		Cronbach alpha: 0.691	
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION
ENTG6	Making money is an important consideration for everyone involved in this business.	0.705	0.529
ENTG8	The managers of this business are always on the lookout for new business opportunities.	0.581	0.529

The **Ethnic Entrepreneurial Growth** factor has a Cronbach-alpha coefficient of 0.691.

8.4.3 EXOGENOUS FACTOR : PERCEIVED GOOD GOVERNANCE

The nine items expected to measure good governance were subjected to an exploratory factor analysis to determine whether there were underlying dimensions making up the construct. The exploratory factor analysis suggested that three dimensions make up the **Perceived Good Governance** construct, namely risk control, the internal regulatory environment, and the stakeholders' interest. Three items (GG4, GG8 and GG9) loaded on the factor named **Stakeholders' interest**. The second factor, named **Regulatory Environment,** consisted of three items (GG1, GG2 and GG3), and the third factor, named **Risk Control,** loaded three items (GG5, GG6 and GG7) to form a factor.

8.4.3.1 Exogenous factor 1: Stakeholders' Interest

From the original questionnaire, three items (GG4, GG8 and GG9) loaded together on a factor named **Stakeholders' Interest**. All three items, namely adequate accountability towards the stakeholders, the ensuring of legal compliance, and very little conflict of the business, were all seen to be direct elements of looking after the **Stakeholders' Interests** by the respondents of this study.

EXOGENOUS FACTOR 1: STAKEHOLDERS INTEREST				
Eigenvalue: 3.45		Cronbach alpha: 0.744		
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION	CRONBACH ALPHA AFTER DELETION
GG4	There is very little conflict in this business.	0.439	0.468	0.775
GG8	There are systems in place to ensure legal compliance in this business.	0.877	0.646	0.568
GG9	This business is adequately accountable to all its stakeholders.	0.753	0.605	0.619

The Exogenous factor of **Stakeholders' Interest** has a Cronbach-alpha coefficient of 0.744.

8.4.3.2 Exogenous factor 2: Internal Regulatory Environment

From the original questionnaire, to measure perceived good governance, three items (GG1, GG2 and GG3) loaded together on a factor named

Internal Regulatory Environment. The items measuring clearly specified governance responsibilities, clear governance rules, and the proper regulation of family business governance, were all interpreted by the respondents as adhering to the conditions stipulated by the **Internal Regulatory Environment** to ensure good governance.

EXOGENOUS FACTOR 2: INTERNAL REGULATORY ENVIRONMENT				
Eigenvalue: 0.60		Cronbach alpha: 0.794		
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION	CRONBACH ALPHA AFTER DELETION
GG1	The governance responsibilities in this business are clearly specified.	0.830	0.618	0.744
GG2	There are clear governance rules in this business.	0.601	0.657	0.703
GG3	The governance of this business are properly regulated.	0.555	0.642	0.719

8.4.3.3 Exogenous Factor 3: Risk Control

From the original questionnaire to measure the construct perceived Good Governance, three items (GG5, GG6 and GG7) loaded together on a factor named **Risk Control**. The respondents of this study interpreted that business with appropriate control measures, well-managed business risks, and proper planning for sustainability are all seen as measures for well-governed **Risk Control.**

EXOGENOUS FACTOR 3: RISK CONTROL				
Eigenvalue: 0.24		Cronbach alpha: 0.677		
ITEM	QUESTION	FACTOR LOADING	ITEM-TOTAL CORRELATION	CRONBACH ALPHA AFTER DELETION
GG5	There is appropriate control measures in place in this business.	0.340	0.450	0.634
GG6	The business risks this business is exposed to is well managed.	0.495	0.455	0.627
GG7	The sustainability of this business is properly planned for.	0.894	0.568	0.477

The **Risk Control** factor has a Cronbach-alpha coefficient of 0.677.

8.5 LATENT VARIABLES REMOVED FROM THE PROPOSED THEORETICAL MODEL

Figure 6.1 presented a proposed theoretical model as derived from the literature. Six latent variables were removed from the model after the assessment of the discriminant validity and reliability assessment of the items used to measure the various constructs in the model. Some items from the deleted variables did, however, load on other factors in the exploratory factor analysis.

The following variables were altered from the proposed theoretical model, namely:

- Governance structures
- Organisational Commitment
- Strategic Planning
- Needs and Cultural values alignment
- Communication

Two variables, namely **Governance Structures** and **Strategic Planning,** did, however, load together to form a factor called **Governance Structures and Planning**. The **Needs and Cultural Values Alignment** variable split up into two factors during the exploratory factor analysis, namely the **Needs Alignment** and **Cultural Values Alignment** factors individually. The **Communication** factor loaded together to form a new factor called the **Family Commitment and Communication** factor. Due to the reformulation and deletion of some variables from the proposed theoretical model, the associated hypothesis as proposed in Chapter 6 had to be reformulated. Although the exploratory factor analysis results suggested that the dependent variable **Good Governance** might consist of three underlying dimensions, it was decided to use all the items expected to measure the dependent variable **Good Governance**.

8.6 REFORMULATION OF THE HYPOTHESIS

Two intervening variables, namely strategic planning and governance structures, loaded together to form the **Governance Structures and Planning** factor. Two antecendent variables, namely the **Needs and Cultural Values Alignment** also separated to form the **Needs Alignment** and **Cultural Values Alignment** factors respectively. A further latent variable (**Organisational Commitment**) had to be removed, as the discriminant validity could not be confirmed by the exploratory factor analysis.

The following are the new hypotheses that will be discussed in the remainder of this study:

	HYPOTHESIS
H1a	There is a positive relationship between the existence of Governance Structures and Planning and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H2a	There is a positive relationship between the use of expertised Outside Advice and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H2b	There is a positive relationship between the use of expertised Outside Advice and Governance Structures and Planning to ensure good governance.
H2c	There is a positive relationship between the use of expertised Outside Advice and Management Succession Planning to ensure good governance.
H3a	There is a positive relationship between Management Succession Planning and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H4a	There is a positive relationship between Needs Alignment and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H4b	There is a positive relationship between Needs Alignment and Vision to ensure good governance.
H5a	There is a positive relationship between Vision and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H6a	There is a positive relationship between Cultural Values Alignment and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H6b	There is a positive relationship between Cultural Values Alignment and Ethnic Entrepreneurial Growth to ensure good governance.
H7a	There is a positive relationship between Ethnic Entrepreneurial Growth and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H8a	There is a positive relationship between Profitability and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.

	HYPOTHESIS
H^{9a}	There is a positive relationship between Family Harmony and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H^{9b}	There is a positive relationship between Family Harmony and the extent of Profitability to ensure good governance.
H^{9c}	There is a positive relationship between Family Harmony and Family Commitment and Communication to ensure good governance.
H^{10a}	There is a positive relationship between Family Commitment and Communication and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H^{11a}	There is a positive relationship between Trust and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.
H^{11b}	There is a positive relationship between Trust and Family Commitment and Communication to ensure good governance.

After the reliability and discriminant validity of all the variables remaining in the empirical model had been confirmed, the statistical technique Structural Equation Modelling was used to test the series of relationships of the revised model of Figure 8.1. The results of the above hypotheses will be discussed in the remainder of this chapter.

8.7 EMPIRICAL RESULTS AND INTERPRETATIONS OF THE STRUCTURAL EQUATION MODELLING ANALYSIS

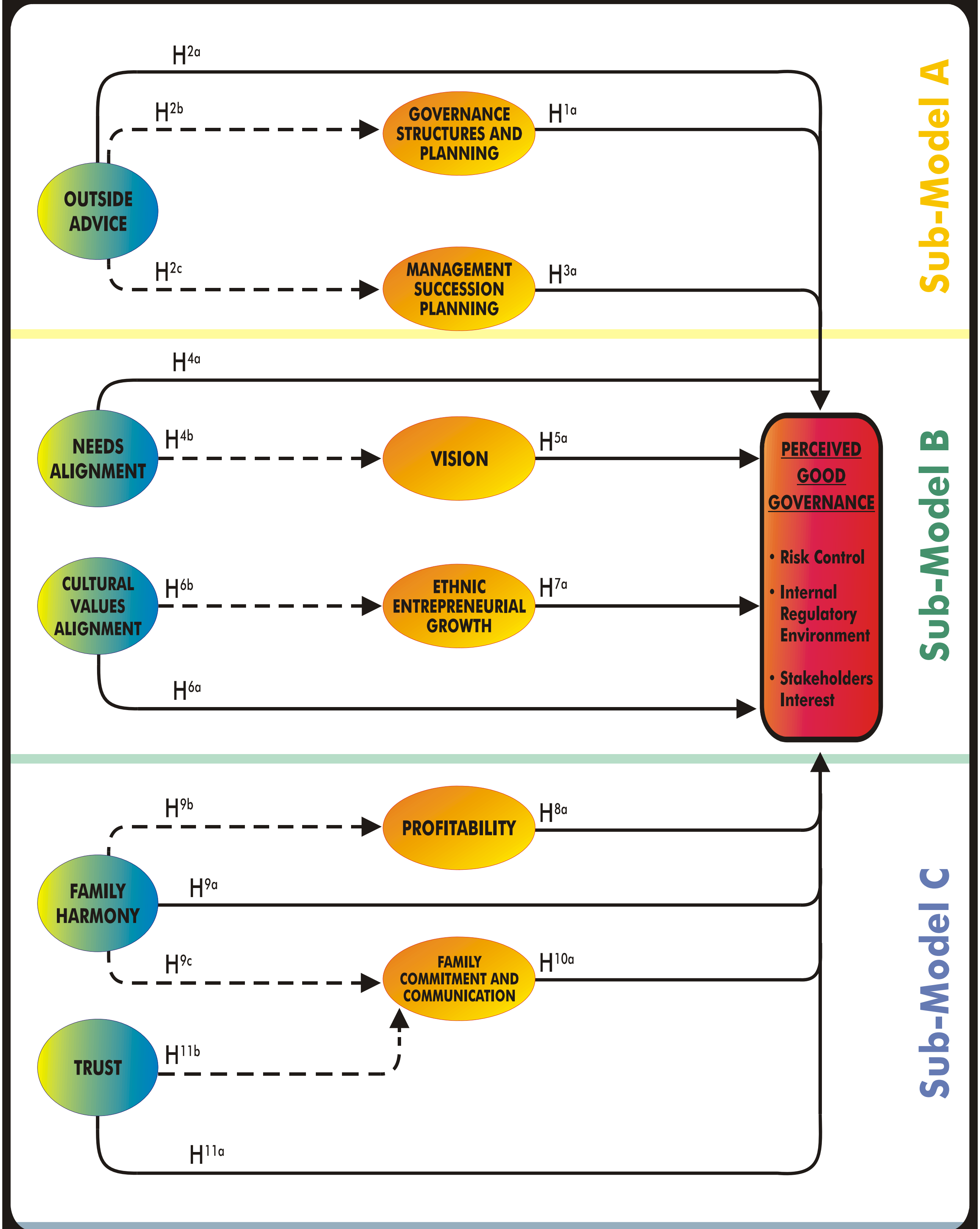
The first step of the structural equation modelling analysis was to complete a model that was theoretically justified. This was done in Chapter 6 (Figure 6.1). This step also includes the revision of the model through exploratory factor analysis (Section 8.6). The remainder of the six steps to be discussed in this chapter as indicated by Hair et al. (1999), are:

- Constructing the path diagram of casual relationships
- Converting the path diagram into structural and measurement models
- Choosing the input matrix type and estimating the proposed model
- Assessing the identification of the structural model
- Evaluating the goodness-of-fit results
- Making theoretically justified modifications to the model.

8.8 CONSTRUCTING THE PATH DIAGRAM OF CASUAL RELATIONSHIPS

The next stage/step was to portray the relationships in a path diagram. A path diagram is a method of presenting casual relationships among constructs (Venter 2002:281). Each theoretically proposed relationship is described by means of a hypothesis.

Figure 8.1 Path Diagram of Casual Relationships: Revised Theoretical Model



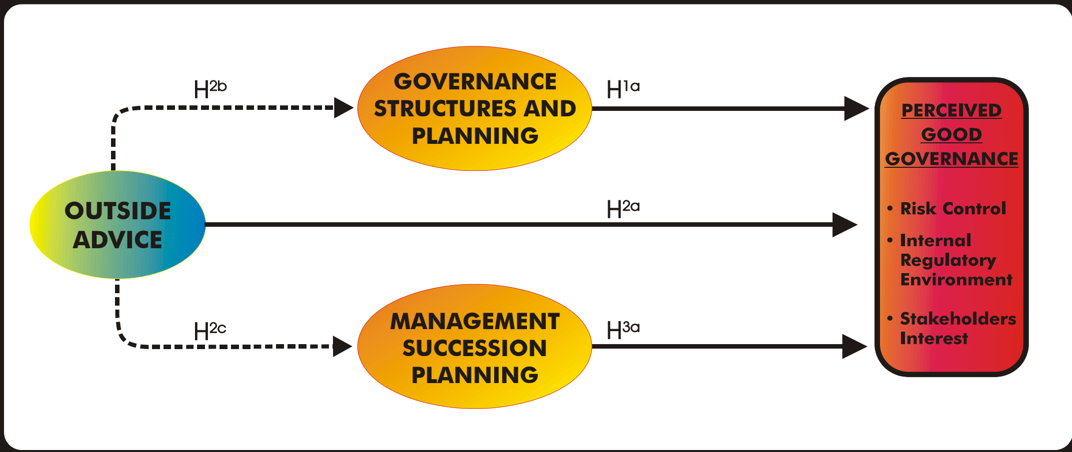
SOURCE: Researchers' own construction

Various methods were used in Figure 8.1 to make the path diagram easier to read. All the constructs are depicted as elliptical symbols, and colour was added to indicate the antecendent variables (blue - green), the intervening variables (orange), and the dependent variables (red). The single-headed arrows indicate the dependence relationships. The constructs with no points to them are called the exogenous variables (independent variables) and are not caused by any other variable in the model. The constructs with arrows pointed to them are called endogenous variables (dependent variables). Endogenous constructs can predict other endogenous constructs, but an exogenous construct can only be casually related to endogenous constructs. OUTSIDE ADVICE is an example of an exogenous variable in the path diagram as it is casually related to the endogenous variables MANAGEMENT SUCCESSION PLANNING and GOVERNANCE STRUCTURES AND PLANNING.

As the path diagram of the casual relationships from the revised theoretical model in Figure 8.1 is too big and complicated (the number of parameters to be estimated relative to the sample size) for LISREL, it was decided to divide the model into three constructs before conducting the LISREL analysis. Separate path diagrams were therefore set. Hair *et al*., (1998: 594) state that the desire to include all variables, however, must be balanced against the practical limitations of SEM. Although no theoretical limit on the number of variables in the models exists, practical concerns occur even before the limits of most computer programs are met. Most often, the interpretation of the results, particularly statistical significance, becomes quite difficult as the number of concepts becomes large (exceeding 20 concepts). The researcher should never omit a concept solely because the number of variables is becoming large, but should recognise the benefits of parsimonious and concise theoretical models (Hair *et al*., 1998: 594).

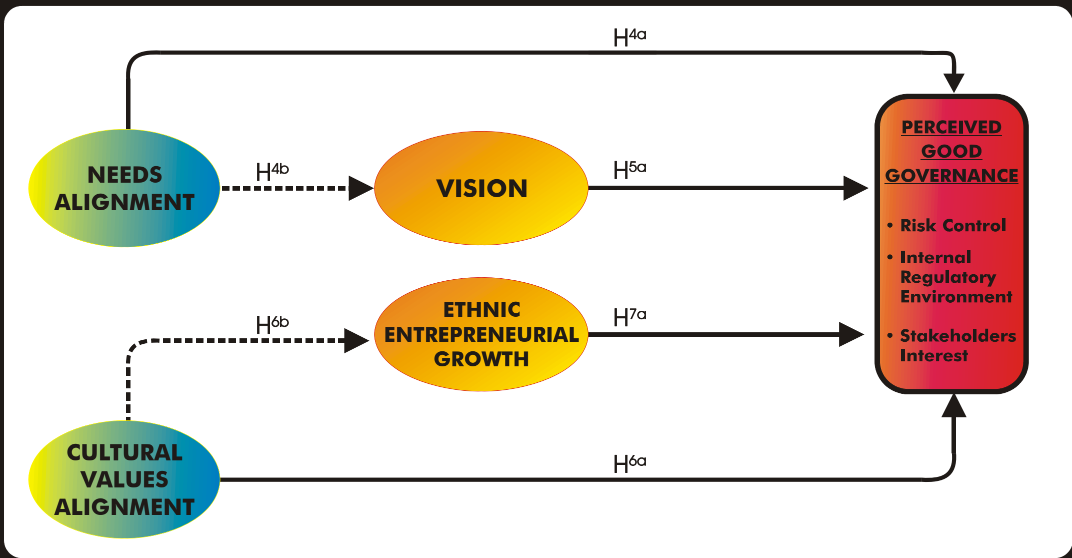
As this proposed theoretical model consists of forty hypotheses (more than double the proposed amount as recommended) and the researcher did not omit concepts solely to compensate for LISREL, it was decided to separate the path diagrams in order to prepare the model for statistical analysis. A decision was also made to combine the three dependent variables of risk control, the internal regulatory environment, and the stakeholders' interest, into the original single factor, namely good governance. This decision was based on practical considerations; a separate hypothesis would have had to be tested for each exogenous variable – that is, three times the number of models. Separate path diagrams were therefore set for the casual relationships between the antecendent variable of OUTSIDE ADVICE, the intervening variables of GOVERNANCE STRUCTURES AND PLANNING, MANAGEMENT SUCCESSION PLANNING and the dependent variable of GOOD GOVERNANCE (Figure 8.2); between the antecendent variables of NEEDS ALIGNMENT and CULTURE, the intervening variables of VISION and ETHNIC ENTREPRENEURIAL GROWTH and the dependent variable of GOOD GOVERNANCE (Figure 8.3); between the antecendent variables of FAMILY HARMONY and TRUST, the intervening variables of PROFIT and FAMILY COMMITMENT AND COMMUNICATION and the dependent variable of GOOD GOVERNANCE (Figure 8.4).

Figure 8.2 Path Diagram of Casual Relationships: Revised Theoretical Model (Sub-Model A).



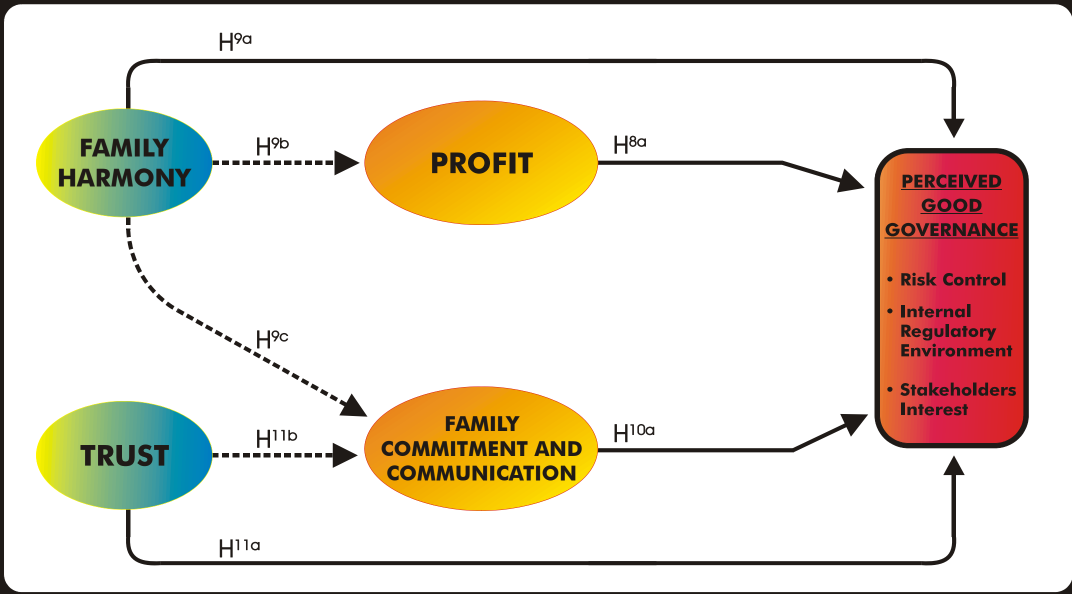
SOURCE: Researchers' own construction

Figure 8.3 Path Diagram of Casual Relationships: Revised Theoretical Model (Sub-Model B).



SOURCE: Researchers' own construction

Figure 8.4 Path Diagram of Casual Relationships: Revised Theoretical Model (Sub-Model C).



SOURCE: Researchers' own construction

8.9 THE STRUCTURAL MODEL

After developing the path diagram of casual relationships in the revised theoretical model in Figure 8.1, the model had to be specified in more formal terms through a series of structural equations linking constructs of the measurement model, by indicating which item measured which construct.

Relationships in the path diagram had to be converted into structural equations. This was done in that each endogenous construct was the dependent variable in a separate equation. Furthermore, for each hypothesised effect, a structural coefficient (bj) would be estimated and an error term (E1) included. An example of a structural equation is provided below for the endogenous construct COMMUNICATION.

$$\text{COMMUNICATION} = b_1 * \text{TRUST} + b_2 * \text{FAMILY HARMONY} + E_1$$

Table 8.4 is a summary of all the endogenous and predictor variables (structural equations) used as inputs for the LISREL program.

TABLE 8.4: THE STRUCTURAL MODEL: PREDICTOR VARIABLES

ENDOGENOUS VARIABLES	PREDICTOR VARIABLES
GOVERNANCE STRUCTURES AND PLANNING	OUTSIDE ADVICE
MANAGEMENT SUCCESSION PLANNING	OUTSIDE ADVICE
VISION	NEEDS ALIGNMENT
ETHNIC ENTREPRENEURIAL GROWTH	CULTURAL VALUES ALIGNMENT
PROFITABILITY	FAMILY HARMONY
COMMUNICATION	FAMILY HARMONY, TRUST
RISK CONTROL	GOVERNANCE STRUCTURES AND PLANNING, OUTSIDE ADVICE, MANAGEMENT SUCCESSION PLANNING, VISION, NEEDS ALIGNMENT, CULTURAL VALUES ALIGNMENT, ETHNIC ENTREPRENEURIAL GROWTH, PROFITABILITY, FAMILY HARMONY, COMMUNICATION, TRUST
INTERNAL REGULATORY ENVIRONMENT	GOVERNANCE STRUCTURES AND PLANNING, OUTSIDE ADVICE, MANAGEMENT SUCCESSION PLANNING, VISION, NEEDS ALIGNMENT, CULTURAL VALUES ALIGNMENT, ETHNIC ENTREPRENEURIAL GROWTH, PROFITABILITY, FAMILY HARMONY, COMMUNICATION, TRUST
STAKEHOLDERS INTEREST	GOVERNANCE STRUCTURES AND PLANNING, OUTSIDE ADVICE, MANAGEMENT SUCCESSION PLANNING, VISION, NEEDS ALIGNMENT, CULTURAL VALUES ALIGNMENT, ETHNIC ENTREPRENEURIAL GROWTH, PROFITABILITY, FAMILY HARMONY, COMMUNICATION, TRUST

SOURCE: Researcher's own Construction

In developing the specifications for the structural model, Hair *et al*; (1998 : 598) indicate that the researcher must then make the transition from factor analysis (where the researcher had no control over which variable defines a factor) to a more confirmatory mode in which the researcher specifies which variables define each construct (factor). To indicate and measure the latent constructs, the researcher has to use the manifest variables (questionnaire items) to measure in the structural model. These manifest variables collected from the respondents are termed “indicators” in the measurement model, as they are used to measure or “indicate” the latent constructs (factors).

The reliability of all the indicators has to be confirmed by the researcher. This is done through an empirical estimation approach by which the researcher specifies the loading matrix along with an error term for every indicator (variable). During the measurement model estimation process, the loading coefficients provide an estimation of the reliabilities for the indicators and the over-all construct. Venter (2002: 284) mentions that, in this approach, researchers have no impact on the reliability value of the estimation process, except through the inclusion of the set of indicators. All the specifications of the structural model are identified in Table 8.5, and consist of fourteen constructs, identified during the exploratory factor analysis.

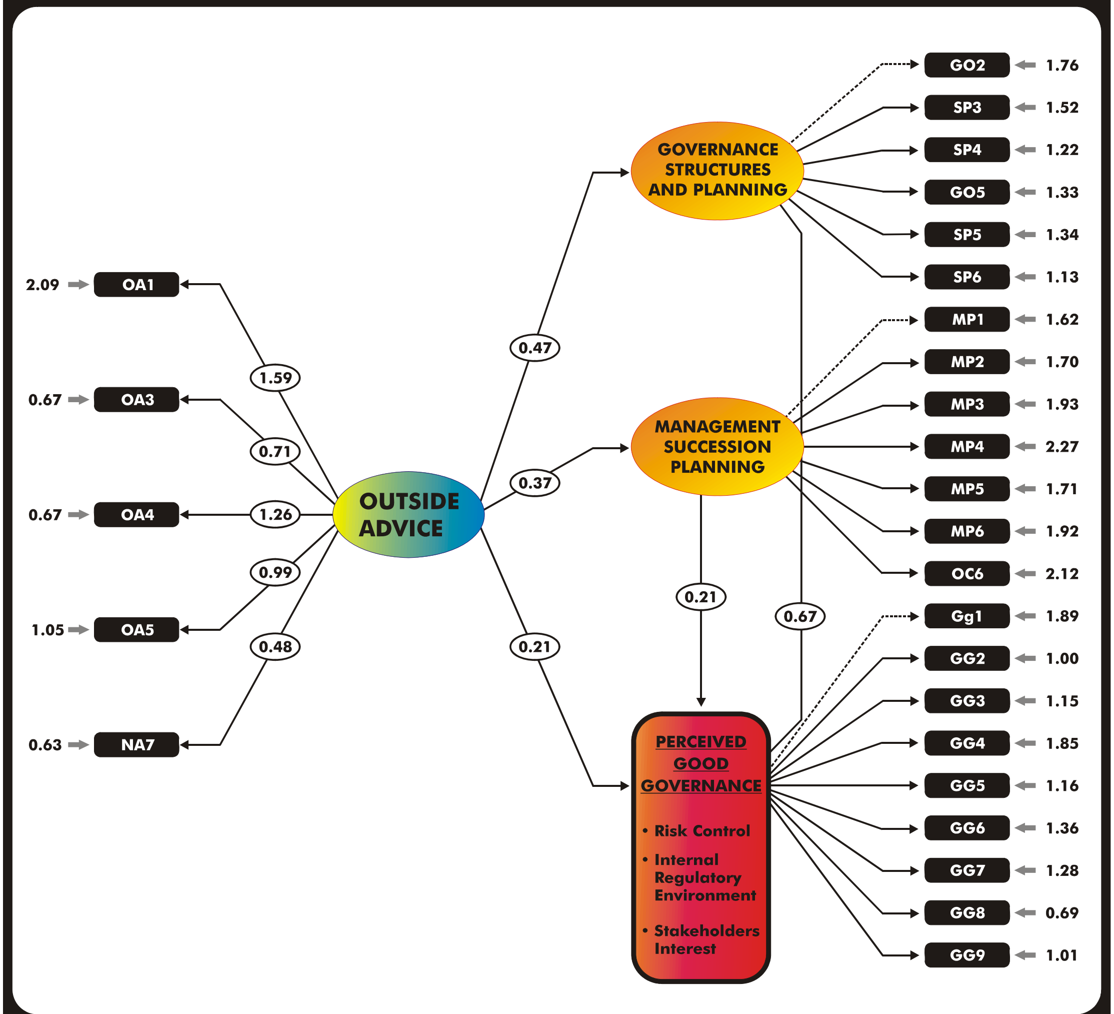
TABLE 8.5: THE STRUCTURAL MODEL: MANIFEST VARIABLES

ANTECENDANT CONSTRUCTS	MANIFEST VARIABLES	
OUTSIDE ADVICE	OA1, OA3, OA4, OA5, NA7	
NEEDS ALIGNMENT	NA4, NA5, NA6, NA8, OA2	
CULTURAL VALUES	CVA1, CVA2, CVA3, CVA4, CVA5	
FAMILY HARMONY	FH3, FH4, FH5, FH6	
TRUST	FH1, FH2	
INTERVENING CONSTRUCTS	**MANIFEST VARIABLES**	
GOVERNANCE STRUCTURES AND PLANNING	SP1, SP2, SP3, SP4, SP5, SP6, SP7, GOV1, GOV2, GOV3, GOV4, GOV5, OC4, VISION 1	
MANAGEMENT SUCCESSION PLANNING	MPLAN1, MPLAN2, MPLAN3, MPLAN4, MPLAN5, MPLAN6, OC6	
VISION	TRU3, COM4, ENTG1	
ETHNIC ENTREPRENEURIAL GROWTH	ENTG6, ENTG8	
PROFITABILITY	PROFIT3, PROFIT4, PROFIT5	
COMMUNICATION	COM1, TRU1, OC1, TRU5, OC3, ENTG7	
DEPENDENT CONSTRUCTS	**MANIFEST VARIABLES**	
GOOD GOVERNANCE	GG4, GG8, GG9	STAKEHOLDERS INTEREST
	GG1, GG2, GG3	INTERNAL REGULATORY ENVIRONMENT
	GG5, GG6, GG7	RISK CONTROL

SOURCE: Researcher's own Construction

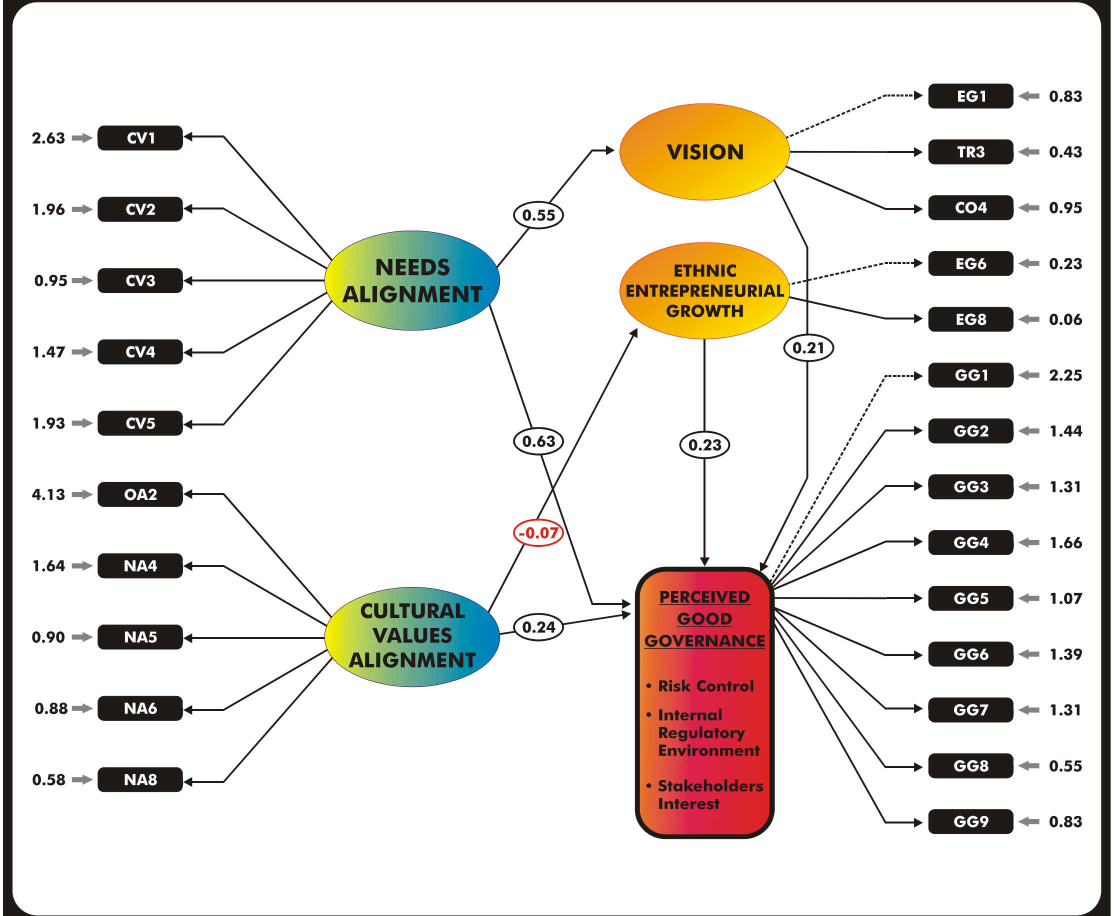
Figures 8.5, -8.6, 8.7 and -8.8 to follow present the structural models as constructed from Table 8.5. The constructs are represented in their various indicative colours (i.e. antecendent is blue – green, intervening constructs are orange – yellow and the dependent constructs red, yellow and blue). Manifest variables are in the black rectangular boxes, and the small circles are used to present the measurement errors. The arrows (the directions of which denote the casual effect) indicate the dependence relationship of the constructs. In the structural model in Figure 8.2, for example, the arrow from the construct family harmony to the manifest variable FH3 of FH4 indicates that the variance in the manifest variance is caused by a construct. Venter (2002: 28) stated that once this is calculated, these coefficients will indicate the loading of the manifest variable on the construct.

Figure 8.5 Structural Model: Sub-Model A



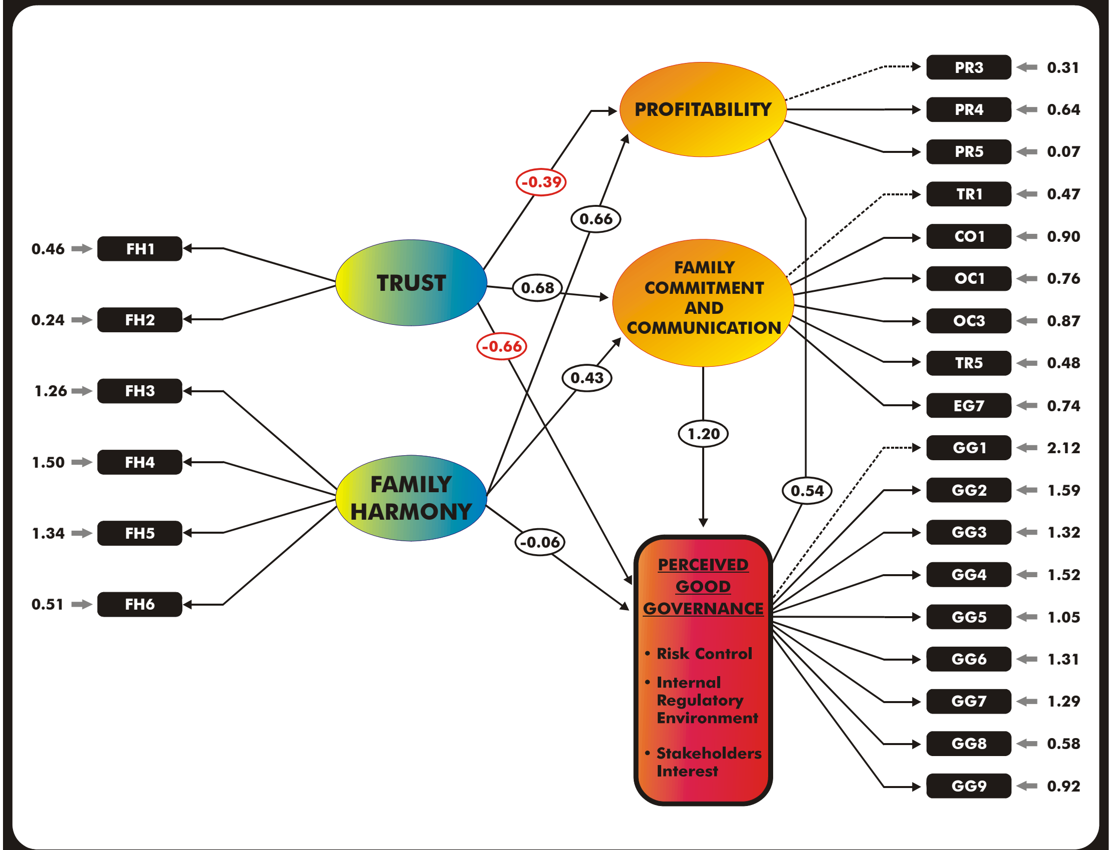
SOURCE: Researchers' own construction

Figure 8.6 Structural Model: Sub-Model B



SOURCE: Researchers' own construction

Figure 8.7 Structural Model: Sub-Model C



SOURCE: Researchers' own construction

8.10 INPUT MATRIX AND MODEL ESTIMATION

Step 4 in the stages of structural equation analysis consists of choosing the input matrix type and estimating the proposed model. Structural equation analysis then uses the covariance or correlation matrix as its input data.

The focus of structural equation analysis is not on individual observations, but on the pattern of relationships across respondents. (Hair *et al*; 1998; Venter, 2002). The measurement model then specifies which manifest variables (indicators) correspond with each latent construct. Structural coefficients are then estimated for the relationships between the latent variables.

Version 8.54 of the LISREL (Linear Structural Relations) program (Jöreskog and Sörbom, 2003) was used for the structural equation. The input was raw data, but LISREL 5.54 analyses the co-variance matrix. Appendix F presents the actual covariance matrix used in estimating the structural model.

8.10.1 Estimation of the Structural Model

To assess the multivariate normality of the data the following null hypothesis was considered:

H^0 : The data distribution is a multivariate normal distribution

The results of the Chi square test are shown below:

Skewness

Value	1709.56
Z – score	163.02
p – value	0.000

Kurtosis

Value	4735.46
Z – score	34.15
p – value	0.000

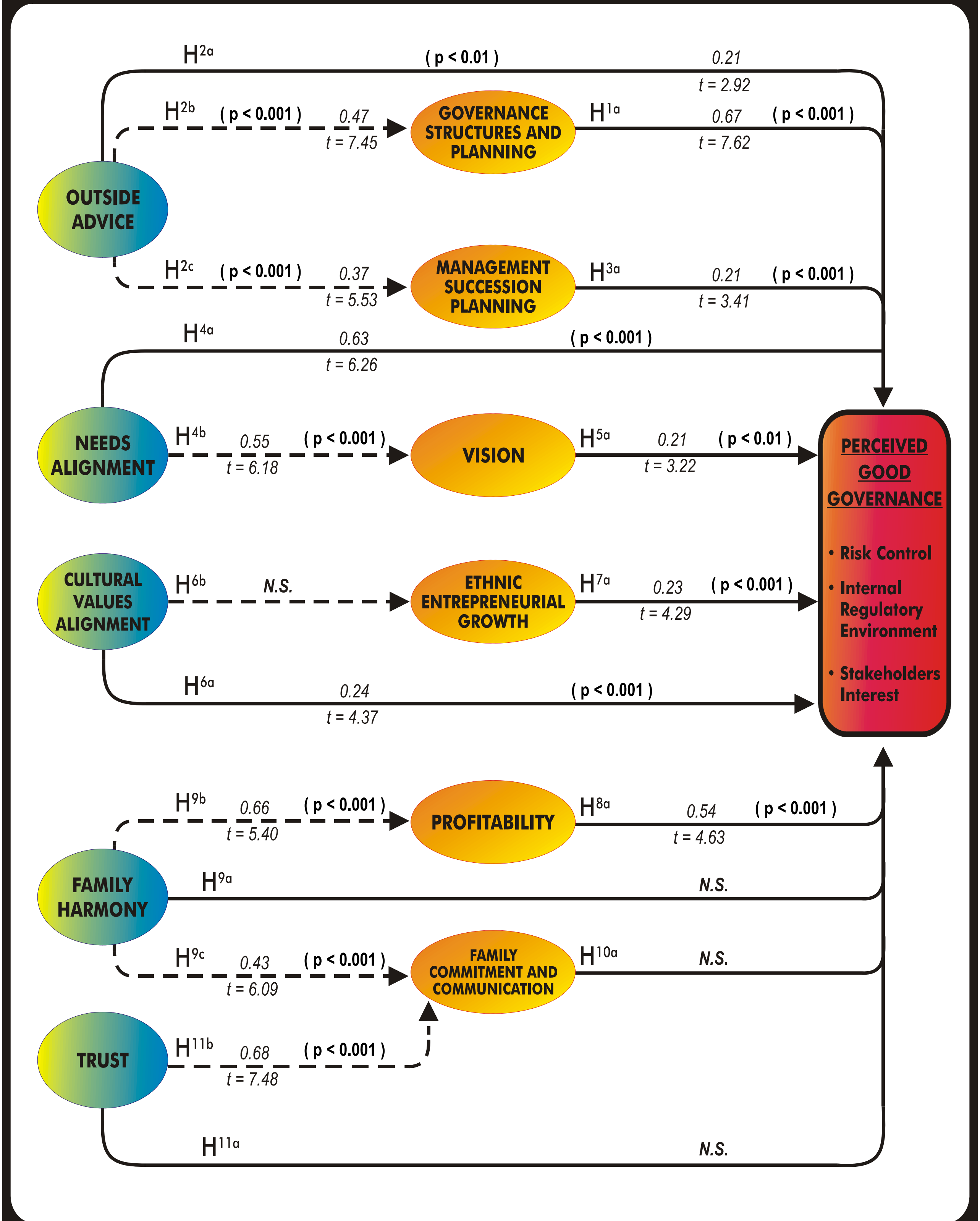
Skewness and Kurtosis

Value	27742.81
p – value	0.000

As the value for the Chi square test statistic was 27742.81 and the associated p value smaller than 0.001 the null hypothesis was rejected at the 0.1% level of significance. In other words, the assumption of multivariate normality is not supported by the data. As a result the Robust Maximum Likelihood method available in LISREL 8.54 was used for estimating both the measurement model and the structural equation model.

The model was split up into three sections (Sub-model A, Sub-model B and Sub-model C) and analysed separately. The results are presented in Figure 8.8.

Figure 8.8 Structural Model Estimation



SOURCE: Researchers' own construction

8.10.1.1 Governance Structures and Planning

It can be seen from Figure 8.8 that the existence of governance structures and planning are positively related (point estimate = 0.67, $p < 0.001$, $t = 7.62$) to perceived good governance as measured by risk control, the internal regulatory environment, and the shareholders' interest. (HypothesisH^{1a}) suggests that the more the Greek family makes use of governance structures and effective strategic planning, the more effective risk control, the internal regulatory environment, and taking care of stakeholders' interest will be to ensure good governance. Hypothesis H^{1a} is thus accepted. This empirical result is supported by prior research conducted by Poza (1989), Handler (1994), Neuebauer and Lank (1998), Astrachan and Kolenko (1994), Lansberg (1999), Dyer (1986) and Egan (1998).

8.10.1.2 Outside Advice

From Figure 8.8, it can be seen that there is a positive relationship (point estimate = 0.47, $p < 0.001$, $t = 7.45$) between the use of outside advice and the existence of governance structures and planning in place (Hypothesis H^{2b}). This suggests that the more the Greek family makes use of outside advice, the more effective the governance structures and strategic planning will be. Hypothesis H^{2b} is thus accepted. This empirical finding is supported by prior research and literature by Dickson (2000), Johnson (1996), Neuebauer and Lank (1998), Morris *et al*., (1997) and Theuse (2000).

The use of outside advice is also positively related (point estimate = 0.37, $p < 0.001$, $t = 5.53$) to management succession planning (Hypothesis H^{2c}).

This result means that the more the family makes use of expert outside advice, the more effective management succession planning should be. This empirical finding is supported by the literature of Neuebauer and Lank (1998) and the empirical results of Venter (2002).

The empirical results in this study indicate that there is a positive relationship (point estimate = 0.21, $p < 0.001$, $t = 2.92$) between the use of outside advice and perceived good governance as measured by risk control, the internal regulatory environment, and the stakeholders' interests (HypothesisH^{2a}). This suggests that the more the Greek family makes use of expert outside advice, the more effective risk control, the internal regulatory environment and looking after the stakeholders will be, to ensure good governance. Hypothesis H^{2a} is thus accepted. These empirical findings are supported by Johannisson and Huse (2000) and other authors (e.g. Hay and Verster, 1994; Ford, 1998 and Jonovic, 1989), who also found a strong relationship between the use of expert outside advice and perceived good governance.

8.10.1.3 Management Succession Planning

The present study's empirical findings further illustrate that there is a positive relationship (point estimate = 0.21, $p < 0.\ 001$, $t = 3.41$) between management succession planning and perceived good governance (risk control, the internal regulatory environment, and the stakeholders' interests). This finding implies that the more the Greek family plans for management succession, the more effective risk control, adhering to the conditions of the internal regulatory environment, and looking after the stakeholders' interestw will be, to ensure good governance.

Some researchers have suggested that the importance of management succession planning to business continuity has been overstated (Aronoff, 1998:181; Astrachan and Aronoff, 1998:75; Kirby and Lee, 1996:75 and Santiago, 2000:15). A study by Astrachan and Kolenko (1994:251) reveals that, while boards of directors, strategic planning, and frequent family meetings are correlated with business longevity over multiple generations, management succession is not. Similarly, a study by Santiago (2000:15) indicates that management succession planning is not necessarily important for the survival of family businesses. However, contrary to these above authors' beliefs and the current study results, Neuebauer and Lank (1998) believe that management succession planning is critical for family business survival to enforce good governance. The current study reveals (as mentioned in Section 8.10.3.2) that there is a positive relationship between the use of expert advice and the extent of management succession planning to ensure good governance (Hypothesis H^{2c}). This reveals that management succession planning can be positively supported by expert outside advisors (i.e. Greek family business elders and experts outside the family business) to ensure good governance.

8.10.1.4 <u>Needs Alignment</u>

Figure 8.8 demonstrates that the needs alignment of the Greek family member has a significant and positive influence (point estimate = 0.55, $p < 0.001$, $t = 6.18$) on the vision of the business (Hypothesis H^{4b}), in order to ensure good governance. In other words, the higher the needs alignment of the family member is in line with the business, the more positively it will reflect on the vision of the business. Hypothesis H^{4b} is thus accepted.

The empirical results also reveal that there is a positive relationship (point estimate = 0.61, $p < 0.001$, $t = 6.24$) between needs alignment and perceived good governance as measured by risk control, the internal regulatory environment and stakeholders' interests (Hypothesis H^{4a}). In other words, the better the needs of the Greek family member are aligned with opportunities offered by the family business, the better the chances will be that good governance will prevail in the context of risk control, the internal regulatory environment, and the stakeholders' interests.

A review of the literature shows that the more family members' personal needs and career interests are aligned with the various opportunities offered by the family business, the better the chances will be that good governance will prevail (Kaye, 1999; Neuebauer and Lank, 1998; Shen and Conella, 2002). Muske (2002) also reported that family business members who put family needs ahead of business needs were more likely to remain involved with the company than those who put business needs first. Similar findings were also supported by Roe (1994) and La Porta *et al.*, (1998).

8.10.1.5 Vision

The empirical results in this study indicated that there is a significant and positive relationship (point estimate = 0.21, $p < 0.01$, $t = 3.22$) between vision and perceived good governance as measured by risk control, the effective management of the internal regulatory environment, and the protection of the stakeholders' interest (Hypothesis H^{5a}). This finding suggests that the more the Greek family member identifies with the vision of the business, the more effective risk control, the internal regulatory environment and looking after the stakeholders' interests will be to ensure good governance.

Literature findings emphasise that the family business is a business governed and/or managed with the intention of shaping and pursuing the vision of the business held, by the dominant coalition and controlled by the members in such a manner that it is potentially sustainable across generations of the family or families (Chua *et al*., 1999; Neuebauer and Lank, 1998; Dyer and Singh, 1998 and Handler, 1989). Mustakkalio and Avitis (2001) found that strategic decisions are often complex and usually demand the analysis of large amounts of data to ensure good governance.

A shared vision provides a common framework by which to assess available information and focus on relevant issues to enforce good governance (Mustakkalio and Avitis, 2001; Neuebauer and Lank, 1998; Ring and Van den Ven, 1994; Uzzi, 1996 and Chua *et al*., 1999). Also, a shared visioned understanding of roles and related tasks promotes internal role specialization in the internal regulatory environment (Ring and Van den Ven, 1994), which also improves the quality of information that the different stakeholders need during decision processes (Dooley and Fryscell, 1999). Similarly, a shared vision promotes coherence in stakeholders' expectations and opinions on organisational goals (Ring and Van den Ven, 1994). Established role interactions and shared vision also reduce the threat of opportunistic behaviour and establish a social norm of risk control, which reinforces commitment to the internal regulatory environment (Uzzi, 1996) and contribute to expressing shared beliefs by the various stakeholders concerned (Haberson and Atrachan, 1997).

8.10.1.6 Cultural Values Alignment

The empirical results of this study reveal that cultural values alignment does not have a significant influence on ethnic entrepreneurial growth (point estimate = - 0.07, $p > 0.01$, $t = -0.92$). Contrary to what was stated in the hypothesis H^{6b}, this relationship was also found to be negative. In other words, if cultural values are aligned with the business it would have a negative effect on the ethnic entrepreneurial growth of the Greek family business concerned.

Craig and Lindsay, (2002) argue that the family monitor and review business activities and growth, to determine whether they put at risk family traditions, culture, values, and assets in the core family business. The family dynamic cannot be ignored in the entrepreneurship process of the entrepreneurial family business (Maas, 1999). Thus, one could also argue that if cultural values alignment does take place, it will have a negative effect on ethnic entrepreneurial growth.

Figure 8.8 indicates that there is a positive relationship between cultural values alignment and perceived good governance as measured by risk control, the internal regulatory environment, and the stakeholders' interests (Hypothesis H^{6a}). According to the respondents of this study, the more cultural values alignment takes place, the more effective risk control, the internal regulatory environment and taking care of the stakeholders' interests will be for South African Greek family businesses.

This study's findings are supported by previous studies, in the sense that generational family businesses, for example, typically develop traditions, cultural values, and customs that are reflected in their administration, business strategies, and governance performance. (McWhinney, 1998; Dyer, 1986; Harvey and Evans, 1994, Schein, 1995; Jersick et al., 1997; Ward and Dolan, 1998; Gopalkrishnan and Shapiro, 2000 and Corvetta, 1995).

8.10.1.7 Ethnic Entrepreneurial Growth

The empirical results also indicate that there is a positive relationship (point estimate = 0.23, $p < 0.001$, $t = 4.29$) between ethnic entrepreneurial growth and perceived good governance as measured by risk control, the internal regulatory environment and taking care of the stakeholders' interests to ensure good governance (Hypothesis H^{7a}). In other words, the higher the ethnic entrepreneurial growth of the Greek family business, the more positively it will reflect on risk control, the internal regulatory environment and taking care of the stakeholders' interests to ensure good governance. Hypothesis H^{7a} is thus accepted.

These findings are supported by previous research findings. Ethnic enterprises provide jobs for family members and other relatives. The new migrants begin work in the ethnic enterprise, but when they are established economically, they invite other family members to join (Mantzaris, 2000; Poutziouris et al., 1999; Davidsson et al., 2002 and Verkatamaran, 1997). Pourtziouris et al., (1999) also found that entrepreneurial survivors faced the challenge of ensuring the development of both the family business and the general governance system to sustain survival and growth of the family business into the next generation. The main strategic concern of ethnic entrepreneurial growth is both supported and controlled by the governance structures and processes of the business. Poutziouris et al., (1999) also found that the central stimulus factor for a successful entrepreneurial growth strategy is the acceptance of the need for professionalisation of commercial practice as the business develops from its previous family-orientated culture.

8.10.1.8 Profitability

Figure 8.8 shows that profitability has a positive relationship (point estimate = 0.54, $p < 0.001$, $t = 4.63$) to perceived good governance as measured by risk control, the internal regulatory environment and the stakeholders' interests (Hypothesis H^{8a}) to ensure good governance. In other words, the more profitable the family business finds itself to be, the better it will reflect on risk control, the internal regulatory environment and taking care of the stakeholders' interests to ensure good governance. Hypothesis H^{8a} is thus accepted.

These findings are supported by previously reported research findings, which emphasised that within the process of harvest, the seeds of renewal and investments are sown. Such a recycling of entrepreneurial talent and capital is at the very heart of a good governance system of private responsibility for stakeholders' interests. Profitable entrepreneurial companies also organise and manage for the long haul, in ways to perpetuate the opportunity creation and recognition process of economic regeneration and adhering to the conditions of the regulatory environments (Timmons, 1999; Timmons, 2002).

8.10.1.9 Family Harmony

The present study's empirical findings further illustrate that family harmony is an important determinant of profitability, as well as their perception of communication within the business. Figure 8.8 depicts a positive relationship (point estimate = 0.66, $p < 0.001$, $t = 5.40$) between family harmony and profitability (Hypothesis H^{9b}). In other words, profitability will increase when the family harmony is enhanced, which will again enhance good governance practices. Hypothesis H^{9b} is thus accepted. Figure 8.8 also depicts a positive relationship (point estimate = 0.43, $p < 0.001$, $t = 5.40$) between family harmony and family commitment and communication (Hypothesis H^{9c}). This means that well-governed family commitment and open communication will increase with the higher prevalence of family harmony. These findings are in line with previous findings reported by Dumas <u>et al.</u> (1995) and Bernades (1997). Hypothesis H^{11b} is thus accepted.

The empirical results of this study indicated that there is not a significant relationship (point estimate = - 0.06, $p > 0.01$, $t = - 0.09$) between family harmony and perceived good governance as measured by risk control, the internal regulatory environment and the stakeholders' interests (Hypothesis H^{9a}). Hypothesis H^{9a} is not supported. The extent and prevalence of family harmony in the Greek family business negatively influence Good Governance.

8.10.1.10 Family Commitment and Communication

As stated in paragraph 8.10.3.9, there is a positive relationship (point estimate = 0.43, $p < 0.001$, $t = 6.09$) between family harmony and family commitment and communication (Hypothesis H^{9c}). Figure 8.8 also reveals that there is not a significant relationship (point estimate = 1.20, $p > 0.05$, $t = 0.85$) between family commitment and communication and perceived good governance as measured by risk control, the internal regulatory environment and the stakeholders' interest (Hypothesis H^{10a}). Hypothesis H^{10a} is not supported. Family commitment and open communication do not influence good governance for South African Greek family businesses.

In the family business scenario, family commitment is defined as "the desire to continue relationships to ensure its continuance" (Wilson, 1995; Anderson and Narus, 1984; Morgan and Hunt, 1992; Dwyer *et al*., 1987) or as "an implicit or explicit pledge or relational continuity between partners (Dwyer, Schurr, Oh, 1987). Most of the literature distinguishes between three distinct types of family commitment based on the underlying motives – affective commitment, cost-induced commitment and obligation-based commitment. Brenic and Zabkar's, (1998) understanding of commitment is based upon affective motives such as emotional attachment, belonging and respect for the family members and partners, which is in the form of a liking to develop and strengthen the relationship with another person or group (Hewett *et al*., 2001).

Affective commitment is explained by some in terms of congruence of valuing goals among participants. This means that relationship participants have common beliefs regarding behaviour, goals, and policies (Buchanan, 1974; Mowday *et al*., 1982; Brown; Kim and Frazier, 1997). The literature focusing on relationships, in the majority of cases, concentrates on the environment and of a western country culture and not on the international or cross-cultural scenario (Hewett and O'Bearden, 2001; Johnson and Cullen, 2002). Not a lot of researchers involve the cross-cultural components of family commitment in business relationships. Johnson and Cullen (2002), imply that the issue of commitment in cultural exchange has become compelling when expanding to foreign markets (Johnson *et al*., 2002).

A culture of open family communication reinforced by structured processes, is an integral precondition to creating a successful family governance process (Martin, 2001; Neuebauer and Lank, 1998; Ward, 1997 and Hewitt *et al*., 2001). After all, a viable family governance process cannot survive in an atmosphere of ignorance and distrust (Martin, 2001). Open communication also requires a regular flow of information from the family company or investment – philanthropy structure to family members. The communication processes amongst family members and between the family and its business or wealth structure creates the knowledge and competency required by family members who will have responsible roles in the family governance model. Together with the accumulated experience of being exposed to financial results and discussing them with other family members or stakeholders, comes some of the understanding required for good governance. One could also argue that if open communication does not take place, risk control, the internal regulatory environment and the stakeholders' interests could be jeopardised to ensure good governance (Martin, 2001; Neuebauer and Lank, 1998; Hewitt *et al*., 2001).

8.10.1.11 Trust

The present study's empirical findings further illustrate that there is a positive relationship (point estimate = 0.68, $p < 0.001$, $t = 7.48$) between trust and family commitment and communication (Hypothesis H^{11b}). These findings are supported by Martin (2001), who also found a positive relationship, in that family commitment with open communication and inclusion creates family trust, and trust creates family harmony. Hypothesis H^{11b} is thus accepted.

Based on the empirical results of this study, trust does not have an influence (point estimate = - 0.66, $p < 0.01$, $t = - 0.70$) on perceived good governance as measured by risk control, the internal regulatory environment and taking care of the stakeholders' interests (Hypothesis H^{11a}). Contrary to what was stated in those hypothesises, these relationships was found to be negative. The respondents of this study are probably of the opinion that if risk control takes place, adhering to the internal regulatory environments' conditioning and looking after the stakeholders' interests, it will have a negative influence on the feeling of trust within the South African Greek family business. Hypothesis H^{11a} is not supported.

By contrast to the above, a significant body of literature has emphasised the role of trust in organisational governance (Powell, 1987; Bradach and Eccles, 1989; Kramer and Tyler, 1996; Rousseau *et al*., 1998). Trust plays an important role in business survival and success. Steier (2001) states that used effectively, trust represents a major source of competitive advantage for business, but apparently this is not the case in South African Greek family businesses.

8.11 ASSESSING THE IDENTIFICATION OF THE STRUCTURAL MODEL

Step five in Structural Equation Modelling (SEM) is to assess the identification of the structural model. During the estimation process, the most likely cause of the computer program (LISREL) "blowing up" or producing meaningless or illogical results would be a problem in the identification of the structural model. An identification problem, in simple terms, is the inability of the proposed model to produce unique estimates (Hair et al., 1998: 608). For the purpose of identification, the researcher must then be concerned with the size of the covariance matrix relative to the number of estimated coefficients. Hair *et al*. (1998: 608) explains that the difference between the number of covariance's and the actual number of coefficients in the proposed model is termed "degrees of freedom".

Hair *et al*. (1998, 608), indicates that there is no single rule that confirms the identification of a model, but proposes a two rule of thumb, namely rank and order conditions. These authors mention that the terms of the order condition, the model's degree of freedom should be equal than or greater to zero. A just-identified model has exactly zero degrees of freedom, whereas an over-identified model has a positive number of degrees of freedom (Venter, 2002: 303; Hair *et al*., 1998: 608). An over-identified model is the goal of all structural equation models (Hair *et al*., 1998: 608) and these over-identified models should have more information in the data matrix than the number of parameters to be estimated (Venter, 2002: 303). This entails that the larger the degrees of freedom are, the more identified the model will be.

For the revised empirical models, the degrees of freedom are 319 (Sub-Model A), 244 (Sub-Model B) and 243 (Sub-Model C), which are all significantly greater than zero. These indicators prove that there is no danger that the proposed theoretical model would produce illogical or meaningless results when generating unique estimates. Hair *et al*. (1998: 609), states that the rank condition must be met by the proposed theoretical model, in which the researcher must use certain existing heuristics to test it. The simplest of these is the three-measure rule, which asserts that any constructs with three or more indicators will always be identified (Venter, 2002: 304; Hair et al., 1998: 609). In the present research, no single construct has less than three indicators, again indicating a reduced risk of model identification problems.

8.12 EVALUATING THE GOODNESS-OF-FIT OF THE STRUCTURAL MODEL

The first assessment of goodness-of-fit must be done for the overall model (Hair et al, 1998:621). By applying several tests of goodness-of-fit, the proximity of fit between the data and the model can be assessed. Goodness-of-fit determines the degree to which the structural equation model fits the sample data. Model fit criteria commonly used are chi-square (χ^2), goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), and root-mean-square residual (RMR) (Schumacker & Lomax, 1996:124). Because some of the fit indices evaluate different aspects of fit, it is important to evaluate fit based on multiple fit statistics, so that judgments will not be an artefact of analytic choice. Assessment of model adequacy must be based on multiple criteria that take into account theoretical, statistical, and practical considerations (Grimm & Yarnold, 2000:271).

The overall model fit provided by the chi-square (χ^2) value is often used as the first step in evaluating model acceptance or rejection (Baumgartner & Homburg, 1996:152). The χ^2 statistic in isolation is not a meaningful statistic without taking into account the degrees of freedom (df) of a model (Baumgartner & Homburg, 1996:152). A significant χ^2 value relative to the degrees of freedom indicates that the observed and estimated matrices differ. Statistical significance indicates the probability that this difference is due to sampling variation. A non-significant χ^2 value indicates that the two matrices are not statistically different. The χ^2 criterion is, however, sensitive to sample size. If the sample size increases (generally above 200), the χ^2 test has a tendency to indicate a significant probability level (Schumaker & Lomax, 1996:125). Because the chi-square test is sensitive to sample size (the sample size for the current study is 331) and can lead to a rejection of a model differing in a trivial way from the data for large sample sizes, it is prudent also to examine other measures of fit (Bagozzi & Heatherton, 1994:45; Baumgartner & Homburg, 1996:149; Ferrara, 2000:106). Thus, a comparison of the GFI, AGFI, and RMR measures, which are independent of sample size, was performed to assess the model's fit (Smith et al., 1996:177).

The Goodness-of-fit (GFI) is based on a ratio of the sum of the squared differences between the observed and reproduced matrices to the observed variances (Schumaker & Lomax, 1996:126). The Adjusted Goodness-of-fit (AGFI) adjusts the GFI index for the degrees of freedom of a model relative to the number of variables. The advantage of GFI and AGFI is that they are scales between zero (poor fit) and 1 (perfect fit), and are not a function of sample size. One rule-of-thumb is that for a good fit, GFI should exceed 0.95, and for an acceptable fit, GFI should exceed 0.90. Similarly, a model with a good fit should have an AGFI value greater than 0.80 (Lattin et al., 2003:182). Most researchers expect values to be greater than 0.90 for correctly specified models (Hair et al., 1998:657; Grimm & Yarnold, 2000:270).

The Root-mean-square residual (RMR) index uses the square root of the mean of the squared residuals which is an average of the residuals between observed and estimated input matrices (Schumaker & Lomax, 1996:126). Ideally, RMR should be near zero for a good model fit (Ferrara, 2000:106). Values of 0.05 or less are regarded as indicative of a model that fits the data well (Grimm & Yarnold, 2000:270; Spangenberg & Theron, 2002:19).

Root mean square error of approximation (RMSEA) is another measure that attempts to correct for the tendency of the chi-square statistic to reject any specified model with a sufficiently large sample (Hair *et al*., 1998:656). RMSEA expresses the difference between the observed and estimated covariance matrices in terms of degrees of freedom of the model, and is a fit index that focuses on estimated population fit. An empirical examination of several measures has found that the RMSEA was best suited to use in a confirmatory strategy with larger samples (Hair *et al.,* 1998:656). Although rarely encountered, RMSEA values below 0.01 would indicate a model that fits the data exceptionally well, since values approaching zero are desired. Different RMSEA cut-off values have been suggested: some consider values below 0.05 to indicate a very good fit (Spangenberg & Theron, 2002:19); others indicate that values between 0.05 and 0.08 are indicative of acceptable fit (Baumgartner & Homburg, 1996:152; Hair *et al*., 1998:656; Grimm & Yarnold, 2000:271). Hu and Bentler (1999:1) suggest a cut-off value close to 0.06 for RMSEA before one can conclude that there is a relatively good fit.

Step six of the SEM process is to evaluate the goodness-of-fit for the proposed theoretical model. The first step in evaluating the results is an initial inspection for "offending estimates". Once the model is established as providing acceptable estimates, the goodness-of-fit can then be assessed (Hair *et al*., 1998: 610). The indices of fit for the structural model depicted in Figure 8.8 are shown in Tables 8.6, 8.7 and 8.8. It must be pointed out, however, that the objective of this study was not to establish a well-fitting model, but rather to use structural equation modelling to empirically test the strength of relationships amongst the latent variables in the theoretical model.

TABLE 8.6: GOODNESS-OF-FIT INDICES FOR THE STRUCTURAL MODEL (Sub-Model A)

GOODNESS-OF-FIT STATISTICS		
SAMPLE SIZE	331	
DEGREES OF FREEDOM	319	
MINIMUM FIT FUNCTION CHI-SQUARE	1157.899	(P = 0.0)
NORMAL THEORY WEIGHTED LEAST SQUARES CHI-SQUARE	1168.152	(P = 0.0)
SATORRA-BENTLER SCALED CHI-SQUARE	809.002	(P = 0.0)
ESTIMATED NON-CENTRALITY PARAMETER (NCP)	490.002	
90 PERCENT CONFIDENCE INTERVAL FOR NCP	(409.964 ; 577.712)	
MINIMUM FIT FUNCTION VALUE	3.509	
POPULATION DISCREPANCY FUNCTION VALUE (FO)	1.485	
90 PERCENT CONFIDENCE INTERVAL FOR FO	(1.242 ; 1.751)	
ROOT MEAN SQUARE ERROR OF APPROXIMATION (RMSEA)	0.0682	
90 PERCENT CONFIDENCE INTERVAL FOR RMSEA	(0.0624 ; 0.0741)	
P-VALUE FOR TEST OF CLOSE FIT (RMSEA < 0.05)	0.000	
EXPECTED CROSS-VALIDATION INDEX (ECVI)	2.809	
90 PERCENT CONFIDENCE INTERVAL FOR ECVI	(2.567 ; 3.075)	
ECVI FOR SATURATED MODEL	2.291	
ECVI FOR INDEPENDENCE MODEL	45.766	
CHI-SQUARE FOR INDEPENDENCE MODEL WITH 276 DEGREES OF FREEDOM	15048.644	
INDEPENDENCE AIC	15102.644	
MODEL AIC	927.002	
SATURATED AIC	756.000	
INDEPENDENCE CAIC	15232.302	
MODEL CAIC	1210.327	
SATURATED CAIC	2571.201	
NORMED FIT INDEX (NFI)	0.923	
NON-NORMED FIT INDEX (NNFI)	0.937	
PARSIMONY NORMED FIT INDEX (PNFI)	0.839	
COMPARATIVE FIT INDEX (CFI)	0.943	
INCREMENTAL FIT INDEX (IFI)	0.943	
RELATIVE FIT INDEX (RFI)	0.915	
CRITICAL N (CN)	109.495	
ROOT MEAN SQUARE RESIDUAL (RMR)	0.374	
STANDARDIZED RMR	0.107	
GOODNESS OF FIT INDEX (GFI)	0.792	
ADJUSTED GOODNESS OF FIT INDEX	0.754	
PARSIMONY GOODNESS OF FIT INDEX (PGFI)	0.669	

The data used in this study were not normally distributed and therefore the Robust Maximum Likelihood was used as the estimation method instead of the Maximum Likelihood estimation process, as recommended by Jöreskog and Sörbom (2003). Also, because of the non-normality distribution, the adjusted goodness-of-fit (AGFI) and the goodness-of-fit index (GFI) should not be used to assess model fit. This implies that the purpose of the statistical analyses was more focused to assess relationships instead of a model fit.

TABLE 8.7: GOODNESS-OF-FIT INDICES FOR THE STRUCTURAL MODEL (Sub-Model B)

GOODNESS-OF-FIT STATISTICS		
SAMPLE SIZE	331	
DEGREES OF FREEDOM	245	
MINIMUM FIT FUNCTION CHI-SQUARE	1082.542	(P = 0.0)
NORMAL THEORY WEIGHTED LEAST SQUARES CHI-SQUARE	1353.657	(P = 0.0)
SATORRA-BENTLER SCALED CHI-SQUARE	866.467	(P = 0.0)
CHI-SQUARE CORRECTED FOR NON-NORMALITY	23866.353	(P = 0.0)
ESTIMATED NON-CENTRALITY PARAMETER (NCP)	621.467	
90 PERCENT CONFIDENCE INTERVAL FOR NCP	(535.491 ; 715.021)	
MINIMUM FIT FUNCTION VALUE	3.280	
POPULATION DISCREPANCY FUNCTION VALUE (FO)	1.883	
90 PERCENT CONFIDENCE INTERVAL FOR FO	(1.623 ; 2.167)	
ROOT MEAN SQUARE ERROR OF APPROXIMATION (RMSEA)	0.0877	
90 PERCENT CONFIDENCE INTERVAL FOR RMSEA	(0.0814 ; 0.0940)	
P-VALUE FOR TEST OF CLOSE FIT (RMSEA < 0.05)	0.000	
EXPECTED CROSS-VALIDATION INDEX (ECVI)	2.959	
90 PERCENT CONFIDENCE INTERVAL FOR ECVI	(2.698 ; 3.242)	
ECVI FOR SATURATED MODEL	1.818	
ECVI FOR INDEPENDENCE MODEL	27.768	
CHI-SQUARE FOR INDEPENDENCE MODEL WITH 276 DEGREES OF FREEDOM	9115.555	
INDEPENDENCE AIC	9163.555	
MODEL AIC	976.467	
SATURATED AIC	600.000	
INDEPENDENCE CAIC	9278.806	
MODEL CAIC	1240.584	
SATURATED CAIC	2040.636	
NORMED FIT INDEX (NFI)	0.881	
NON-NORMED FIT INDEX (NNFI)	0.893	
PARSIMONY NORMED FIT INDEX (PNFI)	0.782	
COMPARATIVE FIT INDEX (CFI)	0.905	
INCREMENTAL FIT INDEX (IFI)	0.906	
RELATIVE FIT INDEX (RFI)	0.866	
CRITICAL N (CN)	92.274	
ROOT MEAN SQUARE RESIDUAL (RMR)	0.210	
STANDARDIZED RMR	0.106	
GOODNESS OF FIT INDEX (GFI)	0.745	
ADJUSTED GOODNESS OF FIT INDEX	0.688	
PARSIMONY GOODNESS OF FIT INDEX (PGFI)	0.609	

The same process was followed as in Sub-Model A.

TABLE 8.8: GOODNESS-OF-FIT INDICES FOR THE STRUCTURAL MODEL (Sub-Model C)

GOODNESS-OF-FIT STATISTICS		
SAMPLE SIZE	331	
DEGREES OF FREEDOM	243	
MINIMUM FIT FUNCTION CHI-SQUARE	1239.516	(P = 0.0)
NORMAL THEORY WEIGHTED LEAST SQUARES CHI-SQUARE	1267.186	(P = 0.0)
SATORRA-BENTLER SCALED CHI-SQUARE	718.091	(P = 0.0)
CHI-SQUARE CORRECTED FOR NON-NORMALITY	15569.599	(P = 0.0)
ESTIMATED NON-CENTRALITY PARAMETER (NCP)	475.091	
90 PERCENT CONFIDENCE INTERVAL FOR NCP	(398.515 ; 559.293)	
MINIMUM FIT FUNCTION VALUE	3.756	
POPULATION DISCREPANCY FUNCTION VALUE (FO)	1.440	
90 PERCENT CONFIDENCE INTERVAL FOR FO	(1.208 ; 1.695)	
ROOT MEAN SQUARE ERROR OF APPROXIMATION (RMSEA)	0.0770	
90 PERCENT CONFIDENCE INTERVAL FOR RMSEA	(0.0705 ; 0.0835)	
P-VALUE FOR TEST OF CLOSE FIT (RMSEA < 0.05)	0.000	
EXPECTED CROSS-VALIDATION INDEX (ECVI)	2.521	
90 PERCENT CONFIDENCE INTERVAL FOR ECVI	(2.289 ; 2.777)	
ECVI FOR SATURATED MODEL	1.818	
ECVI FOR INDEPENDENCE MODEL	32.611	
CHI-SQUARE FOR INDEPENDENCE MODEL WITH 276 DEGREES OF FREEDOM	10713.549	
INDEPENDENCE AIC	10761.549	
MODEL AIC	832.091	
SATURATED AIC	600.000	
INDEPENDENCE CAIC	10876.800	
MODEL CAIC	1105.812	
SATURATED CAIC	2040.636	
NORMED FIT INDEX (NFI)	0.884	
NON-NORMED FIT INDEX (NNFI)	0.892	
PARSIMONY NORMED FIT INDEX (PNFI)	0.779	
COMPARATIVE FIT INDEX (CFI)	0.905	
INCREMENTAL FIT INDEX (IFI)	0.905	
RELATIVE FIT INDEX (RFI)	0.869	
CRITICAL N (CN)	80.126	
ROOT MEAN SQUARE RESIDUAL (RMR)	0.158	
STANDARDIZED RMR	0.0924	
GOODNESS OF FIT INDEX (GFI)	0.758	
ADJUSTED GOODNESS OF FIT INDEX	0.701	
PARSIMONY GOODNESS OF FIT INDEX (PGFI)	0.614	

The same process was followed as in Sub-Model A.

8.13 MODEL RE-SPECIFICATION

Step seven in the SEM analysis is to do the interpreting and modifying of the proposed theoretical model. Hair *et al*. (1998: 614) state that once the model is deemed acceptable, the researcher should first examine the results for their correspondence to the proposed theory. Based on observations and the empirical results of this research, it is confirmed that all the principal relationships in the theory are supported and found to be statistically significant. All the relationships in the hypothesised directions indicate either positive or negative. Hair *et al*.,(1998: 614) further state that once the model interpretations are complete, the researcher most likely should consider ways to improve model fit and/or its correspondence to the underlying theory. Model re-specification is the process of adding or deleting estimated parameters from the original model in an attempt to obtain a better goodness-of-fit result. Such modifications can, however, only be made if they are substantiated by theoretical justification for what is empirically deemed significant (Venter, 2002: 305; Hair *et al*., 1998: 615).

In addition to the modification index, LISREL calculates modification indices for every non-estimated relationship in the structural model. These index values correspond approximately to the reduction in the chi-square value that would occur if the coefficient were estimated in the structural model (Venter, 2002: 305). LISREL did, however, indicate that there is a positive relationship (0.54, $p < 0.001$, $t = 4.29$) between vision and ethnic entrepreneurial growth to ensure good governance. Since a significant reduction in the chi-square value would improve the goodness-of-fit of the final model, it was decided to add this path to the model, as suggested by the modification indices, and to re-estimate the model. Hair *et al*.,(1998:

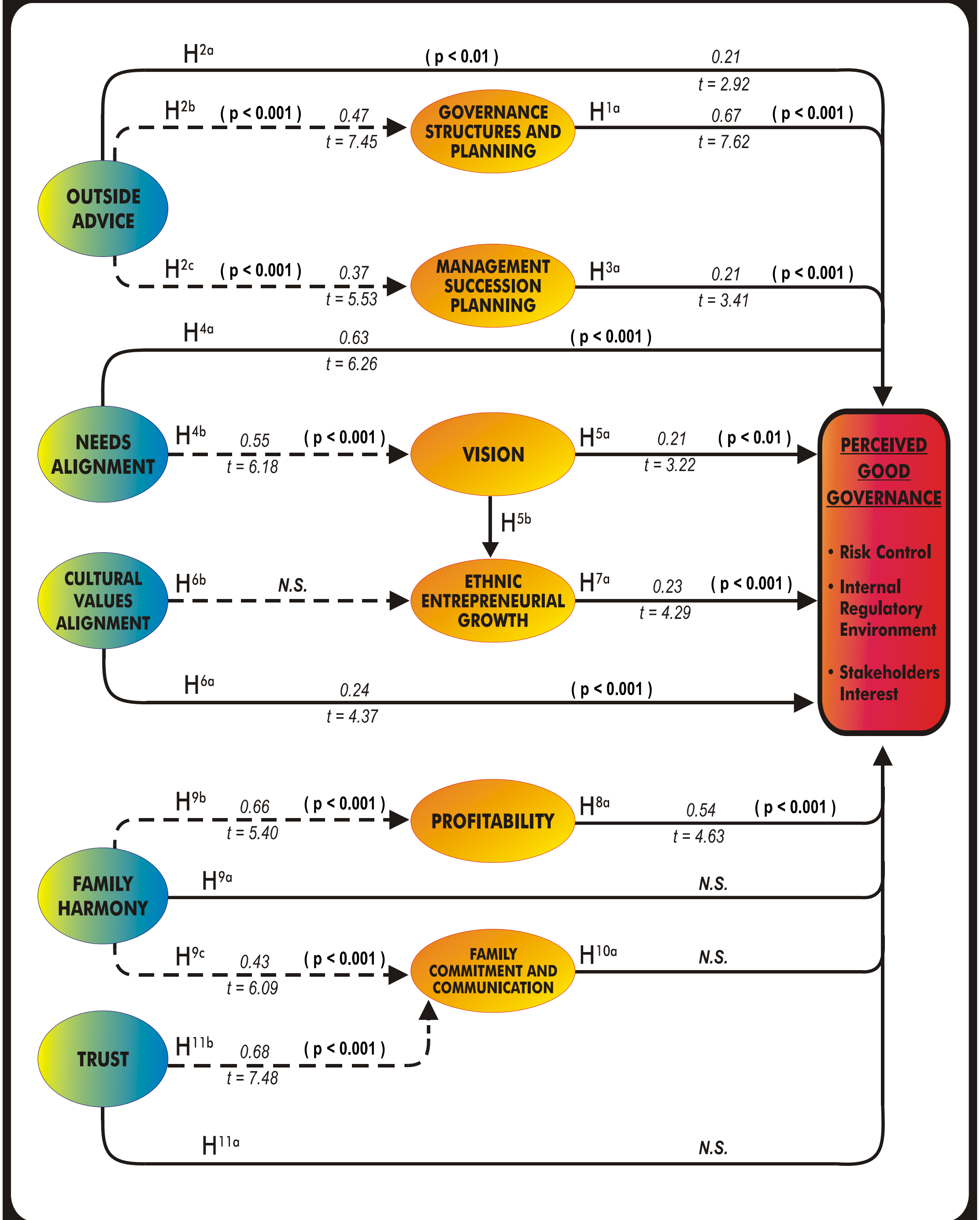
616), recommend that relationships can be added to the structural model only if they can be theoretically justified. As indicated, one relationship has been identified for inclusion in the structural model. Substantiating literature was also found for this relationship. This relationship is hypothesised as:

H^{5b} : There is a positive relationship between following the vision of the family business and the extent of ethnic entrepreneurial growth taking place to ensure good governance.

The inclusion of this hypothesis is supported by Habbershon and Astrachan (1997), who established that in a family business, a shared vision involves family members' collective ideas about the future for the business, including desired business domains, desired growth rates, financial performance, and entrepreneurial growth (Davidsson *et al.,* 2002; Nahapiet and Ghashal, 1998; Uzzi, 1996; Markides, 1995 and Penrose, 1959). This also seems to apply to Greek family businesses in South Africa.

The path diagram for this modified (re-specified) model is presented in Figure 8.9.

Figure 8.9 Modified Path Diagram

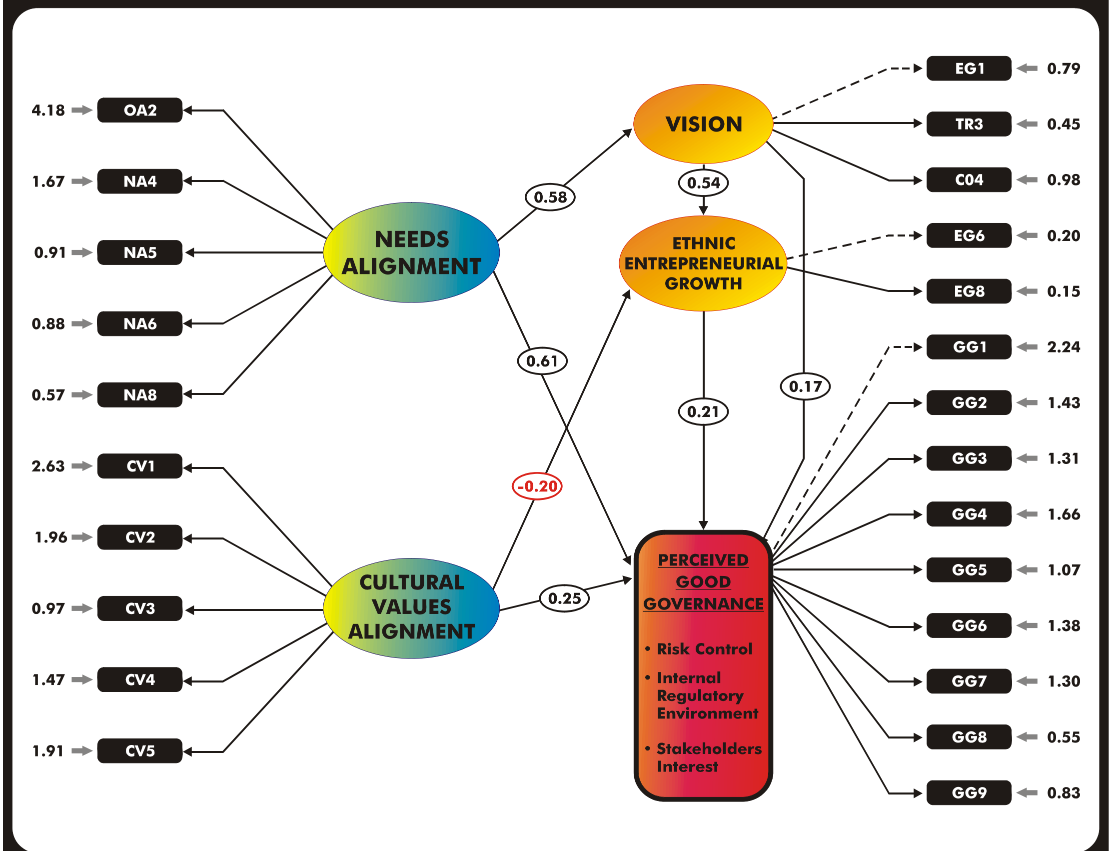


SOURCE: Researchers' own construction

8.14 ESTIMATION OF THE MODIFIED MODEL (SECTION B)

Figure 8.10 summarise the results from the maximum robust likelihood estimation of coefficients that was also performed for the modified (re-specified) Sub-Model B of the model. It can be seen from the results that different estimated coefficients appeared as for those relationships also estimated in the structural model. This is because SEM is a multivariate technique that estimates a series of interrelated dependence relationships simultaneously, and it can look for improvement by identifying other relationships not already identified by the researcher.

Figure 8.10 Modified Model Estimation (Sub-Model B)



SOURCE: Researchers' own construction

From Figure 8.10 it can be seen that the single relationship introduced, proved to be significant. The existence of vision (Hypothesis H^{5b}) is positively related (point estimate = 0.54, $p < 0.001$, $t = 4.29$) to ethnic entrepreneurial growth. This suggests that the more the family business members follow the vision of the business, the more ethnic entrepreneurial growth would take place to ensure good governance. In the modified model estimation of Sub-Model B, all other relationships changed, but all were found (as before) to be either positive or negatively related.

The goodness-of-fit has been reassessed of Sub-Model B of the measurement model, to ascertain if any improvement was achieved. This was done since the purpose of including additional relationships (based on the modification indices) is to improve the fit of the structural model.

A complete summary of all the hypotheses, whether they were supported or not, is provided in the next section.

TABLE 8.10: GOODNESS-OF-FIT INDICES FOR THE STRUCTURAL MODEL (Sub-Model B)

GOODNESS-OF-FIT STATISTICS		
SAMPLE SIZE	331	
DEGREES OF FREEDOM	244	
MINIMUM FIT FUNCTION CHI-SQUARE	1023.509	(P = 0.0)
NORMAL THEORY WEIGHTED LEAST SQUARES CHI-SQUARE	1232.973	(P = 0.0)
SATORRA-BENTLER SCALED CHI-SQUARE	776.546	(P = 0.0)
CHI-SQUARE CORRECTED FOR NON-NORMALITY	13979.541	(P = 0.0)
ESTIMATED NON-CENTRALITY PARAMETER (NCP)	532.546	
90 PERCENT CONFIDENCE INTERVAL FOR NCP	(452.148 ; 620.549)	
MINIMUM FIT FUNCTION VALUE	3.120	
POPULATION DISCREPANCY FUNCTION VALUE (FO)	1.614	
90 PERCENT CONFIDENCE INTERVAL FOR FO	(1.370 ; 1880)	
ROOT MEAN SQUARE ERROR OF APPROXIMATION (RMSEA)	0.0813	
90 PERCENT CONFIDENCE INTERVAL FOR RMSEA	(0.0749 ; 0.0878)	
P-VALUE FOR TEST OF CLOSE FIT (RMSEA < 0.05)	0.000	
EXPECTED CROSS-VALIDATION INDEX (ECVI)	2693	
90 PERCENT CONFIDENCE INTERVAL FOR ECVI	(2.449 ; 2.959	
ECVI FOR SATURATED MODEL	1.818	
ECVI FOR INDEPENDENCE MODEL	27.768	
CHI-SQUARE FOR INDEPENDENCE MODEL WITH 276 DEGREES OF FREEDOM	9115.555	
INDEPENDENCE AIC	9163.555	
MODEL AIC	888.546	
SATURATED AIC	600.000	
INDEPENDENCE CAIC	9278.806	
MODEL CAIC	1157.465	
SATURATED CAIC	2040.636	
NORMED FIT INDEX (NFI)	0.888	
NON-NORMED FIT INDEX (NNFI)	0.900	
PARSIMONY NORMED FIT INDEX (PNFI)	0.785	
COMPARATIVE FIT INDEX (CFI)	0.912	
INCREMENTAL FIT INDEX (IFI)	0.912	
RELATIVE FIT INDEX (RFI)	0.873	
CRITICAL N (CN)	97.187	
ROOT MEAN SQUARE RESIDUAL (RMR)	0.203	
STANDARDIZED RMR	0.0889	
GOODNESS OF FIT INDEX (GFI)	0.763	
ADJUSTED GOODNESS OF FIT INDEX	0.708	
PARSIMONY GOODNESS OF FIT INDEX (PGFI)	0.620	

8.15 TESTING OF HYPOTHESES

The final phase in the data analysis was to test all the hypotheses. Based on the empirical results of the path coefficients, all the hypotheses defined can be interpreted as being supported or not. Table 8.9 has been constructed to summarise all the hypotheses, in order to improve the readability of this section.

TABLE 8.9 SUMMARY OF THE HYPOTHESES TESTED IN THE MODIFIED MODEL		
	HYPOTHESIS	SUPPORTED OR NOT SUPPORTED
H^{1a}	There is a positive relationship between the existence of Governance Structures and Planning and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H^{2a}	There is a positive relationship between the use of expertise Outside Advice and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H^{2b}	There is a positive relationship between the use of expertise Outside Advice and Governance Structures and Planning to ensure good governance.	SUPPORTED
H^{2c}	There is a positive relationship between the use of expertise Outside Advice and Management Succession Planning to ensure good governance.	SUPPORTED
H^{3a}	There is a positive relationship between Management Succession Planning and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H^{4a}	There is a positive relationship between Needs Alignment and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H^{4b}	There is a positive relationship between Needs Alignment and Vision to ensure good governance.	SUPPORTED
H^{5a}	There is a positive relationship between Vision and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H^{5b}	There is a positive relationship between Vision and Ethnic Entrepreneurial Growth to ensure good governance.	SUPPORTED

	HYPOTHESIS	SUPPORTED OR NOT SUPPORTED
H6a	There is a positive relationship between Cultural Values Alignment and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H6b	There is a positive relationship between Cultural Values Alignment and Ethnic Entrepreneurial Growth to ensure good governance.	NOT SUPPORTED
H7a	There is a positive relationship between Ethnic Entrepreneurial Growth and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H8a	There is a positive relationship between Profitability and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	SUPPORTED
H9a	There is a positive relationship between Family Harmony and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	NOT SUPPORTED
H9b	There is a positive relationship between Family Harmony and the extent of Profitability to ensure good governance.	SUPPORTED
H9c	There is a positive relationship between Family Harmony and Family Commitment and Communication to ensure good governance.	SUPPORTED
H10a	There is a positive relationship between Family Commitment and Communication and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	NOT SUPPORTED
H11a	There is a positive relationship between Trust and Perceived Good Governance as measured by Risk Control, the Internal Regulatory Environment and the Stakeholders' Interest.	NOT SUPPORTED
H11b	There is a positive relationship between Trust and Family Commitment and Communication to ensure good governance.	SUPPORTED

It should be noted that, although some hypotheses were found not to be supported by the statistical analysis, significant negative relationships do exist between some of these constructs. This would indicate that the more cultural values alignment takes place, the less impact it will have on the entrepreneurial growth of the business to ensure good governance. Also, the more trust takes place within the family business, the less it will have a positive effect on risk control, the internal regulatory environment, and the stakeholders' interests of the family business to ensure good governance.

8.16 SUMMARY

The empirical results have been presented in this chapter. The proposed theoretical model of good governance for South African Greek family businesses was empirically tested by means of the structural equation modelling technique. The influences of certain specific factors were empirically tested to determine their influence on the dependent variable of good governance, measuring risk control, the internal regulatory environment, and the stakeholders' interests. These factors were:

- Governance Structures and Planning
- Outside Advice
- Management Succession Planning
- Needs Alignment
- Vision
- Ethnic Entrepreneurial Growth
- Cultural Values Alignment
- Profitability
- Family Harmony

- Family Commitment and Communication
- Trust

First, there was a focus on the descriptive statistics, after which, attention was given to the results of the exploratory factor analysis. The empirical analysis indicated that the good governance scale used in this study was both valid and reliable. Finally, the empirical results were assessed against the formulated hypotheses. Chapter 9, the next and final chapter, will set out the interpretations of the above-mentioned findings, with reference to their implications for well-governed family business management.

CHAPTER 9

CONCLUSION, IMPLICATIONS, AND MANAGERIAL RECOMMENDATIONS

9.1 INTRODUCTION

In this the final chapter of the study, interpretations are made based on the empirical results presented in Chapter 8. These empirical findings will be evaluated in conjunction with the experience gained from the research conducted among the South African Greek family businesses and experts in this field. The implications of each main set of findings are discussed and recommendations are made. The limitations of the study are also presented, and recommendations for future research are made.

9.2 SYPNOPSIS OF THE RESEARCH

This research was directed towards the developing of a theoretical model, based on the literature, to empirically test the determinants of perceived good governance among the members of the South African Greek family businesses. These determinants selected from the literature as being what a South African Greek family must face (or must have faced) to create an effective dynasty over generations. Inclusive of this was an illustrated proposed model of best practices for how effective family businesses develop a governance infrastructure as they grow into multi-generational family businesses. This research also highlighted the core structures that made up good and effective governance, as well as the key agreements that allow such a specialised dynasty to function effectively.

After a literature survey, twelve primary variables that can potentially influence good governance in South African Greek family businesses were identified and included in the proposed theoretical model. Based on the literature, definitions for each of these variables were formulated, which in turn were then operationalised by developing items to be included in a reliable measuring instrument. Some of these items were included from previous research, as well as some items formulated by the researcher, based on the literature and opinions from experts in the field of Greek family businesses. Positive relationships between these variables and the main dependent variable (perceived good governance) were hypothesised. Hypotheses were also proposed for the interrelationships between the variables.

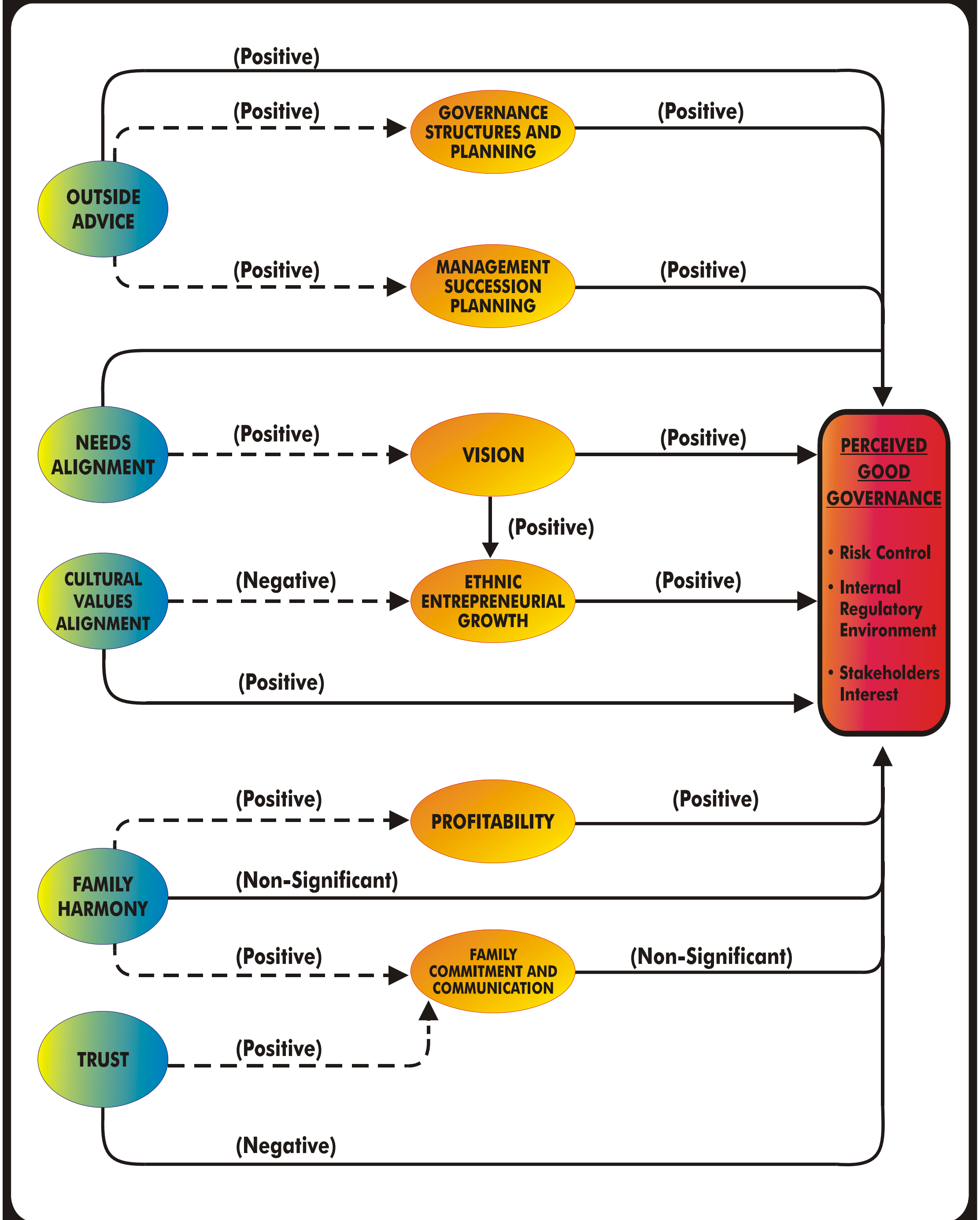
The proposed theoretical model was subjected to preliminary testing by means of personal interviews with academics and a selection of South African Greek family business owners. Minor alterations were made before the final questionnaire was established and distributed among a convenience sample of Greek family businesses in South Africa. The questionnaires were hand-delivered and collected with the assistance of four researchers of South African Greek origin. The snowball sampling technique used in this research produced a usable 331 questionnaires for the statistical analysis of the data.

Various statistical tests were performed on the data collected. An exploratory factor analysis was performed to confirm the discriminant validity of the measuring instrument and also to identify all the unique factors contained in the data. Six of the unique factors included in the theoretical model were removed, while the titles of five of these six factors were altered to more accurately reflect the collection of items that loaded together. This had to be implemented as they were identified by the exploratory factor analysis. Some items from the deleted variables did, however, load jointly or severally on other factors in the exploratory factor analysis. Two variables, namely Governance Structures and Planning, did load together to form a new factor called Governance Structures and Planning. Needs and Cultural Values Alignment subdivided into two separate factors, namely Needs Alignment and Cultural Values Alignment. The Family Commitment and Communication factor was also identified through the exploratory factor analysis. The most important finding from the exploratory factor analysis was that the items included to measure perceived good governance sub-divided into three unique factors, namely Risk Control, Internal Regulatory Environment, and Stakeholders' Interest. They were, however, all treated as measures of a single dependent or endogenous variable, namely Perceived Good Governance.

The second analyses performed were to confirm the reliability of the measuring instruments. The Cronbach-alpha coefficients for each of the identified factors were calculated separately. Fourteen factors were identified during the exploratory factor analysis. Cronbach-alpha values of more than 0.70 were recorded for twelve of the fourteen factors, and two factors reported higher Cronbach-alpha coefficients than the acceptable level of 0.6. Structural Equation Modelling then tested the significance of the causal relationships hypothesised between variables/factors that influence good governance.

The next section will discuss the significant relationships as identified in the research (Figure 9.1), and further recommendations will be made about how these determinants can be presented to ensure good governance for Greek family businesses in South Africa.

Figure 9.1 Factors that influence good governance for South African Greek Family Businesses



SOURCE: Researchers' own construction

9.3 INTERPRETATIONS OF THE EMPIRICAL RESULTS AND RECOMMENDATIONS

This section will present the interpretations and recommendations in respect of all the factors found to have a significant influence on the three dependent variables of Good Governance measuring (Risk Control, Internal Regulatory Environment, and Stakeholders' Interest).

9.3.1 Governance Structures and Planning

The empirical results proved that the existence of governance structures and strategic planning were important determinants to ensure good governance for South African Greek family businesses. A significant positive direct relationship was found with the variable Good Governance (Risk Control, Internal Regulatory Environment and Stakeholders' Interest), as well as an indirect relationship with the antecedent variable Outside Advice.

Strategic Planning did not emerge in this study as a separate independent variable affecting good governance for South African Greek family businesses. Venter (2002) stated in her study that in the South African context, formal planning and governing bodies are not commonly found in the smaller South African family businesses. However, the Greek respondents in this study did seem to think that the existence of governance structures and planning as a single construct would have a positive influence on good governance for their family businesses. Examples of such governance structures and strategic planning are a formal board of directors, a family council, an assembly and shareholders' assembly, as well as separate structures to discuss family and business issues, formal documentation describing the relationship between the business and the family, a written business plan, and a written strategic plan.

Although the statistical analysis suggests that the respondents of this study recognised the importance of the formal structures and written strategic planning, this does not necessarily mean that smaller Greek family businesses had these structural procedures and written plans in place. It could have been considered by some of the smaller family business respondents that, although not on paper, such conditions were nevertheless being met through daily activities and planning. From the perspective of South African Greek culture, pride and family honour may have created a reluctance to admit to such formal structures and planning, or the respondents might have felt that what they implemented was sufficient for its purposes.

The respondents from the South African Greek family businesses who participated in this study were also of the opinion that their family businesses typically depicted a complex, long-standing stakeholder structure that involved all the family members, top management, and the Board of Directors. They were also of the opinion that, given the duality of economic and non-economic goals that the family business pursued and the complexity of the stakeholder structures, the governance structures and planning of these businesses should match the complexity of their constituent stakeholder structures, to look after their interests in order to ensure good governance. In addition to management supervision and control, the respondents confirmed that governance structures and planning should be promoted, to develop the internal regulatory environment, and to increase risk control, to ensure good governance in Greek family businesses.

It is worth noting that the literature stipulated that family businesses with effective governance structures are more likely to undertake strategic planning. The findings of the present research would suggest that more focus should be placed on the underlying factors of strategic planning, as this should have a significant influence on risk control, the internal regulatory environment, and the stakeholders' interest. The respondents participating in this study were of the opinion that strategic planning and governance structures were important for family business success, growth, performance, control, and survival, and to promote continuity and family unity. More importantly, the research findings suggest that South African Greek family businesses are more likely to prefer entrepreneurial opportunities with potential for long-term generation outcomes rather than dynamic growth risk strategies. Governance structures and planning within the South African Greek family business context do provide for two components, namely governance of the business and governance within the family. Venter (2002) has suggested that these governance structures and planning should also develop fair procedures and rules of conduct, to ensure that the emotion-based family system succumbs to a professionally orientated family business approach, and that potential conflicts between the business goals and values and those of the family are appropriately addressed.

9.3.2 Outside Advice

The use of outside advice in assisting the South African Greek family business is an important factor that influences both the governance structures and the planning of the management succession process. In addition, a significant positive and direct relationship was found with the variable of perceived good governance. Important elements of this factor include the involvement of outsiders' expertise (i.e. lawyers, accountants and the use of advising consultants) to assist with its governance.

Outside advice for the South African Greek family business should be considered for the right reasons. Since family members may lack objectivity in certain business decisions and have emotional attachments to the core business, family businesses need outside advice in addition to family board members, to obtain more varied and objective advice. Based on the results of this study, adopting this structure will help to reduce the family's emotional attachment to the business, and entrepreneurial activities are more likely to be evaluated on merit, rather than emotion. As a result, links are strengthened between the entrepreneurial driving forces to ensure good governance. In order to make informed decisions on governance matters, the supporters of the use of outside advice argued that these members bring with them fresh perspectives and new directions, they monitor and assist progress, act as catalysts for change, assist with the succession planning and processes, assist the governance structures and planning to increase risk control, to adhere to the internal regulatory environment, and to look after the stakeholders' interests to ensure good governance.

Malone (1989) found a positive correlation in his study between the percentage of outsiders on the Board of Directors and the level of Good Governance in the business. Venter (2002:09) also advocated the use of external consultants such as estate planning specialists, jurists, fiscal experts, business economists, psychologists, and therapists. In his study, Robinson (1982:315) established that the small family businesses that participated and had engaged in outsider-based governance and strategic planning, experienced significantly higher increases in effectiveness than their counterparts that had not engaged in such planning.

Taking the empirical results of this survey into account, it should be emphasised that the South African Greeks find a common ground only in their ethnicity and religion and that they strive for outside intervention (such as the Greek elders, retired family members, other Greek specialists in various other fields of expertise) but usually within their own enclave. The use of other outside advice could be found, but it is used only in very rare instances. It can be seen as a last resort if no other Greek specialist or assistant in that particular field can be found (See Chapter 4 in this research). The statistics show that South African Greek family businesses do make use of outsider-based advice to assist with the governance structures and planning, as well as with management succession planning, but not to the broader extent that would normally be expected from Westernised family businesses.

9.3.3 Management Succession Planning

The empirical results proved that management succession planning was an important determinant of good governance. A significant and direct relationship was found with the perceived good governance variables. This result again stresses the importance of establishing, managing and planning for the succession process.

Prior research findings indicated that leadership succession is generally seldom planned and that family owners often resist succession planning.

This, in turn, increases the probability that the business will not survive beyond the first generation. The results of the present research, however, have proved the opposite, by indicating that South African Greek family businesses do plan for succession, although this is not the highest on their priority list when ensuring good governance.

The literature revealed that ethnicity and religion were said to have a significant influence on many characteristics of family businesses, and might indirectly influence the succession process such as the patterns, communication, modes of conflict resolution, education, the divorce or separation rate, and the position of women in the family business (Pericone *et al.*, 2001:116). Studies within the Indian community of South Africa (Jithoo, 1983:380) revealed that, if the father-son relationship is not viable and healthy, the family business will not survive into the next generation. This is due to the traditionally close-knit nature of families in the Indian communities.

With Westernisation and improved education among the younger generations, traditional roles have, according to Venter (2002), been adversely affected, with direct consequences for family business succession. However, from a South African Greek family business perspective, succession planning is a traditionally planned effort from within the family, to educate the prospective successor(s) from an early age to be involved in the particular business. This involvement starts from grassroots level, and as the prospective successors grow older, they become as involved as their first levels of education allow them to be, until successful succession has been accomplished. They are then prepared for their position and educated into their family business, normally after school, during their school holidays, around the family table and with social gatherings from other South African Greek support group projects. This process, according to the South African Greek family business members, allows for the prospective successor to be fully equipped and prepared for the tasks of an ethnic entrepreneur as an assimilated member within a social enclave. In this way, the transfer process becomes institutionalised and the rules of succession are clear to all the family members concerned, long before the actual succession takeover takes place, to ensure good governance.

9.3.4 Needs Alignment

This study established that the relationship between the needs alignment of the family members and the vision of the South African Greek family business have a significant influence on the effort to ensure good governance.

A South African Greeks in a family business is often under pressure by the founder/current owner to follow the vision that is portrayed for both the family and the business. Subsequently the rest of the family members are expected firstly to bring their needs in line with the vision of the business and that of the family. This process seems to happen over a period of time, and is supported by the family as a single unit, and hence becomes second nature to them.

The literature also revealed that the quality of a family business member's personal life experience is in part a function of his ability to meet the developmental needs of the business. The South African Greek family business member sees the personal needs alignment in general as the degree to which an individual's needs are properly aligned with opportunities available in the context of the family business. In other words, if there is a need for a specific skill within the family business the individual will be required to train/study in order to fulfil that particular need. This may require time, but most often depending on the business needs, training to become, for instance, a chartered accountant, a lawyer or a marketer, is undertaken on a part-time basis. In order to make informed choices about their future, the potential heirs need to assess their career goals, their family relationships, and their possible shareholding in the family business. The degree to which the South African Greek family business owner assists the rest of the family members in order to promote the family business, can be seen as a good indication of the ease of authority that is transferred in the best interest of the family business and the next generations.

Venter (2002:340) was of the opinion that "the next generation family member will have a positive succession experience if the member has achieved fulfilment of three types of needs, namely career interest needs, psychosocial needs, and life-stage needs." South African Greeks believe that if the interests or competencies of their daughters do not fit the needs of the business, the family should provide them with a fair share of support to pursue other career opportunities. Failing this, they would have to fulfil a role in the prospective spouse's family business. Lansberg (1983) revealed that if parents appoint a family member purely on the basis of family relationships, and the family member does not possess the necessary skills, interest or dedication to succeed, norms of equality, rather than equity, are applied, for instance in the failure to acknowledge differences or inequalities among one's children. It was also established during interviews, (particularly with those members of cousin-consortium family businesses), that the leadership capabilities of the next generation must be examined, and that the possible heir might need time to grow in stature. It is believed that a son (or daughter) should never be awarded an opportunity as a controlling partner within the business if he (or she) does not yet possess the skills, training, or dedication to succeed.

It has become apparent from the literature that the more the personal needs and career interests are aligned with the opportunities offered by the family business, the better the chances are that good governance will prevail in the context of the family business. Thus, as established in this study, the needs alignment has a direct influence on perceived good governance in South African Greek family businesses.

9.3.5 Vision

The empirical results have shown that the vision for the business is an important determinant of ethnic entrepreneurial growth for the South African Greek family business to ensure good governance. There was the perception among the respondents of this study that following the vision of the founder/current owner would contribute to the entrepreneurial growth of the family business. Throughout the interviews, it was stressed that it is the vision of all South African Greek family business founders/current owners to provide jobs for family members or other relatives, and to financially support those family members in need, either locally or in Greece or Cyprus. Once the family business becomes economically established, it will invite other family members to come to South Africa or to start up new ventures in Greece or Cyprus. According to the respondents, this can only be achieved by creating entrepreneurial growth.

The empirical results have also shown that no statistically significant relationship exists between vision and perceived good governance. The literature revealed that family business decisions are often complex, and usually demand the analysis of large amounts of data to ensure the process of good governance. A shared vision provides a common framework by which to assess available information and to focus on relevant family business issues. The literature makes it clear that when all the constituents in the family business share a common vision, opportunism is reduced and the sharing of information increases, thereby providing for richer information with which to make daily family business decisions. The literature also illustrates that a understanding of roles and related tasks created by a shared vision promotes internal role specialisation. This, in turn, improves the quality of information that the stakeholders have at their disposal for making decisions.

According to the literature, a shared vision promotes coherence in the stakeholders' expectations and opinions regarding organisational goals. This, in turn, promotes cooperative behaviour through clarified role interactions. It has been advocated by some South African Greek family business members that a family council can provide the structure to implement and direct the shared vision through a "code of understanding" as part of their business plan.

In a family business, a shared vision is said to involve the family members' collective idea about the future of the business, including desired business domains, desired growth rates, and financial performance. Frequent interactions enable family business members to forge a shared view of the goals of the family; family gatherings and meetings contribute towards the expression of shared beliefs.

9.3.6 Cultural Values Alignment

Generally speaking, a value is one mode of behaviour preferred over another mode of behaviour. Not only are these modes influenced by culture, but they are very diverse when different cultures are compared. This can be seen in South Africa with its eleven official languages.

In this study, the South African Greek family members who participated were of the opinion that alignment of cultural values (i.e. cultural beliefs and customs), would impact negatively on the ethnic entrepreneurial growth of the family business. One possible explanation for this finding is that the respondents realised that, although growing up in a family of a particular culture and having certain values of importance, this is no longer sufficient reason for surviving in today's highly demanding business environment. In fact, the respondents indicated that cultural values alignment would not reduce entrepreneurial growth by being innovative, or negatively influence good governance.

The empirical results also proved that there is a positive, direct and significant relationship between cultural values alignment and perceived good governance. This suggests that the more the South African Greek family business members align their cultural values, beliefs and customs with the business, the more perceived good governance will be influenced. The literature supported the development of fair procedures and rules of good governance to ensure that the emotion-based culture family system submits to a professionally orientated family business approach, and that potential conflict between family culture values and the values and goals of the family business is appropriately aligned.

After all, perceived good governance should provide for good governance of the business and good governance within the family.

The literature revealed that in family businesses, governance receives family imprinting and sometimes becomes a synthesis (sometimes a compromise) between the family values and the business rule, reflecting all the critical steps in organisational development, the delegation process of managerial activities, the creation of managerial style, the involvement of the family members in the management bodies, and the entrepreneurial succession process. The cultural ties and factors, of which identity is one, enable the ethnic entrepreneur to view business conduct and strategies rather than margins. The literature also suggested that the spread of such entrepreneurship across national borders might be a characteristic of the next phase of globalisation – one that merges and extends the historical nexus of cultural identity and trading in interesting ways.

9.3.7 Ethnic Entrepreneurial Growth

The literature revealed that entrepreneurship sometimes generates growth and that the *reverse* must also be true, that growth sometimes promotes entrepreneurship. It is the prerogative of the entrepreneurs to choose the extent of growth. It was confirmed in the current study that ethnic entrepreneurial growth has a direct and positive influence on the variable of perceived good governance.

It is clear that if economic behaviour is discretionary, pursuing continued development of the family business is the more entrepreneurial choice than refraining from it, just as founding a business is more entrepreneurial than not doing so. In fact, ethnic entrepreneurial growth for the South

African Greek family businesses may perhaps be best conceived of as a collective term for the concept entrepreneurship is the development of new economic activities to ensure growth, which in turn can provide for the other family members in need. The South African Greek would also argue that the "entrepreneurial capability" of family business members is crucial if growth is what they want to strive for. The respondents of this study also argued that what makes a successful entrepreneurial family business or member is his/her ability to generate growth, to think entrepreneurially, act entrepreneurially and always to be on the lookout for innovative ideas and opportunities to do business and to build onto what the family already has. The respondents participating in this study saw it as a way of life, and felt that the actions mentioned above should be manifested in their daily activities. South African Greek family businessmen can therefore be seen to be very good examples of the entrepreneurial spirit in a migrant group. Their exploitation of the South African market is also an example of potential that has been realized.

In the case of South African Greeks, niche concentration provides jobs for family members and other relatives. As soon as the family business becomes established economically, it invites other family members to join. Ethnic entrepreneurial survivors, according to Poutziouris *et al.*, (1999), face the challenge of ensuring the development of both the family business and the general business system in order to sustain the survival and growth of the family business into later generations. The main strategic concern of family business's entrepreneurial growth is to ensure that the process of growth is both supported and controlled by the governance structures and processes of the business. In support of this concern, the South African Greek family businesses indicated the importance of risk control, adhering to the conditions of the internal regulatory environment, and looking after the stakeholders' interests as important determinants when considering the factors of entrepreneurial growth for the family businesses concerned.

Entrepreneurial growth takes a variety of forms: exploitations of scale economics by plant expansions, modernisation of the technological base, diversification, and consolidation via merges and acquisitions, or by other less formal modes of strategic alliance. Poutziouris *et al.,* (1999) mentioned that a central stimulus for a successful entrepreneurial growth strategy is the acceptance of the need for professionalisation of commercial practice, as the business develops from its previous family-orientated culture.

9.3.8 Profitability

The empirical results of the survey indicated that profitability is an important determinant of perceived good governance. A significant and positive relationship was found with the dependent variable of perceived good governance. The South African Greeks in this study were of the opinion that if a business was not profitable, it would negatively influence perceived good governance. Those who took part in this study indicated that having a goal of solid profitability and crafting a good governance strategy to achieve it, was indeed what separated the Greek entrepreneurs from the other entrepreneurial businesses in South Africa. Timmons (1999) indicated that many entrepreneurs seek only to create a job and generate a living for themselves. The opposite of this has been shown, as the South African Greeks indicated that they would rather grow their business that could support and create a living for many others, and they would also strive towards the adding of value which could result in capital profitability gain, to ensure good governance.

Further interviews with South African Greek family businesses indicated the effort among them towards the recycling of entrepreneurial capital and talent within the family and their relatives. This is seen to be a well-governed system of private responsibility towards the family as a whole, and secondly, a means of organising and managing themselves for the long haul in order to perpetuate the creation and recognition processes of economic regeneration, innovation, and solid profitability. This can be seen as a long-term goal to create real added value for their business.

The South African Greeks, as indicated before, are secretive by nature, and will only really "open-up" within their own social enclave. This was a major concern in determining the questions to be asked regarding finance-related issues. However, it could be determined that profitability is most probably the single most important motivating factor in starting a new venture. It was made very clear that a business venture had to be sufficiently profitable in order to sustain their attention. An unprofitable business venture would only be considered suitable if it was established that it was either poorly managed or governed, and that through a turn-around strategy it could be made profitable. Even then, other Greek elders/entrepreneurs/outside advisors would be called in for a specialised opinion. In line with profitability, the South African Greeks will never indicate to outsiders "how" profitable a business venture in which they find themselves is. Once a business venture is found to be profitable, the South African Greeks and their families will spend an immense amount of time reaping profits through hard-earned productivity, thereby promoting good governance.

9.3.9 Family harmony

Most family business-related research has failed to recognise family harmony as a variable influencing good governance. This study has shown that family harmony, commitment and communication are important determinants of profitability to ensure good governance in the South African Greek family businesses. The respondents in this study were of the opinion that profitability would improve with increased family harmony. As stated in Section 9.3.8, there is a perception amongst the South African Greek family businesses that family harmony will increase with their ability and dedication to govern a business successfully (through long hours of work), in that they would thereby ensure the business would be profitable, and that this action would have a positive influence on good governance. The respondents also felt that family members who trust, respect and support each other are more likely to increase the effort of family commitment and to improve communication. It can also be argued that a high degree a harmony within the family will make it easier to establish a profitable business and to ensure family commitment and open communication within the family business.

The empirical results showed that there was not a significant relationship between family harmony and the variable of perceived good governance. The literature, however, stressed the importance of establishing and maintaining a high standard of harmonious family member relationship to ensure good governance. The respondents in the present study probably thought that the higher the quality of family harmony within the family, the greater would be the effort to execute risk control, to adhere and enforce the regulations as stipulated for the internal regulatory

environment, and to look after all the stakeholders' interests to ensure good governance.
People universally consider harmonious family living as the most important aspect of their lives. The respondents in this study revealed that living and working effectively in harmony is a governance phenomenon for which they strive, firstly for themselves and then for their relatives. This is considered to be an important finding, as the effort to establish family harmony is considered to be a difficult one, especially considering the fact that South African Greeks spend most of their time together through various long hours of hard work. The role of the elders is considered by the South African Greeks as important to ensure mutual respect and understanding of each others' knowledge and skills, and to coordinate the family business network in such a way that family harmony is a high priority. The idea of "the family" is considered by the South African Greeks as being so powerful in the family business network that the family ideology will present what is "correct and proper" or what is "wrong" in governing their business.

9.3.10 Family Commitment and Communication

Johnson *et al.*, (2002) asserted that the issue of commitment and communication in cultural exchange has become compelling to businesses who are expanding into foreign markets. The present study established that there was no statistically significant relationship found between family commitment and communication and the variable of perceived good governance.

This study revealed that effective family commitment is explained by some respondents in terms of the congruence of goals among participants in the family business. This entails that relatives have common beliefs regarding behaviour, goals, and policies. It can be concluded that, for the South African Greek family businesses, family commitment is seen as a keen desire to continue good family relationships to ensure the family's continuance, or in business, as the explicit commitment, to family members as partners to ensure good governance. The literature has also revealed that a culture of open family communication, reinforced by structured processes, is an integral precondition to creating a successful family governance process. A viable family governance process and systems cannot survive in an atmosphere of ignorance and distrust.

This study has also established that communication is achieved through regular family meetings guided by good communication processes for both family and other business matters. South African Greek family businesses, as multigenerational businesses, indicated in this study that they make use of formal structures to discuss additional family issues, including the performance of the family business or investments. The general impression given by some of the respondents during the exploratory study is that a family council is used to communicate further educational and mentoring aspects to the younger generations, to establish the need for family commitment and confidentiality, in matters regarding their progress and the business plan of action. This method of family commitment and communication is respected by all the family members alike, and can take the form of meetings, sometimes as often as once a week.

It is the opinion of Martin (2001) that the first place to start communication is between the family members themselves about family matters. The second area of open communication requires a regular flow of information from the family company or investment – from the philanthropic structure to the relevant family members. These two communication processes among the family members and between the family and its business structure then creates the knowledge and competence required by family and business members alike.

Understanding the cultural aspect of the South African Greeks and their particular and strong beliefs about their committed families and their perception of open communication, it can be seen that there is actually order and dedication in what sometimes looks chaotic to an outsider. The South African Greeks are very vocal, and it is in their culture to communicate openly and directly with their own and to sort out possible problems as soon as possible. In their culture, family commitment and well regulated open communication form a particular unity of understanding.

9.3.11 Trust

There is a significant body of literature emphasising the role of trust in maintaining good organisational governance, as trust plays an important role in business survival and success. In this study, trust was found to be an important determinant of family commitment and communication. Although the empirical results in this research indicated that trust has a negative influence on the variable of perceived good governance, it did have a direct and positive relationship with family commitment and communication to ensure good governance. This may well indicate that to execute risk control, adhere to the conditions of the internal regulatory environment, and look after the stakeholders' interest, could become difficult if too much trust is placed on individuals.

The literature reveals that, given its important role within organisations, trust should be of interest to all those concerned with business performance. Contrary to the findings of this research, the actions of those responsible for the strategic direction of risk control, the internal regulatory environment and looking after the stakeholders' interest should greatly influence the level of trust within organisations. In this context, South African Greek family businesses should strive for a level of optimal trust to ensure good governance.

According to Steier (2001), for family businesses, trust often represents a fundamental basis for cooperation, and potentially provides a key source of competitive advantage. In matters of family business governance, too much or too little trust can, however, be problematic. Based on the literature, family businesses are challenged to develop a governance mechanism that permits the building and sustaining of optional trust.

Martin (2001) expressed the opinion that what is really at the heart of the communication process is the creation of trust among family members. Openness and inclusion creates family trust, and family trust creates well governed open communication, which in turn ensures good governance, as established by the empirical results of this study.

9.4 THE MANAGEMENT OF PERCEIVED GOOD GOVERNANCE FOR SOUTH AFRICAN GREEK FAMILY BUSINESSES

Eleven primary determinants of perceived good governance for South African Greek family businesses have been discussed. These determinants should be managed in an integrated manner to ensure good governance. One of the most formidable obstacles to the stability, growth and success of a family business is the issue of good governance. Continuity in family businesses requires the development of effective governance structures and processes. Governance structures can monitor both the family and a business system to ensure that they adequately address all the issues associated with entrepreneurial leadership and ownership of a family business. The development of a solid good governance model should not only take into account the need to provide seeing to the family wealth or business, but should also consider the need to cultivate and honour the human needs of all the family members concerned. The South African Greeks in family businesses also suggested during interviews that controlled and good parenting can establish the network in which a good governance model can work.

It has also been established in this study that governance of family businesses is more complicated than a non-family controlled business, because in the family business, the business, the family and the stakeholders group all need governance. The lack of effective governance of these three groups can be a major cause of organisational problems.

Family business possesses many features that make its governance a difficult task because the family business typically depicts a complex, long-standing stakeholder structure that involves family members, top management, and a board of directors. Usually, ownership passes from one generation to the next within the family, while the owners' family members usually play multiple roles in the management and governance of the business. As an intermediary between the family and the business, the board has a crucial role in the family business's governance structure.

The role of the board is to add value. It is frequently involved with management, and through its participation in the family, it continuously influences decisions in the business. Therefore, the board of a family business serves a different purpose from that of a non-family business. As an intermediary, it needs to understand and respect the family for its needs, values, culture, and goals, and also the business for its strategic, financial, and managerial needs.

The research has established that the commitment of the family to the success of the business and its governance can be a very positive force in starting and growing a family business. The literature revealed that the assumptions underpinning business and family systems are often antithetical, which creates complex dilemmas for the entrepreneur. The ethnic entrepreneurial career is extremely demanding, fraught with long hours of hard work. Balancing the needs of both the family and the business is not easy. The family has to play a supportive role by providing money, contacts, labour, and other resources, and has to be supportive of further entrepreneurial endeavours to ensure good governance.

More research, however, needs to be done to understand firstly, how entrepreneurs and their families adjust to an entrepreneurial lifestyle enforcing good governance and secondly, the role of the family as one of the success factors in enforcing good governance. It was established that a team effort is needed by the familial network (it encompasses all members of the business) and the stakeholders' network (all the people that have an interest) to ensure good governance for the family business.

9.5 THE CONTRIBUTIONS OF THIS STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

The most important contributions of this current research were discussed in the findings of Section 9.3. Additional contributions and recommendations can be summarised as follows.

- This research has broken new ground. The areas covered by this empirical research – factors that influence good governance for South African Greek family businesses – remained unexplored until now. To the best of knowledge, no such comparative study has been produced internationally, or for an ethnic group of any nation. Perceived good governance has yet to deliver another study of its kind in South Africa. The findings here provide the foundation and introduction, thereby acting as a basis of comparison for future research in the fields of perceived good governance for family businesses, overseas Greek family businesses, and in particular family businesses of a cross-cultural group.

- Similar research could be applied to other foreign – based Greek family businesses, as well as those in mainland Greece or Cyprus, who are continuously sending their family members abroad to work or to start new ventures. Their different business structures within a similar culture would produce interesting comparisons. Indeed, the entire good governance experience abroad may well be different from that of Greece or Cyprus, and this research could be compared with that of other ethnic and cultural groups.

- Scales were developed for each of the variables (as proposed in the theoretical model) especially for this study. The great majority of them proved to be reliable and valid in this study, and these developed scales could be useful for future research. Based on the high Cronbach-alpha coefficients, the research instrument proved to be valid and reliable, and thus suitable for future use.

- In summary, this research has provided an entrance to an entire area of research, not only into overseas and South African Greek family businesses, but into family businesses where ethnic entrepreneurs exist. There are many cultures whose people are sent to foreign cultures to work for extended periods of time. Clearly, for the family businesses from these cultures, there may be implications in terms of governance experiences, as identified in this research. The cross-cultural aspect of family business governance must now be considered when conducting such research, as more and more emphasis is placed on good governance for all businesses concerned. Perhaps these are grounds to be considered with regard to the impact of perceived good governance for non-family businesses as well. For example, how would a family business member fare in a managerial succession in a non-family business? Do they possess certain traits that would make them better managers? What would motivate these individuals, and secondly, would existing family business governance techniques still apply in measuring all the relevant factors in the pursuit of good governance? Further studies and development of what has been established in this study would provide a deeper understanding of this new area of research.

- Chapter 6 proved to be another important contributor to this study as it deals with the secondary sources affecting governance for South African businesses. It is based on the latest studies by King (2002), into ensuring good governance in South Africa. This thesis is one of the first to clarify the confusion around good governance for any particular ethnic group in South Africa. The development of the first database on Greek family businesses in South Africa should also assist future research efforts in this area. More focused research could be conducted on each of the Greek family business members' personalities, perhaps developing and testing hypotheses on each of the personality types and their correlations regarding their positive, mixed, or negative experiences of governance.

9.6 LIMITATIONS OF THIS STUDY

The limitations of this study that have been noted thus far are reviewed and put forward for consideration below.

The research was designed to allow for a better understanding of good governance for South African Greek family businesses. While the quantitive approach facilitated in-depth exploration, it also required limiting the research scope and the sample. It was necessary to choose a usable sample, which was not a limitation in itself, but there were potential limitations associated with the method chosen for this research. The research relied on the use of in-depth questionnaire type interviews. The data collected depended on the self-reports of participants. Although it is common in everyday life to accept reports as valid, they cannot always be trusted. In addition, it would be unrealistic to assume in research that respondents' attitudes and feelings are accessable and stable.

The accuracy of the self-reports depended on a number of factors, including an individual's motivation to participate in the research, as well as the individual's ability to communicate and articulate their views. Further, some individuals were more comfortable in discussing emotional issues involved in family business research, while others were more reserved when other family members were close by.

Various measures were taken to ensure that the concerns stated above were addressed and managed. Firstly, a level of rapport existed between the researcher and the assistant researchers regarding the questionnaired interviews. The levels of rapport were further reinforced by ensuring full confidentiality on the information provided, and anonymity by not disclosing the responed names. Interview locations and times were chosen by the respondents.

In terms of the interviews themselves, there were some limitations in some of the respondents' language abilities. All of the interviews were conducted in English, and it was clear that some South African Greeks were more able to communicate better in English than others. To prevent misunderstanding of the contents provided in the interview, Greek transcripts were also provided to some of those interviewed, and where possible, the researcher met personally with the respondents to answer any queries points they might have had. Further, brief process notes were taken during the interviews, which included mention of occasions when a subject was having difficulty with answering a question, or with any part of the interviewing process.

In conducting interviews on the South African Greek family businesses, the researcher was in effect using retrospective reporting, as it required those interviewed to recall their experiences. Retrospective reporting depends also on the individual's memory abilities (especially those of the Greek elders). The data began from when the family business member joined the business, so as to minimise the amount of time on which the subjects had to reflect. Further, within the South African Greek family framework, by interviewing more than one subject from each family business, the researcher could triangulate the data collected, and minimise the chances of omitting any key indicators of determining perceived good governance, because of the memory loss of a single individual. Of course, triangulation of data between the parents' responses and those of other family members also served as a check on any false data reported.

In terms of the findings, there were limitations as to the conclusions the researcher could draw about the "radical individual" personality type of the South African Greek. The responses were varied, and the sample collected was not big enough to conduct any form of analysis that could produce a pattern.

9.7 EPILOGUE

This study has broken new ground in that perceived good governance for South African Greek family businesses was unexplored until now. The findings of this study provide the foundation, introduction, and basis of comparison for any research in the field of governance.

This study, incorporating ethnic and immigrant entrepreneurship, an increasingly popular sub-field in race and ethnic relations, grew out of a larger concern with the economic achievement and mobility of the South

African Greek immigrants and other racial minorities in the advanced South African industrial society.

Faced with adversity, the South African Greek immigrants, as a sociological group, turned it to their advantage – blocked opportunities ironically opened up for alternative opportunities. Precluded from entry into the mainstream capitalist economy of the then South Africa, the Greek immigrants responded by creating their own capitalism. One image is that of the ethnic advantage (in terms of internal solidarity) that the South African Greek immigrants possessed, in a remarkable capacity for entrepreneurial achievement and, in turn, upward mobility. Their ethnic businesses provided group members with "the means for escaping minority status and gaining entry into the bourgeoisie". It is a success story played many times over in many an advanced industrial society, be it in South Africa, America, or Australia.

The cost of immigrant entrepreneurship also lies in its "unintended consequence" of the old South African white establishment creating inter-group conflict along ethnic lines, by "pitting them against each other in a divide and rule" strategy. Many a South African Greek reflects that this was the starting point in which to trust only their "own". In articulating their business networks and economic arrangements within a larger global "diasporas economy", and by appropriating "spatial resources" in a transnational space, South African Greek entrepreneurship in South Africa has taken on an international, extraterritorial character. The otherwise amorphous structure of such a "diasporas economy", however, is given substance by the many localities or poles as networks, be they in New York, Hong Kong, London, Toronto, Melbourne, Cyprus, or Greece.

Such a global economic system thus has its own internal as well as external principles of social organisation; the potentials of growth can be, and have been, staggering. The observed gradual shift among the Greeks in Johannesburg, Cape Town, Port Elizabeth, East London, Bloemfontein, Pretoria, Durban, and Umtata from a reliance on ethnic to class resources suggests the critical importance of the evolving elements of an immigrant economy. As Waldinger (1992:12) puts it, "resource to outsiders, it turns out, is one of the fruits of entrepreneurial success". The researcher's foregoing review of the literature on ethnic entrepreneurs provides an understanding of a significant form of adaptation by various ethnic or immigrant groups. Despite differences in the economic milieu presented by the South African society, common patterns of coping do exist.

Based on this research, it can be seen that the Greek family businesses constitute an important element in the South African economy. It is important for this contribution to be well governed. This study also produced a positive response in that the South African Greek family businessmen who took part in this study all stressed the desire to make their best use of South African governance rules and regulations, to enforce good governance. The South African Greek family businesses are here to stay, as part of our Rainbow Nation.

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APPENDIX A

KING II, (2002) SUMMARIZED

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Highlights of the 2002 King Report on Corporate Governance in South Africa

A.1 **Application**

A.1.1 It is a set of principles, but does not determine a mandatory course of action.

A.1.2 It became effective for companies with year-ends commencing on or after 1 March 2002.

A.2 **7 Characteristics of Good Corporate Governance**

A.2.1 Discipline – Corporate discipline is a commitment by a company's senior management to adhere to behaviour that is universally recognized and accepted as correct and proper.

A.2.2 Transparency – Transparency is the ease with which an outsider is able to make meaningful analysis of the company's actions, its economic fundamentals and the non-financial aspects pertinent to the company's business. It reflects whether or not investors can obtain a true picture of what is happening inside the company.

A.2.3 Independence - Independence is the extent to which mechanisms have been put into place to minimize or avoid potential conflicts of interest that may exist.

A.2.4 Accountability – Individuals or groups in a company who make decisions and take actions on specific issues need to be accountable for their decisions and actions.

A.2.5 Responsibility – While the board is accountable to the company, it must act responsibly towards all stakeholders of the company.

A.2.6 Fairness – The systems that exist within a company must be balanced, taking into account all those who have an interest in the company and its future - for instance, minority shareholders whose interests must receive consideration equal to those of dominant shareholders.

A.2.7 Social Responsibility – A well-managed company will be aware of and respond to social issues, placing a high priority on ethical standards.

A.3 **The Board and its Directors**

A.3.1. Board Composition

A.3.1.1 Companies should be headed by an effective board with sufficient capacity to both lead and control the company. The board is the focal point of the corporate governance system, and is ultimately responsible for the performance and affairs of the company.

A.3.1.2 The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, enough of whom should be independent of management for minority interests to be protected. (King II, 2002 also differs from its predecessor in defining directors, classifying them as executive, non- executive, independent and shadow. An independent director is by definition a non-executive having no other relationship with the company save for his directorship, whilst shadow directors, who work by influence, are to be regarded as executive directors).

A.3.1.3 The procedures for the appointment of directors to the board should be formal and transparent, and a matter for the board as a whole, assisted where appropriate by a wholly non-executive nomination committee.

A.3.1.4 Board continuity, subject to performance and eligibility for re-election, is imperative. The board should set up a programme ensuring a staggered rotation of directors where this is not already regulated by the articles.

A.3.2 The Workings of the Board

A.3.2.1 The unitary board structure remains appropriate for South African companies. (A unitary board structure includes both executive and non-executive directors on one board. It has been inherited from UK practice, and its strength is the fact that the board's decisions are taken with all directors potentially sharing the same information and being aware of each other's opinion and concerns. By contrast, the dual board system is one that has separate management and supervisory boards. The dual board system is used in Germany, The Netherlands and elsewhere).

A.3.2.2 The board should have a balance of executive and non-executive directors. Every board should consider whether its size, diversity and demographic composition make it effective.

A.3.2.3 The board should develop a charter setting out its responsibilities, which should be disclosed in the company's Annual Report.

A.3.2.4 The board must give strategic direction to the company, appoint the CEO, and ensure that there is adequate succession planning for key positions within the company. The roles of the CEO and the chairman should be separate, and the performance of each incumbent should be evaluated on an annual basis.

A.3.2.5 The board should define levels of materiality, reserving specific power to itself and delegating other matters to management with the necessary written authority. It is important that the board ensure that it retains full and effective control over the company at all times, and that it monitors management in the latter's implementation of board plans and strategies.

A.3.2.6 The board must ensure that the company complies with all relevant laws, regulations and codes of business practice, and communicates with its shareowners and relevant stakeholders openly and promptly, with substance prevailing over form.

A.3.2.7 The board must identify key risk areas and key performance indicators of the business enterprise, which should be constantly monitored, with particular attention given to technology and systems. It should also identify and monitor the non-financial aspects relevant to the business of the company.

A.3.2.8 The board should develop a code of conduct addressing conflicts of interest, and must identify key risk areas and key performance indicators of the company.

A.3.2.9 The information needs of the board should be well defined and regularly monitored, and the board should have unrestricted access to all company information, records, documents and property. The board should regularly review processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

A.3.2.10 The board should have an agreed procedure whereby directors may take independent professional advice, if necessary, at the company's expense.

A.3.2.11 The board should ensure that there is effective communication between the company and its internal and external stakeholders. It should encourage shareholders to attend the company's AGMs, at which the directors should also be present. The board should ensure that each item of business included in the notice of the AGM or any other shareowners' meeting is accompanied by a full explanation of the effects of any proposed resolutions.

A.3.2.12 The board should record the facts and assumptions it relies on to conclude that the business will continue as a going concern in the financial year ahead, or why it will not, and what steps the board is taking to avert failure.

A.3.2.13 The board must find the correct balance for its business between conforming with governance constraints and performing.

A.3.2.14 Each board should have at least an audit and a remuneration committee. The audit committee should have at least two independent non-executive directors. The majority of the members of the audit committee should be financially literate. The committee should be chaired by an independent non-executive director who is not the chairman of the board. The audit committee should have written terms of reference, which deal with its membership, authority and duties.

A.3.2.15 There should be a formal procedure for certain functions of the board to be delegated to these and other committees, describing the extent of the delegation, to enable the board to properly discharge its duties and responsibilities and to effectively fulfil its decision-taking process. Committee composition, a brief description of its remit, the number of meetings held and other relevant information should be disclosed in the Annual Report. The chairmen of the board committees, particularly those of audit, remuneration and nomination, should attend the company's AGM. Board committees should be subject to regular evaluation as to their performance and effectiveness.

A.3.16 The performance of the board as a whole and of the individual directors should be reviewed at least annually.

A.3.2.17 The board should meet regularly, at least once a quarter if not more frequently, as circumstances require, and should disclose in the Annual Report the number of meetings each year and the details of attendance of each director in such meetings.

A.3.2.18 The board of directors should cover the following matters in their Annual Report:

- That the directors accept responsibility for preparing financial statements, which fairly present the state of affairs of the company as at the end of the financial year and the profit or loss for that period;
- That the auditors are responsible for reporting on the financial statements;
- That adequate accounting records have been maintained, as well as an effective system of internal control and risk management;
- That appropriate accounting policies have been used consistently, supported by reasonable and prudent judgements and estimates;
- That applicable accounting standards have been adhered to; or, if there has been any departure in the interest of fair presentation, it is not only disclosed and explained but quantified;
- That there is no reason to believe the business will not be a going concern in the year ahead, or an explanation of any reasons otherwise; and

- That the Code of Corporate Practices and Conduct has been adhered to; or, if not, in what respects there has not been adherence.

A.3.3 <u>Directors and the Company Secretary</u>

A.3.3.1 The duties of the executive and non-executive directors are considered identical.

A.3.3.2 Non-executive directors should be individuals of calibre and credibility and have the necessary skill and experience to bring judgement to bear, independence of management, on issues of strategy, performance, resources and standards of conduct and evaluation of performance.

A.3.3.3 Boards should ascertain whether potential new directors are disqualified from being directors and investigate their backgrounds along the lines required for listed companies by the JSE and under the Banks Act prior to their appointment. The nomination committee would prove useful for this purpose.

A.3.3.4 In the Annual Report, the capacity of the directors should be categorised as Executive, Non-Executive or Independent directors so that genuine independence of the board from outside influences can be determined.

A.3.3.5 New directors with no or limited board experience should receive training in their unaccustomed responsibility, which carries with it potential personal liability. A formal orientation programme should be established by the board to familiarize incoming directors with the company's operations, senior management and its business environment, and to induct them in the fiduciary responsibilities. Directors should receive further briefings from time to time on relevant new laws and regulations, and changing commercial risks.

A.3.3.6 Full disclosure of the directors' remuneration should be provided on an annual basis, including earnings, share options, restraint payments and all other benefits.

A.3.3.7 Fixed-term service contracts of executive directors should not exceed three years.

A.3.3.8 The company secretary plays a pivotal role in the corporate governance of the company and should be a person of sufficient stature to enable him to discharge this role effectively.

A.4 <u>Risk Management and Internal Control</u>

A.4.1 The board is responsible for the total process of risk management, whilst management remains accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

A.4.2 The board must decide the company's appetite and tolerance for risk, and should set the risk strategy in liaison with the executive directors and senior management. These policies should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the company.

A.4.3 The board must ensure that an assessment of the processes and outcomes of key risks is undertaken annually and that important risk management information is disclosed annually in the company's Annual Report or to shareholders at the AGM.

A.4.4 Risks should be assessed on an ongoing basis, and control activities should be designed to respond to risks throughout the company.

A.5 **Internal Audit**

A.5.1 Companies should have an effective internal audit function that has the respect and co-operation of both the board and management. The purpose, authority and responsibility of the internal auditing activity should be formally defined, and the internal auditor should report at a level within the company that allows him to accomplish his responsibilities fully.

A.5.2 The head of the internal audit function should report at audit committee meetings, and have unrestricted access to the chairman of the company (particularly where this position is held by a non-executive director) and to the chairman of the audit committee.

A.5.3 If the internal and external audit functions are carried out by the same accounting firm, independence of the two activities must be ensured.

A.6. **Integrated Sustainability Reporting**

A.6.1 Companies should report at least annually on the nature and extent of their social, transformation, ethical, safety, health and environmental management policies and practices.

A.6.2 Criteria and guidelines for materiality should be developed by each company to help it report consistently. Regard should be given to international models and guidelines.

A.6.3 Companies should involve stakeholders in determining standards of ethical behaviour, and should disclose the extent of adherence to the code of ethics.

A.6.4 Matters which should be specifically addressed are health and safety issues, the impact of HIV\AIDS and strategies to minimize its effect on the company, environmental reporting, social investment spending, employment equity, human capital development issues, and black economic empowerment.

A.7 **Accounting and Auditing**

A.7.1 Companies should aim for efficient audit processes using external auditors in combination with an internal audit.

A.7.2 The audit committee should consider whether or not an interim report should be subject to an independent external audit review.

A.7.3 At the interim stage, companies should review their previous assessment of the company as a going concern.

A.7.4 The guidelines for the appointment of an audit committee under section 3 above should be strictly interpreted.

A.8 **Relations and Communication with Shareholders**

A.8.1 Companies should encourage more active participation by shareholders in the affairs of the company and should be prepared to engage in institutional investors in discussion of relevant issues.

A.8.2 Shareholders should be encouraged to attend all relevant company meetings.

A.8.3 It is the board's duty to present a balanced and understandable assessment of the company's position in reporting to stakeholders. Reports should be made in the context of the need for greater transparency and accountability, and should be comprehensive and objective.

A.8.4 Where appropriate, reports should urge institutional shareholders in particular to play a more active role in ensuring good governance practice is adhered to.

A.9 **Code of Ethics**

A.9.1 A company should implement its Code of Ethics as part of corporate governance.

A.9.2 A Code of Ethics should:

- Commit the company to the highest standards of behaviour;
- Be developed in such a way as to involve all its stakeholders;
- Receive total commitment from the board and the chief executive officer of the company; and

- Be sufficiently detailed to give clear guidance as to the expected behaviour of all employees in the company.

APPENDIX B

STATUS OF CORPORATE GOVERNANCE OBLIGATION IN SOUTH AFRICA

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STATUS OF CORPORATE GOVERNANCE OBLIGATIONS IN SOUTH AFRICA

The table below lists the main corporate governance obligations of companies and defines their status as Legal (i.e. required by the Companies Act or common law) or King II, (2002) (i.e. as recommended by King II, 2002) in South Africa. Duties under Legal are ones that the company must perform. Duties under King II, (2002) are largely voluntary except in the case of affected companies.

GOVERNANCE ACTIONS	LEGAL	KING II
Duty to display name of company at company premises	✓	
Duty to disclose directors and officers on letterheads etc.	✓	
Duty to hold AGM unless dispensed in terms of section 179	✓	
Duty of directors to report on state of company at AGM in terms of section 299	✓	
Duty of company to produce Annual Financial Statements in terms of section 286, signed off by directors		✓
Duty to produce interim reports	✓ For public companies	
Duty to distribute Annual Financial Statements to shareholders and debenture holders (302)	✓ For public companies	
Directors' duty to disclose interests in contracts	✓	
Directors' fiduciary duties to the company	✓	✓
Directors' duty to report on risk management and internal control issues		✓
Directors' remuneration to be disclosed in Annual Financial Statements	✓	
Directors' remuneration to be approved at AGM		✓
Remuneration for executive directors and management to be performance-based		✓
Duty to report on triple bottom line issues, risk management and internal control, and to disclose degree of compliance with King Report		✓
Issue of shares subject to approval of AGM	✓	
Duty to appoint registered office	✓	

APPENDIX C

LEGAL DUTIES OF DIRECTORS

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LEGAL DUTIES OF DIRECTORS

(Adapted from Appendix to King II, (2002) on Corporate Governance in South Africa)

Central to the appointment of an individual to a board of directors are the legal duties and responsibilities that are attributed to the position. The legal duties arise from both statutory and common law in South Africa. The extent of legislation applicable to companies is significant, and only a limited examination of the most pertinent provisions from the Companies Act and from the Criminal Procedure Act is dealt with in South Africa (King II, 2002).

C.1 COMPANIES ACT (61 OF 1973), AS AMMENDED

C.1.1 Section 50(1) (c)

Company name and registration number on items such as notices.

- Every company must display its name on the outside of its registered office or place where its business is carried on.
- All notices and publications must bear the company name.
- All bills of exchange, promissory notes, endorsements, cheques, and orders for money and goods signed on behalf of the company must bear the company name and registration number.

- All letters, delivery notes, invoices, receipts and letters of credit must bear the company name and registration number.

C.1.2 **Section 171**

Names of directors on letterheads

- No company business letter, business circular or business catalogue may be circulated without bearing the forenames (or initials) and surname of each director, his or her former surname, (if applicable) and nationality (if not South African).

C.1.3 **Section 208**

Number of directors

- Every public company must have at least two directors.
- Every private company must have at least one director.
- Subscribers to the memorandum of a company are deemed to be directors until directors are appointed.

C.1.4 **Section 211**

Appointment of directors (who are not the first directors appointed)

- Any person appointed as director or officer of a company after its commencement must within 28 days lodge his consent to act as such with the Registrar on the prescribed forms.
- It is an offence knowingly to publish the name of any person as director if this is not the case.

C.1.5 **Section 213**

Qualification shares of directors

- Directors who are required to hold qualification shares must vacate the office if they do not acquire such shares within two months of the appointment.

C.1.6 **Section 218/219**

Disqualification from appointment as a director.

- Persons disqualified from appointments as directors:
- A body corporate;
- A minor or other person under a legal disability;
- An unrehabilitated insolvent; any person removed from an office of trust on account of misconduct; and
- Any person convicted of fraud, theft, forgery, perjury or any offence under the Prevention of Corruption Act or any offence involving dishonesty.

- The High Court may make an order declaring any person disqualified from acting as a director or officer for such period as the court may determine.

C.1.7 **<u>Section 220</u>**

Removal of directors from office

- This section entitles a company to remove a director by resolution before the expiry of his period of office, and sets out the manner in which this can be achieved.

C.1.8 **<u>Section 221</u>**

Restrictions on powers of directors to issue share capital

- Directors of a company may allot or issue shares of the company only with the prior approval of the company in general meeting.
- If a general authority is given, it will be valid only until the next AGM of the company.

C.1.9 **<u>Section 222</u>**

Restrictions on issue of shares and debentures to directors.

In addition to the restrictions in section 221, directors may not allot shares to other directors (or their nominees) or to a body corporate, which acts on the instructions of a director, or at a general meeting where a director holds more than 20% of the voting rights, unless:

- The company has specifically approved the allotment in general meeting; or
- The shares are allotted under an underwriting contract; or
- The shares allotted are in proportion to existing holdings and on the same terms and conditions as apply to shareholders; or
- The shares allotted are offered on the same terms and conditions as to members of the public.

C.1.10 **<u>Section 223</u>**

Share option plans ***vis-à-vis*** directors

- No right or option to shares or convertible debentures may be given to directors, except if authorized by special resolution and only if in compliance with this section.

C.1.11 **<u>Section 225</u>**

Prohibition of tax-free payments to directors

- This section prohibits the payment of any remuneration by a company to its directors free of income tax.

C.1.12 **<u>Section 226</u>**

Prohibition of loans to, or security in connection with transactions by, directors or managers.

- No company may directly or indirectly loan money to any director or manager of the company or of its holding company or of any subsidiary company or any other body corporate controlled by one or more of the directors or managers.

C.1.13 **<u>Section 227</u>**

Payments to directors for loss of office

- This section prohibits a company from paying a past director or retiring director (or director of its subsidiary or holding company) any benefit for loss of office or in connection with their retirement from office, unless full details are disclosed to the members and approved by special resolution.

C.1.14 **<u>Section 228</u>**

Disposal of undertaking or greater part of assets of the company

- The directors may dispose of the whole or substantially the whole of the company’s assets or undertaking only on the authority of the company in general meeting.

C.1.15 **<u>Section 234</u>**

Duty of director or officer to disclose interests in contracts

- A director who is materially interested in a contract (directly or indirectly) or proposed contract which will be entered into by the company, must declare his full interest in the contract to the company.

C.1.16 **<u>Section 236</u>**

Written resolutions where director interested

- The provisions of sections 234 and 235 must be complied with even if the directors in writing (round robin) take a resolution.

C.1.17 **<u>Section 238</u>**

Notice of interest included in notice of meeting

- The notice convening a general meeting at which a director's interest in a contract will be tabled must include a notice of such interest.

C.1.18 **<u>Section 239</u>**

Minuting declarations of interest

- Every declaration of interest under sections 234, 235 and 237 must be recorded in the minutes of the director's meeting at which it is made.

C.1.19 **<u>Section 240</u>**

Register of interests in contracts of directors and officers

- Every company must keep a register of disclosed interests in contracts, under sections 234, 235 or 237.
- Sections 110 and 113 will apply on the keeping of the register and its inspection

C.1.20 **<u>Section 242</u>**

Keeping of minutes of directors' meetings (see also sections 244 and 245)

- Minutes of all directors' or mangers' meetings must be kept in a minute book at the company's registered office or at the office where they are prepared.
- Any resolution in writing will be deemed to be a minute and must similarly be kept in the minute book.
- The version of the minutes is signed by the chairman of the meeting, or of the succeeding meeting, will be deemed to be evidence of the proceedings of that meeting.

C.1.21 **Section 251**

Liability for making or concurring with the making, circulating or publication of a certificate, report or statement, which is false in any material aspect

- Every director or officer of a company who makes, circulates or publishes or concurs in making, circulating or publishing any certificate, written statement, report or financial statement in relation to any property or affairs of the company which is false in any material respect shall be guilty of an offence.

C.1.22 **Section 271**

Auditors

- If no auditor is appointed or reappointed at an AGM, the directors must within 35 days fill the vacancy, or report to the Registrar that the vacancy has not been filled within seven days after the end of the 35-day period.

C.1.23 **Section 284 (1)**

Fixed asset register

- A company must keep such accounting records as are required to present fairly the state of affairs of the company, and the business of the company, including:

- Records of assets and liabilities;
- Register of fixed assets; and
- Cash received and paid out

C.1.24 **<u>Section 286</u>**

Annual Financial Statements

- The directors of a company shall have Annual Financial Statements of the company prepared for each financial year and present them to the AGM

C.1.25 **<u>Section 288 – 290</u>**

Group Annual Financial Statements

- Where a company (which is itself not a wholly-owned subsidiary) has subsidiaries, the group Annual Financial Statement must be laid before the company at its AGM

C.1.26 **<u>Section 295</u>**

Disclosure of particulars of loans to or security in favour of directors

- The Annual Financial Statements of company must state the amount and particulars of every loan referred to in section 226 and any balance due, the particulars of every security and the transaction to which it relates in terms of section 226, and any balance outstanding.

C.1.27 **<u>Section 297</u>**

Disclosure of director's emoluments and pensions in Annual Financial Statements

- The Annual Financial Statements of a company must give details of the amount of emoluments of pensions aid out or receivable by directors and past directors, the amount paid to any director for loss of office, and details of the director's service contracts.

C.1.28 **<u>Section 299</u>**

Directors' Report in Annual Financial Statements

- Except if a company is a wholly owned subsidiary of a South African company, it will as part of its Annual Financial Statements report to the AGM on the state of affairs, business and profit or loss of the company and its subsidiaries.

C.1.29 **<u>Section 303</u>**

Interim Financial Reports

- Every company with a share capital, which is not a wholly owned subsidiary, must send an interim report to every member and debenture holder within three months of the end of the first six months of the financial year.

C.1.30 **Schedule 4 paragraph 37 and section 37**

Disclosure of loans and security by subsidiary

- The schedule sets out the particulars to be disclosed in a company's Annual Financial Statement on funds employed by a company, directly or indirectly, in a loan to any company's holding company or a subsidiary if its holding company.

C.1.31 **Criminal Procedure Act**

Directors deemed guilty of offences by company

- Where a company commits an offence, each director will be deemed liable unless they can prove that they did not take part in the commission of the offence and that they could not have prevented it.
- Until recently, this section of the Criminal Procedure Act was most relied upon by the state in prosecuting offences under the Companies Act.
- The constitutionality of the reverse onus deeming provisions of this section was, however, challenged successfully in the case of S v Coetzee 1997 (3) SA 527 (CC).

- This section is expected to be redrafted following a ruling by the constitutional court. Meanwhile it is a relevant reference for all directors and officers of companies.

APPENDIX D

STATUTORY REGISTERS AND OTHER RECORDS IN SOUTH AFRICA

APPENDIX D

STATUTORY REGISTERS AND OTHER RECORDS IN SOUTH AFRICA

A company in South Africa shall in terms of the Companies Act keep the following certain statutory records for the minimum periods set out below. Further registers may be required in terms of the JSE regulations or other legislation specific to certain industries.

Details of register, statutory or other record	**Minimum period for which record must be retained**
Certificate of incorporation and Certificate to commence business	Indefinitely; for the life of the company
Memorandum and articles of association	Indefinitely
Register of members to be kept at the company's registered office	Indefinitely
Register of directors and officers. The name of the auditors or any	15 years from date of last entry

changes in any changes in the appointment of auditors must be entered in the Register of directors and officers.	
Register of directors' and officers' interests in contracts	15 years
Details of register, statutory or other record	**Minimum period for which record must be retained**
Minute book of executive committee, management and other board committee meetings	Indefinitely
Notice of general meetings	Indefinitely
Resolutions and forms relating to registration of special resolutions	Indefinitely
Fixed assets register showing the date of acquisition, cost, and	15 years

depreciation of fixed assets of the company	
Register of special resolutions passed in terms of section 200 of the Act with copies of such resolutions being attached to the memorandum and articles of association	Indefinitely
Share allotment register	15 years
Copies of acceptance of appointment as director or officer (Form CM 27) for each director or officer as well as updated personal particulars (address, identity number) relating to each director	Indefinitely; for the life of the company
Details of register, statutory or other record	**Minimum period for which record must be retained**

Accounting records: Annual Financial Statements, directors' reports, and books of account	15 years
Documentation relating to tax and VAT payments	5 years
Contracts with suppliers, instalment sale agreements and the like.	5 years
Bank statements and banking records	4 years, except cheques which are usually kept for 6 years
Employee records	Usually 3 years
Property records – title deeds, and the like.	4 years or until the disposal of the property

APPENDIX E

QESTIONNAIRE

RHODES UNIVERSITY

9 February 2004

Dear Respondent

RESEARCH PROJECT: GOOD GOVERNANCE FOR GREEK FAMILY BUSINESSES IN SOUTH AFRICA

Rhodes University is currently researching the governance process to establish a good governance model for Greek Family businesses in South Africa. The purpose of this research is to establish factors that influence the governance process of Greek family businesses in South Africa ensuring proposed strategies and approaches that will assist Greek Family businesses to ensure good governance.

To obtain meaningful results, your co-operation is of particular importance. Completing the questionnaire should not take more than ten minutes of your time. Please note that no attempt is made to identify you. Your anonymity is assured and all responses will be treated in the strictest confidence.

We would be grateful if you would make sure that this questionnaire is ready for collection at your earliest convenience but not later than 31 March 2004.

To ensure full accuracy of the survey results we would like you to answer the questionnaire carefully and complete all questions.

Thanking you for your willingness to contribute to the success of this important research project.

Yours faithfully

Chris Adendorff: Researcher

RHODES UNIVERSITY
Where leaders learn

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ENGLISH QUESTIONNAIRE

SECTION A: FACTORS INFLUENCING GOVERNANCE

A

A number of factors influencing governance in Greek family businesses are listed below. Using the following scale please indicate to what extent you agree or disagree with the statements by circling the appropriate number in each row: 1 = Strongly disagree; 2 = Disagree; 3 = Somewhat/slightly disagree; 4 = Neither agree nor disagree (neutral); 5 = Somewhat/slightly agree; 6 = Agree; 7 = Strongly agree

		Strongly Strongly disagree agree Neutral							For office use
1	I fully identify with the vision of this business	1	2	3	4	5	6	7	B
2	My cultural values are the same as those of most of the people who work here	1	2	3	4	5	6	7	C
3	The family members in this business trust each other	1	2	3	4	5	6	7	D
4	The business has a formal Board of Directors	1	2	3	4	5	6	7	E
5	The family members trust each other	1	2	3	4	5	6	7	F
6	The business' profitability is satisfactory	1	2	3	4	5	6	7	G

7	The person who will take over this business when the current owner/manager retires has already been identified	1	2	3	4	5	6	7	H
8	There is adequate communication in this business	1	2	3	4	5	6	7	I
9	The long-term strategies of this business are planned long in advance	1	2	3	4	5	6	7	J
10	I strongly identify with this business	1	2	3	4	5	6	7	K
11	There are outside consultants advising this business	1	2	3	4	5	6	7	L
12	The governance responsibilities in this business are clearly specified	1	2	3	4	5	6	7	M
13	This business has specific goals to enhance entrepreneurship in the family	1	2	3	4	5	6	7	N
14	The owners of this business have a clear vision of international expansion	1	2	3	4	5	6	7	O
15	I am proud to be associated with this business	1	2	3	4	5	6	7	P
16	My beliefs and the beliefs of others working here are very similar	1	2	3	4	5	6	7	Q
17	The family members in this business respect each other	1	2	3	4	5	6	7	R
18	The business has a written business plan	1	2	3	4	5	6	7	S
19	The family members have confidence in	1	2	3	4	5	6	7	T

	each other's business capabilities								
20	The business is profitable	1	2	3	4	5	6	7	U
21	The person who will take over this business when the current owner/manager retires is being prepared for his/her future role	1	2	3	4	5	6	7	V
22	There are enough opportunities for family members to communicate with each other	1	2	3	4	5	6	7	W
23	This business has a clear long-term vision	1	2	3	4	5	6	7	X
24	I am proud to tell others that I work for this business	1	2	3	4	5	6	7	Y
25	This business has a Board of Directors	1	2	3	4	5	6	7	Z
26	There are clear governance rules in this business	1	2	3	4	5	6	7	AA
27	The profit prospects of any new business venture opportunity is an important consideration in this business	1	2	3	4	5	6	7	AB
28	International growth is part of the vision of this business	1	2	3	4	5	6	7	AC
29	My needs and the needs of this business are very similar	1	2	3	4	5	6	7	AD
30	My values and the values of others working here are very similar	1	2	3	4	5	6	7	AE
31	All family members in this business are	1	2	3	4	5	6	7	AF

	allowed to contribute to decision-making								
32	The business has a formal structure where family and business matters can be discussed	1	2	3	4	5	6	7	AG
33	The family members have a high regard for each other's integrity	1	2	3	4	5	6	7	AH
34	The financial success of this business is guaranteed	1	2	3	4	5	6	7	AI
35	There is a proper succession plan in place for this business	1	2	3	4	5	6	7	AJ
36	The communication channels available in this business are adequate	1	2	3	4	5	6	7	AK
37	This firm has a formal strategic planning process in place	1	2	3	4	5	6	7	AL
38	I strongly associate with what this business stands for	1	2	3	4	5	6	7	AM
39	When needed, this business draws on the expertise of outsiders (eg lawyers, consultants)	1	2	3	4	5	6	7	AN
40	The governance of this business are properly regulated	1	2	3	4	5	6	7	AO
41	The likely economic opportunities for other family members is an important consideration in this business	1	2	3	4	5	6	7	AP
42	The vision of this business is to provide for other family members	1	2	3	4	5	6	7	AQ
43	I can realise my business ambitions in this business	1	2	3	4	5	6	7	AR

44	My customs and the customs of others working here are very similar	1	2	3	4	5	6	7	AS
45	There is not any conflict among family members in this business	1	2	3	4	5	6	7	AT
46	The business has a formal document that describes the relationship between the family and the business	1	2	3	4	5	6	7	AU
47	The family members have confidence in each other's decision-making abilities	1	2	3	4	5	6	7	AV
48	The revenues generated by this business are increasing	1	2	3	4	5	6	7	AW
49	Replacing the current owner/manager with a successor will be done in good time	1	2	3	4	5	6	7	AX
50	The family members are well-informed what happens in this business	1	2	3	4	5	6	7	AY
51	This firm has a written strategic plan	1	2	3	4	5	6	7	AZ
52	Even if I get the opportunity to leave I would continue working for this business	1	2	3	4	5	6	7	BA
53	When needed, this business draws on outside expertise to assist with its governance	1	2	3	4	5	6	7	BB
54	There is very little conflict in this business	1	2	3	4	5	6	7	BC
55	Future international expansion is an important consideration in this business	1	2	3	4	5	6	7	BD
56	Creating business opportunities for other	1	2	3	4	5	6	7	BE

	family members is part of the vision of this business								
57	I can have a rewarding career in this business	1	2	3	4	5	6	7	BF
58	My cultural values are compatible with the cultural values of this business	1	2	3	4	5	6	7	BG
59	In this business we solve potential problems among family members before they occur	1	2	3	4	5	6	7	BH
60	Business decisions are made using formal management structures	1	2	3	4	5	6	7	BI
61	The family members believe in each other	1	2	3	4	5	6	7	BJ
62	The financial well-being of this business is secure	1	2	3	4	5	6	7	BK
63	Replacing the current owner/manager with a successor will not be a haphazard occurrence	1	2	3	4	5	6	7	BL
64	This firm plans years ahead	1	2	3	4	5	6	7	BM
65	I want to continue working for this business for some time still	1	2	3	4	5	6	7	BN

66	This business involves outsiders to assist with its governance	1	2	3	4	5	6	7	BO
67	There are appropriate control measures in place in this business	1	2	3	4	5	6	7	BP

68	An entrepreneurial culture is fostered in this business	1	2	3	4	5	6	7	BQ
69	Maximising profitability is a key goal of this business' vision	1	2	3	4	5	6	7	BR
70	This is an exciting business to work for	1	2	3	4	5	6	7	BS
71	In this business all the family members support each other	1	2	3	4	5	6	7	BT
72	The business has a formal business plan	1	2	3	4	5	6	7	BU
73	The business is meeting its profitability targets	1	2	3	4	5	6	7	BV
74	The identity of the successor to current owner/manager has been communicated to all concerned	1	2	3	4	5	6	7	BW
75	I will not be looking for a new job soon	1	2	3	4	5	6	7	BX
76	This business has an Advisory Board	1	2	3	4	5	6	7	BY
77	The business risks this business is exposed to is well managed	1	2	3	4	5	6	7	BZ
78	Making money is an important consideration for everyone involved in this business	1	2	3	4	5	6	7	CA
79	It is a challenge to work for this business	1	2	3	4	5	6	7	CB
80	This business has proper planning	1	2	3	4	5	6	7	CC

	processes and procedures in place								
81	The sustainability of this business is properly planned for	1	2	3	4	5	6	7	CD
82	The managers of this business are always on the outlook for new innovative ways to do business	1	2	3	4	5	6	7	CE
83	Working for this business is very rewarding	1	2	3	4	5	6	7	CF
84	There are systems in place to ensure legal compliance in this business	1	2	3	4	5	6	7	CG
85	The managers of this business are always on the outlook for new business opportunities	1	2	3	4	5	6	7	CH
86	This business is adequately accountable to all its stakeholders	1	2	3	4	5	6	7	CI

SECTION B: CLASSIFICATION DATA

Please indicate your gender

Male ☐ Female ☐ CJ

1. Using the criteria below, which best describes your Greek origin?
CK

Mainland Greek ☐
Cypriot Greek ☐
Aegan Greek ☐
Other ☐

2. Where were you born?
CL

South Africa ☐
Greece ☐
Europe (but not Greece) ☐
In Africa (but not SA) ☐
Other ☐

3. How long have you been living in South Africa?
CM

For at least 5 years ☐
Between 5 and 10 years ☐
Between 10 and 15 years ☐
Between 15 and 20 years ☐
Longer than 20 years ☐

4. Which of the following best describes the your generation in SA?
CN

First generation ☐
Second generation ☐
Third generation ☐
Fourth generation ☐
Fifth generation and later ☐

5. How many people of the same family are involved in this business? CO

Between 1 and 5 ☐
Between 6 and 10 ☐
Between 11 and 15 ☐
Between 16 and 20 ☐
20 or more ☐

GREEK QUESTIONNAIRE

ΜΕΡΟΣ ΠΡΩΤΟ: ΠΑΡΑΓΟΝΤΕΣ ΠΟΥ ΕΠΗΡΕΑΖΟΥΝ ΤΗ ΔΙΟΙΚΗΣΗ Α

Κάποιοι παράγοντες που επηρεάζουν τον τρόπο διοίκησης των Ελληνικών οικογενειακών επιχειρήσεων παρουσιάζονται παρακάτω. Χρησιμοποιώντας την παρακάτω κλίμακα, δείξτε σε ποιο βαθμό συμφωνείτε ή διαφωνείτε με τις προτάσεις κυκλώνοντας τον σωστό αριθμό στην κάθε σειρά. 1 = Διαφωνώ πολύ, 2 = Διαφωνώ, 3 = διαφωνώ λίγο, 4 = Είμαι ουδέτερος, 5 = Συμφωνώ λίγο, 6 = Συμφωνώ, 7 = Συμφωνώ πολύ.

		Διαφωνώ Είμαι Συμφωνώ πολύ ουδέτερος πολύ ◄──►							Για χρήση γραφείου μόνο
1	Αναγνωρίζω πλήρως το όραμα της δουλειάς	1	2	3	4	5	6	7	B
2	Η πολιτιστική μου κουλτούρα είναι ίδια με όσους ανθρώπους δουλεύουν εδώ	1	2	3	4	5	6	7	C
3	Τα μέλη της οικογενείας εμπιστεύονται	1	2	3	4	5	6	7	D
4	Η επιχείρηση έχει επίσημο Διοικητικό Συμβούλιο	1	2	3	4	5	6	7	E
5	Υπάρχει εμπιστοσύνη ανάμεσα στην οικογένεια	1	2	3	4	5	6	7	Z

6	Η κερδοφορία της εταιρείας είναι ικανοποιητική	1	2	3	4	5	6	7	Η
7	Το άτομο το οποίο θα αναλάβει την επιχείρηση μόλις ο τωρινός ιδιοκτήτης/διευθυντής συνταξιοδοτηθεί, έχει ήδη επισημανθεί	1	2	3	4	5	6	7	Θ
8	Υπάρχει επαρκής επικοινωνία σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	Ι
9	Οι μακροπρόθεσμες στρατηγικές αυτής της επιχείρησης έχουν σχεδιαστεί πρωτύτερα	1	2	3	4	5	6	7	Κ
10	«Ενσαρκώνομαι» πλήρως μ' αυτή τη δουλειά	1	2	3	4	5	6	7	Λ
11	Υπάρχουν εξωτερικοί σύμβουλοι γι' αυτή την επιχείρηση	1	2	3	4	5	6	7	Μ
12	Οι διοικητικές αρμοδιότητες σ' αυτή τη δουλειά έχουν ξεκάθαρα προσδιοριστεί	1	2	3	4	5	6	7	Ν
13	Η επιχείρηση έχει συγκεκριμένους στόχους ώστε να κάνει διάχυτη την «επιχειρηματικότητα» σ' αυτή την οικογένεια	1	2	3	4	5	6	7	Ξ
14	Οι ιδιοκτήτες αυτής της επιχείρησης έχουν ξεκάθαρο όραμα για διεθνή επέκταση	1	2	3	4	5	6	7	Ο
15	Είμαι περήφανος/η που εμπλέκομαι σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	Π

16	Τα «πιστεύω» μου και τα «πιστεύω» όσων δουλεύουν εδώ είναι παρόμοια	1	2	3	4	5	6	7	Ρ
17	Τα μέλη της οικογένειας σ' αυτή την επιχείρηση σέβονται το ένα το άλλο	1	2	3	4	5	6	7	Σ
18	Η επιχείρηση έχει «προσδιορίσει» επιχειρηματικό σχέδιο	1	2	3	4	5	6	7	Τ
19	Τα μέλη της οικογένειας έχουν εμπιστοσύνη μεταξύ τους για τις επιχειρηματικές τους δυνατότητες	1	2	3	4	5	6	7	Υ
20	Η επιχείρηση είναι κερδοφόρα	1	2	3	4	5	6	7	U
21	Το άτομο που θα αναλάβει την επιχείρηση όταν ο τωρινός ιδιοκτήτης/διευθυντής συνταξιοδοτηθεί, προετοιμάζεται για τον μελλοντικό του/της ρόλο	1	2	3	4	5	6	7	Φ
22	Υπάρχουν αρκετές δυνατότητες για τα μέλη της οικογένειας ώστε να επικοινωνούν μεταξύ τους	1	2	3	4	5	6	7	Χ
23	Η επιχείρηση έχει ξεκάθαρο μακροπρόθεσμο όραμα	1	2	3	4	5	6	7	Ψ
24	Είμαι περήφανος να λέω ότι δουλεύω γι' αυτή την επιχείρηση	1	2	3	4	5	6	7	
25	Αυτή η επιχείρηση έχει Διοικητικό Συμβούλιο	1	2	3	4	5	6	7	Ζ
26	Υπάρχουν ξεκάθαροι διοικητικοί κανόνες σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	ΑΑ
27	Τα μελλοντικά κέρδη κάθε	1	2	3	4	5	6	7	ΑΒ

	μελλοντικής πώλησης είναι σημαντική υπόθεση γι' αυτή την επιχείρηση								
28	Η διεθνής ανάπτυξη είναι μέρος του οράματος αυτής της επιχείρησης	1	2	3	4	5	6	7	AC
29	Οι ανάγκες μου και οι ανάγκες της επιχείρησης είναι πολύ παρόμοιες	1	2	3	4	5	6	7	AD
30	Οι αρχές μου και οι αρχές όσων δουλεύουν εδώ είναι πολύ παρόμοιες	1	2	3	4	5	6	7	AE
31	Όλα τα μέλη της οικογένειας σ' αυτή την επιχείρηση μπορούνε να συνεισφέρουνε όταν παίρνονται αποφάσεις	1	2	3	4	5	6	7	AF
32	Η επιχείρηση έχει επίσημη δομή σε ότι αφορά οικογενειακά και επιχειρησιακά θέματα, όταν πρόκειται να συζητηθούνε	1	2	3	4	5	6	7	AG
33	Τα μέλη της οικογένειας εκτιμούνε την αξιοπιστια.	1	2	3	4	5	6	7	AH
34	Η οικονομική επιτυχία αυτής της επιχείρησης είναι εγγυημένη	1	2	3	4	5	6	7	AI
35	Υπάρχει σχέδιο διαδοχής σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	AJ
36	Τα υπάρχοντα κανάλια επικοινωνίας σ' αυτή την επιχείρηση είναι επαρκή	1	2	3	4	5	6	7	AK
37	Αυτή η εταιρεία έχει σε εφαρμογή επίσημο στρατηγικό σχέδιο	1	2	3	4	5	6	7	AL
38	Ενσαρκώνομαι βαθιά με ότι	1	2	3	4	5	6	7	AM

	υποστηρίζει αυτή η εταιρεία								
39	Όταν κριθεί απαραίτητο, αυτή η εταιρεία απευθύνεται σε εξωτερικούς ειδικούς (π.χ. δικηγόρους, συμβούλους)	1	2	3	4	5	6	7	AN
40	Η διοίκηση αυτής της επιχείρησης έχει κριθεί ξεκάθαρα	1	2	3	4	5	6	7	AO
41	Οι πιθανές οικονομικές ευκαιρίες για άλλα μέλη της οικογένειας αποτελεί μια σοβαρή υπόθεση γι' αυτή την επιχείρηση	1	2	3	4	5	6	7	AP
42	Το όραμα αυτής της επιχείρησης είναι να «προσφέρει» στα υπόλοιπα μέλη της οικογένειας	1	2	3	4	5	6	7	AQ
43	Μπορώ να πραγματοποιήσω τις επαγγελματικές μου φιλοδοξίες σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	AR
44	Τα ήθη μου και τα ήθη των άλλων που δουλεύουν εδώ είναι πολύ παρόμοια	1	2	3	4	5	6	7	AS
45	Δεν υπάρχει «διχόνοια» μεταξύ των μελών της οικογένειας σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	AT
46	Η επιχείρηση έχει επίσημο έγγραφο όπου περιγράφει τη σχέση μεταξύ οικογένειας και επιχείρησης	1	2	3	4	5	6	7	AU
47	Τα μέλη της οικογένειας έχουν εμπιστοσύνη μεταξύ τους για τον	1	2	3	4	5	6	7	AV

	τρόπο και την δυνατότητα που έχουν να παίρνουν αποφάσεις								
48	Τα εισοδήματα της επιχείρησης αυξάνονται	1	2	3	4	5	6	7	AW
49	Η αντικατάσταση του τωρινού ιδιοκτήτη/διευθυντή με ένα διάδοχο θα γίνει σε εύλογο χρονικό διάστημα	1	2	3	4	5	6	7	AX
50	Τα μέλη της οικογένειας είναι καλά πληροφορημένα στο κάθε τι που συμβαίνει στην επιχείρηση	1	2	3	4	5	6	7	AY
51	Η εταιρεία έχει γραπτό στρατηγικό σχέδιο	1	2	3	4	5	6	7	AZ
52	Ακόμα κι αν έχω την ευκαιρία να φύγω, θα συνεχίσω να δουλεύω γι' αυτή την επιχείρηση	1	2	3	4	5	6	7	BA
53	Όταν κριθεί απαραίτητο, αυτή η επιχείρηση ζητάει έναν εξωτερικό ειδικό ώστε να βοηθήσει στην διοίκηση	1	2	3	4	5	6	7	BB
54	Υπάρχει ελάχιστη αντιπαράθεση σ' αυτή την επιχείρηση	1	2	3	4	5	6	7	BC
55	Η μελλοντική διεθνής ανάπτυξη αποτελεί σπουδαίο παράγοντα γι' αυτή την επιχείρηση	1	2	3	4	5	6	7	BD
56	Η δημιουργία επαγγελματικών ευκαιριών για άλλα μέλη της οικογένειας είναι μέρος του οράματος αυτής της επιχείρησης	1	2	3	4	5	6	7	BE

57	Μπορω να εχω μια επικοδομοιτικη καριερα σε αυτή την επιχειρηση.	1	2	3	4	5	6	7	BF
58	Οι πολιτιστικες μου αρχες συμβαδιζουν με αυτές της εταιρειας.	1	2	3	4	5	6	7	BG
59	Σε αυτή την επιχειρηση, λυνουμε πιθανα προβληματα μεταξυ των μελων της οικογενειας πριν ακομα συμβουνε.	1	2	3	4	5	6	7	BH
60	Επαγγελματικες αποφασεις περνονται, χρησιμοποιωντας επισημες διοικητικες δομες.	1	2	3	4	5	6	7	BI
61	Τα μελη της οικογενειας πιστευουν το ενα το αλλο.	1	2	3	4	5	6	7	BJ
62	Η οικονομικη κατασταση της εταιρειας είναι ασφαλης.	1	2	3	4	5	6	7	BK
63	Η αντικατασταση του τωρινου ιδιοκτητη/διευθυντη με ενα διαδοχο, δεν αποτελει κινδυνο/ρισκο.	1	2	3	4	5	6	7	BL
64	Η εταιρεια σχεδιαζει για τα επομενα χρονια.	1	2	3	4	5	6	7	BM
65	Επιθυμω να συνεχιζω να δουλευω γι αυτή την επιχειρηση για αρκετο καιρο ακομα.	1	2	3	4	5	6	7	BN

66	Αυτη η επιχειρηση περιλαμβανει και εξωτερικους συνεργατες οσον αφορα διοικητικα θεματα.	1	2	3	4	5	6	7	BO
67	Σε αυτή την επιχειρηση, υπαρχουν σε	1	2	3	4	5	6	7	BP

	εφαρμογη καταλληλα μετρα ελεγχου.								
68	Η επιχειρηματικη κουλτουρα αναπτυσεται σε αυτή την επιχειρηση.	1	2	3	4	5	6	7	BQ
69	Η αυξηση της κερδοφοριας είναι ο κυριος στοχος για το οραμα αυτης της επιχειρησης.	1	2	3	4	5	6	7	BR
70	Αυτη είναι μια συναρπαστικη επιχειρηση για να δουλευεις.	1	2	3	4	5	6	7	BS
71	Σε αυτή την επιχειρηση, όλα τα μελη της οικογενειας υποστηριζοναι μεταξυ τους.	1	2	3	4	5	6	7	BT
72	Αυτη η επιχειρηση εχει επισημο επιχειρηματικο σχεδιο.	1	2	3	4	5	6	7	BU
73	Η επιχειρηση πετυχαινει τους στοχους της κερδοφοριας της.	1	2	3	4	5	6	7	BV
74	Η ταυτοτητα του διαδοχου στη θεση του ιδιοκτητη/διευθυντη εχει γνωστοποιηθει σε ολους τους εμπλεκομενους.	1	2	3	4	5	6	7	BW
75	Δεν θα ψαχνω για καινουργια δουλεια αμεσα.	1	2	3	4	5	6	7	BX
76	Αυτη η εταιρεια εχει διοικητικο συμβουλειο.	1	2	3	4	5	6	7	BY
77	Οι επιχειρηματικοι κινδυνοι/ρισκα που αντιμετωπιζει η εταιρεια υποστηριζονται από μια καλη διοικηση.	1	2	3	4	5	6	7	BZ
78	Το να κερδισεις λεφτα είναι μια σοβαρη υποθεση για τον καθενα που εμπλεκεται σε αυτή την εταιρεια.	1	2	3	4	5	6	7	CA
79	Ειναι προκληση το να δουλευεις γαυτη την	1	2	3	4	5	6	7	CB

	εταιρεια.								
80	Αυτη η επιχειρηση εχει σωστες αρχες προγραμματισμου και διαδικασιες.	1	2	3	4	5	6	7	CC
81	Η αναπτυξη/υπαρξη αυτης της εταιρειας εχει σχεδιαστει σωστα.	1	2	3	4	5	6	7	CD
82	Οι διευθυντες αυτης της επιχειρησης αναζητουν παντοται νεες πρωτοποριακες μεθοδους για να αναπτυξουν την επιχειρηματικοτητα τους.	1	2	3	4	5	6	7	CE
83	Το να δουλευεις γι αυτή την επιχειρηση είναι πολύ επικοδομοιτικο.	1	2	3	4	5	6	7	CF
84	Υπαρχουν συστηματα σε εφαρμογη ώστε να εξασφαλιζεται η υπακοη στα νομικα ζητηματα σε αυτή την επιχειρηση.	1	2	3	4	5	6	7	CG
85	Οι διευθυντες αυτης της επιχειρησης αναζητουνε παντοται νεες επαγγελματικες ευκαιριες.	1	2	3	4	5	6	7	CH
86	Αυτη η επιχειρηση λογοδοτει επαρκως σε ολους τους μετοχους της.	1	2	3	4	5	6	7	CI

<u>**ΜΕΡΟΣ ΔΕΥΤΕΡΟ: ΔΗΜΟΓΡΑΦΙΚΑ ΣΤΟΙΧΕΙΑ**</u>

Φυλο

Ανδρας ☐ **Γυναικα** ☐

CJ

1. Χρησιμοποιωντας τα παρακατω κριτηρια, τι αντιπροσωπευει την καταγωγη σας?

CK

Κεντρι κη Ελλαδα ☐

Ελληνοκυπριος ☐

Αιγαιο ☐

Αλλο ☐

2. Που γεννηθηκατε? **CL**

Νοτια Αφρικη ☐

Ελλαδα ☐

Ευρωπη (οχι Ελλαδα) ☐

Αφρικη (οχι Ν.Α) ☐

Αλλο ☐

3. Ποσο καιρο ζειτε στη Νοτια Αφρικη ?

CM

Τουλαχιστον 5 χρονια ☐

Μεταξυ 5 και 10 χρονια ☐

,Μεταξυ 10 και 15 χρονια ☐

Μεταξυ 15 και 20 χρονια ☐

Περισσοτερο από 20 χρονια ☐

4. Τι από τα παρακατω περιγραφει καλυτερα τη γενια σας στη Νοτια Αφρικη?

CN

Πρωτη Γενια ☐

Δευτερη Γενια ☐

Τριτη Γενια ☐

Τεταρτη Γενια ☐

Πεμπτη Γενια και μετα ☐

5. Ποσα ατομα από την οικογενειαςσας εμπλεκονται σε αυτή την επιχειρηση? CO

Από 1 εως 5 ☐

Απο 6 εως 10 ☐

Απο 11 εως 15 ☐

Από 16 εως 20 ☐

20 και πανω ☐

APPENDIX F

STATISTICS:

STRUCTURAL EQUATION MODELING

INTERVENING VARIABLES

CHRIS17.OUT

EIGENVALUE HISTOGRAM

1	11.0102	***
2	4.22879	************************
3	2.72722	***************
4	1.88289	***********
5	1.34292	********
6	1.14245	******

ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5	FACTOR6
		1	2	3	4	5	6
GOV1	4	0.660	0.154	-0.092	-0.050	0.002	0.023
TRU1	5	0.012	-0.019	0.679	0.159	-0.137	-0.112
MPLAN1	7	-0.002	0.872	0.101	-0.138	-0.071	0.028
COM1	8	-0.099	0.061	0.768	0.045	0.002	-0.108
SP1	9	0.657	0.071	0.226	-0.079	-0.001	-0.114
OC1	10	-0.004	-0.060	0.653	-0.011	0.053	0.143
ENTG1	13	0.125	0.006	0.178	0.490	0.121	0.104
VISI1	14	0.446	0.095	0.040	0.155	0.062	0.107
GOV2	18	0.775	0.017	0.156	-0.021	-0.065	0.051
MPLAN2	21	0.063	0.790	-0.015	-0.030	-0.078	0.229
SP2	23	0.632	0.010	0.068	0.047	0.211	-0.099
GOV3	32	0.546	0.036	-0.066	-0.007	-0.025	-0.311
TRU3	33	0.055	-0.102	0.266	0.793	-0.130	-0.022
PROFIT3	34	0.074	0.121	0.030	0.081	0.636	-0.015
MPLAN3	35	0.088	0.665	-0.037	0.169	0.045	0.039
SP3	37	0.733	0.038	0.149	0.021	0.011	-0.016
OC3	38	0.087	0.007	0.583	0.018	0.173	0.086
GOV4	46	0.707	-0.040	-0.045	-0.087	-0.029	0.021
PROFIT4	48	0.061	-0.028	0.062	-0.088	0.616	0.077

MPLAN4	**49**	**-0.014**	**0.604**	**-0.046**	**0.117**	**0.080**	**0.099**
COM4	**50**	**-0.037**	**0.090**	**-0.020**	**0.648**	**0.061**	**0.039**
SP4	**51**	**0.913**	**0.002**	**0.022**	**-0.110**	**-0.002**	**0.065**
OC4	**52**	**0.506**	**0.059**	**-0.044**	**-0.015**	**0.190**	**-0.272**
GOV5	**60**	**0.752**	**0.017**	**-0.085**	**0.118**	**0.106**	**0.051**
TRU5	**61**	**0.018**	**0.068**	**0.603**	**0.268**	**-0.076**	**0.056**
PROFIT5	**62**	**-0.014**	**0.046**	**-0.051**	**0.074**	**0.671**	**0.041**
MPLAN5	**63**	**-0.039**	**0.649**	**0.022**	**0.020**	**0.101**	**-0.234**
SP5	**64**	**0.731**	**0.094**	**-0.063**	**0.080**	**0.130**	**0.024**
SP6	**72**	**0.934**	**-0.039**	**-0.165**	**0.156**	**-0.066**	**0.095**
MPLAN6	**74**	**0.101**	**0.709**	**-0.036**	**0.027**	**0.027**	**-0.181**
OC6	**75**	**0.039**	**0.459**	**0.095**	**-0.055**	**0.239**	**-0.141**
ENTG6	**78**	**-0.048**	**-0.049**	**-0.031**	**0.084**	**0.181**	**0.705**
SP7	**80**	**0.624**	**-0.016**	**0.129**	**0.092**	**0.129**	**-0.022**
ENTG7	**82**	**0.135**	**0.089**	**0.492**	**-0.036**	**0.112**	**0.158**
ENTG8	**85**	**0.037**	**0.091**	**0.220**	**0.094**	**0.030**	**0.581**

INTERVENING VARIABLES

CHRIS17.OUT

SORTED ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5	FACTOR6
		1	2	3	4	5	6
SP6	72	0.934	0.000	0.000	0.000	0.000	0.000
SP4	51	0.913	0.000	0.000	0.000	0.000	0.000
GOV2	18	0.775	0.000	0.000	0.000	0.000	0.000
GOV5	60	0.752	0.000	0.000	0.000	0.000	0.000
SP3	37	0.733	0.000	0.000	0.000	0.000	0.000
SP5	64	0.731	0.000	0.000INTERVENING VARIABLES			

CHRIS17.OUT

EIGENVALUE HISTOGRAM

1 11.0102 ***
2 4.22879 ************************
3 2.72722 ***************
4 1.88289 ***********
5 1.34292 ********
6 1.14245 ******

ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5	FACTOR6
		1	2	3	4	5	6
GOV1	4	0.660	0.154	-0.092	-0.050	0.002	0.023
TRU1	5	0.012	-0.019	0.679	0.159	-0.137	-0.112
MPLAN1	7	-0.002	0.872	0.101	-0.138	-0.071	0.028

COM1	**8**	**-0.099**	**0.061**	**0.768**	**0.045**	**0.002**	**-0.108**
SP1	**9**	**0.657**	**0.071**	**0.226**	**-0.079**	**-0.001**	**-0.114**
OC1	**10**	**-0.004**	**-0.060**	**0.653**	**-0.011**	**0.053**	**0.143**
ENTG1	**13**	**0.125**	**0.006**	**0.178**	**0.490**	**0.121**	**0.104**
VISI1	**14**	**0.446**	**0.095**	**0.040**	**0.155**	**0.062**	**0.107**
GOV2	**18**	**0.775**	**0.017**	**0.156**	**-0.021**	**-0.065**	**0.051**
MPLAN2	**21**	**0.063**	**0.790**	**-0.015**	**-0.030**	**-0.078**	**0.229**
SP2	**23**	**0.632**	**0.010**	**0.068**	**0.047**	**0.211**	**-0.099**
GOV3	**32**	**0.546**	**0.036**	**-0.066**	**-0.007**	**-0.025**	**-0.311**
TRU3	**33**	**0.055**	**-0.102**	**0.266**	**0.793**	**-0.130**	**-0.022**
PROFIT3	**34**	**0.074**	**0.121**	**0.030**	**0.081**	**0.636**	**-0.015**
MPLAN3	**35**	**0.088**	**0.665**	**-0.037**	**0.169**	**0.045**	**0.039**
SP3	**37**	**0.733**	**0.038**	**0.149**	**0.021**	**0.011**	**-0.016**
OC3	**38**	**0.087**	**0.007**	**0.583**	**0.018**	**0.173**	**0.086**
GOV4	**46**	**0.707**	**-0.040**	**-0.045**	**-0.087**	**-0.029**	**0.021**
PROFIT4	**48**	**0.061**	**-0.028**	**0.062**	**-0.088**	**0.616**	**0.077**
MPLAN4	**49**	**-0.014**	**0.604**	**-0.046**	**0.117**	**0.080**	**0.099**
COM4	**50**	**-0.037**	**0.090**	**-0.020**	**0.648**	**0.061**	**0.039**
SP4	**51**	**0.913**	**0.002**	**0.022**	**-0.110**	**-0.002**	**0.065**

DEPENDENT VARIABLE: GOOD GOVERNANACE

CHRIS22.OUT

HISTOGRAM OF INITIAL EIGENVALUES

EIGENVALUE		HISTOGRAM
1	3.44921	***
2	0.601520	***********
3	0.244634	****

FACTOR	VARIANCE EXPLAINED	CUMULATIVE PROPORTION OF VARIANCE IN DATA SPACE	IN FACTOR SPACE	CARMINES THETA
1	3.5794	0.7198	0.7507	0.9514
2	0.7677	0.8742	0.9118	
3	0.4207	0.9588	1.0000	

ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1 1	FACTOR2 2	FACTOR3 3
GG4	54	0.439	0.201	-0.021
GG8	84	0.877	-0.064	-0.009
GG9	86	0.753	-0.043	0.061
GG1	12	-0.032	0.830	-0.057
GG2	26	-0.014	0.601	0.273
GG3	40	0.166	0.555	0.110
GG5	67	0.218	0.163	0.340
GG6	77	0.054	0.024	0.495
GG7	81	-0.058	-0.014	0.894

INTERVENING VARIABLES

CHRIS17.OUT

EIGENVALUE HISTOGRAM

1	11.0102	**
2	4.22879	***********************
3	2.72722	***************
4	1.88289	***********
5	1.34292	********
6	1.14245	******

ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1 1	FACTOR2 2	FACTOR3 3	FACTOR4 4	FACTOR5 5	FACTOR6 6
GOV1	4	0.660	0.154	-0.092	-0.050	0.002	0.023
TRU1	5	0.012	-0.019	0.679	0.159	-0.137	-0.112
MPLAN1	7	-0.002	0.872	0.101	-0.138	-0.071	0.028
COM1	8	-0.099	0.061	0.768	0.045	0.002	-0.108
SP1	9	0.657	0.071	0.226	-0.079	-0.001	-0.114
OC1	10	-0.004	-0.060	0.653	-0.011	0.053	0.143
ENTG1	13	0.125	0.006	0.178	0.490	0.121	0.104
VISI1	14	0.446	0.095	0.040	0.155	0.062	0.107
GOV2	18	0.775	0.017	0.156	-0.021	-0.065	0.051
MPLAN2	21	0.063	0.790	-0.015	-0.030	-0.078	0.229
SP2	23	0.632	0.010	0.068	0.047	0.211	-0.099
GOV3	32	0.546	0.036	-0.066	-0.007	-0.025	-0.311
TRU3	33	0.055	-0.102	0.266	0.793	-0.130	-0.022
PROFIT3	34	0.074	0.121	0.030	0.081	0.636	-0.015
MPLAN3	35	0.088	0.665	-0.037	0.169	0.045	0.039
SP3	37	0.733	0.038	0.149	0.021	0.011	-0.016
OC3	38	0.087	0.007	0.583	0.018	0.173	0.086
GOV4	46	0.707	-0.040	-0.045	-0.087	-0.029	0.021
PROFIT4	48	0.061	-0.028	0.062	-0.088	0.616	0.077

MPLAN4	49	-0.014	0.604	-0.046	0.117	0.080	0.099
COM4	50	-0.037	0.090	-0.020	0.648	0.061	0.039
SP4	51	0.913	0.002	0.022	-0.110	-0.002	0.065
OC4	52	0.506	0.059	-0.044	-0.015	0.190	-0.272
GOV5	60	0.752	0.017	-0.085	0.118	0.106	0.051
TRU5	61	0.018	0.068	0.603	0.268	-0.076	0.056
PROFIT5	62	-0.014	0.046	-0.051	0.074	0.671	0.041
MPLAN5	63	-0.039	0.649	0.022	0.020	0.101	-0.234
SP5	64	0.731	0.094	-0.063	0.080	0.130	0.024
SP6	72	0.934	-0.039	-0.165	0.156	-0.066	0.095
MPLAN6	74	0.101	0.709	-0.036	0.027	0.027	-0.181
OC6	75	0.039	0.459	0.095	-0.055	0.239	-0.141
ENTG6	78	-0.048	-0.049	-0.031	0.084	0.181	0.705
SP7	80	0.624	-0.016	0.129	0.092	0.129	-0.022
ENTG7	82	0.135	0.089	0.492	-0.036	0.112	0.158
ENTG8	85	0.037	0.091	0.220	0.094	0.030	0.581

INTERVENING VARIABLES

CHRIS17.OUT

SORTED ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5	FACTOR6
		1	2	3	4	5	6
SP6	72	0.934	0.000	0.000	0.000	0.000	0.000
SP4	51	0.913	0.000	0.000	0.000	0.000	0.000
GOV2	18	0.775	0.000	0.000	0.000	0.000	0.000
GOV5	60	0.752	0.000	0.000	0.000	0.000	0.000
SP3	37	0.733	0.000	0.000	0.000	0.000	0.000
SP5	64	0.731	0.000	0.000INTERVENING VARIABLES			

CHRIS17.OUT

EIGENVALUE HISTOGRAM

1 11.0102 **

2 4.22879 ************************

3 2.72722 ***************

4 1.88289 ***********

5 1.34292 ********

6 1.14245 ******

ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5	FACTOR6
		1	2	3	4	5	6
GOV1	4	0.660	0.154	-0.092	-0.050	0.002	0.023
TRU1	5	0.012	-0.019	0.679	0.159	-0.137	-0.112
MPLAN1	7	-0.002	0.872	0.101	-0.138	-0.071	0.028
COM1	8	-0.099	0.061	0.768	0.045	0.002	-0.108
SP1	9	0.657	0.071	0.226	-0.079	-0.001	-0.114
OC1	10	-0.004	-0.060	0.653	-0.011	0.053	0.143
ENTG1	13	0.125	0.006	0.178	0.490	0.121	0.104
VISI1	14	0.446	0.095	0.040	0.155	0.062	0.107
GOV2	18	0.775	0.017	0.156	-0.021	-0.065	0.051
MPLAN2	21	0.063	0.790	-0.015	-0.030	-0.078	0.229
SP2	23	0.632	0.010	0.068	0.047	0.211	-0.099
GOV3	32	0.546	0.036	-0.066	-0.007	-0.025	-0.311
TRU3	33	0.055	-0.102	0.266	0.793	-0.130	-0.022
PROFIT3	34	0.074	0.121	0.030	0.081	0.636	-0.015
MPLAN3	35	0.088	0.665	-0.037	0.169	0.045	0.039
SP3	37	0.733	0.038	0.149	0.021	0.011	-0.016
OC3	38	0.087	0.007	0.583	0.018	0.173	0.086
GOV4	46	0.707	-0.040	-0.045	-0.087	-0.029	0.021
PROFIT4	48	0.061	-0.028	0.062	-0.088	0.616	0.077
MPLAN4	49	-0.014	0.604	-0.046	0.117	0.080	0.099
COM4	50	-0.037	0.090	-0.020	0.648	0.061	0.039
SP4	51	0.913	0.002	0.022	-0.110	-0.002	0.065

CHRIS44M.OUT

HISTOGRAM OF INITIAL EIGENVALUES

EIGENVALUE		HISTOGRAM
1	5.32606	**
2	2.87017	**********************************
3	1.89030	***********************
4	0.815782	**********
5	0.638598	*******

FACTOR	VARIANCE EXPLAINED	CUMULATIVE PROPORTION OF VARIANCE IN DATA SPACE	IN FACTOR SPACE	CARMINES THETA
1	5.3592	0.4172	0.4562	0.9301
2	2.8959	0.6426	0.7027	
3	1.9514	0.7945	0.8688	
4	0.8660	0.8619	0.9426	
5	0.6747	0.9144	1.0000	

ROTATED FACTOR LOADINGS (PATTERN)

		FACTOR1 1	FACTOR2 2	FACTOR3 3	FACTOR4 4	FACTOR5 5
CVA1	2	0.545	0.101	-0.047	0.152	-0.015
FH1	3	0.087	-0.027	0.019	0.860	-0.030
OA1	11	0.079	0.739	0.017	-0.126	-0.052
CVA2	16	0.678	-0.059	0.172	0.156	-0.108
FH2	17	-0.119	0.007	0.012	0.874	0.104
OA2	25	0.219	0.134	0.456	-0.019	-0.304
CVA3	30	0.898	0.095	-0.068	-0.114	0.151
FH3	31	0.360	-0.099	0.039	0.112	0.507
OA3	39	-0.019	0.683	-0.082	0.080	0.106
NA4	43	0.142	-0.074	0.689	0.011	0.044

CVA4	**44**	**0.778**	**0.005**	**0.117**	**-0.161**	**0.076**
FH4	**45**	**-0.054**	**0.069**	**0.123**	**0.097**	**0.595**
OA4	**53**	**0.097**	**0.798**	**0.048**	**0.090**	**-0.056**
NA5	**57**	**0.027**	**0.050**	**0.752**	**0.045**	**-0.004**
CVA5	**58**	**0.684**	**-0.163**	**0.160**	**-0.071**	**0.110**
FH5	**59**	**0.227**	**0.044**	**0.026**	**-0.008**	**0.627**
OA5	**66**	**-0.011**	**0.680**	**0.089**	**0.004**	**-0.060**
NA6	**70**	**-0.125**	**0.223**	**0.467**	**-0.012**	**0.161**
FH6	**71**	**0.006**	**0.164**	**0.076**	**0.283**	**0.479**
NA7	**79**	**-0.179**	**0.448**	**0.162**	**-0.047**	**0.201**
NA8	**83**	**-0.077**	**0.123**	**0.575**	**0.064**	**0.274**
	VP	**2.980**	**2.498**	**1.941**	**1.736**	**1.556**

SORTED ROTATED FACTOR LOADINGS (PATTERN)

--

		FACTOR1	**FACTOR2**	**FACTOR3**	**FACTOR4**	**FACTOR5**
		1	**2**	**3**	**4**	**5**
CVA3	**30**	**0.898**	**0.000**	**0.000**	**0.000**	**0.000**
CVA4	**44**	**0.778**	**0.000**	**0.000**	**0.000**	**0.000**
CVA5	**58**	**0.684**	**0.000**	**0.000**	**0.000**	**0.000**
CVA2	**16**	**0.678**	**0.000**	**0.000**	**0.000**	**0.000**
CVA1	**2**	**0.545**	**0.000**	**0.000**	**0.000**	**0.000**
OA4	**53**	**0.000**	**0.798**	**0.000**	**0.000**	**0.000**
OA1	**11**	**0.000**	**0.739**	**0.000**	**0.000**	**0.000**
OA3	**39**	**0.000**	**0.683**	**0.000**	**0.000**	**0.000**
OA5	**66**	**0.000**	**0.680**	**0.000**	**0.000**	**0.000**
NA5	**57**	**0.000**	**0.000**	**0.752**	**0.000**	**0.000**
NA4	**43**	**0.000**	**0.000**	**0.689**	**0.000**	**0.000**
NA8	**83**	**0.000**	**0.000**	**0.575**	**0.000**	**0.274**
FH2	**17**	**0.000**	**0.000**	**0.000**	**0.874**	**0.000**
FH1	**3**	**0.000**	**0.000**	**0.000**	**0.860**	**0.000**
FH5	**59**	**0.000**	**0.000**	**0.000**	**0.000**	**0.627**
FH4	**45**	**0.000**	**0.000**	**0.000**	**0.000**	**0.595**
FH3	**31**	**0.360**	**0.000**	**0.000**	**0.000**	**0.507**

FH6	**71**	**0.000**	**0.000**	**0.000**	**0.283**	**0.479**
OA2	**25**	**0.000**	**0.000**	**0.456**	**0.000**	**-0.304**
NA7	**79**	**0.000**	**0.448**	**0.000**	**0.000**	**0.000**
NA6	**70**	**0.000**	**0.000**	**0.467**	**0.000**	**0.000**

INTERVENING VARIABLES

CHRIS4SAS.OUT

Cronbach Coefficient Alpha

for RAW variables : 0.940917
for STANDARDIZED variables: 0.941797

	Raw Variables		Std. Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
SP1	0.702003	0.936801	0.701684	0.937802
SP2	0.756541	0.935371	0.757731	0.936246
SP3	0.772999	0.934907	0.774263	0.935784
SP4	0.853873	0.932238	0.853904	0.933539
SP5	0.798953	0.934044	0.798819	0.935095
SP6	0.833351	0.933001	0.832442	0.934147
SP7	0.696843	0.937124	0.698206	0.937898
GOV1	0.664290	0.938376	0.664492	0.938826
GOV2	0.741912	0.935646	0.743015	0.936656
GOV3	0.551696	0.941314	0.552901	0.941855
GOV4	0.622923	0.939040	0.620598	0.940025
GOV5	0.780496	0.934684	0.780279	0.935616
OC4	0.623666	0.938979	0.623685	0.939941
VISI1	0.535950	0.941052	0.536622	0.942292

Cronbach Coefficient Alpha

for RAW variables : 0.881741
for STANDARDIZED variables: 0.881019

Raw Variables Std. Variables

Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
MPLAN1	0.754384	0.853042	0.751856	0.852872
MPLAN2	0.706013	0.859818	0.701146	0.859449
MPLAN3	0.681138	0.863040	0.676932	0.862548
MPLAN4	0.598755	0.873137	0.598968	0.872347
MPLAN5	0.655488	0.866710	0.655891	0.865219
MPLAN6	0.719705	0.857885	0.719610	0.857068
OC6	0.563823	0.876871	0.565632	0.876454

Cronbach Coefficient Alpha

for RAW variables : 0.747782
for STANDARDIZED variables: 0.760401

	Raw Variables		Std. Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
TRU3	0.659951	0.598682	0.659847	0.598781
COM4	0.540963	0.707987	0.551069	0.723443
ENTG1	0.554351	0.695242	0.564917	0.708132

The SAS System 7

13:42 Friday, January 15, 1999

Correlation Analysis

3 'VAR' Variables: PROFIT3 PROFIT4 PROFIT5

The SAS System 8

13:42 Friday, January 15, 1999

Correlation Analysis

Cronbach Coefficient Alpha

for RAW variables : 0.733301

for STANDARDIZED variables: 0.743718

	Raw Variables		Std. Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
PROFIT3	0.564425	0.662552	0.562334	0.667397
PROFIT4	0.546309	0.673881	0.549551	0.682171
PROFIT5	0.595215	0.602667	0.596707	0.626950

Cronbach Coefficient Alpha

for RAW variables : 0.835512

for STANDARDIZED variables: 0.837009

	Raw Variables		Std. Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
COM1	0.666504	0.797441	0.664269	0.799866
TRU1	0.612340	0.808430	0.605545	0.811759
OC1	0.613076	0.808081	0.609551	0.810957
TRU5	0.663982	0.800976	0.663412	0.800041
OC3	0.612492	0.808248	0.616275	0.809608
ENTG7	0.507613	0.827652	0.513133	0.829883

Cronbach Coefficient Alpha

for RAW variables : 0.679390

for STANDARDIZED variables: 0.691993

	Raw Variables		Std. Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
ENTG6	0.529043	.	0.529043	.
ENTG8	0.529043	.	0.529043	.

DEPENDENT VARIABLE: GOOD GOVERNANCE

CHRIS5SAS.OUT

Cronbach Coefficient Alpha

for RAW variables : 0.712446
for STANDARDIZED variables: 0.744712

	Raw Variables		Std. Variables	
Deleted Variable	**Correlation with Total**	**Alpha**	**Correlation with Total**	**Alpha**
GG4	**0.465074**	**0.766158**	**0.468310**	**0.775060**
GG8	**0.630922**	**0.556201**	**0.646859**	**0.568918**
GG9	**0.569710**	**0.578950**	**0.605267**	**0.619471**

Cronbach Coefficient Alpha

for RAW variables : 0.794367
for STANDARDIZED variables: 0.796276

	Raw Variables		Std. Variables	
Deleted Variable	**Correlation with Total**	**Alpha**	**Correlation with Total**	**Alpha**
GG1	**0.618609**	**0.744345**	**0.618406**	**0.744777**
GG2	**0.656405**	**0.699705**	**0.657835**	**0.703003**
GG3	**0.641122**	**0.718137**	**0.642381**	**0.719517**

Cronbach Coefficient Alpha

for RAW variables : 0.679035
for STANDARDIZED variables: 0.677412

	Raw Variables		Std. Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
GG5	0.454460	0.632056	0.450502	0.634173
GG6	0.459943	0.625417	0.455568	0.627758
GG7	0.568734	0.477328	0.568724	0.477334

DATE: 10/20/2004
TIME: 17:09

L I S R E L 8.54

BY

Karl G. J”reskog & Dag S”rbom

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The following lines were read from file C:\My Data\ADENDORF\ChrisLis14.SPL:

CHRIS ADENDORF MODEL 1
System File From File ChrisLis.DSF
Observed variables
CV1 FH1 TR1 MP1 CO1 OC1 OA1 GG1 EG1 CV2 FH2 GO2 MP2 OA2 GG2 CV3 FH3 TR3
PR3 MP3 SP3 OC3 OA3 GG3 NA4 CV4 FH4 PR4 MP4 CO4 SP4 OA4 GG4 NA5 CV5 FH5 GO5
TR5 PR5 MP5 SP5 OA5 GG5
NA6 FH6 SP6 MP6 OC6 GG6 EG6 NA7 GG7 EG7 NA8 GG8 EG8 GG9
Latent Variables
PROFIT HARMONY COMM TRUST GOOD
Relationships
GG1 GG2 GG3 GG5 GG6 GG7 GG4 GG8 GG9 = GOOD
FH3 FH4 FH5 FH6 = HARMONY
PR3 PR4 PR5 = PROFIT
CO1 TR1 OC1 TR5 OC3 EG7 = COMM

FH1 FH2 = TRUST

PROFIT = HARMONY

PROFIT = TRUST

COMM = HARMONY

COMM = TRUST

GOOD = HARMONY

GOOD = PROFIT

GOOD = COMM

GOOD = TRUST

LISREL Output: ND=3 SC MI AD=OFF

Path Diagram

End of Problem

CHRIS ADENDORF MODEL 1

Covariance Matrix

	TR1	CO1	OC1	GG1	GG2	PR3
TR1	1.437					
CO1	0.917	1.709				
OC1	0.641	0.754	1.338			
GG1	0.424	0.557	0.375	3.378		
GG2	0.472	0.560	0.351	1.756	2.893	
PR3	-0.014	0.268	0.283	1.142	0.978	2.098
OC3	0.591	0.699	0.697	0.824	0.745	0.464
GG3	0.525	0.474	0.502	1.623	1.644	1.147
PR4	0.088	0.132	0.084	0.629	0.599	0.681
GG4	0.582	0.835	0.606	0.983	0.825	0.731
TR5	0.631	0.732	0.496	0.452	0.422	0.223
PR5	-0.016	0.150	0.087	0.738	0.623	0.896
GG5	0.562	0.545	0.374	0.853	1.026	0.638
GG6	0.147	0.268	0.254	0.648	0.736	0.705
GG7	0.323	0.365	0.271	0.964	1.316	0.774
EG7	0.332	0.468	0.442	0.616	0.616	0.421
GG8	0.309	0.388	0.491	0.451	0.551	0.435
GG9	0.404	0.268	0.393	0.523	0.638	0.405
FH1	1.198	0.821	0.817	0.261	0.343	0.042
FH2	1.005	0.760	0.730	0.193	0.259	-0.067
FH3	0.414	0.447	0.425	0.471	0.398	0.570

FH4	**0.742**	**0.938**	**0.526**	**0.551**	**0.466**	**0.575**
FH5	**0.616**	**0.683**	**0.550**	**0.737**	**0.670**	**0.422**
FH6	**0.521**	**0.530**	**0.384**	**0.626**	**0.453**	**0.330**

Covariance Matrix

	OC3	**GG3**	**PR4**	**GG4**	**TR5**	**PR5**
	--------	--------	--------	--------	--------	--------
OC3	**1.376**					
GG3	**0.798**	**2.654**				
PR4	**0.285**	**0.563**	**1.061**			
GG4	**0.968**	**0.723**	**0.439**	**2.327**		
TR5	**0.524**	**0.420**	**0.112**	**0.594**	**0.960**	
PR5	**0.310**	**0.779**	**0.616**	**0.546**	**0.123**	**1.427**
GG5	**0.468**	**0.788**	**0.481**	**0.623**	**0.605**	**0.499**
GG6	**0.437**	**0.706**	**0.385**	**0.358**	**0.258**	**0.488**
GG7	**0.586**	**1.024**	**0.521**	**0.626**	**0.339**	**0.553**
EG7	**0.549**	**0.621**	**0.212**	**0.532**	**0.453**	**0.154**
GG8	**0.609**	**0.619**	**0.140**	**0.668**	**0.450**	**0.289**
GG9	**0.583**	**0.824**	**0.118**	**0.719**	**0.415**	**0.312**
FH1	**0.372**	**0.411**	**-0.046**	**0.342**	**0.634**	**-0.160**
FH2	**0.475**	**0.368**	**0.032**	**0.521**	**0.573**	**-0.076**
FH3	**0.500**	**0.755**	**0.202**	**0.665**	**0.392**	**0.275**
FH4	**0.918**	**0.689**	**0.225**	**1.214**	**0.521**	**0.353**
FH5	**0.955**	**0.841**	**0.305**	**1.186**	**0.555**	**0.411**
FH6	**0.563**	**0.624**	**0.166**	**0.613**	**0.560**	**0.178**

Covariance Matrix

	GG5	**GG6**	**GG7**	**EG7**	**GG8**	**GG9**
	--------	--------	--------	--------	--------	--------
GG5	**1.705**					
GG6	**0.537**	**1.723**				
GG7	**0.866**	**0.883**	**2.100**			
EG7	**0.340**	**0.243**	**0.477**	**0.970**		
GG8	**0.476**	**0.377**	**0.421**	**0.358**	**0.952**	
GG9	**0.595**	**0.361**	**0.594**	**0.393**	**0.732**	**1.405**
FH1	**0.649**	**0.105**	**0.288**	**0.290**	**0.394**	**0.401**
FH2	**0.439**	**0.055**	**0.183**	**0.330**	**0.358**	**0.382**
FH3	**0.381**	**0.584**	**0.574**	**0.247**	**0.443**	**0.568**

FH4	0.434	0.342	0.445	0.334	0.702	0.739
FH5	0.496	0.837	0.779	0.472	0.582	0.728
FH6	0.466	0.147	0.401	0.404	0.549	0.523

Covariance Matrix

	FH1	FH2	FH3	FH4	FH5	FH6
FH1	1.626					
FH2	1.048	1.194				
FH3	0.549	0.335	1.888			
FH4	0.507	0.583	0.897	2.568		
FH5	0.414	0.377	1.054	1.174	2.465	
FH6	0.520	0.527	0.554	0.709	0.664	1.012

CHRIS ADENDORF MODEL 1

Parameter Specifications

LAMBDA-Y

	PROFIT	COMM	GOOD
TR1	0	0	0
CO1	0	1	0
OC1	0	2	0
GG1	0	0	0
GG2	0	0	3
PR3	0	0	0
OC3	0	4	0
GG3	0	0	5
PR4	6	0	0
GG4	0	0	7
TR5	0	8	0
PR5	9	0	0
GG5	0	0	10
GG6	0	0	11
GG7	0	0	12
EG7	0	13	0

GG8	0	0	14
GG9	0	0	15

LAMBDA-X

	HARMONY	TRUST
FH1	0	16
FH2	0	17
FH3	18	0
FH4	19	0
FH5	20	0
FH6	21	0

BETA

	PROFIT	COMM	GOOD
PROFIT	0	0	0
COMM	0	0	0
GOOD	22	23	0

GAMMA

	HARMONY	TRUST
PROFIT	24	25
COMM	26	27
GOOD	28	29

PHI

	HARMONY	TRUST
HARMONY	0	
TRUST	30	0

PSI

PROFIT COMM GOOD

31	32	33

THETA-EPS

TR1	CO1	OC1	GG1	GG2	PR3
34	35	36	37	38	39

THETA-EPS

OC3	GG3	PR4	GG4	TR5	PR5
40	41	42	43	44	45

THETA-EPS

GG5	GG6	GG7	EG7	GG8	GG9
46	47	48	49	50	51

THETA-DELTA

FH1	FH2	FH3	FH4	FH5	FH6
52	53	54	55	56	57

CHRIS ADENDORF MODEL 1

Number of Iterations = 23

LISREL Estimates (Maximum Likelihood)

LAMBDA-Y

	PROFIT	COMM	GOOD
TR1	- -	0.982	- -

CO1	- -	0.901	- -
		(0.087)	
		10.348	
OC1	- -	0.763	- -
		(0.123)	
		6.200	
GG1	- -	- -	1.120
GG2	- -	- -	1.139
			(0.097)
			11.794
PR3	1.088	- -	- -
OC3	- -	0.712	- -
		(0.140)	
		5.086	
GG3	- -	- -	1.150
			(0.102)
			11.255
PR4	0.648	- -	- -
	(0.103)		
	6.292		
GG4	- -	- -	0.896
			(0.108)
			8.324
TR5	- -	0.695	- -
		(0.085)	
		8.217	
PR5	0.854	- -	- -
	(0.124)		
	6.885		

GG5 - - - - 0.805
(0.108)
7.432

GG6 - - - - 0.643
(0.115)
5.606

GG7 - - - - 0.897
(0.115)
7.781

EG7 - - 0.475 - -
(0.106)
4.504

GG8 - - - - 0.610
(0.111)
5.493

GG9 - - - - 0.698
(0.126)
5.530

LAMBDA-X

HARMONY TRUST
-------- --------
FH1 - - 1.079
(0.099)
10.948

FH2 - - 0.977
(0.093)
10.492

FH3 0.795 - -
(0.099)

```
          8.011

  FH4     1.032      - -
        (0.086)
         12.018

  FH5     1.063      - -
        (0.091)
         11.722

  FH6     0.708      - -
        (0.102)
          6.908


   BETA

         PROFIT      COMM      GOOD
        --------   --------   --------
PROFIT      - -       - -       - -

 COMM       - -       - -       - -

 GOOD     0.535     1.200      - -
        (0.116)   (1.404)
          4.629     0.855


   GAMMA

         HARMONY     TRUST
        --------   --------
PROFIT    0.660    -0.389
        (0.122)   (0.113)
          5.402    -3.447

 COMM     0.431     0.680
        (0.071)   (0.091)
          6.092     7.475
```

GOOD	-0.059	-0.659
	(0.632)	(0.944)
	-0.093	-0.698

Covariance Matrix of ETA and KSI

	PROFIT	COMM	GOOD	HARMONY	TRUST
PROFIT	1.000				
COMM	0.172	1.000			
GOOD	0.736	0.644	1.000		
HARMONY	0.449	0.800	0.784	1.000	
TRUST	-0.031	0.913	0.390	0.543	1.000

PHI

	HARMONY	TRUST
HARMONY	1.000	
TRUST	0.543	1.000
	(0.086)	
	6.276	

PSI

Note: This matrix is diagonal.

PROFIT	COMM	GOOD
0.692	0.035	0.135
(0.162)	(0.041)	(0.082)
4.263	0.835	1.643

Squared Multiple Correlations for Structural Equations

PROFIT	COMM	GOOD

0.308	0.965	0.865

Squared Multiple Correlations for Reduced Form

PROFIT	COMM	GOOD
0.308	0.965	0.617

Reduced Form

	HARMONY	TRUST
PROFIT	0.660	-0.389
	(0.122)	(0.113)
	5.402	-3.447
COMM	0.431	0.680
	(0.071)	(0.091)
	6.092	7.475
GOOD	0.812	-0.051
	(0.114)	(0.073)
	7.106	-0.695

THETA-EPS

TR1	CO1	OC1	GG1	GG2	PR3
0.472	0.897	0.756	2.116	1.588	0.915
(0.090)	(0.115)	(0.136)	(0.258)	(0.217)	(0.198)
5.250	7.797	5.563	8.191	7.318	4.629

THETA-EPS

OC3	GG3	PR4	GG4	TR5	PR5
0.869	1.325	0.641	1.519	0.477	0.698

(0.146)	(0.174)	(0.087)	(0.147)	(0.085)	(0.105)
5.941	7.631	7.384	10.329	5.640	6.645

THETA-EPS

GG5	GG6	GG7	EG7	GG8	GG9
1.052	1.307	1.291	0.744	0.579	0.915
(0.151)	(0.135)	(0.198)	(0.169)	(0.085)	(0.126)
6.966	9.661	6.527	4.390	6.817	7.277

Squared Multiple Correlations for Y - Variables

TR1	CO1	OC1	GG1	GG2	PR3
0.672	0.475	0.435	0.372	0.450	0.564

Squared Multiple Correlations for Y - Variables

OC3	GG3	PR4	GG4	TR5	PR5
0.369	0.499	0.396	0.346	0.503	0.511

Squared Multiple Correlations for Y - Variables

GG5	GG6	GG7	EG7	GG8	GG9
0.381	0.240	0.384	0.233	0.391	0.347

THETA-DELTA

FH1	FH2	FH3	FH4	FH5	FH6
0.462	0.240	1.257	1.503	1.335	0.512
(0.140)	(0.051)	(0.171)	(0.192)	(0.199)	(0.079)
3.293	4.729	7.349	7.836	6.726	6.469

Squared Multiple Correlations for X - Variables

FH1	FH2	FH3	FH4	FH5	FH6
0.716	0.799	0.334	0.415	0.458	0.495

Goodness of Fit Statistics

Degrees of Freedom = 243
Minimum Fit Function Chi-Square = 1239.516 (P = 0.0)
Normal Theory Weighted Least Squares Chi-Square = 1267.186 (P = 0.0)
Satorra-Bentler Scaled Chi-Square = 718.091 (P = 0.0)
Chi-Square Corrected for Non-Normality = 15569.599 (P = 0.0)
Estimated Non-centrality Parameter (NCP) = 475.091
90 Percent Confidence Interval for NCP = (398.515 ; 559.293)

Minimum Fit Function Value = 3.756
Population Discrepancy Function Value (F0) = 1.440
90 Percent Confidence Interval for F0 = (1.208 ; 1.695)
Root Mean Square Error of Approximation (RMSEA) = 0.0770
90 Percent Confidence Interval for RMSEA = (0.0705 ; 0.0835)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.000

Expected Cross-Validation Index (ECVI) = 2.521
90 Percent Confidence Interval for ECVI = (2.289 ; 2.777)
ECVI for Saturated Model = 1.818
ECVI for Independence Model = 32.611

Chi-Square for Independence Model with 276 Degrees of Freedom = 10713.549
Independence AIC = 10761.549
Model AIC = 832.091

Saturated AIC = 600.000
Independence CAIC = 10876.800
Model CAIC = 1105.812
Saturated CAIC = 2040.636

Normed Fit Index (NFI) = 0.884
Non-Normed Fit Index (NNFI) = 0.892

Parsimony Normed Fit Index (PNFI) = 0.779

Comparative Fit Index (CFI) = 0.905

Incremental Fit Index (IFI) = 0.905

Relative Fit Index (RFI) = 0.869

Critical N (CN) = 80.126

Root Mean Square Residual (RMR) = 0.158

Standardized RMR = 0.0924

Goodness of Fit Index (GFI) = 0.758

Adjusted Goodness of Fit Index (AGFI) = 0.701

Parsimony Goodness of Fit Index (PGFI) = 0.614

CHRIS ADENDORF MODEL 1

Modification Indices and Expected Change

Modification Indices for LAMBDA-Y

	PROFIT	COMM	GOOD
TR1	36.807	- -	- -
CO1	0.104	- -	0.239
OC1	0.067	- -	- -
GG1	6.425	6.978	- -
GG2	0.864	10.782	- -
PR3	- -	2.680	- -
OC3	53.985	- -	- -
GG3	6.253	4.981	- -
PR4	- -	0.376	- -
GG4	28.678	31.934	- -
TR5	3.479	- -	- -
PR5	- -	4.124	- -
GG5	- -	- -	- -
GG6	- -	110.150	- -
GG7	- -	16.882	- -
EG7	28.529	- -	- -
GG8	- -	- -	- -
GG9	- -	- -	- -

Expected Change for LAMBDA-Y

	PROFIT	COMM	GOOD
	--------	--------	--------
TR1	-0.347	- -	- -
CO1	0.021	- -	-0.050
OC1	0.017	- -	- -
GG1	0.423	-0.304	- -
GG2	0.142	-0.373	- -
PR3	- -	0.179	- -
OC3	0.516	- -	- -
GG3	0.352	-0.271	- -
PR4	- -	0.037	- -
GG4	-2.856	0.878	- -
TR5	0.097	- -	- -
PR5	- -	-0.171	- -
GG5	- -	- -	- -
GG6	- -	-3.701	- -
GG7	- -	-0.613	- -
EG7	0.318	- -	- -
GG8	- -	- -	- -
GG9	- -	- -	- -

Standardized Expected Change for LAMBDA-Y

	PROFIT	COMM	GOOD
	--------	--------	--------
TR1	-0.347	- -	- -
CO1	0.021	- -	-0.050
OC1	0.017	- -	- -
GG1	0.423	-0.304	- -
GG2	0.142	-0.373	- -
PR3	- -	0.179	- -
OC3	0.516	- -	- -
GG3	0.352	-0.271	- -
PR4	- -	0.037	- -
GG4	-2.856	0.878	- -
TR5	0.097	- -	- -
PR5	- -	-0.171	- -

GG5	- -	- -	- -
GG6	- -	-3.701	- -
GG7	- -	-0.613	- -
EG7	0.318	- -	- -
GG8	- -	- -	- -
GG9	- -	- -	- -

Completely Standardized Expected Change for LAMBDA-Y

	PROFIT	COMM	GOOD
	--------	--------	--------
TR1	-0.290	- -	- -
CO1	0.016	- -	-0.038
OC1	0.015	- -	- -
GG1	0.231	-0.166	- -
GG2	0.083	-0.220	- -
PR3	- -	0.123	- -
OC3	0.440	- -	- -
GG3	0.216	-0.166	- -
PR4	- -	0.036	- -
GG4	-1.874	0.576	- -
TR5	0.099	- -	- -
PR5	- -	-0.143	- -
GG5	- -	- -	- -
GG6	- -	-2.821	- -
GG7	- -	-0.423	- -
EG7	0.323	- -	- -
GG8	- -	- -	- -
GG9	- -	- -	- -

Modification Indices for LAMBDA-X

	HARMONY	TRUST
	--------	--------
FH1	- -	- -
FH2	- -	- -
FH3	- -	2.685
FH4	- -	0.000
FH5	- -	15.612
FH6	- -	- -

Expected Change for LAMBDA-X

	HARMONY	TRUST
FH1	- -	- -
FH2	- -	- -
FH3	- -	-0.184
FH4	- -	-0.001
FH5	- -	-0.450
FH6	- -	- -

Standardized Expected Change for LAMBDA-X

	HARMONY	TRUST
FH1	- -	- -
FH2	- -	- -
FH3	- -	-0.184
FH4	- -	-0.001
FH5	- -	-0.450
FH6	- -	- -

Completely Standardized Expected Change for LAMBDA-X

	HARMONY	TRUST
FH1	- -	- -
FH2	- -	- -
FH3	- -	-0.134
FH4	- -	-0.001
FH5	- -	-0.287
FH6	- -	- -

No Non-Zero Modification Indices for BETA

No Non-Zero Modification Indices for GAMMA

No Non-Zero Modification Indices for PHI

Modification Indices for PSI

	PROFIT	COMM	GOOD
PROFIT	- -		
COMM	20.895	- -	
GOOD	- -	- -	- -

Expected Change for PSI

	PROFIT	COMM	GOOD
PROFIT	- -		
COMM	0.319	- -	
GOOD	- -	- -	- -

Standardized Expected Change for PSI

	PROFIT	COMM	GOOD
PROFIT	- -		
COMM	0.319	- -	
GOOD	- -	- -	- -

Modification Indices for THETA-EPS

	TR1	CO1	OC1	GG1	GG2	PR3
TR1	- -					
CO1	1.884	- -				
OC1	24.604	2.764	- -			
GG1	0.154	0.538	0.466	- -		
GG2	1.470	0.370	2.287	29.633	- -	
PR3	7.871	1.046	6.153	2.064	0.119	- -
OC3	15.680	1.715	14.939	2.927	0.133	0.005
GG3	0.802	4.474	0.061	17.347	25.034	4.288
PR4	4.326	0.002	0.513	0.284	0.524	- -
GG4	0.280	8.328	0.886	0.087	7.043	0.187

TR5	10.490	11.406	1.432	0.014	1.393	0.015
PR5	0.356	1.702	0.010	0.151	3.744	- -
GG5	4.281	0.001	3.304	0.545	2.765	0.351
GG6	1.862	0.021	0.556	0.800	0.000	1.450
GG7	0.084	0.817	2.062	0.323	18.387	0.639
EG7	24.982	0.929	4.337	4.186	4.667	5.460
GG8	19.173	3.645	10.120	18.611	10.140	0.123
GG9	0.942	21.305	0.061	14.356	7.605	2.527

Modification Indices for THETA-EPS

	OC3	GG3	PR4	GG4	TR5	PR5
OC3	- -					
GG3	0.145	- -				
PR4	0.083	0.589	- -			
GG4	11.340	21.090	0.694	- -		
TR5	0.844	7.017	0.318	0.452	- -	
PR5	0.008	0.310	17.886	0.844	0.120	- -
GG5	13.710	6.722	7.128	2.673	14.019	0.455
GG6	1.028	0.340	0.148	9.265	0.204	0.207
GG7	0.073	0.046	1.965	6.777	0.761	0.478
EG7	25.790	3.119	0.247	0.043	16.862	3.558
GG8	4.969	4.293	10.715	6.582	5.074	0.063
GG9	0.060	0.105	14.558	2.344	0.000	0.153

Modification Indices for THETA-EPS

	GG5	GG6	GG7	EG7	GG8	GG9
GG5	- -					
GG6	0.074	- -				
GG7	6.181	21.832	- -			
EG7	4.899	0.113	2.867	- -		
GG8	0.230	0.150	9.309	0.000	- -	
GG9	0.370	2.603	0.455	0.009	75.715	- -

Expected Change for THETA-EPS

	TR1	CO1	OC1	GG1	GG2	PR3

TR1	- -					
CO1	0.076	- -				
OC1	-0.246	0.086	- -			
GG1	0.024	0.060	-0.051	- -		
GG2	0.066	0.044	-0.099	0.637	- -	
PR3	-0.129	0.062	0.136	0.137	-0.029	- -
OC3	-0.179	0.070	0.194	0.136	0.025	-0.004
GG3	0.045	-0.140	0.015	0.449	0.488	0.164
PR4	0.074	0.002	-0.030	0.039	0.047	- -
GG4	-0.028	0.198	0.059	-0.032	-0.256	0.035
TR5	-0.138	0.140	-0.045	-0.007	-0.062	0.005
PR5	0.023	0.066	0.005	-0.031	-0.139	- -
GG5	0.091	-0.002	-0.096	-0.068	0.136	-0.040
GG6	-0.066	0.009	0.043	-0.088	-0.001	0.088
GG7	-0.014	-0.058	-0.084	-0.058	0.397	-0.061
EG7	-0.197	0.047	0.093	0.148	0.138	0.124
GG8	-0.143	-0.082	0.125	-0.292	-0.191	0.017
GG9	-0.040	-0.247	-0.012	-0.320	-0.207	-0.099

Expected Change for THETA-EPS

	OC3	GG3	PR4	GG4	TR5	PR5
OC3	- -					
GG3	0.025	- -				
PR4	0.013	-0.046	- -			
GG4	0.225	-0.411	0.051	- -		
TR5	0.036	-0.129	-0.019	0.034	- -	
PR5	0.004	0.037	0.387	0.062	0.013	- -
GG5	-0.207	-0.198	0.137	-0.127	0.158	0.038
GG6	0.062	-0.047	0.021	-0.252	0.021	0.028
GG7	0.017	-0.018	0.081	-0.221	-0.041	-0.044
EG7	0.239	0.104	0.020	0.013	0.147	-0.085
GG8	0.093	-0.116	-0.124	0.148	0.071	-0.011
GG9	0.013	0.023	-0.181	0.110	0.000	-0.020

Expected Change for THETA-EPS

	GG5	GG6	GG7	EG7	GG8	GG9

	--------	--------	--------	--------	--------	--------
GG5	- -					
GG6	0.019	- -				
GG7	0.183	0.368	- -			
EG7	-0.113	-0.019	0.096	- -		
GG8	-0.023	-0.020	-0.164	0.000	- -	
GG9	0.037	-0.104	-0.045	0.005	0.400	- -

Completely Standardized Expected Change for THETA-EPS

	TR1	CO1	OC1	GG1	GG2	PR3
	--------	--------	--------	--------	--------	--------
TR1	- -					
CO1	0.048	- -				
OC1	-0.178	0.057	- -			
GG1	0.011	0.025	-0.024	- -		
GG2	0.033	0.020	-0.051	0.204	- -	
PR3	-0.075	0.032	0.081	0.052	-0.012	- -
OC3	-0.128	0.046	0.143	0.063	0.013	-0.002
GG3	0.023	-0.066	0.008	0.151	0.177	0.069
PR4	0.060	0.002	-0.026	0.021	0.027	- -
GG4	-0.015	0.100	0.034	-0.012	-0.099	0.016
TR5	-0.118	0.110	-0.040	-0.004	-0.037	0.004
PR5	0.016	0.042	0.003	-0.014	-0.069	- -
GG5	0.058	-0.001	-0.063	-0.028	0.061	-0.021
GG6	-0.042	0.005	0.028	-0.037	0.000	0.046
GG7	-0.008	-0.031	-0.050	-0.022	0.161	-0.029
EG7	-0.167	0.036	0.082	0.082	0.082	0.087
GG8	-0.122	-0.064	0.110	-0.163	-0.115	0.012
GG9	-0.028	-0.159	-0.009	-0.147	-0.103	-0.058

Completely Standardized Expected Change for THETA-EPS

	OC3	GG3	PR4	GG4	TR5	PR5
	--------	--------	--------	--------	--------	--------
OC3	- -					
GG3	0.013	- -				
PR4	0.011	-0.027	- -			
GG4	0.126	-0.166	0.032	- -		
TR5	0.031	-0.081	-0.019	0.023	- -	

PR5	0.003	0.019	0.315	0.034	0.011	- -
GG5	-0.136	-0.094	0.102	-0.064	0.124	0.025
GG6	0.040	-0.022	0.016	-0.126	0.016	0.018
GG7	0.010	-0.008	0.054	-0.100	-0.029	-0.026
EG7	0.207	0.065	0.020	0.008	0.153	-0.072
GG8	0.081	-0.073	-0.123	0.100	0.074	-0.009
GG9	0.009	0.012	-0.148	0.061	0.000	-0.014

Completely Standardized Expected Change for THETA-EPS

	GG5	GG6	GG7	EG7	GG8	GG9
GG5	- -					
GG6	0.011	- -				
GG7	0.097	0.194	- -			
EG7	-0.088	-0.015	0.067	- -		
GG8	-0.018	-0.016	-0.116	0.000	- -	
GG9	0.024	-0.067	-0.026	0.004	0.346	- -

Modification Indices for THETA-DELTA-EPS

	TR1	CO1	OC1	GG1	GG2	PR3
FH1	136.404	4.464	1.834	0.245	0.035	6.298
FH2	19.314	3.801	1.770	3.510	2.003	8.066
FH3	3.199	2.847	0.117	2.951	5.926	4.941
FH4	2.284	10.421	1.027	4.923	8.866	1.717
FH5	0.044	0.137	0.128	1.347	2.223	9.001
FH6	1.173	3.117	5.915	1.730	2.563	0.006

Modification Indices for THETA-DELTA-EPS

	OC3	GG3	PR4	GG4	TR5	PR5
FH1	45.127	0.031	3.916	22.047	1.252	6.210
FH2	1.027	0.241	3.645	4.740	3.611	0.847
FH3	1.973	2.031	1.226	0.302	1.325	0.616
FH4	4.890	3.332	0.869	20.310	4.836	0.268
FH5	14.320	0.942	0.002	11.325	0.189	0.821
FH6	1.137	0.218	0.056	0.341	15.062	1.396

Modification Indices for THETA-DELTA-EPS

	GG5	GG6	GG7	EG7	GG8	GG9
FH1	18.847	0.001	1.463	13.610	0.102	0.119
FH2	0.573	2.355	1.992	1.203	0.818	3.056
FH3	2.529	10.269	1.342	4.054	0.155	1.598
FH4	5.451	2.517	5.612	7.690	8.220	4.251
FH5	6.382	25.253	2.517	0.092	0.836	0.926
FH6	0.975	22.643	1.931	1.521	25.408	4.395

Expected Change for THETA-DELTA-EPS

	TR1	CO1	OC1	GG1	GG2	PR3
FH1	0.710	-0.108	0.065	-0.032	0.011	0.123
FH2	0.191	-0.083	0.059	-0.098	-0.065	-0.115
FH3	-0.089	-0.108	0.020	-0.167	-0.209	0.160
FH4	0.084	0.231	-0.067	-0.242	-0.286	0.106
FH5	-0.012	-0.026	0.023	-0.121	-0.137	-0.233
FH6	-0.037	-0.077	-0.097	0.086	-0.093	0.004

Expected Change for THETA-DELTA-EPS

	OC3	GG3	PR4	GG4	TR5	PR5
FH1	-0.322	0.009	-0.074	-0.258	-0.045	-0.102
FH2	-0.042	0.021	0.058	0.096	-0.070	0.031
FH3	-0.087	0.113	-0.061	-0.045	-0.055	-0.048
FH4	0.153	-0.163	-0.058	0.414	-0.117	0.035
FH5	0.253	-0.083	0.003	0.295	-0.022	0.059
FH6	-0.045	0.025	-0.009	-0.032	0.127	-0.049

Expected Change for THETA-DELTA-EPS

	GG5	GG6	GG7	EG7	GG8	GG9
FH1	0.200	-0.002	0.062	-0.153	0.011	0.015
FH2	-0.028	-0.062	-0.058	-0.039	0.025	0.060

FH3	**-0.110**	**0.241**	**0.088**	**-0.114**	**-0.020**	**0.081**
FH4	**-0.180**	**-0.133**	**-0.202**	**-0.176**	**0.164**	**0.147**
FH5	**-0.186**	**0.402**	**0.129**	**0.018**	**-0.050**	**0.066**
FH6	**0.046**	**-0.239**	**-0.071**	**0.047**	**0.173**	**0.090**

Completely Standardized Expected Change for THETA-DELTA-EPS

	TR1	CO1	OC1	GG1	GG2	PR3
	--------	--------	--------	--------	--------	--------
FH1	**0.464**	**-0.065**	**0.044**	**-0.014**	**0.005**	**0.067**
FH2	**0.146**	**-0.058**	**0.046**	**-0.049**	**-0.035**	**-0.073**
FH3	**-0.054**	**-0.060**	**0.013**	**-0.066**	**-0.090**	**0.081**
FH4	**0.044**	**0.110**	**-0.036**	**-0.082**	**-0.105**	**0.046**
FH5	**-0.006**	**-0.012**	**0.013**	**-0.042**	**-0.051**	**-0.103**
FH6	**-0.031**	**-0.058**	**-0.084**	**0.047**	**-0.054**	**0.003**

Completely Standardized Expected Change for THETA-DELTA-EPS

	OC3	GG3	PR4	GG4	TR5	PR5
	--------	--------	--------	--------	--------	--------
FH1	**-0.215**	**0.004**	**-0.056**	**-0.133**	**-0.036**	**-0.067**
FH2	**-0.033**	**0.012**	**0.051**	**0.058**	**-0.066**	**0.024**
FH3	**-0.054**	**0.051**	**-0.043**	**-0.022**	**-0.041**	**-0.029**
FH4	**0.082**	**-0.062**	**-0.035**	**0.170**	**-0.074**	**0.018**
FH5	**0.137**	**-0.032**	**0.002**	**0.123**	**-0.015**	**0.032**
FH6	**-0.038**	**0.015**	**-0.008**	**-0.021**	**0.128**	**-0.040**

Completely Standardized Expected Change for THETA-DELTA-EPS

	GG5	GG6	GG7	EG7	GG8	GG9
	--------	--------	--------	--------	--------	--------
FH1	**0.120**	**-0.001**	**0.033**	**-0.122**	**0.009**	**0.010**
FH2	**-0.020**	**-0.043**	**-0.037**	**-0.036**	**0.023**	**0.046**
FH3	**-0.061**	**0.134**	**0.044**	**-0.084**	**-0.015**	**0.050**
FH4	**-0.086**	**-0.063**	**-0.087**	**-0.111**	**0.105**	**0.077**
FH5	**-0.091**	**0.195**	**0.057**	**0.012**	**-0.033**	**0.035**
FH6	**0.035**	**-0.181**	**-0.049**	**0.048**	**0.176**	**0.075**

Modification Indices for THETA-DELTA

	FH1	FH2	FH3	FH4	FH5	FH6
FH1	- -					
FH2	- -	- -				
FH3	18.052	2.340	- -			
FH4	6.155	2.091	1.576	- -		
FH5	2.336	5.546	14.093	2.064	- -	
FH6	0.082	12.277	0.067	0.432	10.349	- -

Expected Change for THETA-DELTA

	FH1	FH2	FH3	FH4	FH5	FH6
FH1	- -					
FH2	- -	- -				
FH3	0.216	-0.063	- -			
FH4	-0.141	0.067	0.117	- -		
FH5	-0.083	-0.105	0.341	0.162	- -	
FH6	-0.010	0.099	-0.016	-0.046	-0.243	- -

Completely Standardized Expected Change for THETA-DELTA

	FH1	FH2	FH3	FH4	FH5	FH6
FH1	- -					
FH2	- -	- -				
FH3	0.123	-0.042	- -			
FH4	-0.069	0.038	0.053	- -		
FH5	-0.042	-0.061	0.158	0.064	- -	
FH6	-0.008	0.090	-0.011	-0.029	-0.154	- -

Maximum Modification Index is 136.40 for Element (1, 1) of THETA DELTA-EPSILON

CHRIS ADENDORF MODEL 1

Standardized Solution

LAMBDA-Y

PROFIT COMM GOOD

	--------	--------	--------
TR1	- -	0.982	- -
CO1	- -	0.901	- -
OC1	- -	0.763	- -
GG1	- -	- -	1.120
GG2	- -	- -	1.139
PR3	1.088	- -	- -
OC3	- -	0.712	- -
GG3	- -	- -	1.150
PR4	0.648	- -	- -
GG4	- -	- -	0.896
TR5	- -	0.695	- -
PR5	0.854	- -	- -
GG5	- -	- -	0.805
GG6	- -	- -	0.643
GG7	- -	- -	0.897
EG7	- -	0.475	- -
GG8	- -	- -	0.610
GG9	- -	- -	0.698

LAMBDA-X

	HARMONY	TRUST
	--------	--------
FH1	- -	1.079
FH2	- -	0.977
FH3	0.795	- -
FH4	1.032	- -
FH5	1.063	- -
FH6	0.708	- -

BETA

	PROFIT	COMM	GOOD
	--------	--------	--------
PROFIT	- -	- -	- -
COMM	- -	- -	- -
GOOD	0.535	1.200	- -

GAMMA

	HARMONY	TRUST
PROFIT	0.660	-0.389
COMM	0.431	0.680
GOOD	-0.059	-0.659

Correlation Matrix of ETA and KSI

	PROFIT	COMM	GOOD	HARMONY	TRUST
PROFIT	1.000				
COMM	0.172	1.000			
GOOD	0.736	0.644	1.000		
HARMONY	0.449	0.800	0.784	1.000	
TRUST	-0.031	0.913	0.390	0.543	1.000

PSI

Note: This matrix is diagonal.

PROFIT	COMM	GOOD
0.692	0.035	0.135

Regression Matrix ETA on KSI (Standardized)

	HARMONY	TRUST
PROFIT	0.660	-0.389
COMM	0.431	0.680
GOOD	0.812	-0.051

CHRIS ADENDORF MODEL 1

Completely Standardized Solution

LAMBDA-Y

PROFIT	COMM	GOOD

TR1	- -	0.819	- -
CO1	- -	0.689	- -
OC1	- -	0.660	- -
GG1	- -	- -	0.610
GG2	- -	- -	0.671
PR3	0.751	- -	- -
OC3	- -	0.607	- -
GG3	- -	- -	0.707
PR4	0.629	- -	- -
GG4	- -	- -	0.588
TR5	- -	0.710	- -
PR5	0.715	- -	- -
GG5	- -	- -	0.618
GG6	- -	- -	0.490
GG7	- -	- -	0.620
EG7	- -	0.483	- -
GG8	- -	- -	0.625
GG9	- -	- -	0.589

LAMBDA-X

	HARMONY	TRUST
FH1	- -	0.846
FH2	- -	0.894
FH3	0.578	- -
FH4	0.644	- -
FH5	0.677	- -
FH6	0.703	- -

BETA

	PROFIT	COMM	GOOD
PROFIT	- -	- -	- -
COMM	- -	- -	- -
GOOD	0.535	1.200	- -

GAMMA

	HARMONY	TRUST
PROFIT	0.660	-0.389
COMM	0.431	0.680
GOOD	-0.059	-0.659

Correlation Matrix of ETA and KSI

	PROFIT	COMM	GOOD	HARMONY	TRUST
PROFIT	1.000				
COMM	0.172	1.000			
GOOD	0.736	0.644	1.000		
HARMONY	0.449	0.800	0.784	1.000	
TRUST	-0.031	0.913	0.390	0.543	1.000

PSI

Note: This matrix is diagonal.

PROFIT	COMM	GOOD
0.692	0.035	0.135

THETA-EPS

TR1	CO1	OC1	GG1	GG2	PR3
0.328	0.525	0.565	0.628	0.550	0.436

THETA-EPS

OC3	GG3	PR4	GG4	TR5	PR5
0.631	0.501	0.604	0.654	0.497	0.489

THETA-EPS

GG5	GG6	GG7	EG7	GG8	GG9
0.619	0.760	0.616	0.767	0.609	0.653

THETA-DELTA

FH1	FH2	FH3	FH4	FH5	FH6
0.284	0.201	0.666	0.585	0.542	0.505

Regression Matrix ETA on KSI (Standardized)

	HARMONY	TRUST
PROFIT	0.660	-0.389
COMM	0.431	0.680
GOOD	0.812	-0.051

Time used: 29.204 Seconds

DATE: 10/20/2004

TIME: 16:54

L I S R E L 8.54

BY

Karl G. J”reskog & Dag S”rbom

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The following lines were read from file C:\My Data\ADENDORF\ChrisLis15.SPL:

CHRIS ADENDORF MODEL 1
System File From File ChrisLis.DSF
Observed variables
CV1 FH1 TR1 MP1 CO1 OC1 OA1 GG1 EG1 CV2 FH2 GO2 MP2 OA2 GG2 CV3 FH3 TR3
PR3 MP3 SP3 OC3 OA3 GG3 NA4 CV4 FH4 PR4 MP4 CO4 SP4 OA4 GG4 NA5 CV5 FH5 GO5
TR5 PR5 MP5 SP5 OA5 GG5
NA6 FH6 SP6 MP6 OC6 GG6 EG6 NA7 GG7 EG7 NA8 GG8 EG8 GG9
Latent Variables
GOVERN ADVICE MSPLAN GOOD
Relationships
GG1 GG2 GG3 GG5 GG6 GG7 GG4 GG8 GG9 = GOOD
OA1 OA3 OA4 OA5 NA7 = ADVICE
SP3 SP4 SP5 SP6 GO2 GO5 = GOVERN
MP1 MP2 MP3 MP4 MP5 MP6 OC6 = MSPLAN

GOVERN = ADVICE

MSPLAN = ADVICE

GOOD = ADVICE

GOOD = MSPLAN

GOOD = GOVERN

LISREL Output: ND=3 SC MI AD=OFF

Path Diagram

End of Problem

CHRIS ADENDORF MODEL 1

Covariance Matrix

	MP1	GG1	GO2	MP2	GG2	MP3
	--------	--------	--------	--------	--------	--------
MP1	4.897					
GG1	1.233	3.378				
GO2	1.299	1.951	4.572			
MP2	2.899	1.096	1.192	4.085		
GG2	1.142	1.756	2.339	1.008	2.893	
MP3	2.817	1.506	1.636	2.728	1.597	4.402
SP3	1.542	2.219	2.933	1.301	2.176	1.737
GG3	1.128	1.623	1.677	1.195	1.644	1.552
MP4	2.174	0.569	1.040	1.968	1.011	1.887
SP4	1.567	2.221	3.274	1.468	2.382	1.454
GG4	0.903	0.983	0.748	0.825	0.825	0.938
GO5	1.258	1.828	2.786	1.343	2.110	1.648
MP5	2.269	0.635	0.734	1.674	1.023	1.717
SP5	1.663	1.870	2.750	1.351	2.440	1.978
GG5	0.376	0.853	1.074	0.423	1.026	0.653
SP6	1.070	1.823	3.127	1.284	2.350	1.604
MP6	3.056	1.090	1.598	2.333	1.281	2.506
OC6	1.839	0.864	0.996	1.616	0.961	1.559
GG6	0.402	0.648	0.783	0.572	0.736	0.563
GG7	0.707	0.964	1.182	0.665	1.316	1.161
GG8	0.480	0.451	0.566	0.615	0.551	0.591
GG9	0.749	0.523	0.703	0.747	0.638	0.850
OA1	1.347	1.338	1.853	1.243	1.323	1.219
OA3	0.377	0.431	0.476	0.274	0.422	0.141
OA4	0.756	0.640	1.163	0.544	0.995	0.804

OA5	**0.739**	**0.569**	**0.798**	**0.488**	**0.536**	**0.554**
NA7	**0.322**	**0.246**	**0.390**	**0.449**	**0.319**	**0.381**

Covariance Matrix

	SP3	**GG3**	**MP4**	**SP4**	**GG4**	**GO5**
SP3	**4.033**					
GG3	**2.028**	**2.654**				
MP4	**0.720**	**0.850**	**3.843**			
SP4	**3.186**	**1.975**	**1.119**	**5.122**		
GG4	**0.765**	**0.723**	**0.964**	**0.605**	**2.327**	
GO5	**2.468**	**1.868**	**1.235**	**3.213**	**0.767**	**4.092**
MP5	**0.861**	**0.789**	**1.693**	**1.078**	**0.722**	**1.080**
SP5	**2.662**	**1.980**	**1.498**	**3.629**	**0.694**	**2.963**
GG5	**0.846**	**0.788**	**0.430**	**1.102**	**0.623**	**0.938**
SP6	**2.850**	**1.835**	**0.886**	**3.747**	**0.391**	**3.236**
MP6	**1.469**	**1.276**	**2.048**	**1.815**	**0.816**	**1.504**
OC6	**0.993**	**1.263**	**1.376**	**1.290**	**0.645**	**1.101**
GG6	**0.785**	**0.706**	**0.391**	**1.008**	**0.358**	**0.984**
GG7	**1.065**	**1.024**	**0.788**	**1.381**	**0.626**	**1.239**
GG8	**0.559**	**0.619**	**0.568**	**0.512**	**0.668**	**0.633**
GG9	**0.778**	**0.824**	**0.549**	**0.768**	**0.719**	**0.750**
OA1	**1.666**	**1.231**	**1.344**	**1.737**	**0.861**	**1.654**
OA3	**0.544**	**0.431**	**0.261**	**0.400**	**0.516**	**0.292**
OA4	**1.090**	**0.929**	**0.760**	**0.763**	**0.672**	**0.874**
OA5	**0.911**	**0.597**	**0.556**	**0.627**	**0.407**	**0.614**
NA7	**0.384**	**0.287**	**0.275**	**0.329**	**0.532**	**0.400**

Covariance Matrix

	MP5	**SP5**	**GG5**	**SP6**	**MP6**	**OC6**
MP5	**3.240**					
SP5	**1.442**	**4.479**				
GG5	**0.311**	**1.003**	**1.705**			
SP6	**0.736**	**3.387**	**1.022**	**4.646**		
MP6	**2.261**	**1.958**	**0.375**	**1.634**	**4.605**	
OC6	**1.616**	**1.339**	**0.451**	**1.070**	**1.916**	**3.327**
GG6	**0.308**	**0.708**	**0.537**	**0.795**	**0.531**	**0.634**

GG7	0.878	1.490	0.866	1.209	0.827	0.735
GG8	0.200	0.562	0.476	0.585	0.309	0.471
GG9	0.599	0.747	0.595	0.819	0.676	0.661
OA1	0.678	1.764	0.533	1.864	1.212	0.655
OA3	0.075	0.346	0.232	0.250	0.096	0.073
OA4	0.331	1.036	0.616	0.993	0.412	0.727
OA5	0.091	0.776	0.543	0.718	0.414	0.428
NA7	0.010	0.413	0.219	0.389	0.101	0.244

Covariance Matrix

	GG6	GG7	GG8	GG9	OA1	OA3
GG6	1.723					
GG7	0.883	2.100				
GG8	0.377	0.421	0.952			
GG9	0.361	0.594	0.732	1.405		
OA1	0.370	0.505	0.641	0.533	4.628	
OA3	0.193	0.141	0.374	0.296	0.980	1.178
OA4	0.436	0.588	0.578	0.521	2.077	0.921
OA5	0.125	0.352	0.431	0.432	1.577	0.753
NA7	0.131	0.129	0.352	0.247	0.687	0.514

Covariance Matrix

	OA4	OA5	NA7
OA4	2.268		
OA5	1.247	2.024	
NA7	0.547	0.488	0.860

CHRIS ADENDORF MODEL 1

Parameter Specifications

LAMBDA-Y

GOVERN	MSPLAN	GOOD

MP1	0	0	0
GG1	0	0	0
GO2	0	0	0
MP2	0	1	0
GG2	0	0	2
MP3	0	3	0
SP3	4	0	0
GG3	0	0	5
MP4	0	6	0
SP4	7	0	0
GG4	0	0	8
GO5	9	0	0
MP5	0	10	0
SP5	11	0	0
GG5	0	0	12
SP6	13	0	0
MP6	0	14	0
OC6	0	15	0
GG6	0	0	16
GG7	0	0	17
GG8	0	0	18
GG9	0	0	19

LAMBDA-X

	ADVICE
OA1	20
OA3	21
OA4	22
OA5	23
NA7	24

BETA

	GOVERN	MSPLAN	GOOD
GOVERN	0	0	0
MSPLAN	0	0	0
GOOD	25	26	0

GAMMA

	ADVICE

GOVERN	27
MSPLAN	28
GOOD	29

PSI

GOVERN	MSPLAN	GOOD
30	31	32

THETA-EPS

MP1	GG1	GO2	MP2	GG2	MP3
33	34	35	36	37	38

THETA-EPS

SP3	GG3	MP4	SP4	GG4	GO5
39	40	41	42	43	44

THETA-EPS

MP5	SP5	GG5	SP6	MP6	OC6
45	46	47	48	49	50

THETA-EPS

GG6	GG7	GG8	GG9
51	52	53	54

THETA-DELTA

OA1	OA3	OA4	OA5	NA7
55	56	57	58	59

CHRIS ADENDORF MODEL 1

Number of Iterations = 28

LISREL Estimates (Maximum Likelihood)

LAMBDA-Y

	GOVERN	MSPLAN	GOOD
MP1	- -	1.809	- -
GG1	- -	- -	1.174
GO2	1.678	- -	- -
MP2	- -	1.543	- -
		(0.106)	
		14.521	
GG2	- -	- -	1.325
			(0.118)
			11.221
MP3	- -	1.572	- -
		(0.097)	
		16.244	
SP3	1.586	- -	- -
	(0.109)		
	14.515		
GG3	- -	- -	1.181

			(0.119)
			9.892
MP4	- -	1.255	- -
		(0.121)	
		10.351	
SP4	1.976	- -	- -
	(0.105)		
	18.872		
GG4	- -	- -	0.664
			(0.115)
			5.789
GO5	1.662	- -	- -
	(0.101)		
	16.407		
MP5	- -	1.237	- -
		(0.096)	
		12.883	
SP5	1.773	- -	- -
	(0.110)		
	16.144		
GG5	- -	- -	0.714
			(0.116)
			6.168
SP6	1.875	- -	- -
	(0.095)		
	19.718		
MP6	- -	1.637	- -
		(0.105)	
		15.557	
OC6	- -	1.099	- -

(0.118)
9.318

GG6	- -	- -	0.577
			(0.116)
			4.985
GG7	- -	- -	0.871
			(0.116)
			7.524
GG8	- -	- -	0.492
			(0.112)
			4.404
GG9	- -	- -	0.604
			(0.126)
			4.775

LAMBDA-X

	ADVICE

OA1	1.593
	(0.094)
	16.883
OA3	0.713
	(0.099)
	7.230
OA4	1.263
	(0.084)
	14.954
OA5	0.985
	(0.106)
	9.304

NA7	0.484
	(0.091)
	5.308

BETA

	GOVERN	MSPLAN	GOOD
GOVERN	- -	- -	- -
MSPLAN	- -	- -	- -
GOOD	0.672	0.213	- -
	(0.088)	(0.062)	
	7.621	3.414	

GAMMA

	ADVICE
GOVERN	0.473
	(0.063)
	7.453
MSPLAN	0.374
	(0.068)
	5.526
GOOD	0.208
	(0.071)
	2.919

Covariance Matrix of ETA and KSI

GOVERN	MSPLAN	GOOD	ADVICE

GOVERN	**1.000**			
MSPLAN	**0.177**	**1.000**		
GOOD	**0.808**	**0.410**	**1.000**	
ADVICE	**0.473**	**0.374**	**0.605**	**1.000**

PHI

ADVICE
1.000

PSI

Note: This matrix is diagonal.

GOVERN	**MSPLAN**	**GOOD**
0.777	**0.860**	**0.245**
(0.095)	**(0.085)**	**(0.060)**
8.163	**10.065**	**4.057**

Squared Multiple Correlations for Structural Equations

GOVERN	**MSPLAN**	**GOOD**
0.223	**0.140**	**0.755**

Squared Multiple Correlations for Reduced Form

GOVERN	**MSPLAN**	**GOOD**
0.223	**0.140**	**0.366**

Reduced Form

	ADVICE
GOVERN	**0.473**
	(0.063)

7.453

MSPLAN 0.374
(0.068)
5.526

GOOD 0.605
(0.071)
8.506

THETA-EPS

MP1	GG1	GO2	MP2	GG2	MP3
1.623	1.894	1.757	1.703	1.004	1.930
(0.224)	(0.218)	(0.247)	(0.234)	(0.146)	(0.210)
7.234	8.697	7.104	7.271	6.871	9.208

THETA-EPS

SP3	GG3	MP4	SP4	GG4	GO5
1.519	1.154	2.267	1.219	1.852	1.331
(0.220)	(0.142)	(0.209)	(0.147)	(0.157)	(0.200)
6.898	8.111	10.849	8.297	11.766	6.663

THETA-EPS

MP5	SP5	GG5	SP6	MP6	OC6
1.711	1.336	1.155	1.131	1.924	2.120
(0.157)	(0.220)	(0.142)	(0.166)	(0.247)	(0.183)
10.868	6.061	8.131	6.803	7.781	11.574

THETA-EPS

GG6	GG7	GG8	GG9
1.365	1.284	0.692	1.013
(0.126)	(0.159)	(0.101)	(0.128)
10.808	8.073	6.877	7.884

Squared Multiple Correlations for Y - Variables

MP1	GG1	GO2	MP2	GG2	MP3
0.669	0.421	0.616	0.583	0.636	0.562

Squared Multiple Correlations for Y - Variables

SP3	GG3	MP4	SP4	GG4	GO5
0.623	0.547	0.410	0.762	0.192	0.675

Squared Multiple Correlations for Y - Variables

MP5	SP5	GG5	SP6	MP6	OC6
0.472	0.702	0.306	0.757	0.582	0.363

Squared Multiple Correlations for Y - Variables

GG6	GG7	GG8	GG9
0.196	0.372	0.259	0.265

THETA-DELTA

OA1	OA3	OA4	OA5	NA7
2.090	0.670	0.672	1.053	0.626
(0.290)	(0.103)	(0.111)	(0.158)	(0.099)
7.198	6.473	6.041	6.654	6.300

Squared Multiple Correlations for X - Variables

OA1	OA3	OA4	OA5	NA7
0.548	0.431	0.704	0.480	0.272

Goodness of Fit Statistics

Degrees of Freedom = 319
Minimum Fit Function Chi-Square = 1157.899 (P = 0.0)
Normal Theory Weighted Least Squares Chi-Square = 1168.152 (P = 0.0)
Satorra-Bentler Scaled Chi-Square = 809.002 (P = 0.0)
Estimated Non-centrality Parameter (NCP) = 490.002
90 Percent Confidence Interval for NCP = (409.964 ; 577.712)

Minimum Fit Function Value = 3.509
Population Discrepancy Function Value (F0) = 1.485
90 Percent Confidence Interval for F0 = (1.242 ; 1.751)
Root Mean Square Error of Approximation (RMSEA) = 0.0682
90 Percent Confidence Interval for RMSEA = (0.0624 ; 0.0741)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.000

Expected Cross-Validation Index (ECVI) = 2.809
90 Percent Confidence Interval for ECVI = (2.567 ; 3.075)
ECVI for Saturated Model = 2.291
ECVI for Independence Model = 45.766

Chi-Square for Independence Model with 351 Degrees of Freedom = 15048.644
Independence AIC = 15102.644
Model AIC = 927.002
Saturated AIC = 756.000
Independence CAIC = 15232.302
Model CAIC = 1210.327
Saturated CAIC = 2571.201

Normed Fit Index (NFI) = 0.923
Non-Normed Fit Index (NNFI) = 0.937
Parsimony Normed Fit Index (PNFI) = 0.839
Comparative Fit Index (CFI) = 0.943

Incremental Fit Index (IFI) = 0.943
Relative Fit Index (RFI) = 0.915

Critical N (CN) = 109.495

Root Mean Square Residual (RMR) = 0.374
Standardized RMR = 0.107
Goodness of Fit Index (GFI) = 0.792
Adjusted Goodness of Fit Index (AGFI) = 0.754
Parsimony Goodness of Fit Index (PGFI) = 0.669

CHRIS ADENDORF MODEL 1

Modification Indices and Expected Change

Modification Indices for LAMBDA-Y

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
MP1	1.355	- -	3.843
GG1	101.436	0.217	- -
GO2	- -	0.201	1.564
MP2	0.148	- -	0.020
GG2	- -	1.370	- -
MP3	9.055	- -	16.269
SP3	- -	2.926	34.609
GG3	- -	1.015	- -
MP4	0.138	- -	0.480
SP4	- -	0.006	2.484
GG4	- -	7.561	- -
GO5	- -	1.966	2.211
MP5	0.088	- -	0.194
SP5	- -	14.516	3.669
GG5	- -	13.148	- -
SP6	- -	3.553	4.484
MP6	4.962	- -	0.132
OC6	3.387	- -	8.054
GG6	- -	0.473	- -

GG7	- -	0.046	- -
GG8	- -	2.819	- -
GG9	- -	12.734	- -

Expected Change for LAMBDA-Y

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
MP1	-0.098	- -	-0.183
GG1	7.735	-0.047	- -
GO2	- -	0.038	0.180
MP2	0.032	- -	0.014
GG2	- -	-0.099	- -
MP3	0.260	- -	0.383
SP3	- -	0.135	1.377
GG3	- -	0.086	- -
MP4	0.034	- -	0.076
SP4	- -	-0.006	-0.155
GG4	- -	0.293	- -
GO5	- -	0.104	0.217
MP5	-0.024	- -	-0.040
SP5	- -	0.287	0.253
GG5	- -	-0.358	- -
SP6	- -	-0.134	-0.204
MP6	0.195	- -	0.035
OC6	0.162	- -	0.301
GG6	- -	-0.068	- -
GG7	- -	0.022	- -
GG8	- -	0.405	- -
GG9	- -	0.434	- -

Standardized Expected Change for LAMBDA-Y

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
MP1	-0.098	- -	-0.183
GG1	7.735	-0.047	- -
GO2	- -	0.038	0.180
MP2	0.032	- -	0.014
GG2	- -	-0.099	- -

MP3	0.260	- -	0.383
SP3	- -	0.135	1.377
GG3	- -	0.086	- -
MP4	0.034	- -	0.076
SP4	- -	-0.006	-0.155
GG4	- -	0.293	- -
GO5	- -	0.104	0.217
MP5	-0.024	- -	-0.040
SP5	- -	0.287	0.253
GG5	- -	-0.358	- -
SP6	- -	-0.134	-0.204
MP6	0.195	- -	0.035
OC6	0.162	- -	0.301
GG6	- -	-0.068	- -
GG7	- -	0.022	- -
GG8	- -	0.405	- -
GG9	- -	0.434	- -

Completely Standardized Expected Change for LAMBDA-Y

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
MP1	-0.044	- -	-0.083
GG1	4.276	-0.026	- -
GO2	- -	0.018	0.084
MP2	0.016	- -	0.007
GG2	- -	-0.059	- -
MP3	0.124	- -	0.183
SP3	- -	0.067	0.686
GG3	- -	0.054	- -
MP4	0.017	- -	0.039
SP4	- -	-0.003	-0.068
GG4	- -	0.194	- -
GO5	- -	0.052	0.108
MP5	-0.013	- -	-0.022
SP5	- -	0.136	0.120
GG5	- -	-0.277	- -
SP6	- -	-0.062	-0.095
MP6	0.091	- -	0.016
OC6	0.089	- -	0.165

GG6	- -	-0.052	- -
GG7	- -	0.015	- -
GG8	- -	0.419	- -
GG9	- -	0.370	- -

No Non-Zero Modification Indices for LAMBDA-X

Modification Indices for BETA

	GOVERN	MSPLAN	GOOD
GOVERN	- -	47.659	- -
MSPLAN	50.358	- -	113.168
GOOD	- -	- -	- -

Expected Change for BETA

	GOVERN	MSPLAN	GOOD
GOVERN	- -	0.422	- -
MSPLAN	0.494	- -	1.653
GOOD	- -	- -	- -

Standardized Expected Change for BETA

	GOVERN	MSPLAN	GOOD
GOVERN	- -	0.422	- -
MSPLAN	0.494	- -	1.653
GOOD	- -	- -	- -

No Non-Zero Modification Indices for GAMMA

No Non-Zero Modification Indices for PHI

Modification Indices for PSI

	GOVERN	MSPLAN	GOOD
GOVERN	- -		

MSPLAN	47.450	- -	
GOOD	- -	- -	- -

Expected Change for PSI

	GOVERN	MSPLAN	GOOD
GOVERN	- -		
MSPLAN	0.361	- -	
GOOD	- -	- -	- -

Standardized Expected Change for PSI

	GOVERN	MSPLAN	GOOD
GOVERN	- -		
MSPLAN	0.361	- -	
GOOD	- -	- -	- -

Modification Indices for THETA-EPS

	MP1	GG1	GO2	MP2	GG2	MP3
MP1	- -					
GG1	3.485	- -				
GO2	0.056	0.547	- -			
MP2	5.103	0.510	0.207	- -		
GG2	0.935	2.219	6.413	5.423	- -	
MP3	0.234	3.288	0.843	19.068	2.900	- -
SP3	7.471	17.546	14.312	0.113	0.109	3.429
GG3	1.698	3.863	4.234	0.573	1.110	2.058
MP4	1.512	8.981	0.063	0.121	0.157	0.823
SP4	4.242	3.661	0.526	1.385	0.581	20.181
GG4	0.001	2.255	0.441	0.004	3.663	0.515
GO5	2.098	0.159	0.001	0.507	0.695	0.194
MP5	0.216	2.982	4.722	10.168	5.523	7.568
SP5	0.008	2.899	13.060	9.463	5.429	0.672
GG5	1.414	0.459	1.110	0.211	0.024	0.056
SP6	5.498	3.702	0.127	2.407	2.950	0.800
MP6	2.765	0.057	0.952	8.619	0.523	0.801

OC6	**3.465**	**0.421**	**0.599**	**0.830**	**1.162**	**3.126**
GG6	**1.945**	**0.968**	**0.378**	**1.344**	**2.558**	**0.699**
GG7	**4.536**	**3.280**	**0.686**	**3.964**	**2.482**	**2.647**
GG8	**0.140**	**8.702**	**0.130**	**6.885**	**15.698**	**0.024**
GG9	**0.011**	**11.811**	**0.894**	**0.716**	**24.565**	**0.000**

Modification Indices for THETA-EPS

	SP3	**GG3**	**MP4**	**SP4**	**GG4**	**GO5**
	--------	--------	--------	--------	--------	--------
SP3	**- -**					
GG3	**12.327**	**- -**				
MP4	**12.623**	**2.467**	**- -**			
SP4	**1.124**	**0.353**	**0.133**	**- -**		
GG4	**0.640**	**2.855**	**6.022**	**3.042**	**- -**	
GO5	**7.874**	**1.512**	**3.902**	**2.244**	**1.305**	**- -**
MP5	**1.558**	**1.745**	**2.224**	**0.335**	**0.699**	**2.143**
SP5	**6.960**	**0.641**	**5.845**	**8.914**	**0.227**	**0.127**
GG5	**4.874**	**4.890**	**0.153**	**0.023**	**2.197**	**0.573**
SP6	**6.227**	**0.814**	**1.513**	**1.506**	**17.081**	**8.288**
MP6	**0.926**	**0.419**	**0.006**	**1.920**	**0.635**	**0.875**
OC6	**1.237**	**10.451**	**0.001**	**0.794**	**0.304**	**0.027**
GG6	**0.340**	**0.198**	**0.069**	**2.249**	**0.419**	**5.712**
GG7	**6.144**	**2.184**	**1.219**	**0.059**	**0.002**	**0.029**
GG8	**0.340**	**0.020**	**6.417**	**7.567**	**28.309**	**1.299**
GG9	**0.021**	**1.231**	**0.211**	**1.585**	**15.967**	**0.015**

Modification Indices for THETA-EPS

	MP5	**SP5**	**GG5**	**SP6**	**MP6**	**OC6**
	--------	--------	--------	--------	--------	--------
MP5	**- -**					
SP5	**11.864**	**- -**				
GG5	**0.187**	**0.910**	**- -**			
SP6	**4.687**	**2.677**	**0.002**	**- -**		
MP6	**9.016**	**1.004**	**2.537**	**4.659**	**- -**	
OC6	**7.693**	**0.032**	**0.009**	**0.006**	**1.598**	**- -**
GG6	**0.609**	**6.861**	**2.051**	**1.032**	**0.015**	**4.655**
GG7	**11.633**	**6.744**	**10.443**	**1.530**	**0.329**	**0.027**

GG8	8.480	1.711	4.515	0.031	11.959	0.692
GG9	0.891	1.473	5.533	0.523	0.909	0.800

Modification Indices for THETA-EPS

	GG6	GG7	GG8	GG9
GG6	- -			
GG7	25.757	- -		
GG8	1.971	0.678	- -	
GG9	0.051	0.227	91.142	- -

Expected Change for THETA-EPS

	MP1	GG1	GO2	MP2	GG2	MP3
MP1	- -					
GG1	0.212	- -				
GO2	0.026	0.082	- -			
MP2	0.401	0.080	-0.049	- -		
GG2	-0.085	0.155	0.218	-0.202	- -	
MP3	-0.078	0.214	0.105	0.631	0.156	- -
SP3	0.281	0.432	0.425	0.034	0.027	0.198
GG3	-0.119	0.195	-0.183	0.068	-0.100	0.136
MP4	-0.173	-0.370	0.030	0.047	0.038	-0.125
SP4	0.201	0.187	-0.083	0.113	-0.059	-0.455
GG4	0.004	0.167	0.070	-0.007	-0.169	-0.081
GO5	-0.141	-0.039	-0.003	0.068	-0.064	0.045
MP5	0.058	-0.187	-0.229	-0.384	0.198	-0.333
SP5	-0.009	-0.169	-0.413	-0.299	0.182	0.084
GG5	-0.104	-0.061	0.089	-0.039	0.012	0.021
SP6	-0.219	-0.181	-0.040	0.143	0.127	0.087
MP6	0.281	-0.028	0.113	-0.440	0.067	-0.132
OC6	-0.243	-0.077	-0.089	-0.115	-0.099	-0.230
GG6	-0.131	-0.094	-0.056	0.107	-0.123	-0.081
GG7	-0.197	-0.177	-0.075	-0.182	0.131	0.157
GG8	-0.025	-0.202	-0.024	0.173	-0.220	-0.011
GG9	0.008	-0.286	-0.075	0.068	-0.340	0.001

Expected Change for THETA-EPS

	SP3	GG3	MP4	SP4	GG4	GO5
SP3	- -					
GG3	0.292	- -				
MP4	-0.398	-0.156	- -			
SP4	0.119	-0.047	-0.039	- -		
GG4	0.079	-0.153	0.291	-0.163	- -	
GO5	-0.288	0.097	0.210	-0.158	0.107	- -
MP5	-0.123	-0.115	0.186	0.054	0.087	0.137
SP5	-0.287	0.064	0.260	0.350	-0.045	0.041
GG5	-0.174	-0.166	0.037	0.011	0.126	-0.057
SP6	-0.262	-0.068	-0.125	0.147	-0.372	0.314
MP6	-0.103	0.062	-0.011	0.141	-0.091	-0.096
OC6	-0.120	0.308	-0.004	0.091	-0.063	-0.017
GG6	-0.049	-0.035	-0.027	0.121	-0.059	0.193
GG7	-0.208	-0.119	0.111	0.019	0.004	0.014
GG8	-0.035	-0.008	0.185	-0.158	0.347	0.066
GG9	0.011	0.077	-0.041	-0.088	0.316	-0.009

Expected Change for THETA-EPS

	MP5	SP5	GG5	SP6	MP6	OC6
MP5	- -					
SP5	0.326	- -				
GG5	-0.036	-0.073	- -			
SP6	-0.194	0.196	-0.003	- -		
MP6	0.381	0.104	-0.145	0.211	- -	
OC6	0.328	0.018	0.009	0.008	0.169	- -
GG6	-0.070	-0.214	0.105	-0.078	0.012	0.211
GG7	0.302	0.210	0.240	-0.095	-0.056	0.016
GG8	-0.187	-0.076	0.112	-0.010	-0.243	0.058
GG9	0.073	-0.086	0.150	0.048	-0.081	0.076

Expected Change for THETA-EPS

	GG6	GG7	GG8	GG9
GG6	- -			

GG7	0.399	- -		
GG8	0.079	-0.046	- -	
GG9	-0.015	0.032	0.469	- -

Completely Standardized Expected Change for THETA-EPS

	MP1	GG1	GO2	MP2	GG2	MP3
MP1	- -					
GG1	0.053	- -				
GO2	0.006	0.021	- -			
MP2	0.090	0.022	-0.011	- -		
GG2	-0.023	0.052	0.062	-0.060	- -	
MP3	-0.017	0.056	0.023	0.149	0.045	- -
SP3	0.063	0.119	0.099	0.008	0.008	0.047
GG3	-0.034	0.068	-0.054	0.021	-0.038	0.041
MP4	-0.040	-0.104	0.007	0.012	0.012	-0.030
SP4	0.040	0.046	-0.017	0.025	-0.016	-0.096
GG4	0.001	0.061	0.022	-0.002	-0.067	-0.026
GO5	-0.032	-0.011	-0.001	0.017	-0.019	0.011
MP5	0.015	-0.058	-0.060	-0.105	0.066	-0.088
SP5	-0.002	-0.044	-0.091	-0.070	0.052	0.019
GG5	-0.036	-0.026	0.032	-0.015	0.005	0.008
SP6	-0.046	-0.046	-0.009	0.033	0.035	0.019
MP6	0.059	-0.007	0.025	-0.102	0.019	-0.029
OC6	-0.060	-0.023	-0.023	-0.031	-0.033	-0.060
GG6	-0.045	-0.040	-0.020	0.041	-0.057	-0.030
GG7	-0.062	-0.068	-0.024	-0.063	0.055	0.052
GG8	-0.012	-0.116	-0.011	0.089	-0.137	-0.005
GG9	0.003	-0.135	-0.030	0.029	-0.175	0.000

Completely Standardized Expected Change for THETA-EPS

	SP3	GG3	MP4	SP4	GG4	GO5
SP3	- -					
GG3	0.091	- -				
MP4	-0.101	-0.050	- -			
SP4	0.026	-0.013	-0.009	- -		
GG4	0.026	-0.063	0.098	-0.048	- -	

GO5	-0.071	0.030	0.053	-0.034	0.035	- -
MP5	-0.034	-0.040	0.053	0.013	0.032	0.038
SP5	-0.068	0.019	0.063	0.073	-0.014	0.010
GG5	-0.067	-0.080	0.015	0.004	0.065	-0.022
SP6	-0.061	-0.020	-0.030	0.030	-0.114	0.072
MP6	-0.024	0.018	-0.003	0.029	-0.028	-0.022
OC6	-0.033	0.106	-0.001	0.022	-0.023	-0.005
GG6	-0.019	-0.017	-0.010	0.041	-0.030	0.073
GG7	-0.073	-0.052	0.040	0.006	0.002	0.005
GG8	-0.018	-0.005	0.098	-0.072	0.237	0.034
GG9	0.005	0.041	-0.018	-0.033	0.178	-0.004

Completely Standardized Expected Change for THETA-EPS

	MP5	SP5	GG5	SP6	MP6	OC6
MP5	- -					
SP5	0.085	- -				
GG5	-0.015	-0.027	- -			
SP6	-0.050	0.043	-0.001	- -		
MP6	0.099	0.023	-0.052	0.046	- -	
OC6	0.100	0.005	0.004	0.002	0.043	- -
GG6	-0.030	-0.078	0.062	-0.028	0.004	0.089
GG7	0.117	0.070	0.130	-0.031	-0.018	0.006
GG8	-0.107	-0.037	0.090	-0.005	-0.117	0.033
GG9	0.035	-0.035	0.099	0.019	-0.032	0.035

Completely Standardized Expected Change for THETA-EPS

	GG6	GG7	GG8	GG9
GG6	- -			
GG7	0.214	- -		
GG8	0.062	-0.033	- -	
GG9	-0.010	0.019	0.414	- -

Modification Indices for THETA-DELTA-EPS

	MP1	GG1	GO2	MP2	GG2	MP3

OA1	0.006	5.681	0.371	1.495	0.086	0.241
OA3	3.040	1.097	0.046	0.399	0.294	7.800
OA4	0.685	11.381	2.681	6.803	2.178	0.938
OA5	4.395	0.059	0.036	0.153	6.327	0.266
NA7	0.037	1.218	0.414	11.246	1.326	1.461

Modification Indices for THETA-DELTA-EPS

	SP3	GG3	MP4	SP4	GG4	GO5
	--------	--------	--------	--------	--------	--------
OA1	1.104	0.000	3.639	1.618	0.470	1.409
OA3	2.574	0.024	0.297	2.248	8.964	2.343
OA4	0.171	0.751	0.830	15.581	0.157	0.541
OA5	3.222	0.291	0.002	0.470	1.649	0.893
NA7	0.482	1.810	0.082	0.423	21.972	1.006

Modification Indices for THETA-DELTA-EPS

	MP5	SP5	GG5	SP6	MP6	OC6
	--------	--------	--------	--------	--------	--------
OA1	0.073	0.038	8.921	5.084	5.578	6.583
OA3	0.004	2.894	0.522	10.977	1.422	6.025
OA4	0.016	0.028	2.439	0.215	6.410	10.753
OA5	6.028	0.050	7.868	0.002	0.000	0.003
NA7	6.416	0.051	0.018	0.023	5.632	0.054

Modification Indices for THETA-DELTA-EPS

	GG6	GG7	GG8	GG9
	--------	--------	--------	--------
OA1	2.889	7.723	2.451	5.170
OA3	0.270	3.734	7.932	1.386
OA4	2.590	3.104	0.916	0.065
OA5	4.297	0.004	0.623	1.882
NA7	0.046	2.254	16.756	1.484

Expected Change for THETA-DELTA-EPS

MP1	GG1	GO2	MP2	GG2	MP3

	--------	--------	--------	--------	--------	--------
OA1	**-0.010**	**0.300**	**0.074**	**0.151**	**0.029**	**-0.064**
OA3	**0.119**	**0.072**	**0.014**	**0.043**	**-0.029**	**-0.199**
OA4	**-0.066**	**-0.269**	**0.126**	**-0.204**	**0.092**	**0.080**
OA5	**0.182**	**0.021**	**-0.016**	**-0.033**	**-0.171**	**-0.047**
NA7	**-0.012**	**-0.071**	**-0.040**	**0.212**	**-0.057**	**0.081**

Expected Change for THETA-DELTA-EPS

	SP3	GG3	MP4	SP4	GG4	GO5
	--------	--------	--------	--------	--------	--------
OA1	**-0.119**	**0.002**	**0.261**	**0.137**	**-0.083**	**0.128**
OA3	**0.099**	**0.009**	**-0.041**	**0.088**	**0.197**	**-0.090**
OA4	**0.030**	**0.056**	**0.079**	**-0.269**	**-0.030**	**-0.050**
OA5	**0.141**	**-0.038**	**0.004**	**-0.051**	**-0.107**	**-0.071**
NA7	**-0.040**	**-0.069**	**-0.020**	**-0.036**	**0.289**	**0.055**

Expected Change for THETA-DELTA-EPS

	MP5	SP5	GG5	SP6	MP6	OC6
	--------	--------	--------	--------	--------	--------
OA1	**0.032**	**0.021**	**-0.288**	**0.233**	**0.310**	**-0.337**
OA3	**-0.004**	**-0.101**	**-0.038**	**-0.187**	**-0.085**	**-0.176**
OA4	**0.010**	**0.012**	**0.095**	**0.030**	**-0.210**	**0.272**
OA5	**-0.204**	**0.017**	**0.187**	**-0.003**	**0.001**	**-0.005**
NA7	**-0.156**	**0.013**	**0.007**	**0.008**	**-0.159**	**0.016**

Expected Change for THETA-DELTA-EPS

	GG6	GG7	GG8	GG9
	--------	--------	--------	--------
OA1	**-0.176**	**-0.286**	**-0.116**	**-0.204**
OA3	**0.029**	**-0.108**	**0.114**	**0.058**
OA4	**0.105**	**0.115**	**0.045**	**0.014**
OA5	**-0.149**	**0.004**	**0.041**	**0.085**
NA7	**-0.011**	**-0.079**	**0.155**	**0.056**

Completely Standardized Expected Change for THETA-DELTA-EPS

	MP1	GG1	GO2	MP2	GG2	MP3

	--------	--------	--------	--------	--------	--------
OA1	-0.002	0.077	0.016	0.035	0.008	-0.014
OA3	0.050	0.037	0.006	0.019	-0.016	-0.087
OA4	-0.020	-0.099	0.039	-0.067	0.037	0.025
OA5	0.058	0.008	-0.005	-0.012	-0.072	-0.016
NA7	-0.006	-0.042	-0.020	0.113	-0.037	0.042

Completely Standardized Expected Change for THETA-DELTA-EPS

	SP3	GG3	MP4	SP4	GG4	GO5
	--------	--------	--------	--------	--------	--------
OA1	-0.028	0.000	0.062	0.028	-0.025	0.029
OA3	0.046	0.005	-0.019	0.036	0.120	-0.041
OA4	0.010	0.023	0.027	-0.079	-0.013	-0.016
OA5	0.049	-0.017	0.001	-0.016	-0.050	-0.025
NA7	-0.022	-0.047	-0.011	-0.017	0.206	0.030

Completely Standardized Expected Change for THETA-DELTA-EPS

	MP5	SP5	GG5	SP6	MP6	OC6
	--------	--------	--------	--------	--------	--------
OA1	0.008	0.005	-0.104	0.050	0.067	-0.086
OA3	-0.002	-0.044	-0.027	-0.080	-0.037	-0.089
OA4	0.004	0.004	0.049	0.009	-0.065	0.099
OA5	-0.080	0.006	0.102	-0.001	0.000	-0.002
NA7	-0.093	0.006	0.006	0.004	-0.080	0.009

Completely Standardized Expected Change for THETA-DELTA-EPS

	GG6	GG7	GG8	GG9
	--------	--------	--------	--------
OA1	-0.063	-0.093	-0.056	-0.081
OA3	0.021	-0.070	0.109	0.045
OA4	0.054	0.053	0.031	0.008
OA5	-0.080	0.002	0.030	0.051
NA7	-0.009	-0.059	0.173	0.051

Modification Indices for THETA-DELTA

	OA1	OA3	OA4	OA5	NA7

	--------	--------	--------	--------	--------
OA1	- -				
OA3	10.992	- -			
OA4	13.910	2.147	- -		
OA5	0.020	2.594	- -	- -	
NA7	2.666	30.527	9.417	0.085	- -

Expected Change for THETA-DELTA

	OA1	OA3	OA4	OA5	NA7
	--------	--------	--------	--------	--------
OA1	- -				
OA3	-0.300	- -			
OA4	0.913	0.146	- -		
OA5	0.018	0.110	- -	- -	
NA7	-0.127	0.230	-0.185	0.015	- -

Completely Standardized Expected Change for THETA-DELTA

	OA1	OA3	OA4	OA5	NA7
	--------	--------	--------	--------	--------
OA1	- -				
OA3	-0.128	- -			
OA4	0.282	0.089	- -		
OA5	0.006	0.071	- -	- -	
NA7	-0.063	0.229	-0.133	0.012	- -

Maximum Modification Index is 113.17 for Element (2, 3) of BETA

CHRIS ADENDORF MODEL 1

Standardized Solution

LAMBDA-Y

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
MP1	- -	1.809	- -
GG1	- -	- -	1.174
GO2	1.678	- -	- -

MP2	- -	1.543	- -
GG2	- -	- -	1.325
MP3	- -	1.572	- -
SP3	1.586	- -	- -
GG3	- -	- -	1.181
MP4	- -	1.255	- -
SP4	1.976	- -	- -
GG4	- -	- -	0.664
GO5	1.662	- -	- -
MP5	- -	1.237	- -
SP5	1.773	- -	- -
GG5	- -	- -	0.714
SP6	1.875	- -	- -
MP6	- -	1.637	- -
OC6	- -	1.099	- -
GG6	- -	- -	0.577
GG7	- -	- -	0.871
GG8	- -	- -	0.492
GG9	- -	- -	0.604

LAMBDA-X

	ADVICE
OA1	1.593
OA3	0.713
OA4	1.263
OA5	0.985
NA7	0.484

BETA

	GOVERN	MSPLAN	GOOD
GOVERN	- -	- -	- -
MSPLAN	- -	- -	- -
GOOD	0.672	0.213	- -

GAMMA

	ADVICE

GOVERN	0.473
MSPLAN	0.374
GOOD	0.208

Correlation Matrix of ETA and KSI

	GOVERN	MSPLAN	GOOD	ADVICE
	--------	--------	--------	--------
GOVERN	1.000			
MSPLAN	0.177	1.000		
GOOD	0.808	0.410	1.000	
ADVICE	0.473	0.374	0.605	1.000

PSI

Note: This matrix is diagonal.

GOVERN	MSPLAN	GOOD
--------	--------	--------
0.777	0.860	0.245

Regression Matrix ETA on KSI (Standardized)

	ADVICE

GOVERN	0.473
MSPLAN	0.374
GOOD	0.605

CHRIS ADENDORF MODEL 1

Completely Standardized Solution

LAMBDA-Y

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
MP1	- -	0.818	- -
GG1	- -	- -	0.649

GO2	0.785	- -	- -
MP2	- -	0.764	- -
GG2	- -	- -	0.798
MP3	- -	0.749	- -
SP3	0.790	- -	- -
GG3	- -	- -	0.740
MP4	- -	0.640	- -
SP4	0.873	- -	- -
GG4	- -	- -	0.439
GO5	0.821	- -	- -
MP5	- -	0.687	- -
SP5	0.838	- -	- -
GG5	- -	- -	0.553
SP6	0.870	- -	- -
MP6	- -	0.763	- -
OC6	- -	0.602	- -
GG6	- -	- -	0.443
GG7	- -	- -	0.610
GG8	- -	- -	0.509
GG9	- -	- -	0.514

LAMBDA-X

	ADVICE

OA1	0.740
OA3	0.657
OA4	0.839
OA5	0.693
NA7	0.522

BETA

	GOVERN	MSPLAN	GOOD
	--------	--------	--------
GOVERN	- -	- -	- -
MSPLAN	- -	- -	- -
GOOD	0.672	0.213	- -

GAMMA

	ADVICE
GOVERN	0.473
MSPLAN	0.374
GOOD	0.208

Correlation Matrix of ETA and KSI

	GOVERN	MSPLAN	GOOD	ADVICE
GOVERN	1.000			
MSPLAN	0.177	1.000		
GOOD	0.808	0.410	1.000	
ADVICE	0.473	0.374	0.605	1.000

PSI

Note: This matrix is diagonal.

GOVERN	MSPLAN	GOOD
0.777	0.860	0.245

THETA-EPS

MP1	GG1	GO2	MP2	GG2	MP3
0.331	0.579	0.384	0.417	0.364	0.438

THETA-EPS

SP3	GG3	MP4	SP4	GG4	GO5
0.377	0.453	0.590	0.238	0.808	0.325

THETA-EPS

MP5	SP5	GG5	SP6	MP6	OC6

0.528	**0.298**	**0.694**	**0.243**	**0.418**	**0.637**

THETA-EPS

GG6	GG7	GG8	GG9
0.804	0.628	0.741	0.735

THETA-DELTA

OA1	OA3	OA4	OA5	NA7
0.452	0.569	0.296	0.520	0.728

Regression Matrix ETA on KSI (Standardized)

	ADVICE
GOVERN	0.473
MSPLAN	0.374
GOOD	0.605

Time used: 52.847 Seconds

DATE: 10/20/2004

TIME: 17:14

L I S R E L 8.54

BY

Karl G. J”reskog & Dag S”rbom

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The following lines were read from file C:\My Data\ADENDORF\ChrisLis16.SPL:

CHRIS ADENDORF MODEL 1
System File From File ChrisLis.DSF
Observed variables
CV1 FH1 TR1 MP1 CO1 OC1 OA1 GG1 EG1 CV2 FH2 GO2 MP2 OA2 GG2 CV3 FH3 TR3
PR3 MP3 SP3 OC3 OA3 GG3 NA4 CV4 FH4 PR4 MP4 CO4 SP4 OA4 GG4 NA5 CV5 FH5 GO5
TR5 PR5 MP5 SP5 OA5 GG5
NA6 FH6 SP6 MP6 OC6 GG6 EG6 NA7 GG7 EG7 NA8 GG8 EG8 GG9
Latent Variables
VISION NEEDS CULTURE ETHNIC GOOD
Relationships
GG1 GG2 GG3 GG5 GG6 GG7 GG4 GG8 GG9 = GOOD
NA4 NA5 NA6 NA8 OA2 = NEEDS
CV1 CV2 CV3 CV4 CV5 = CULTURE
TR3 CO4 EG1 = VISION

EG6 EG8 = ETHNIC

VISION = NEEDS

ETHNIC = CULTURE

GOOD = VISION

GOOD = NEEDS

GOOD = CULTURE

GOOD = ETHNIC

LISREL Output: ND=3 SC MI AD=OFF

Path Diagram

End of Problem

CHRIS ADENDORF MODEL 1

Covariance Matrix

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	3.378					
EG1	0.689	1.767				
GG2	1.756	0.789	2.893			
TR3	0.317	0.772	0.402	1.049		
GG3	1.623	0.710	1.644	0.524	2.654	
CO4	0.224	0.739	0.446	0.730	0.528	1.692
GG4	0.983	0.582	0.825	0.316	0.723	0.540
GG5	0.853	0.627	1.026	0.448	0.788	0.521
GG6	0.648	0.234	0.736	0.138	0.706	0.361
EG6	-0.006	0.196	0.031	0.107	0.040	0.165
GG7	0.964	0.453	1.316	0.359	1.024	0.572
GG8	0.451	0.525	0.551	0.473	0.619	0.592
EG8	0.199	0.323	0.175	0.246	0.251	0.218
GG9	0.523	0.524	0.638	0.432	0.824	0.691
CV1	0.600	0.318	0.834	0.215	0.819	0.228
CV2	1.005	0.216	1.287	0.200	1.212	0.011
OA2	1.489	0.687	2.268	0.000	1.457	0.119
CV3	1.028	0.237	1.353	0.154	1.474	0.160
NA4	1.098	0.717	1.280	0.263	0.970	0.297
CV4	1.091	0.314	1.291	-0.051	1.320	0.221
NA5	0.944	0.737	1.323	0.205	1.178	0.345
CV5	0.742	0.124	1.145	0.010	1.136	0.073
NA6	0.580	0.576	0.525	0.380	0.640	0.393

NA8	0.776	0.829	0.803	0.513	0.862	0.549

Covariance Matrix

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	2.327					
GG5	0.623	1.705				
GG6	0.358	0.537	1.723			
EG6	0.120	0.071	0.075	0.332		
GG7	0.626	0.866	0.883	0.027	2.100	
GG8	0.668	0.476	0.377	0.188	0.421	0.952
EG8	0.390	0.215	0.057	0.223	0.149	0.367
GG9	0.719	0.595	0.361	0.139	0.594	0.732
CV1	0.622	0.600	0.439	-0.008	0.584	0.301
CV2	0.606	0.703	0.426	-0.195	0.882	0.144
OA2	0.354	0.939	0.694	-0.029	1.245	0.419
CV3	0.657	0.610	0.522	-0.193	1.077	0.297
NA4	0.703	0.733	0.570	-0.100	1.043	0.384
CV4	0.508	0.511	0.581	-0.217	1.057	0.227
NA5	0.859	0.693	0.474	0.085	0.715	0.529
CV5	0.454	0.571	0.429	-0.343	0.905	0.025
NA6	0.559	0.455	0.249	0.117	0.452	0.527
NA8	0.762	0.634	0.458	0.131	0.521	0.703

Covariance Matrix

	EG8	GG9	CV1	CV2	OA2	CV3
EG8	0.534					
GG9	0.407	1.405				
CV1	0.030	0.267	3.722			
CV2	-0.081	0.405	1.702	4.117		
OA2	-0.050	0.767	0.901	1.512	5.649	
CV3	-0.038	0.525	1.933	2.766	1.462	4.507
NA4	0.009	0.585	0.351	1.325	1.680	1.205
CV4	-0.119	0.378	1.963	2.450	1.651	3.568
NA5	0.209	0.703	0.612	0.932	1.456	0.746
CV5	-0.150	0.503	1.482	2.538	0.992	2.868
NA6	0.255	0.408	0.232	0.236	0.487	0.244

NA8	0.299	0.695	0.388	0.423	0.791	0.520

Covariance Matrix

	NA4	CV4	NA5	CV5	NA6	NA8
NA4	2.964					
CV4	1.628	4.891				
NA5	1.419	0.967	2.147			
CV5	1.380	2.962	0.995	4.397		
NA6	0.764	0.344	0.773	0.019	1.344	
NA8	0.865	0.461	0.915	0.415	0.692	1.310

CHRIS ADENDORF MODEL 1

Parameter Specifications

LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	0	0	0
EG1	0	0	0
GG2	0	0	1
TR3	2	0	0
GG3	0	0	3
CO4	4	0	0
GG4	0	0	5
GG5	0	0	6
GG6	0	0	7
EG6	0	0	0
GG7	0	0	8
GG8	0	0	9
EG8	0	10	0
GG9	0	0	11

LAMBDA-X

NEEDS CULTURE

	--------	--------
CV1	0	12
CV2	0	13
OA2	14	0
CV3	0	15
NA4	16	0
CV4	0	17
NA5	18	0
CV5	0	19
NA6	20	0
NA8	21	0

BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	0	0	0
ETHNIC	0	0	0
GOOD	22	23	0

GAMMA

	NEEDS	CULTURE
	--------	--------
VISION	24	0
ETHNIC	0	25
GOOD	26	27

PHI

	NEEDS	CULTURE
	--------	--------
NEEDS	0	
CULTURE	28	0

PSI

VISION	ETHNIC	GOOD
--------	--------	--------
29	30	31

THETA-EPS

GG1	EG1	GG2	TR3	GG3	CO4
32	33	34	35	36	37

THETA-EPS

GG4	GG5	GG6	EG6	GG7	GG8
38	39	40	41	42	43

THETA-EPS

EG8	GG9
44	45

THETA-DELTA

CV1	CV2	OA2	CV3	NA4	CV4
46	47	48	49	50	51

THETA-DELTA

NA5	CV5	NA6	NA8
52	53	54	55

CHRIS ADENDORF MODEL 1

Number of Iterations = 63

LISREL Estimates (Maximum Likelihood)

LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	- -	- -	1.016
EG1	0.968	- -	- -
GG2	- -	- -	1.151
			(0.114)
			10.089
TR3	0.789	- -	- -
	(0.097)		
	8.163		
GG3	- -	- -	1.107
			(0.118)
			9.419
CO4	0.862	- -	- -
	(0.105)		
	8.208		
GG4	- -	- -	0.780
			(0.115)
			6.768
GG5	- -	- -	0.759
			(0.124)
			6.141
GG6	- -	- -	0.552
			(0.124)
			4.464
EG6	- -	0.324	- -
GG7	- -	- -	0.851
			(0.134)
			6.374

```
GG8      - -       - -      0.608
                          (0.120)
                           5.083

EG8      - -      0.689      - -
                 (0.191)
                  3.615

GG9      - -       - -      0.725
                          (0.135)
                           5.356


  LAMBDA-X

       NEEDS    CULTURE
     --------   --------
CV1      - -      1.045
                 (0.112)
                  9.306

CV2      - -      1.467
                 (0.108)
                 13.563

OA2     1.231      - -
       (0.120)
       10.278

CV3      - -      1.885
                 (0.085)
                 22.203

NA4     1.149      - -
       (0.100)
       11.450

CV4      - -      1.849
                 (0.083)
```

22.342

NA5 1.116 - -
(0.104)
10.688

CV5 - - 1.571
(0.102)
15.397

NA6 0.678 - -
(0.116)
5.850

NA8 0.852 - -
(0.116)
7.344

BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	- -	- -	- -
ETHNIC	- -	- -	- -
GOOD	0.209	0.228	- -
	(0.065)	(0.053)	
	3.223	4.294	

GAMMA

	NEEDS	CULTURE
	--------	--------
VISION	0.547	- -
	(0.089)	
	6.176	

ETHNIC	- -	-0.066
		(0.072)
		-0.919
GOOD	0.633	0.241
	(0.101)	(0.055)
	6.263	4.368

Covariance Matrix of ETA and KSI

	VISION	ETHNIC	GOOD	NEEDS	CULTURE
	--------	--------	--------	--------	--------
VISION	1.000				
ETHNIC	-0.015	1.000			
GOOD	0.607	0.191	1.000		
NEEDS	0.547	-0.028	0.843	1.000	
CULTURE	0.230	-0.066	0.541	0.421	1.000

PHI

	NEEDS	CULTURE
	--------	--------
NEEDS	1.000	
CULTURE	0.421	1.000
	(0.059)	
	7.162	

PSI

Note: This matrix is diagonal.

VISION	ETHNIC	GOOD
--------	--------	--------
0.701	0.996	0.165
(0.147)	(0.357)	(0.058)
4.760	2.790	2.861

Squared Multiple Correlations for Structural Equations

VISION	ETHNIC	GOOD
0.299	0.004	0.835

Squared Multiple Correlations for Reduced Form

VISION	ETHNIC	GOOD
0.299	0.004	0.752

Reduced Form

	NEEDS	CULTURE
VISION	0.547	- -
	(0.089)	
	6.176	
ETHNIC	- -	-0.066
		(0.072)
		-0.919
GOOD	0.747	0.226
	(0.099)	(0.056)
	7.522	4.056

THETA-EPS

GG1	EG1	GG2	TR3	GG3	CO4
2.246	0.830	1.440	0.427	1.310	0.949
(0.253)	(0.179)	(0.188)	(0.067)	(0.168)	(0.151)
8.891	4.637	7.659	6.400	7.789	6.278

THETA-EPS

GG4	GG5	GG6	EG6	GG7	GG8
1.659	1.073	1.389	0.228	1.306	0.547
(0.157)	(0.154)	(0.140)	(0.036)	(0.199)	(0.080)
10.600	6.951	9.949	6.233	6.562	6.807

THETA-EPS

EG8	GG9
0.060	0.829
(0.111)	(0.124)
0.542	6.676

Squared Multiple Correlations for Y - Variables

GG1	EG1	GG2	TR3	GG3	CO4
0.315	0.531	0.479	0.593	0.483	0.439

Squared Multiple Correlations for Y - Variables

GG4	GG5	GG6	EG6	GG7	GG8
0.268	0.349	0.180	0.315	0.357	0.403

Squared Multiple Correlations for Y - Variables

EG8	GG9
0.888	0.388

THETA-DELTA

CV1	CV2	OA2	CV3	NA4	CV4
2.631	1.964	4.134	0.953	1.645	1.472

(0.225)	(0.234)	(0.345)	(0.194)	(0.195)	(0.223)
11.683	8.405	11.973	4.907	8.444	6.606

THETA-DELTA

NA5	CV5	NA6	NA8
0.901	1.928	0.885	0.584
(0.142)	(0.232)	(0.122)	(0.077)
6.356	8.307	7.260	7.587

Squared Multiple Correlations for X - Variables

CV1	CV2	OA2	CV3	NA4	CV4
0.293	0.523	0.268	0.788	0.445	0.699

Squared Multiple Correlations for X - Variables

NA5	CV5	NA6	NA8
0.580	0.562	0.342	0.554

Goodness of Fit Statistics

Degrees of Freedom = 245

Minimum Fit Function Chi-Square = 1082.542 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 1353.657 (P = 0.0)

Satorra-Bentler Scaled Chi-Square = 866.467 (P = 0.0)

Chi-Square Corrected for Non-Normality = 23866.353 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 621.467

90 Percent Confidence Interval for NCP = (535.491 ; 715.021)

Minimum Fit Function Value = 3.280

Population Discrepancy Function Value (F0) = 1.883

90 Percent Confidence Interval for F0 = (1.623 ; 2.167)

Root Mean Square Error of Approximation (RMSEA) = 0.0877

90 Percent Confidence Interval for RMSEA = (0.0814 ; 0.0940)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.000

Expected Cross-Validation Index (ECVI) = 2.959
90 Percent Confidence Interval for ECVI = (2.698 ; 3.242)
ECVI for Saturated Model = 1.818
ECVI for Independence Model = 27.768

Chi-Square for Independence Model with 276 Degrees of Freedom = 9115.555
Independence AIC = 9163.555
Model AIC = 976.467
Saturated AIC = 600.000
Independence CAIC = 9278.806
Model CAIC = 1240.584
Saturated CAIC = 2040.636

Normed Fit Index (NFI) = 0.881
Non-Normed Fit Index (NNFI) = 0.893
Parsimony Normed Fit Index (PNFI) = 0.782
Comparative Fit Index (CFI) = 0.905
Incremental Fit Index (IFI) = 0.906
Relative Fit Index (RFI) = 0.866

Critical N (CN) = 92.274

Root Mean Square Residual (RMR) = 0.210
Standardized RMR = 0.106
Goodness of Fit Index (GFI) = 0.745
Adjusted Goodness of Fit Index (AGFI) = 0.688
Parsimony Goodness of Fit Index (PGFI) = 0.609

CHRIS ADENDORF MODEL 1

Modification Indices and Expected Change

Modification Indices for LAMBDA-Y

VISION ETHNIC GOOD
-------- -------- --------

GG1	8.009	4.570	- -
EG1	- -	7.518	155.732
GG2	13.605	18.666	- -
TR3	- -	5.738	- -
GG3	2.180	5.997	- -
CO4	- -	0.243	0.169
GG4	0.121	8.434	- -
GG5	- -	0.315	- -
GG6	- -	5.491	- -
EG6	1.298	- -	1.785
GG7	- -	8.202	- -
GG8	- -	50.286	- -
EG8	32.278	- -	- -
GG9	- -	30.342	- -

Expected Change for LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	-0.405	-0.200	- -
EG1	- -	0.167	4.500
GG2	-0.580	-0.341	- -
TR3	- -	0.110	- -
GG3	-0.174	-0.184	- -
CO4	- -	0.031	0.038
GG4	-0.059	0.234	- -
GG5	- -	-0.037	- -
GG6	- -	-0.174	- -
EG6	0.034	- -	-0.042
GG7	- -	-0.216	- -
GG8	- -	0.360	- -
EG8	0.231	- -	- -
GG9	- -	0.336	- -

Standardized Expected Change for LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	-0.405	-0.200	- -
EG1	- -	0.167	4.500

GG2	-0.580	-0.341	- -
TR3	- -	0.110	- -
GG3	-0.174	-0.184	- -
CO4	- -	0.031	0.038
GG4	-0.059	0.234	- -
GG5	- -	-0.037	- -
GG6	- -	-0.174	- -
EG6	0.034	- -	-0.042
GG7	- -	-0.216	- -
GG8	- -	0.360	- -
EG8	0.231	- -	- -
GG9	- -	0.336	- -

Completely Standardized Expected Change for LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	-0.223	-0.110	- -
EG1	- -	0.125	3.385
GG2	-0.349	-0.205	- -
TR3	- -	0.107	- -
GG3	-0.109	-0.115	- -
CO4	- -	0.024	0.029
GG4	-0.039	0.155	- -
GG5	- -	-0.029	- -
GG6	- -	-0.134	- -
EG6	0.060	- -	-0.073
GG7	- -	-0.152	- -
GG8	- -	0.376	- -
EG8	0.316	- -	- -
GG9	- -	0.289	- -

Modification Indices for LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0.287	- -
CV2	4.163	- -
OA2	- -	9.928
CV3	3.232	- -

NA4	- -	18.293
CV4	0.247	- -
NA5	- -	0.795
CV5	0.042	- -
NA6	- -	65.175
NA8	- -	37.602

Expected Change for LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0.063	- -
CV2	0.231	- -
OA2	- -	0.441
CV3	-0.159	- -
NA4	- -	0.387
CV4	0.048	- -
NA5	- -	0.083
CV5	0.021	- -
NA6	- -	-1.277
NA8	- -	-0.862

Standardized Expected Change for LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0.063	- -
CV2	0.231	- -
OA2	- -	0.441
CV3	-0.159	- -
NA4	- -	0.387
CV4	0.048	- -
NA5	- -	0.083
CV5	0.021	- -
NA6	- -	-1.277
NA8	- -	-0.862

Completely Standardized Expected Change for LAMBDA-X

	NEEDS	CULTURE

	--------	--------
CV1	0.033	- -
CV2	0.114	- -
OA2	- -	0.186
CV3	-0.075	- -
NA4	- -	0.225
CV4	0.022	- -
NA5	- -	0.057
CV5	0.010	- -
NA6	- -	-1.102
NA8	- -	-0.753

Modification Indices for BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	- -	30.154	- -
ETHNIC	54.854	- -	- -
GOOD	- -	- -	- -

Expected Change for BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	- -	0.328	- -
ETHNIC	0.506	- -	- -
GOOD	- -	- -	- -

Standardized Expected Change for BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	- -	0.328	- -
ETHNIC	0.506	- -	- -
GOOD	- -	- -	- -

Modification Indices for GAMMA

NEEDS CULTURE

	NEEDS	CULTURE
VISION	- -	11.685
ETHNIC	38.088	- -
GOOD	- -	- -

Expected Change for GAMMA

	NEEDS	CULTURE
VISION	- -	-0.306
ETHNIC	0.459	- -
GOOD	- -	- -

Standardized Expected Change for GAMMA

	NEEDS	CULTURE
VISION	- -	-0.306
ETHNIC	0.459	- -
GOOD	- -	- -

No Non-Zero Modification Indices for PHI

Modification Indices for PSI

	VISION	ETHNIC	GOOD
VISION	- -		
ETHNIC	28.620	- -	
GOOD	- -	- -	- -

Expected Change for PSI

	VISION	ETHNIC	GOOD
VISION	- -		
ETHNIC	0.319	- -	
GOOD	- -	- -	- -

Standardized Expected Change for PSI

	VISION	ETHNIC	GOOD
VISION	- -		
ETHNIC	0.319	- -	
GOOD	- -	- -	- -

Modification Indices for THETA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	- -					
EG1	1.527	- -				
GG2	30.432	0.985	- -			
TR3	2.286	- -	4.548	- -		
GG3	22.300	1.121	16.343	0.895	- -	
CO4	12.581	- -	6.312	- -	2.106	- -
GG4	1.317	0.176	4.386	1.888	9.518	2.273
GG5	0.010	0.057	1.336	1.108	5.712	0.193
GG6	0.133	3.769	0.320	4.158	0.284	3.077
EG6	2.988	3.020	0.268	1.340	1.772	4.265
GG7	0.036	6.882	15.235	0.279	0.023	4.203
GG8	16.945	1.532	27.175	15.079	9.087	13.776
EG8	2.095	4.420	11.628	6.212	1.135	2.739
GG9	17.516	3.702	29.983	1.102	1.352	23.173

Modification Indices for THETA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	- -					
GG5	0.142	- -				
GG6	2.054	1.545	- -			
EG6	0.467	0.002	3.930	- -		
GG7	1.856	7.788	29.729	0.311	- -	
GG8	9.805	0.667	0.044	7.228	12.945	- -
EG8	9.603	0.329	14.501	- -	5.744	21.265
GG9	2.831	0.035	2.025	0.263	2.779	65.383

Modification Indices for THETA-EPS

	EG8	GG9
EG8	- -	
GG9	26.660	- -

Expected Change for THETA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	- -					
EG1	0.110	- -				
GG2	0.629	0.073	- -			
TR3	-0.101	- -	-0.118	- -		
GG3	0.510	-0.074	0.378	0.050	- -	
CO4	-0.321	- -	-0.188	- -	-0.104	- -
GG4	0.131	0.032	-0.199	-0.078	-0.281	0.116
GG5	0.009	0.015	0.092	0.049	-0.183	0.028
GG6	0.038	-0.133	0.049	-0.105	0.044	0.123
EG6	-0.073	0.049	-0.018	-0.024	-0.045	0.059
GG7	0.020	-0.179	0.360	-0.027	-0.013	0.142
GG8	-0.279	-0.055	-0.300	0.130	-0.166	0.168
EG8	-0.076	0.073	-0.151	0.065	-0.045	-0.059
GG9	-0.347	-0.105	-0.392	0.043	-0.080	0.268

Expected Change for THETA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	- -					
GG5	-0.030	- -				
GG6	-0.125	0.090	- -			
EG6	-0.025	-0.001	0.064	- -		
GG7	-0.120	0.210	0.444	-0.018	- -	
GG8	0.182	-0.040	0.011	0.057	-0.192	- -
EG8	0.137	-0.021	-0.153	- -	-0.098	0.122
GG9	0.119	-0.011	-0.091	-0.013	-0.110	0.361

Expected Change for THETA-EPS

	EG8	GG9
EG8	- -	
GG9	0.168	- -

Completely Standardized Expected Change for THETA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	- -					
EG1	0.045	- -				
GG2	0.209	0.033	- -			
TR3	-0.054	- -	-0.069	- -		
GG3	0.177	-0.035	0.143	0.031	- -	
CO4	-0.136	- -	-0.087	- -	-0.050	- -
GG4	0.048	0.016	-0.080	-0.051	-0.117	0.059
GG5	0.004	0.009	0.043	0.037	-0.090	0.017
GG6	0.016	-0.077	0.023	-0.079	0.021	0.073
EG6	-0.070	0.064	-0.019	-0.041	-0.049	0.079
GG7	0.008	-0.094	0.152	-0.019	-0.006	0.077
GG8	-0.161	-0.043	-0.188	0.132	-0.109	0.135
EG8	-0.057	0.075	-0.124	0.087	-0.039	-0.062
GG9	-0.165	-0.068	-0.203	0.036	-0.043	0.177

Completely Standardized Expected Change for THETA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	- -					
GG5	-0.016	- -				
GG6	-0.064	0.054	- -			
EG6	-0.028	-0.002	0.086	- -		
GG7	-0.056	0.115	0.239	-0.022	- -	
GG8	0.126	-0.032	0.009	0.103	-0.141	- -
EG8	0.125	-0.022	-0.161	- -	-0.094	0.174
GG9	0.068	-0.007	-0.060	-0.020	-0.066	0.324

Completely Standardized Expected Change for THETA-EPS

	EG8	GG9
EG8	- -	
GG9	0.198	- -

Modification Indices for THETA-DELTA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
CV1	0.481	0.242	0.107	0.917	0.354	0.024
CV2	0.663	0.440	2.321	3.901	0.205	6.438
OA2	3.737	1.590	51.790	16.278	2.324	4.400
CV3	0.313	1.248	0.018	3.076	3.908	0.260
NA4	0.944	1.293	1.739	2.456	2.591	3.421
CV4	0.743	3.386	0.040	15.757	0.021	2.484
NA5	1.134	6.244	6.576	19.649	2.854	1.769
CV5	1.085	0.425	0.421	0.557	0.084	0.065
NA6	0.531	0.572	15.167	5.313	0.649	0.077
NA8	2.029	8.450	22.220	11.057	2.350	0.380

Modification Indices for THETA-DELTA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
CV1	3.005	3.311	0.529	3.186	0.739	2.334
CV2	0.171	2.713	0.513	0.494	0.031	4.979
OA2	15.871	0.371	0.216	0.027	5.855	12.803
CV3	0.100	1.400	0.622	0.018	0.256	1.188
NA4	0.513	0.008	0.166	6.552	10.612	19.273
CV4	1.817	4.015	0.411	0.040	0.488	0.148
NA5	2.267	1.396	1.742	0.627	4.281	4.168
CV5	0.327	0.436	0.054	14.703	0.534	11.581
NA6	1.605	0.047	2.441	0.881	1.154	20.233
NA8	5.692	0.016	0.000	1.315	17.175	59.337

Modification Indices for THETA-DELTA-EPS

	EG8	GG9

CV1	0.066	1.187
CV2	0.072	0.673
OA2	14.636	0.215
CV3	0.217	0.337
NA4	2.111	3.101
CV4	0.413	3.625
NA5	0.002	0.051
CV5	0.321	3.008
NA6	8.659	0.318
NA8	13.971	11.475

Expected Change for THETA-DELTA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
CV1	-0.097	0.047	-0.038	0.068	-0.066	0.015
CV2	0.102	-0.056	0.158	0.126	0.045	-0.220
OA2	0.344	0.151	1.062	-0.363	0.214	-0.257
CV3	-0.058	-0.078	-0.012	0.092	0.163	-0.037
NA4	0.113	0.089	0.128	-0.093	-0.149	-0.148
CV4	0.101	0.145	-0.019	-0.235	-0.013	0.127
NA5	-0.098	0.154	0.199	-0.206	0.124	-0.083
CV5	-0.131	-0.055	0.067	-0.048	0.029	-0.022
NA6	-0.061	0.042	-0.270	0.097	-0.053	0.016
NA8	-0.104	0.141	-0.288	0.122	-0.090	0.031

Expected Change for THETA-DELTA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
CV1	0.208	0.177	0.079	0.080	-0.092	0.107
CV2	0.044	0.144	-0.070	-0.028	-0.017	-0.140
OA2	-0.604	0.075	0.064	0.009	0.331	-0.318
CV3	0.028	-0.086	-0.064	-0.005	0.041	0.057
NA4	-0.071	-0.007	0.037	-0.095	0.294	-0.258
CV4	-0.135	-0.163	0.058	0.007	0.063	-0.023
NA5	0.118	-0.076	-0.093	0.023	-0.147	-0.094
CV5	-0.062	0.058	-0.023	-0.154	0.071	-0.214
NA6	0.090	-0.013	-0.101	0.025	-0.070	0.189

NA8	0.148	0.006	0.000	0.027	-0.234	0.284

Expected Change for THETA-DELTA-EPS

	EG8	GG9
CV1	-0.014	-0.094
CV2	-0.013	-0.063
OA2	-0.267	-0.051
CV3	0.020	0.037
NA4	-0.067	-0.127
CV4	-0.030	-0.137
NA5	-0.001	0.013
CV5	0.028	0.134
NA6	0.097	-0.029
NA8	0.108	0.154

Completely Standardized Expected Change for THETA-DELTA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
CV1	-0.028	0.018	-0.012	0.034	-0.021	0.006
CV2	0.028	-0.021	0.047	0.061	0.014	-0.083
OA2	0.080	0.048	0.269	-0.149	0.057	-0.083
CV3	-0.015	-0.028	-0.003	0.042	0.048	-0.013
NA4	0.036	0.039	0.045	-0.053	-0.054	-0.066
CV4	0.025	0.049	-0.005	-0.104	-0.004	0.044
NA5	-0.037	0.079	0.082	-0.137	0.053	-0.044
CV5	-0.035	-0.020	0.019	-0.022	0.009	-0.008
NA6	-0.029	0.028	-0.140	0.082	-0.029	0.011
NA8	-0.050	0.093	-0.151	0.104	-0.049	0.021

Completely Standardized Expected Change for THETA-DELTA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
CV1	0.072	0.072	0.032	0.072	-0.034	0.058
CV2	0.015	0.055	-0.026	-0.024	-0.006	-0.072
OA2	-0.169	0.025	0.021	0.007	0.098	-0.140
CV3	0.009	-0.031	-0.023	-0.004	0.013	0.028

NA4	-0.027	-0.003	0.016	-0.096	0.120	-0.156
CV4	-0.041	-0.057	0.020	0.006	0.020	-0.011
NA5	0.053	-0.040	-0.049	0.027	-0.071	-0.067
CV5	-0.019	0.021	-0.008	-0.127	0.024	-0.107
NA6	0.052	-0.008	-0.067	0.037	-0.042	0.170
NA8	0.086	0.004	0.000	0.040	-0.144	0.259

Completely Standardized Expected Change for THETA-DELTA-EPS

	EG8	GG9
	--------	--------
CV1	-0.010	-0.042
CV2	-0.009	-0.027
OA2	-0.154	-0.018
CV3	0.013	0.015
NA4	-0.053	-0.064
CV4	-0.019	-0.053
NA5	-0.001	0.008
CV5	0.018	0.055
NA6	0.114	-0.022
NA8	0.130	0.115

Modification Indices for THETA-DELTA

	CV1	CV2	OA2	CV3	NA4	CV4
	--------	--------	--------	--------	--------	--------
CV1	- -					
CV2	2.349	- -				
OA2	0.014	2.047	- -			
CV3	0.436	0.000	0.093	- -		
NA4	17.471	2.788	4.552	2.556	- -	
CV4	0.143	26.202	1.527	- -	14.822	- -
NA5	0.520	1.891	0.989	11.543	11.215	0.238
CV5	2.185	8.305	3.911	- -	7.580	1.724
NA6	0.445	0.687	13.513	0.011	0.078	1.019
NA8	1.089	2.611	13.510	1.798	9.003	3.784

Modification Indices for THETA-DELTA

	NA5	CV5	NA6	NA8

	NA5	CV5	NA6	NA8
NA5	- -			
CV5	11.111	- -		
NA6	0.289	11.740	- -	
NA8	4.869	0.553	17.716	- -

Expected Change for THETA-DELTA

	CV1	CV2	OA2	CV3	NA4	CV4
CV1	- -					
CV2	0.218	- -				
OA2	0.022	0.244	- -			
CV3	-0.092	0.000	0.043	- -		
NA4	-0.519	0.186	0.353	-0.147	- -	
CV4	0.053	-0.873	0.196	- -	0.399	- -
NA5	0.070	0.119	0.136	-0.244	0.370	0.039
CV5	-0.211	0.409	-0.338	- -	0.307	0.263
NA6	0.059	-0.066	-0.431	0.007	-0.023	0.075
NA8	0.080	-0.111	-0.383	0.077	-0.230	-0.125

Expected Change for THETA-DELTA

	NA5	CV5	NA6	NA8
NA5	- -			
CV5	0.289	- -		
NA6	0.042	-0.274	- -	
NA8	-0.218	-0.051	0.242	- -

Completely Standardized Expected Change for THETA-DELTA

	CV1	CV2	OA2	CV3	NA4	CV4
CV1	- -					
CV2	0.056	- -				
OA2	0.005	0.051	- -			
CV3	-0.022	0.000	0.009	- -		
NA4	-0.156	0.053	0.086	-0.040	- -	
CV4	0.012	-0.195	0.037	- -	0.105	- -

NA5	**0.025**	**0.040**	**0.039**	**-0.078**	**0.147**	**0.012**
CV5	**-0.052**	**0.096**	**-0.068**	**- -**	**0.085**	**0.057**
NA6	**0.027**	**-0.028**	**-0.156**	**0.003**	**-0.012**	**0.029**
NA8	**0.036**	**-0.048**	**-0.141**	**0.032**	**-0.117**	**-0.049**

Completely Standardized Expected Change for THETA-DELTA

	NA5	CV5	NA6	NA8
	--------	--------	--------	--------
NA5	**- -**			
CV5	**0.094**	**- -**		
NA6	**0.025**	**-0.113**	**- -**	
NA8	**-0.130**	**-0.021**	**0.182**	**- -**

Maximum Modification Index is 155.73 for Element (2, 3) of LAMBDA-Y

CHRIS ADENDORF MODEL 1

Standardized Solution

LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	**- -**	**- -**	**1.016**
EG1	**0.968**	**- -**	**- -**
GG2	**- -**	**- -**	**1.151**
TR3	**0.789**	**- -**	**- -**
GG3	**- -**	**- -**	**1.107**
CO4	**0.862**	**- -**	**- -**
GG4	**- -**	**- -**	**0.780**
GG5	**- -**	**- -**	**0.759**
GG6	**- -**	**- -**	**0.552**
EG6	**- -**	**0.324**	**- -**
GG7	**- -**	**- -**	**0.851**
GG8	**- -**	**- -**	**0.608**
EG8	**- -**	**0.689**	**- -**
GG9	**- -**	**- -**	**0.725**

LAMBDA-X

	NEEDS	CULTURE
CV1	- -	1.045
CV2	- -	1.467
OA2	1.231	- -
CV3	- -	1.885
NA4	1.149	- -
CV4	- -	1.849
NA5	1.116	- -
CV5	- -	1.571
NA6	0.678	- -
NA8	0.852	- -

BETA

	VISION	ETHNIC	GOOD
VISION	- -	- -	- -
ETHNIC	- -	- -	- -
GOOD	0.209	0.228	- -

GAMMA

	NEEDS	CULTURE
VISION	0.547	- -
ETHNIC	- -	-0.066
GOOD	0.633	0.241

Correlation Matrix of ETA and KSI

	VISION	ETHNIC	GOOD	NEEDS	CULTURE
VISION	1.000				
ETHNIC	-0.015	1.000			
GOOD	0.607	0.191	1.000		
NEEDS	0.547	-0.028	0.843	1.000	
CULTURE	0.230	-0.066	0.541	0.421	1.000

PSI

Note: This matrix is diagonal.

VISION	ETHNIC	GOOD
0.701	0.996	0.165

Regression Matrix ETA on KSI (Standardized)

	NEEDS	CULTURE
VISION	0.547	- -
ETHNIC	- -	-0.066
GOOD	0.747	0.226

CHRIS ADENDORF MODEL 1

Completely Standardized Solution

LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	- -	- -	0.561
EG1	0.728	- -	- -
GG2	- -	- -	0.692
TR3	0.770	- -	- -
GG3	- -	- -	0.695
CO4	0.663	- -	- -
GG4	- -	- -	0.518
GG5	- -	- -	0.591
GG6	- -	- -	0.424
EG6	- -	0.561	- -
GG7	- -	- -	0.597
GG8	- -	- -	0.635
EG8	- -	0.942	- -
GG9	- -	- -	0.623

LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	- -	0.541
CV2	- -	0.723
OA2	0.518	- -
CV3	- -	0.888
NA4	0.667	- -
CV4	- -	0.836
NA5	0.762	- -
CV5	- -	0.749
NA6	0.585	- -
NA8	0.744	- -

BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	- -	- -	- -
ETHNIC	- -	- -	- -
GOOD	0.209	0.228	- -

GAMMA

	NEEDS	CULTURE
	--------	--------
VISION	0.547	- -
ETHNIC	- -	-0.066
GOOD	0.633	0.241

Correlation Matrix of ETA and KSI

	VISION	ETHNIC	GOOD	NEEDS	CULTURE
	--------	--------	--------	--------	--------
VISION	1.000				
ETHNIC	-0.015	1.000			
GOOD	0.607	0.191	1.000		
NEEDS	0.547	-0.028	0.843	1.000	
CULTURE	0.230	-0.066	0.541	0.421	1.000

PSI

Note: This matrix is diagonal.

VISION	ETHNIC	GOOD
0.701	0.996	0.165

THETA-EPS

GG1	EG1	GG2	TR3	GG3	CO4
0.685	0.469	0.521	0.407	0.517	0.561

THETA-EPS

GG4	GG5	GG6	EG6	GG7	GG8
0.732	0.651	0.820	0.685	0.643	0.597

THETA-EPS

EG8	GG9
0.112	0.612

THETA-DELTA

CV1	CV2	OA2	CV3	NA4	CV4
0.707	0.477	0.732	0.212	0.555	0.301

THETA-DELTA

NA5	CV5	NA6	NA8
0.420	0.438	0.658	0.446

Regression Matrix ETA on KSI (Standardized)

NEEDS CULTURE

	--------	--------
VISION	0.547	- -
ETHNIC	- -	-0.066
GOOD	0.747	0.226

Time used: 26.215 Seconds

DATE: 10/20/2004

TIME: 17:06

L I S R E L 8.54

BY

Karl G. J”reskog & Dag S”rbom

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The following lines were read from file C:\My Data\ADENDORF\ChrisLis17.SPL:

CHRIS ADENDORF MODEL 1

System File From File ChrisLis.DSF

Observed variables

CV1 FH1 TR1 MP1 CO1 OC1 OA1 GG1 EG1 CV2 FH2 GO2 MP2 OA2 GG2 CV3 FH3 TR3

PR3 MP3 SP3 OC3 OA3 GG3 NA4 CV4 FH4 PR4 MP4 CO4 SP4 OA4 GG4 NA5 CV5 FH5 GO5

TR5 PR5 MP5 SP5 OA5 GG5

NA6 FH6 SP6 MP6 OC6 GG6 EG6 NA7 GG7 EG7 NA8 GG8 EG8 GG9

Latent Variables

VISION NEEDS CULTURE ETHNIC GOOD

Relationships

GG1 GG2 GG3 GG5 GG6 GG7 GG4 GG8 GG9 = GOOD

NA4 NA5 NA6 NA8 OA2 = NEEDS

CV1 CV2 CV3 CV4 CV5 = CULTURE

TR3 CO4 EG1 = VISION

EG6 EG8 = ETHNIC

VISION = NEEDS

ETHNIC = CULTURE

ETHNIC = VISION

ETHNIC = VISION

GOOD = VISION

GOOD = NEEDS

GOOD = CULTURE

GOOD = ETHNIC

LISREL Output: ND=3 SC MI AD=OFF

Path Diagram

End of Problem

CHRIS ADENDORF MODEL 1

Covariance Matrix

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	3.378					
EG1	0.689	1.767				
GG2	1.756	0.789	2.893			
TR3	0.317	0.772	0.402	1.049		
GG3	1.623	0.710	1.644	0.524	2.654	
CO4	0.224	0.739	0.446	0.730	0.528	1.692
GG4	0.983	0.582	0.825	0.316	0.723	0.540
GG5	0.853	0.627	1.026	0.448	0.788	0.521
GG6	0.648	0.234	0.736	0.138	0.706	0.361
EG6	-0.006	0.196	0.031	0.107	0.040	0.165
GG7	0.964	0.453	1.316	0.359	1.024	0.572
GG8	0.451	0.525	0.551	0.473	0.619	0.592
EG8	0.199	0.323	0.175	0.246	0.251	0.218
GG9	0.523	0.524	0.638	0.432	0.824	0.691
CV1	0.600	0.318	0.834	0.215	0.819	0.228
CV2	1.005	0.216	1.287	0.200	1.212	0.011
OA2	1.489	0.687	2.268	0.000	1.457	0.119
CV3	1.028	0.237	1.353	0.154	1.474	0.160
NA4	1.098	0.717	1.280	0.263	0.970	0.297
CV4	1.091	0.314	1.291	-0.051	1.320	0.221
NA5	0.944	0.737	1.323	0.205	1.178	0.345

CV5	**0.742**	**0.124**	**1.145**	**0.010**	**1.136**	**0.073**
NA6	**0.580**	**0.576**	**0.525**	**0.380**	**0.640**	**0.393**
NA8	**0.776**	**0.829**	**0.803**	**0.513**	**0.862**	**0.549**

Covariance Matrix

	GG4	**GG5**	**GG6**	**EG6**	**GG7**	**GG8**
GG4	**2.327**					
GG5	**0.623**	**1.705**				
GG6	**0.358**	**0.537**	**1.723**			
EG6	**0.120**	**0.071**	**0.075**	**0.332**		
GG7	**0.626**	**0.866**	**0.883**	**0.027**	**2.100**	
GG8	**0.668**	**0.476**	**0.377**	**0.188**	**0.421**	**0.952**
EG8	**0.390**	**0.215**	**0.057**	**0.223**	**0.149**	**0.367**
GG9	**0.719**	**0.595**	**0.361**	**0.139**	**0.594**	**0.732**
CV1	**0.622**	**0.600**	**0.439**	**-0.008**	**0.584**	**0.301**
CV2	**0.606**	**0.703**	**0.426**	**-0.195**	**0.882**	**0.144**
OA2	**0.354**	**0.939**	**0.694**	**-0.029**	**1.245**	**0.419**
CV3	**0.657**	**0.610**	**0.522**	**-0.193**	**1.077**	**0.297**
NA4	**0.703**	**0.733**	**0.570**	**-0.100**	**1.043**	**0.384**
CV4	**0.508**	**0.511**	**0.581**	**-0.217**	**1.057**	**0.227**
NA5	**0.859**	**0.693**	**0.474**	**0.085**	**0.715**	**0.529**
CV5	**0.454**	**0.571**	**0.429**	**-0.343**	**0.905**	**0.025**
NA6	**0.559**	**0.455**	**0.249**	**0.117**	**0.452**	**0.527**
NA8	**0.762**	**0.634**	**0.458**	**0.131**	**0.521**	**0.703**

Covariance Matrix

	EG8	**GG9**	**CV1**	**CV2**	**OA2**	**CV3**
EG8	**0.534**					
GG9	**0.407**	**1.405**				
CV1	**0.030**	**0.267**	**3.722**			
CV2	**-0.081**	**0.405**	**1.702**	**4.117**		
OA2	**-0.050**	**0.767**	**0.901**	**1.512**	**5.649**	
CV3	**-0.038**	**0.525**	**1.933**	**2.766**	**1.462**	**4.507**
NA4	**0.009**	**0.585**	**0.351**	**1.325**	**1.680**	**1.205**
CV4	**-0.119**	**0.378**	**1.963**	**2.450**	**1.651**	**3.568**
NA5	**0.209**	**0.703**	**0.612**	**0.932**	**1.456**	**0.746**

CV5	**-0.150**	**0.503**	**1.482**	**2.538**	**0.992**	**2.868**
NA6	**0.255**	**0.408**	**0.232**	**0.236**	**0.487**	**0.244**
NA8	**0.299**	**0.695**	**0.388**	**0.423**	**0.791**	**0.520**

Covariance Matrix

	NA4	CV4	NA5	CV5	NA6	NA8
NA4	**2.964**					
CV4	**1.628**	**4.891**				
NA5	**1.419**	**0.967**	**2.147**			
CV5	**1.380**	**2.962**	**0.995**	**4.397**		
NA6	**0.764**	**0.344**	**0.773**	**0.019**	**1.344**	
NA8	**0.865**	**0.461**	**0.915**	**0.415**	**0.692**	**1.310**

CHRIS ADENDORF MODEL 1

Parameter Specifications

LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	**0**	**0**	**0**
EG1	**0**	**0**	**0**
GG2	**0**	**0**	**1**
TR3	**2**	**0**	**0**
GG3	**0**	**0**	**3**
CO4	**4**	**0**	**0**
GG4	**0**	**0**	**5**
GG5	**0**	**0**	**6**
GG6	**0**	**0**	**7**
EG6	**0**	**0**	**0**
GG7	**0**	**0**	**8**
GG8	**0**	**0**	**9**
EG8	**0**	**10**	**0**
GG9	**0**	**0**	**11**

LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0	12
CV2	0	13
OA2	14	0
CV3	0	15
NA4	16	0
CV4	0	17
NA5	18	0
CV5	0	19
NA6	20	0
NA8	21	0

BETA

	VISION	ETHNIC	GOOD
	--------	--------	--------
VISION	0	0	0
ETHNIC	22	0	0
GOOD	23	24	0

GAMMA

	NEEDS	CULTURE
	--------	--------
VISION	25	0
ETHNIC	0	26
GOOD	27	28

PHI

	NEEDS	CULTURE
	--------	--------
NEEDS	0	
CULTURE	29	0

PSI

VISION ETHNIC GOOD

--------	--------	--------
30	31	32

THETA-EPS

GG1	EG1	GG2	TR3	GG3	CO4
33	34	35	36	37	38

THETA-EPS

GG4	GG5	GG6	EG6	GG7	GG8
39	40	41	42	43	44

THETA-EPS

EG8	GG9
45	46

THETA-DELTA

CV1	CV2	OA2	CV3	NA4	CV4
47	48	49	50	51	52

THETA-DELTA

NA5	CV5	NA6	NA8
53	54	55	56

CHRIS ADENDORF MODEL 1

Number of Iterations = 69

LISREL Estimates (Maximum Likelihood)

LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	- -	- -	1.066
EG1	0.990	- -	- -
GG2	- -	- -	1.208
			(0.108)
			11.179
TR3	0.774	- -	- -
	(0.093)		
	8.303		
GG3	- -	- -	1.160
			(0.111)
			10.427
CO4	0.841	- -	- -
	(0.101)		
	8.300		
GG4	- -	- -	0.814
			(0.109)
			7.499
GG5	- -	- -	0.794
			(0.117)
			6.811
GG6	- -	- -	0.582
			(0.117)
			4.970
EG6	- -	0.355	- -
GG7	- -	- -	0.892

			(0.126)
			7.071
GG8	- -	- -	0.634
			(0.113)
			5.617
EG8	- -	0.616	- -
		(0.111)	
		5.532	
GG9	- -	- -	0.755
			(0.128)
			5.897

LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	- -	1.044
		(0.112)
		9.307
CV2	- -	1.469
		(0.108)
		13.581
OA2	1.213	- -
	(0.120)	
	10.112	
CV3	- -	1.882
		(0.085)
		22.105
NA4	1.137	- -
	(0.100)	
	11.314	

```
 CV4      - -      1.849
                 (0.083)
                  22.257

 NA5     1.111      - -
       (0.104)
        10.673

 CV5      - -      1.576
                 (0.102)
                  15.461

 NA6     0.684      - -
       (0.115)
         5.935

 NA8     0.862      - -
       (0.115)
         7.490


   BETA

         VISION    ETHNIC      GOOD
        --------  --------  --------
VISION      - -       - -       - -

ETHNIC     0.538      - -       - -
        (0.126)
         4.286

 GOOD     0.167     0.208      - -
        (0.079)   (0.071)
         2.110     2.917


   GAMMA

          NEEDS   CULTURE
        --------  --------
```

VISION	0.580	- -
	(0.089)	
	6.499	
ETHNIC	- -	-0.202
		(0.068)
		-2.979
GOOD	0.610	0.245
	(0.098)	(0.056)
	6.240	4.347

Covariance Matrix of ETA and KSI

	VISION	ETHNIC	GOOD	NEEDS	CULTURE
	--------	--------	--------	--------	--------
VISION	1.000				
ETHNIC	0.490	1.000			
GOOD	0.681	0.411	1.000		
NEEDS	0.580	0.228	0.856	1.000	
CULTURE	0.241	-0.072	0.524	0.416	1.000

PHI

	NEEDS	CULTURE
	--------	--------
NEEDS	1.000	
CULTURE	0.416	1.000
	(0.059)	
	7.067	

PSI

Note: This matrix is diagonal.

VISION	ETHNIC	GOOD
--------	--------	--------

0.664	0.722	0.151
(0.137)	(0.229)	(0.051)
4.835	3.149	2.957

Squared Multiple Correlations for Structural Equations

VISION	ETHNIC	GOOD
0.336	0.278	0.849

Squared Multiple Correlations for Reduced Form

VISION	ETHNIC	GOOD
0.336	0.086	0.766

Reduced Form

	NEEDS	CULTURE
VISION	0.580	- -
	(0.089)	
	6.499	
ETHNIC	0.312	-0.202
	(0.064)	(0.068)
	4.901	-2.979
GOOD	0.771	0.203
	(0.095)	(0.052)
	8.128	3.878

THETA-EPS

GG1	EG1	GG2	TR3	GG3	CO4
2.241	0.786	1.432	0.450	1.308	0.985
(0.252)	(0.166)	(0.187)	(0.074)	(0.168)	(0.153)

8.902	4.732	7.641	6.087	7.783	6.427

THETA-EPS

GG4	GG5	GG6	EG6	GG7	GG8
1.663	1.073	1.384	0.204	1.304	0.550
(0.156)	(0.154)	(0.139)	(0.032)	(0.198)	(0.081)
10.632	6.970	9.950	6.290	6.585	6.781

THETA-EPS

EG8	GG9
0.148	0.835
(0.053)	(0.125)
2.803	6.699

Squared Multiple Correlations for Y - Variables

GG1	EG1	GG2	TR3	GG3	CO4
0.336	0.555	0.505	0.571	0.507	0.418

Squared Multiple Correlations for Y - Variables

GG4	GG5	GG6	EG6	GG7	GG8
0.285	0.370	0.197	0.383	0.379	0.423

Squared Multiple Correlations for Y - Variables

EG8	GG9
0.719	0.406

THETA-DELTA

CV1	CV2	OA2	CV3	NA4	CV4
2.633	1.959	4.178	0.967	1.673	1.473
(0.225)	(0.234)	(0.345)	(0.195)	(0.196)	(0.224)
11.690	8.374	12.095	4.965	8.544	6.583

THETA-DELTA

NA5	CV5	NA6	NA8
0.912	1.914	0.876	0.567
(0.142)	(0.232)	(0.122)	(0.077)
6.409	8.247	7.152	7.370

Squared Multiple Correlations for X - Variables

CV1	CV2	OA2	CV3	NA4	CV4
0.293	0.524	0.260	0.786	0.436	0.699

Squared Multiple Correlations for X - Variables

NA5	CV5	NA6	NA8
0.575	0.565	0.348	0.567

Goodness of Fit Statistics

Degrees of Freedom = 244

Minimum Fit Function Chi-Square = 1023.509 (P = 0.0)

Normal Theory Weighted Least Squares Chi-Square = 1232.973 (P = 0.0)

Satorra-Bentler Scaled Chi-Square = 776.546 (P = 0.0)

Chi-Square Corrected for Non-Normality = 13979.541 (P = 0.0)

Estimated Non-centrality Parameter (NCP) = 532.546

90 Percent Confidence Interval for NCP = (452.148 ; 620.549)

Minimum Fit Function Value = 3.102

Population Discrepancy Function Value (F0) = 1.614

90 Percent Confidence Interval for F0 = (1.370 ; 1.880)

Root Mean Square Error of Approximation (RMSEA) = 0.0813

90 Percent Confidence Interval for RMSEA = (0.0749 ; 0.0878)

P-Value for Test of Close Fit (RMSEA < 0.05) = 0.000

Expected Cross-Validation Index (ECVI) = 2.693

90 Percent Confidence Interval for ECVI = (2.449 ; 2.959)

ECVI for Saturated Model = 1.818

ECVI for Independence Model = 27.768

Chi-Square for Independence Model with 276 Degrees of Freedom = 9115.555

Independence AIC = 9163.555

Model AIC = 888.546

Saturated AIC = 600.000

Independence CAIC = 9278.806

Model CAIC = 1157.465

Saturated CAIC = 2040.636

Normed Fit Index (NFI) = 0.888

Non-Normed Fit Index (NNFI) = 0.900

Parsimony Normed Fit Index (PNFI) = 0.785

Comparative Fit Index (CFI) = 0.912

Incremental Fit Index (IFI) = 0.912

Relative Fit Index (RFI) = 0.873

Critical N (CN) = 97.182

Root Mean Square Residual (RMR) = 0.203

Standardized RMR = 0.0889

Goodness of Fit Index (GFI) = 0.763

Adjusted Goodness of Fit Index (AGFI) = 0.708

Parsimony Goodness of Fit Index (PGFI) = 0.620

CHRIS ADENDORF MODEL 1

Modification Indices and Expected Change

Modification Indices for LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	10.097	6.924	- -
EG1	- -	0.444	- -
GG2	28.201	25.771	- -
TR3	- -	- -	- -
GG3	3.710	9.225	- -
CO4	- -	0.450	0.008
GG4	0.444	9.007	- -
GG5	- -	0.062	- -
GG6	- -	7.135	- -
EG6	- -	- -	15.387
GG7	- -	17.713	- -
GG8	- -	433.096	- -
EG8	- -	- -	- -
GG9	- -	68.514	- -

Expected Change for LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	-0.486	-0.291	- -
EG1	- -	0.092	- -
GG2	-1.030	-0.497	- -
TR3	- -	- -	- -
GG3	-0.246	-0.273	- -
CO4	- -	-0.057	-0.013
GG4	0.145	0.303	- -
GG5	- -	-0.022	- -
GG6	- -	-0.293	- -
EG6	- -	- -	-0.199
GG7	- -	-0.505	- -
GG8	- -	3.074	- -
EG8	- -	- -	- -
GG9	- -	0.846	- -

Standardized Expected Change for LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	-0.486	-0.291	- -
EG1	- -	0.092	- -
GG2	-1.030	-0.497	- -
TR3	- -	- -	- -
GG3	-0.246	-0.273	- -
CO4	- -	-0.057	-0.013
GG4	0.145	0.303	- -
GG5	- -	-0.022	- -
GG6	- -	-0.293	- -
EG6	- -	- -	-0.199
GG7	- -	-0.505	- -
GG8	- -	3.074	- -
EG8	- -	- -	- -
GG9	- -	0.846	- -

Completely Standardized Expected Change for LAMBDA-Y

	VISION	ETHNIC	GOOD
	--------	--------	--------
GG1	-0.264	-0.159	- -
EG1	- -	0.069	- -
GG2	-0.606	-0.293	- -
TR3	- -	- -	- -
GG3	-0.151	-0.168	- -
CO4	- -	-0.044	-0.010
GG4	0.095	0.199	- -
GG5	- -	-0.017	- -
GG6	- -	-0.224	- -
EG6	- -	- -	-0.346
GG7	- -	-0.348	- -
GG8	- -	3.150	- -
EG8	- -	- -	- -
GG9	- -	0.714	- -

Modification Indices for LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0.336	- -
CV2	3.768	- -
OA2	- -	10.740
CV3	2.853	- -
NA4	- -	19.882
CV4	0.171	- -
NA5	- -	1.183
CV5	0.009	- -
NA6	- -	55.708
NA8	- -	34.558

Expected Change for LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0.068	- -
CV2	0.217	- -
OA2	- -	0.457
CV3	-0.148	- -
NA4	- -	0.403
CV4	0.040	- -
NA5	- -	0.098
CV5	0.010	- -
NA6	- -	-1.078
NA8	- -	-0.766

Standardized Expected Change for LAMBDA-X

	NEEDS	CULTURE
	--------	--------
CV1	0.068	- -
CV2	0.217	- -
OA2	- -	0.457
CV3	-0.148	- -
NA4	- -	0.403
CV4	0.040	- -
NA5	- -	0.098
CV5	0.010	- -

NA6	- -	-1.078
NA8	- -	-0.766

Completely Standardized Expected Change for LAMBDA-X

	NEEDS	CULTURE
CV1	0.035	- -
CV2	0.107	- -
OA2	- -	0.192
CV3	-0.070	- -
NA4	- -	0.234
CV4	0.018	- -
NA5	- -	0.067
CV5	0.005	- -
NA6	- -	-0.930
NA8	- -	-0.670

No Non-Zero Modification Indices for BETA

Modification Indices for GAMMA

	NEEDS	CULTURE
VISION	- -	11.860
ETHNIC	- -	- -
GOOD	- -	- -

Expected Change for GAMMA

	NEEDS	CULTURE
VISION	- -	-0.290
ETHNIC	- -	- -
GOOD	- -	- -

Standardized Expected Change for GAMMA

	NEEDS	CULTURE

VISION	- -	-0.290
ETHNIC	- -	- -
GOOD	- -	- -

No Non-Zero Modification Indices for PHI

No Non-Zero Modification Indices for PSI

Modification Indices for THETA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	- -					
EG1	1.981	- -				
GG2	29.715	1.911	- -			
TR3	1.701	- -	2.621	- -		
GG3	21.870	0.760	15.736	1.495	- -	
CO4	11.528	- -	4.943	47.095	1.529	- -
GG4	1.318	0.000	4.399	2.891	9.368	1.353
GG5	0.005	0.162	1.227	1.746	5.812	0.384
GG6	0.091	3.137	0.220	2.802	0.205	3.424
EG6	3.335	2.385	0.439	2.773	1.994	2.453
GG7	0.022	5.518	14.617	0.003	0.037	5.084
GG8	16.802	3.707	27.127	10.724	8.831	10.937
EG8	0.567	0.050	7.575	0.186	0.323	8.502
GG9	17.073	6.379	29.209	0.362	1.167	19.029

Modification Indices for THETA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	- -					
GG5	0.126	- -				
GG6	2.128	1.413	- -			
EG6	0.437	0.182	3.410	- -		
GG7	1.819	7.593	28.923	0.528	- -	
GG8	9.986	0.608	0.030	5.200	12.706	- -
EG8	10.975	0.908	9.958	- -	3.554	13.473
GG9	3.048	0.015	2.049	0.433	2.579	64.597

Modification Indices for THETA-EPS

	EG8	GG9
EG8	- -	
GG9	23.391	- -

Expected Change for THETA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	- -					
EG1	0.122	- -				
GG2	0.618	0.100	- -			
TR3	-0.087	- -	-0.089	- -		
GG3	0.504	-0.060	0.369	0.064	- -	
CO4	-0.309	- -	-0.167	0.795	-0.089	- -
GG4	0.131	-0.001	-0.199	-0.097	-0.278	0.090
GG5	0.007	0.024	0.088	0.061	-0.184	0.039
GG6	0.031	-0.119	0.040	-0.086	0.037	0.130
EG6	-0.076	0.044	-0.023	-0.036	-0.046	0.046
GG7	0.015	-0.157	0.349	-0.003	-0.017	0.157
GG8	-0.277	-0.084	-0.299	0.110	-0.163	0.151
EG8	-0.038	0.009	-0.116	0.014	-0.023	-0.109
GG9	-0.343	-0.136	-0.385	0.025	-0.074	0.245

Expected Change for THETA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	- -					
GG5	-0.028	- -				
GG6	-0.127	0.085	- -			
EG6	-0.023	-0.012	0.059	- -		
GG7	-0.119	0.206	0.435	-0.023	- -	
GG8	0.183	-0.038	0.009	0.048	-0.190	- -
EG8	0.141	-0.033	-0.121	- -	-0.073	0.093
GG9	0.124	-0.007	-0.091	-0.017	-0.106	0.355

Expected Change for THETA-EPS

	EG8	GG9
EG8	- -	
GG9	0.150	- -

Completely Standardized Expected Change for THETA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
GG1	- -					
EG1	0.050	- -				
GG2	0.198	0.044	- -			
TR3	-0.046	- -	-0.051	- -		
GG3	0.168	-0.028	0.133	0.039	- -	
CO4	-0.129	- -	-0.076	0.597	-0.042	- -
GG4	0.047	0.000	-0.077	-0.062	-0.112	0.046
GG5	0.003	0.014	0.040	0.046	-0.087	0.023
GG6	0.013	-0.068	0.018	-0.064	0.017	0.076
EG6	-0.072	0.057	-0.023	-0.061	-0.050	0.061
GG7	0.006	-0.081	0.142	-0.002	-0.007	0.084
GG8	-0.155	-0.065	-0.180	0.110	-0.103	0.119
EG8	-0.028	0.009	-0.094	0.019	-0.019	-0.115
GG9	-0.157	-0.086	-0.191	0.020	-0.038	0.159

Completely Standardized Expected Change for THETA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
GG4	- -					
GG5	-0.014	- -				
GG6	-0.064	0.050	- -			
EG6	-0.027	-0.016	0.078	- -		
GG7	-0.054	0.109	0.229	-0.028	- -	
GG8	0.123	-0.030	0.007	0.085	-0.134	- -
EG8	0.127	-0.035	-0.127	- -	-0.070	0.131
GG9	0.069	-0.005	-0.059	-0.025	-0.061	0.307

Completely Standardized Expected Change for THETA-EPS

	EG8	GG9
EG8	- -	
GG9	0.175	- -

Modification Indices for THETA-DELTA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
CV1	0.525	0.127	0.141	0.643	0.398	0.008
CV2	0.634	0.361	2.226	3.794	0.189	5.812
OA2	3.701	2.239	52.094	14.407	2.262	3.937
CV3	0.356	1.663	0.043	1.888	3.719	0.446
NA4	1.056	2.543	2.178	1.479	2.301	2.372
CV4	0.674	3.595	0.074	15.119	0.035	2.064
NA5	0.971	4.782	7.498	22.874	3.039	2.626
CV5	1.096	0.146	0.414	0.256	0.089	0.014
NA6	0.463	0.113	14.488	3.347	0.560	0.006
NA8	1.938	5.897	21.696	7.892	2.243	0.188

Modification Indices for THETA-DELTA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
CV1	3.026	3.183	0.502	2.895	0.801	2.375
CV2	0.208	2.642	0.533	0.474	0.042	4.647
OA2	16.200	0.326	0.230	0.086	5.862	13.725
CV3	0.150	1.529	0.640	0.024	0.201	1.419
NA4	0.587	0.005	0.228	5.075	10.995	20.214
CV4	1.686	4.247	0.387	0.268	0.417	0.089
NA5	1.918	1.369	1.492	1.341	3.718	5.205
CV5	0.259	0.437	0.051	13.399	0.527	10.882
NA6	1.505	0.041	2.291	0.732	0.986	19.176
NA8	5.450	0.016	0.006	0.614	16.893	57.425

Modification Indices for THETA-DELTA-EPS

	EG8	GG9

CV1	0.191	1.154
CV2	0.118	0.580
OA2	8.401	0.326
CV3	1.215	0.435
NA4	2.095	3.368
CV4	0.130	3.383
NA5	0.207	0.003
CV5	0.485	3.312
NA6	4.023	0.408
NA8	4.051	10.844

Expected Change for THETA-DELTA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
CV1	-0.102	0.033	-0.043	0.057	-0.070	0.009
CV2	0.100	-0.050	0.154	0.124	0.043	-0.210
OA2	0.343	0.176	1.066	-0.343	0.212	-0.245
CV3	-0.062	-0.089	-0.018	0.073	0.159	-0.048
NA4	0.120	0.123	0.144	-0.072	-0.141	-0.125
CV4	0.096	0.147	-0.026	-0.230	-0.017	0.117
NA5	-0.090	0.133	0.212	-0.222	0.128	-0.102
CV5	-0.131	-0.032	0.067	-0.032	0.029	-0.010
NA6	-0.057	0.018	-0.262	0.077	-0.049	0.004
NA8	-0.100	0.115	-0.282	0.102	-0.087	0.022

Expected Change for THETA-DELTA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
CV1	0.209	0.174	0.077	0.075	-0.096	0.108
CV2	0.049	0.142	-0.071	-0.027	-0.020	-0.136
OA2	-0.613	0.071	0.066	0.016	0.332	-0.331
CV3	0.035	-0.090	-0.065	0.005	0.036	0.062
NA4	-0.077	-0.006	0.043	-0.083	0.300	-0.265
CV4	-0.130	-0.168	0.056	0.019	0.058	-0.018
NA5	0.108	-0.075	-0.086	0.033	-0.137	-0.106
CV5	-0.055	0.058	-0.022	-0.145	0.070	-0.208
NA6	0.087	-0.012	-0.097	0.022	-0.064	0.184
NA8	0.143	0.006	0.004	0.018	-0.230	0.277

Expected Change for THETA-DELTA-EPS

	EG8	GG9
CV1	-0.023	-0.093
CV2	-0.016	-0.059
OA2	-0.195	-0.063
CV3	0.045	0.043
NA4	-0.064	-0.134
CV4	-0.016	-0.133
NA5	0.016	0.003
CV5	0.033	0.141
NA6	0.063	-0.033
NA8	0.055	0.148

Completely Standardized Expected Change for THETA-DELTA-EPS

	GG1	EG1	GG2	TR3	GG3	CO4
CV1	-0.029	0.013	-0.013	0.029	-0.022	0.003
CV2	0.027	-0.019	0.045	0.060	0.013	-0.080
OA2	0.079	0.056	0.264	-0.141	0.055	-0.079
CV3	-0.016	-0.032	-0.005	0.033	0.046	-0.018
NA4	0.038	0.054	0.049	-0.041	-0.050	-0.056
CV4	0.024	0.050	-0.007	-0.102	-0.005	0.041
NA5	-0.034	0.068	0.085	-0.148	0.054	-0.054
CV5	-0.034	-0.011	0.019	-0.015	0.009	-0.004
NA6	-0.027	0.012	-0.133	0.065	-0.026	0.003
NA8	-0.048	0.076	-0.145	0.087	-0.046	0.014

Completely Standardized Expected Change for THETA-DELTA-EPS

	GG4	GG5	GG6	EG6	GG7	GG8
CV1	0.071	0.069	0.030	0.068	-0.034	0.058
CV2	0.016	0.054	-0.027	-0.023	-0.007	-0.069
OA2	-0.169	0.023	0.021	0.012	0.097	-0.143
CV3	0.011	-0.032	-0.023	0.004	0.012	0.030

NA4	-0.029	-0.003	0.019	-0.084	0.120	-0.158
CV4	-0.039	-0.058	0.019	0.015	0.018	-0.008
NA5	0.048	-0.039	-0.045	0.039	-0.065	-0.074
CV5	-0.017	0.021	-0.008	-0.121	0.023	-0.101
NA6	0.049	-0.008	-0.064	0.033	-0.038	0.162
NA8	0.082	0.004	0.003	0.027	-0.139	0.248

Completely Standardized Expected Change for THETA-DELTA-EPS

	EG8	GG9
CV1	-0.017	-0.041
CV2	-0.011	-0.025
OA2	-0.113	-0.022
CV3	0.029	0.017
NA4	-0.051	-0.065
CV4	-0.010	-0.051
NA5	0.015	0.002
CV5	0.022	0.057
NA6	0.075	-0.024
NA8	0.066	0.109

Modification Indices for THETA-DELTA

	CV1	CV2	OA2	CV3	NA4	CV4
CV1	- -					
CV2	2.346	- -				
OA2	0.009	2.102	- -			
CV3	0.299	0.007	0.063	- -		
NA4	17.553	2.724	5.589	2.938	- -	
CV4	0.163	26.899	1.563	- -	14.281	- -
NA5	0.464	2.101	1.627	11.152	12.920	0.351
CV5	2.286	7.823	3.838	- -	7.371	1.326
NA6	0.430	0.607	13.134	0.018	0.069	1.215
NA8	1.048	2.530	13.537	1.854	9.293	3.535

Modification Indices for THETA-DELTA

NA5	CV5	NA6	NA8

	NA5	CV5	NA6	NA8
NA5	- -			
CV5	11.620	- -		
NA6	0.160	11.425	- -	
NA8	7.649	0.439	15.638	- -

Expected Change for THETA-DELTA

	CV1	CV2	OA2	CV3	NA4	CV4
CV1	- -					
CV2	0.217	- -				
OA2	0.018	0.248	- -			
CV3	-0.076	0.022	0.036	- -		
NA4	-0.523	0.185	0.393	-0.159	- -	
CV4	0.057	-0.885	0.199	- -	0.394	- -
NA5	0.066	0.126	0.174	-0.241	0.384	0.048
CV5	-0.215	0.398	-0.335	- -	0.303	0.233
NA6	0.058	-0.062	-0.424	0.009	-0.022	0.082
NA8	0.078	-0.108	-0.381	0.077	-0.232	-0.119

Expected Change for THETA-DELTA

	NA5	CV5	NA6	NA8
NA5	- -			
CV5	0.295	- -		
NA6	0.031	-0.268	- -	
NA8	-0.280	-0.045	0.230	- -

Completely Standardized Expected Change for THETA-DELTA

	CV1	CV2	OA2	CV3	NA4	CV4
CV1	- -					
CV2	0.055	- -				
OA2	0.004	0.051	- -			
CV3	-0.018	0.005	0.007	- -		
NA4	-0.158	0.053	0.096	-0.044	- -	
CV4	0.013	-0.197	0.038	- -	0.104	- -

NA5	0.023	0.042	0.050	-0.077	0.152	0.015
CV5	-0.053	0.093	-0.067	- -	0.084	0.050
NA6	0.026	-0.026	-0.154	0.004	-0.011	0.032
NA8	0.035	-0.047	-0.140	0.032	-0.118	-0.047

Completely Standardized Expected Change for THETA-DELTA

	NA5	CV5	NA6	NA8
NA5	- -			
CV5	0.096	- -		
NA6	0.018	-0.110	- -	
NA8	-0.167	-0.019	0.173	- -

Maximum Modification Index is 433.10 for Element (12, 2) of LAMBDA-Y

CHRIS ADENDORF MODEL 1

Standardized Solution

LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	- -	- -	1.066
EG1	0.990	- -	- -
GG2	- -	- -	1.208
TR3	0.774	- -	- -
GG3	- -	- -	1.160
CO4	0.841	- -	- -
GG4	- -	- -	0.814
GG5	- -	- -	0.794
GG6	- -	- -	0.582
EG6	- -	0.355	- -
GG7	- -	- -	0.892
GG8	- -	- -	0.634
EG8	- -	0.616	- -
GG9	- -	- -	0.755

LAMBDA-X

	NEEDS	CULTURE
CV1	- -	1.044
CV2	- -	1.469
OA2	1.213	- -
CV3	- -	1.882
NA4	1.137	- -
CV4	- -	1.849
NA5	1.111	- -
CV5	- -	1.576
NA6	0.684	- -
NA8	0.862	- -

BETA

	VISION	ETHNIC	GOOD
VISION	- -	- -	- -
ETHNIC	0.538	- -	- -
GOOD	0.167	0.208	- -

GAMMA

	NEEDS	CULTURE
VISION	0.580	- -
ETHNIC	- -	-0.202
GOOD	0.610	0.245

Correlation Matrix of ETA and KSI

	VISION	ETHNIC	GOOD	NEEDS	CULTURE
VISION	1.000				
ETHNIC	0.490	1.000			
GOOD	0.681	0.411	1.000		
NEEDS	0.580	0.228	0.856	1.000	
CULTURE	0.241	-0.072	0.524	0.416	1.000

PSI

Note: This matrix is diagonal.

VISION	ETHNIC	GOOD
0.664	0.722	0.151

Regression Matrix ETA on KSI (Standardized)

	NEEDS	CULTURE
VISION	0.580	- -
ETHNIC	0.312	-0.202
GOOD	0.771	0.203

CHRIS ADENDORF MODEL 1

Completely Standardized Solution

LAMBDA-Y

	VISION	ETHNIC	GOOD
GG1	- -	- -	0.580
EG1	0.745	- -	- -
GG2	- -	- -	0.710
TR3	0.756	- -	- -
GG3	- -	- -	0.712
CO4	0.646	- -	- -
GG4	- -	- -	0.534
GG5	- -	- -	0.609
GG6	- -	- -	0.443
EG6	- -	0.619	- -
GG7	- -	- -	0.616
GG8	- -	- -	0.650
EG8	- -	0.848	- -
GG9	- -	- -	0.637

LAMBDA-X

	NEEDS	CULTURE
CV1	- -	0.541
CV2	- -	0.724
OA2	0.510	- -
CV3	- -	0.886
NA4	0.660	- -
CV4	- -	0.836
NA5	0.759	- -
CV5	- -	0.751
NA6	0.590	- -
NA8	0.753	- -

BETA

	VISION	ETHNIC	GOOD
VISION	- -	- -	- -
ETHNIC	0.538	- -	- -
GOOD	0.167	0.208	- -

GAMMA

	NEEDS	CULTURE
VISION	0.580	- -
ETHNIC	- -	-0.202
GOOD	0.610	0.245

Correlation Matrix of ETA and KSI

	VISION	ETHNIC	GOOD	NEEDS	CULTURE
VISION	1.000				
ETHNIC	0.490	1.000			
GOOD	0.681	0.411	1.000		
NEEDS	0.580	0.228	0.856	1.000	
CULTURE	0.241	-0.072	0.524	0.416	1.000

PSI

Note: This matrix is diagonal.

VISION	ETHNIC	GOOD
0.664	0.722	0.151

THETA-EPS

GG1	EG1	GG2	TR3	GG3	CO4
0.664	0.445	0.495	0.429	0.493	0.582

THETA-EPS

GG4	GG5	GG6	EG6	GG7	GG8
0.715	0.630	0.803	0.617	0.621	0.577

THETA-EPS

EG8	GG9
0.281	0.594

THETA-DELTA

CV1	CV2	OA2	CV3	NA4	CV4
0.707	0.476	0.740	0.214	0.564	0.301

THETA-DELTA

NA5	CV5	NA6	NA8
0.425	0.435	0.652	0.433

Regression Matrix ETA on KSI (Standardized)

NEEDS	CULTURE

VISION	**0.580**	**- -**
ETHNIC	**0.312**	**-0.202**
GOOD	**0.771**	**0.203**

Time used: 25.609 Seconds