FUND MANAGEMENT IN FAMILY BUSINESSES

by

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DECLARATION

"I, Gert Maritz Visagie, declare that this field study hereby submitted for the Magister in Business Administration at the School of Management, University of the Free State, is my own independent work and that I have not previously submitted this work, either as a whole or in part, for a qualification at another university or at another faculty at this university. I also hereby cede copyright of this work to the University of the Free State."

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ABSTRACT

The South African economy depends to a significant extent on the continuity and success of family businesses as they have the ability to generate significant wealth and jobs on a much larger scale than any other business. It is therefore very unfortunate that family businesses that form such a vital part in the economy of SOUTH AFRICA have such a low success rate. One of the main contributing factors to the low survival rate of FBs is the lack of or non-existence of proper fund management and governance that have an influence on the financial sustainability of these businesses. This field study examined the importance of implementing new systems and procedures as identified by management and staff of the family businesses with the aim of improving fund management, in order to ensure increased sustainability in family businesses.

Furthermore, this field study identified and discussed specific benefits and implications of a well-established fund management culture. The researcher used a mixed method approach in analysing present fund management practices in family businesses. Questionnaires, focus group interviews and individual interviews with the executive management and family members of family businesses were applied to identify areas of improvement within the fund management model, together with the participants' views of how improvements can be addressed.

Subsequently, the researcher applied the findings to identify practices that are required as part of efficient fund management to formulate a model fund-management framework that family businesses can implement and maintain to ensure increased sustainability in family businesses.

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1.1 INTRODUCTION

No organisation can be financially sustainable without proper fund management. Up to 60% of businesses are victims of white-collar crime and financial unsustainability when there is a lack of financial systems and controls (Schulze & Gedajlovic, 2010:191). According to the Family Business Association of South Africa (FABASA), family businesses (FBs) in South Africa (SA) constitute up to 80% of all businesses in the country that includes up to 50% of the companies listed on the Johannesburg Stock Exchange (JSE) (Diederichs, 2011:6).

Based on this information, it is evident that this industry forms an integral part of the economy in SA. The South African economy depends to a significant extent on the continuity and success of FBs, as they have the ability to generate significant wealth and jobs on a much larger scale than any other business. It is therefore very unfortunate that family businesses that form such a vital part in the economy of SOUTH AFRICA have such a low success rate. Only about one third of family businesses survive to the second generation and it is estimated that only 15% of these survive to the third generation (Venter, Boshoff & Maas, 2005:284). One of the main contributing factors for the low survival rate of FBs is the lack of, or non-existence of proper fund management and governance that have an influence on the financial sustainability of these businesses (Morck & Steier, 2005:13). Fund management ensure that the businesses' financial and material resources are put to proper use. This necessitates planning for the future to ensure a positive cash flow, an integral part of success in FBs (Stiglitz 2010:9).

Taking into consideration the importance of proper fund management and governance in FBs, it is noticeable that there are major contributing factors that have an influence on the failure of these businesses. Registered companies in SOUTH AFRICA have to adhere to the laws and regulation set out by:

- The South African Companies Act, 2011

- King III, Corporate Governance
- Generally accepted accounting principles (GAAP)
- International financial reporting standards (IFRS)
- Quality management systems (if registered)

These Acts provide guidelines to manage a business. They are set laws and regulation that help in the success of businesses overall when they are adhered to (Watson 2008:7). These guidelines are some of the most critical factors in the survival of FBs to ensure proper fund management is present and followed.

According to Bowman-Upton (2004:36), a family business is defined as a business where the majority of the shares/ownership or control is found within a family and where one or two of the family members are actively involved in the day to day operations and decision making of the business. It is a complex system as it consists of business and family issues that are involved in the day-to-day decision-making matters.

According to Brockhaus (2004:169), FBs have a high level of intentionality of commitment to ensure success and perseverance of their businesses that derive from family pride. Craig and Moores (2005:105) state that FBs practise value-based management, often operating in confusing and secret ways that are not apparent in non-family businesses.

FBs are complex, multi-layered, personally driven and often unconventional in their day-to-day operations, constituting unique strengths and leverage, but are also at hand to internal system weaknesses seldom found in non-family businesses. Without proper fund management and governance, FBs are increasingly at risk, posing a significant threat to an industry that plays a major role in the South African economy. It is common for FBs to grant the owning family a level of power and control that outweighs their capital and cash flow rights (Faccio & Lang, 2002:340).

It is therefore of the utmost importance that FBs adhere to set laws and regulations to ensure that efficient fund management is in place.

1.2 PROBLEM STATEMENT

The survival of FBs in South Africa has an alarming low success rate with the lack of proper fund management being one of the main contributing factors (Morck & Steier, 2005:13). Some experts refer to fund management as the science of money management and no business can function without sufficient capital and cash flow (Stiglitz, 2010:9).

It is therefore not clear whether proper fund management will increase the financial sustainability of FBs.

1.3 RESEARCH QUESTIONS

The following research questions are relevant to the research project:

- Why is it important for FBs to have an effective fund management approach?
- What constitutes sound fund management practices?
- What are the directives/guidelines for fund management in FBs?
- What are the financial procedural models and practices used in FBs?
- What are the general trends in family business registered companies in adhering to set laws and regulation?
- Is there a framework for fund management in FBs?

1.4 PRIMARY AIM AND OBJECTIVES

The primary objective of this study is to identify what influence the lack of proper fund management has on the success rate and financial sustainability of FBs.

In achieving this goal, the following secondary objectives are set:

- To review the importance of an effective fund management approach in FBs critically.

- To explore what constitutes sound cost fund management practices.
- To provide an overview of the directives/guidelines for fund management in FBs.
- To explore financial procedural models and practices used in FBs.
- To review the general trends in family business registered companies in adhering to set laws and regulation.
- To construct a framework for fund management based on experience, legislation and quality management systems contributing to the success in FBs.

1.5 THEORETICAL FRAMEWORK

To date, not much research has been done on fund management and the influence that proper fund management has on financial sustainability in FBs. Research has been done on the *financial theoretical approach on fund management:* by experts such as Morris (1983), Sartoris and Hill (1983), Shin and Shoenen (1998) and Marth-Smith and Servaes (2003). They were interested in how fund management is expected to increase the value of a business for shareholders and how proper fund management and other liquid assets affect the value of a business to create an optimal capital structure for the business (Kytonen, 2004:17).

Kytonen (2002), Westerman (1998), Soenen and Aggerwall (1989) and Wincklepleck (1985) have undertaken research based on *best fund management practices.* The research was aimed at explaining the models on fund management on an empirical and theoretical level with an increased awareness of actual corporate practices in fund management (Kytonen, 2004:18).

For this research, an integrated theoretical framework will be used, as it is evident from the above research that fund management is an area that can have a significant influence on the value and capital structure of a business, if not managed properly. Fund management practices will be evaluated and researched from a theoretical as well as a practical side. The research will construct a framework for

FBs to develop and maintain efficient financial management procedures that will assist in their decision making to enhance the chances of increased financial sustainability. The FBs have to allocate sufficient resources to turn the framework into a reality.

Based on the above, the integrated theoretical framework on the *financial theoretical approach to fund management and best fund management practices* will be used in correlation with the South African Companies Act 2011, King III corporate governance, GAAP, IFRS and quality management systems. These mentioned laws, regulation and management systems have specific rules and guidelines pertaining to fund management that can and must be used to ensure that funds are managed optimally and efficiently. Specific clauses relating to fund management in these laws, regulation and management systems will be used and highlighted to construct the theoretical framework.

1.6 RESEARCH DESIGN

1.6.1 Methods and methodology

For this study, the mixed method research design will be used. According to Creswell (2003:28), the mixed method research design includes philosophical assumptions as well as methods of enquiry. The philosophical assumptions guide the data collection and analysis, as well as the mixture of the qualitative and quantitative methods used in phases of the research. The methods used include both qualitative and quantitative data and provide a clearer understanding of the research problems than a single method (Creswell, 2008:29). As a method, it focuses on collecting, analysing and mixing both quantitative and qualitative data in a single study or series of studies.

Ten private companies based in the Free State and Northern Cape, specifically situated in Bloemfontein and Kimberley will be used as sample for the study. The selected companies will all have a family business origin, which includes businesses in the construction industry, security industry, retail industry, property management industry and asset management industry. All selected entities will be registered private companies, as most companies have to adhere to the South African Companies Act, 2011, King III, Corporate Governance, GAAP, IFRS, and Quality management systems (if registered), as these guidelines form one of the most critical factors in the survival of FBs to ensure proper fund management is present and followed.

Selected executive management and family members employed by FBs will be used as population to perform the research. These participants are purposively selected, as they have to drive the process of fund management of the company, which implies that they will be able to make a substantial contribution to the study because of their unique experiences and positions (Cooper & Schindler, 2011:726). The study will provide valuable information and inputs that all FBs can use to assist in promoting their effectiveness of fund management, which can increase their rate of success in their respective industries.

The first method will include a preliminary investigation based on the quantitative research design where the underpinning epistemology includes a positivistic paradigm (Elliot, 2005:47) There are three possible positions mixed methods researchers can take to adopting a paradigm to underpin their research. These are the a-paradigmatic stance, multiple paradigm stances and the single paradigm stance. A positivistic paradigm is distinct concepts that produce constructive results. It involves principles, belief and knowledge that can be directly experienced and verified amongst independent observers. A positivistic paradigm is also known as logical positivism, is scientifically based and empirical testing is applied. The owners/family members that form part of the business and play an active role in the day-to-day operations will be targeted to perform the investigation and evaluation process. Executive management in the FBs will be included in the selection as they play an important role in the decision making of the businesses' operations and procedures. They seldom form part of the family/ownership of the business, thus seeing the implemented fund management from another perspective with different set priorities (Erven, 2011:12).

Questionnaires will be distributed to pre-selected executive management and family members of the FB. This will include closed-ended questions to evaluate the attitude and behaviour of the members of the business. The questionnaires will give a clear indication of the feelings of management in the family business signifying whether proper fund management is in place and whether these procedures have a direct impact on the financial sustainability of the business.

Phase two of the research will include a grounded theory, qualitative research design, where the underpinning epistemology will include a post-positivistic paradigm (Elliot 2005:50). Interviews will be held with pre-selected executive management and family members. These selected participants are purposefully not part of the process where questionnaires of FBs are completed. The feedback received will be used to develop a framework of the current fund management procedures that are in place and to get a general idea of how these current procedures influence the financial sustainability of the businesses. Members included in the interview process will consist of the general manager, chief executive officer and chief financial officer of the entities, who will not be included in the questionnaires to be completed.

Based on the findings of the research done, a model framework will be constructed that will be used as guideline to implement and maintain proper fund management in FBs.

1.6.2 Sampling

The total population of the participants will consist of the total executive management and all family members of the respective FBs. The executive management and family members will be pre-selected as a different sample of members will be used to complete and perform the questionnaires and interviews, respectively.

The quantitative research phase will include a convenience sampling approach as only the executive management and family members of the family business will be used in the selection of the participants. This approach ensures the best possible representation in the attempt to determine the efficiency of fund management in medium size FBs. Questionnaires based on the Likert scale will be used to get the relevant results (1 - not at all; 2 - to some extent; 3 - moderately; 4 - to a large extent; 5 - very much).

For the qualitative investigation, a convenience sampling approach will also be used as only pre-selected executive management and family members will be used in the selection of the participants.

1.6.3 Data analysis

Data will be analysed by making use of SPSS. SPSS is a very powerful and user-friendly program for statistical analyses. Both descriptive and inferential statistics will be used to perform the analysis and draw conclusions from the findings.

1.7 ETHICAL CONSIDERATIONS

Trochim (2006:98) state that a number of phrases that describe the system of ethical considerations. These ethical considerations protect the rights of the research participants and form part of the research. In this instance, the following will apply:

- **Voluntary participation**

  Participants in the research are not coerced into taking part in the study. This is especially relevant, since the study is focused on family businesses.

- **Informed consent**

  Research participants will be fully informed with regard to the procedures and risks that might be involved. Participants must give their consent to take part in the research. Ethical standards will be followed and participants will not be in a position where they might be at risk of harm (physical and psychological).

- **Confidentiality and privacy**

  Confidentiality is one of the standards that are applied in order to protect the privacy of the participants. Participants can be assured that identifying information will not be available to anyone who is not directly involved in the study.

- **Objectivity**

  The researcher will be objective and not biased in the conduct of the study.

- **Data integrity**

  Participants will be ethically protected during and after the data collection process of the research by implementing a data management system.

Ethics in fund management can be classified into two different types of considerations, namely societal and corporate. These types of considerations are quite different (Gitman, 2008:3). Firstly, Luft (in Gitman, 2008:3) states that societal considerations include environmental concerns and balancing the interests of the business against those of the stakeholders. Secondly, the preventing conducts which might be a violation of law or a satisfactory close to the line of illegality that the business is determined not to take a risk of violation, particularly without careful consideration at management level.

1.8 DEMARCATION OF FIELD STUDY

This study aims at exploring the influence that proper fund management has on the financial sustainability of FBs in SA, specifically targeting FBs in the Free State and Northern Cape. An investigation into FBs dilemmas, challenges, directives, best procedural models and current practice with regard to the financial procedures on fund management will be done to construct a framework for FBs that can be utilised as a guideline to ensure sound fund management practice. The study will be conducted where wholly owned South African FBs will be targeted to determine the trends on the success of fund management by means of comparison and evaluation of implemented systems.

1.9 LAYOUT OF THE STUDY

1.9.1 Chapter 1

This chapter includes the introduction to the study, the problem statement raised, research questions, primary aim and objective of the study, the theoretical framework to be used, the research design, ethical considerations and the demarcation of the study.

1.9.2 Chapter 2

This chapter provide a literature review of fund management set out by South African laws, regulation and quality management systems, as well as how they influence the sustainability of FBs in SA.

1.9.3 Chapter 3

In Chapter 3, the researcher will focus on the research methodology in terms of sampling and data analysis, ethical consideration, objectivity, voluntary participation, informed consent, and confidentiality and respect.

1.9.4 Chapter 4

An empirical result and quantitative investigation will be performed and discussed with current, financially sustainable FBs, with implemented and efficient fund management in place. The empirical results will be discussed throughout the thesis and highlighted in the conclusions and recommendations. The aim of this chapter is to consolidate all the data captured throughout the study in order to start building a new managerial framework.

1.9.5 Chapter 5

The last chapter aims to provide recommendations on how to implement the new managerial framework. This chapter will also serve as a conclusion and will briefly touch on all the important aspects of the study. This will provide managers with guidelines as to what to do, or how to approach the implementation of a new fund management intervention.

1.10 CONCLUSION

In this chapter the objectives, needs and scope of the study are addressed, with reference to the background and reason for the selection of the specific topic. The problem statement with problem questions is raised where the methodology and content of the study are also outlined.

Chapter 2 will focus on the theoretical part of the study where background information retrieved from different articles and research literature will be collected and discussed. The current possible shortcomings of fund management in FBs will be identified and listed. Features that will increase the likelihood of an effective fund management system in FBs will be identified and analysed, specifically focusing on current regulation, guidelines and frameworks in place for registered FBs in SA.

CHAPTER 2:
FUND MANAGEMENT – CONCEPTUALISATION, FRAMEWORK DEVELOPMENT AND BACKGROUND

2.1 INTRODUCTION

A meta-theoretical perspective of fund management as a requisite for sustainability and growth will be argued. The degree of this perspective will be based on the conceptualisation of fund management and sustainability, inspecting the values of intended and planned fund management, and exploring models for effective fund management.

As indicated in Chapter 1, a management framework can be used to increase the effectiveness of fund management in FBs; hence, the following problem questions will be asked and discussed:

- Why is it important for FBs to have an effective fund management approach?
- What constitutes sound fund management practices?
- What are the directives/guidelines for fund management in FBs?

2.2 CONCEPTUALISING FUND MANAGEMENT AS A BUSINESS PRACTICE

In this segment, present research will be evaluated to conceptualise fund management in terms of managing funds of a FB to ensure best practice and increase the probability of sustainability and growth in FBs. According to an article published by BDO Southern African Co-ordination (Pty) Ltd (2011), all registered companies in SA, which also includes registered FBs, have to adhere to the following regulation and guidelines:

- South African Companies Act, 2011

- King III, Corporate Governance
- GAAP
- IFRS
- Quality management systems (if registered)

The regulation and guidelines contain specific clauses that have a material impact on the general management and fund management of businesses in SA. Most companies are pressured by the above-mentioned regulation and guidelines into some sort of fund management programme. However, they face the challenge that not all companies are forced to adhere to these guidelines, as not all companies are JSE listed companies. Companies not listed on the JSE have to adhere to a “apply or explain” framework, where they have the choice to comply with the set regulation and guidelines or explain why they do not comply (Geldenhuys, 2011). The challenge these companies and FBs face is to decide which regulation and guidelines to implement and adhere to, to ensure that the probability of sustainability and growth is increased (Machin, 2011). Fund management as part of a business strategy therefore needs to be addressed. Fund management and business sustainability will be defined to create context.

2.2.1 Fund management

According to Yilmaz (2011), a few new concepts should be included in the definition of fund management, as a new model arose from his research. According to his model, fund management should be defined as analysing corporate funds by utilising the data obtained from the businesses financial statements. The data should be used to improve the fund management by classifying the different types of funds as surplus funds, dependent funds and the financing gap, and then coordinate it with other relevant departments, which include finance, operational, economic, legal and social environments. The function of fund management could be fixed by utilising a cash flow analysis, fund-improving activities, free-fund management, dependent-fund management and financing the cash gap. Fund management, defined in its most basic form, is the act where finance allocates funds and capital to businesses and specific individuals where they want to use the funds and capital productively to create a social value (Investopedia, 2014).

One of the main features of effective fund management is recognised by applying sustainable finance as practice by implementing and maintaining economic and social values through specific financial models markets and products (Kass, 2012). The practice includes ensuring that all company assets are applied, developed and consumed in such a way that they can cover applicable liabilities.

Fund management also necessitates that close attention be paid to the risk and cost involved in order to capitalise on asset and cash flow opportunities, by ensuring that proper financial ratios are in place, for example that the liquidity or solvability of the business is in line and healthy. In essence, fund management can refer to the management of the assets of the business (Harsh, 2014).

According to Wayman (2010), for an investor/shareholder of a company, the most important barometer is operating the cash flow of the business as it is in essence the lifeblood of an organisation. Although most investors focus on the net profit of a company, which ensures a possibility for a better distribution and dividend pay-out at the end of the year, the financial health of a business rests in a better metric, the operational cash flow (Wayman, 2010). The main reason for this is that it is harder to manipulate the cash flow under GAAP than it is to manipulate the net income. Any organisation that does not generate sufficient funds and cash over a long-term period is headed towards a cliff and deathbed.

This links very well with one of the models referred to in this chapter, the South African Companies Act 71 of 2008, with reference to Section 44 to 46 of the Act. This Section indicates that financial assistance for securities, loans or financial assistance to directors and distributions must be authorised by the board of the company after complying with the required liquidity and solvency tests (BDO, 2011).

2.2.2 Business sustainability

A company's sustainability is defined by The Brundtland Commission (UNECE, 2005:1) as the ability of a business to meet its present needs, without compromising the ability of future generations to meet their own set needs.

The Evergreen Group defines business sustainability as a business that operates in an environmentally responsible way (Evergreen Group, 2013). The main reason for their claim is that all their products and services have no negative impact on the society and environment because of their existence. The term *business sustainability* to them specifically is defined as a business that operates and is sustainable with the added advantage that the business has minimal harmful impact on the environment, economy, society and community with a benefit to itself and its customers in their industry realm (Evergreen Group, 2013).

According to a survey done by McKinsey and Company on business sustainability in 2011, it was found that it is more important for businesses to focus on managing the sustainability of businesses by improving their management processes that will increase the possibility of ensuring a sustainable business and environment and growth, than to focus primarily on their reputation alone. See Figure 1 for detail on the survey done.

Figure 1: Widespread sustainability integration

Adapted from McKinsey and Company: 2011

Business sustainability is often defined and measured by how effective any business can manage their triple bottom line. It is done through a process of managing their social, financial and environmental opportunities, risks and obligations, commonly known and referred to as the planet, profit and people impacts (McKinsey & Company, 2011).

However, this approach does not incorporate the time element, which is a characteristic of business sustainability as the approach is dependent on an accounting based perspective.

According to McKinsey and Company (2011), a stronger definition of the term is that business sustainability characterises resiliency over time. Businesses that are closely connected to their healthy environmental, economic and social systems that ultimately enables them to survive any form of shocks that comes their way. Businesses contribute to strong communities and ecosystems by creating economic value.

2.3 FAMILY BUSINESSES CULTURE: FUND MANAGEMENT AND GENERAL PRACTICES

2.3.1 Background and past research done

As mentioned in Chapter 1 of this study, FBs play an integral role in the economy of SA, as up to 50% of companies listed on the JSE and 80% of all South African businesses constitute FBs (Diederichs, 2011:6). According to Schulze and Gedajlovic (2010), the lack of financial systems and controls is one of the main factors that create financial unsustainability in these businesses, as 60% of them fall victim to white-collar crime. FBs have a very low success rate and the lack of, or non-existence of proper governance and fund management having a significant influence on the financial sustainability of the businesses and increases the risk that the businesses' financial and material resources are not put to proper use (Morck & Steier, 2005:13). Fund management in businesses and FBs in particular form part of an important process that can have a material influence on the survival rate of businesses and have a significant impact on the economy of SA.

It is therefore very unfortunate that not much research has been done on fund management and how fund management influences the financial sustainability of businesses. The following literature reviews attempt to demonstrate and support the problem statement.

In a quantitative research study done by Abel in 2008 on the impact of working capital management on fund and cash holdings, the author examined what influence working capital had on the funds and cash holding of small- to medium-sized manufacturing enterprises (SMEs) in Sweden. A theoretical framework was created in the study comprising a treatise of reasons for fund and cash holding and working capital management. Out of those theoretical findings a quantitative investigation was performed that consisted of a statistical analysis from a dataset of 13 287 Swedish manufacturing SMEs. The sampling of the businesses was based on SMEs in Sweden with less than 250 employees with a maximum turnover of EUR 50m. The research method used was based on numeric data, which were analysed with statistical procedures, and which included the comparison of means and the correlation analysis.

The research performed includes some strength, which comprises the external validity of the study. A large sample of 13 287 companies was selected, representing more than half of the total population of the survey. From those figures, great empirical significance of the completed results can be assumed. The empirical data used were also recent data as the study was done in 2008 and data up to the end of 2006 were used, which would also increase the significance of the empirical study.

Some of the limitations that are evident from the study are the fact that only manufacturing SMEs were used and included in the sample. It could be possible that the characteristics of these companies differ vastly from other legal entities. These differences in legal form can have a material impact on the way that working capital is managed, which affects the external validity of the study. A second limitation could be the research method that was used, as only numerical data were used in the dataset. This restricts the analysis performed, as there is a lack of qualitative elements in the study.

The empirical evidence that was obtained from the research done confirmed that efficient fund and cash management is positively related to the funds and cash level of the businesses. It was found that funds and cash levels were partially in the SMEs' sphere of influence, which is controlled by the financial decision-makers by using working capital-related measures.

2.3.2 Disadvantages and challenges that FBs face

From the research done and mentioned above in 1.1 and 2.3.1, the assumption can be made that, with a lack of financial systems and controls, the possibility increases that it will have a negative impact on the sustainability of the FBs, which could leave them victims of possible white-collar crime and other risks associated with sustainability.

According to Morck and Steier (2005), FBs have a very low success rate, as the lack of proper fund management and governance are some of the main factors that have an influence on the success rate and sustainability of the FBs.

FBs are complex, multi-layered, personally driven and often unconventional in their day-to-day operation, constituting unique strengths and leverage, but also displaying internal system weaknesses seldom found in non-family businesses. Without proper fund management and governance, FBs are increasingly at risk, which poses a significant threat for an industry that plays a big role in the South African economy. It is common for FBs to grant the owning family a level of power and control that outweighs their capital and cash flow rights (Faccio & Lang, 2002:340). It is therefore of the utmost importance that FBs adhere to set laws, regulations and guidelines to ensure that efficient fund management and related systems and controls are in place.

Some of the disadvantages and challenges that FBs face that increase the risk of inadequate and ineffective systems and controls related to fund management are the following (Anderson, 2003):

- FB firms have a lower market value than non-family businesses

- Even when FBs are recognised as a valuable asset, the lack of and risks related with concentration is one of the main factors why sources of finance are driven away which reduces the value of the company and restricts the businesses available credit terms.
- Villalonga and Amit (2006) report that with the appointment of family members in an organisation as part of the top management, specific management weaknesses are exhibited that has a materially negative influence on the internal controls of the FBs, which in turn leads to a negative reaction on the stock market.
- According to Anderson (2003), one of the main challenges that FBs face is the additional layer of relationship that the controlling/owning family brings to the business. This creates a complexity for the shareholders, as they find it difficult to understand the various interconnections between the respective owning family members.

It is very typical for first- and second-generation FBs to be managed and controlled by the founders and their respective family members. These specific FBs face the challenge of attracting competent specialists in top management positions and even a bigger challenge in retaining these qualified professionals. The relationship between the qualified management professionals and the family management members must be crafted in such a precise and careful manner way that a well-functioning management team can be maintained to lead the company to success.

- According to a study done by RiskMetrics (2009), it was found that FBs often face a difficult challenge when it comes to the expansion and growth of the businesses, as they primarily have the need to ensure this by attracting equity from external shareholders.

  The question that arises every time is whether they should cede partial control of the business to external parties and stand a very good chance of being forced to run the business in a different way than what they were used to, forcing them to let all old habits go that suited the family members personally.

The study found that investors rate corporate governance more important today than three years ago and that it will become even more important in the years to come, specifically relating to FBs. Investors place a very strong value on corporate governance. The result is that they want FBs to implement procedures and structures that are globally recognised and recognised as good practices, which includes adherence to corporate governance, the South African Companies Act, GAAP and IFRS.

- The regular norm is that FBs, especially in the early stages of business, do not distinguish between family and company relationships. This is predominantly the case with respect to financial relations. The family and company funds and assets are not legally separated. This causes problems, as it is not distinguished how the company-owned funds and assets can be used by the family member shareholders. The family member shareholders utilise the company's funds and assets for personal gain, often at the expense of the business needs (Anderson 2003).

- As a rule, governance-related policies and procedures are informal. Too much reliance is placed on specific key individuals, rather than relying on the documented structures and processes. These informal policies followed are not always commonly understood by the external shareholders when situations change. This leads to uncertainty on the part of external shareholders and non-family employees.

  According to Villalonga and Amit (2006), FBs are managed mainly by the founders or their family members where the control environment is primarily tailored to meet their specific personal needs. The problem that arises is that the controls of the organisation do not grow as the company grows or becomes more complex. The gap between the business growth and controls is a primary area for concern for external investors.

- FBs are mainly managed and/or controlled by family members, and the controlling parent/family member would normally want to carry over the legacy of the business to the next family members in line, for example, a son, daughter, son-in-law, etc. This includes an emotional side to the business in the way that its processes, structures and controls are implemented that is seldom the case in non-family businesses.

In most instances the problems found in these organisations are observed, but there is an emotional unwillingness by family members to acknowledge them or are unwilling to make the required hard decisions to rectify them (Siciliano, 2011).

In the light of the above-mentioned one could assume that FBs have to deal with many challenges that are not always the norm in non-family businesses. These challenges are a disadvantage when a person tries to establish, maintain or grow a FB and create sustainability within the business with the aim of passing the business to the next generation in the family.

In the next part of this chapter, existing principles and models will be evaluated through research done to establish the value these principles and models will add to the fund management of FBs, should it be implemented and complied with.

2.4 A FUND MANAGEMENT CULTURE: PRINCIPLES, MODELS AND VALUES

As mentioned in paragraphs 1.1 and 2.3.1–2.3.2 above, one could assume that “family systems” and general best business practices do not go hand in hand, mainly because of the emotional side that family members bring to the systems and internal controls of FBs.

To use a very practical example, when best friends who have been friends for many years try to start a business together, the business often does not succeed, as the principles and foundation used to manage the business are based on the principles of the friendship and not according to best business practices (Siciliano, 2011; Weissmann, 2012).

Statistically speaking, most FBs do not fail because of specific business reasons, but rather because family baggage outweighs priorities, where personal family matters come before business and eventually kills the business (Siciliano, 2011).

Every business, FBs in particular, can choose in which manner they want to manage the business and specifically what fund management systems and controls they want to implement and maintain. These could be a personal preference of every business owner, making it very difficult to set a norm/standard, as all individuals think differently about business and fund management in particular.

This leaves the door open for every business owner to implement fund management practices that suit their specific personal needs. This could range from the absolute minimum of systems and controls to implementing too many where the day-to-day running of the business becomes a problem, as no decisions and approvals are made because the internal procedures take too much time to complete. This has a negative impact on the productivity of the business, leading to unsustainable management and business practices (Farrel, 2014).

FBs constitute up to 80% of all businesses in the country, which include up to 50% of the companies listed on the JSE (Diederichs, 2011:6). Registered companies listed on the JSE have to adhere to specific regulation, guidelines and principles set out in:

- South African Companies Act, 2011
- King III, Corporate Governance
- GAAP
- IFRS
- Quality management systems (if registered)

The above-mentioned regulation and guidelines all set out measures that registered companies can and have to adhere to that will assist in the management of the business. They are based on international changing trends, which create a significant opportunity for businesses to embrace their implemented principles. The focus is on international compliance and the importance of reporting annually on the impact it has on the economic life of the community.

These regulation and guidelines give each business the opportunity to report to the stakeholders, whether they accept and comply with the recommended practices as set out, or supply reasons why they do not comply and what impact it had on the management and sustainability of the business (Geldenhuys, 2011).

In the next section of this chapter, an overview of the regulation and guidelines, as mentioned in 1.1, will be presented and the benefits and values of complying with them when considering fund management will be discussed.

2.4.1 South African Companies Act

The greater majority of businesses in every first-world country conduct its business operations through limited-liability entities. Company law is implemented to govern the manner in which these popular entities, also called companies, is created and brought into existence; how it has to conduct its business activities throughout the lifetime of its existence; and how the business eventually ends. South African company law has a direct impact on how businesses transacts in a local and global manner. The Act is therefore constructed in such a manner that its first priority is to stimulate and support economic growth and investor confidence through required regulation in companies (Bowman Gilfillan Attorneys, 2012).

The globalisation of businesses called for the harmonisation of laws as the demand from businesses increased. This has led to the fundamental laws governing businesses throughout the First and Western world to align with one another.

The Department of Trade and Industry (DTI) introduced the Policy Paper in 2004, which sets out economic growth objectives with specific goals related to each one of them, which included:

- Efficiency – company law should promote efficiency of their company's management by
    - Shifting from a capital maintenance regime focusing on par value to one with a foundation of liquidity and solvency
    - Clarifying the board structures and director and management duties, liabilities and responsibilities

- Transparency – company law should encourage a high level of governance and transparency by
  - Protecting shareholders and specifically minority shareholder rights
  - Implementing the requirement of minimum reporting standards for annual reports

About 20 years ago, corporations were not accountable to the public as, for example, governing bodies were. This changed drastically after the multi-billion-dollar Enron scandal in 2001. Governments and regulators around the world, including SA, reacted to this abuse and scandal by adopting and implementing a very aggressive approach towards companies (Bowman Gilfillan Attorneys, 2012).

According to an article released on financelaws.com (Jut, 2013), the Enron scandal is regarded by economists and historians to be an unofficial blueprint of a case study on white-collar crime. Specifically the term *regulation* is explicitly applied within corporate and commercial environments to see and test the capability of a government's ability to authorise and regulate businesses' activity and behaviour.

The executives of Enron, wanting to bypass the regulation, applied for government deregulation, which they were subsequently granted. What the declaration meant was that the executives of Enron could and were permitted to maintain agency over all the financial reporting that were released to the employees and investors of the company. This allowed the executives to release financial reports that were extremely inaccurate and skew by nature. The reports reflected inaccurate profit margins and did not reflect all the losses that the company incurred over a period of time, that had the effect that more and more investors were attracted to the company wishing to participate in what seemed to be a profitable, sustainable and growing company (Jut, 2013).

Jut (2013) further states that while the executives of Enron kept on misrepresenting the financial reports, not reflecting the true financial condition of the company and releasing it to the employees and investors of the company, the executives started to embezzle the company funds received from new investors and current stakeholders. Bankruptcy was the result of funds stolen from the company and investors.

The total loss that the investors and company sustained was over $70 billion. The total loss to the investors, employees and trustees was due to the result of unethical fund management.

It can therefore be assumed and accepted that it is imperative for all registered companies to adhere to the regulations set out in the South African Companies Act to ensure that the management of companies (including FBs) are governed by regulation to ensure an increased possibility of sustainability, economic growth and investor confidence.

As a result, the main drive has been to make companies more transparent and accountable to their various employees, investors, stakeholders and minority shareholders by making it a requirement to disclose far more of their management and business activities.

This has been done by introducing more laws and more stringent accounting practices to ensure that the management and directors of a company perform their duties diligently, honestly and responsibly. Because of these, accountability, transparency and proper corporate governance now play a pivotal role in modern business practices (Bowman Gilfillan Attorneys, 2012).

2.4.2 King III, Corporate Governance

King III was released in September 2009 and was a milestone, as it represented the evolution of corporate governance in South Africa whereby organisations are given the opportunity to embrace all its set out principles.

King III was necessary and released because of the changing trends in international governance and of the highly anticipated new Companies Act. The King Committee endeavoured to be at the forefront of governance by associating with international governance standards. The focus and set goal were achieved, as importance was placed on annual reporting and what effect a business had on the economic life of the community within which it operated, be it positive or negative (Geldenhuys, 2011).

Geldenhuys (2011) also states that the focus of governance is on self-regulation where the stakeholders of the business act as the ultimate compliance officer. Through their continued support of the organisation, they will let the organisation know whether they support and accept changes made to certain business practices and the reason for doing so. This is all done through continuous accurate, integrated reporting to stakeholders. The self-regulation puts a limit to the bureaucratic drain of externally prescribed standards.

King III is not a prescribed regulation or legislation like the SOUTH AFRICAN Companies Act. It is more of a principle-based, apply-or-explain framework, where the board of a company can decide to adopt a specific principle and practice that is in the best interests of the organisation. Should a principle recommended by King III not be adopted, the organisation has to explain why another practice has been adopted, resulting in consistency with King III.

King III was also introduced as a framework for small companies to entities listed on the JSE. The main aim was to avoid the pitfalls as seen in the United States where a “one-size-fits-all” approach was adopted at first. The governance framework should encourage all companies to tailor its principles to be appropriate to the complexity of the organisation, size and nature of business operations (Geldenhuys, 2011). This fits in very well with FB operations, as FBs constitute up to 80% of all businesses in the country. This includes up to 50% of the companies listed on the JSE, ranging from small to medium enterprises, to corporate companies listed on the JSE (Diederichs, 2011:6).

King III has ethical leadership and corporate citizenship as one of its focus points by including the following moral duties of management:

- Conscience: all managers and stakeholders should act with honesty and independence of mind with the best interests of the organisation at heart. Conflict of interests and personal matters and gain should be avoided.
- Inclusivity: all stakeholders should be included and taken into account with regard to their legitimate interests and expectations to ensure that sustainability is achieved.

Governing stakeholder relationships form an integral part of the concept of good governance as the objectives and concerns of the stakeholders are heard and taken into account when decisions are made that have an impact on the business through the process of integrated reporting. Through integrated reporting, a communication channel is established and maintained where the executives and stakeholders can voice their respective objectives, concerns and recommendations, give feedback on certain financial decisions taken, etc. (Geldenhuys, 2011). Through the process of integrated reporting and governing stakeholder relationships the risk of repeating another Enron saga as mentioned in 2.4.1 could be minimised, as the executives and stakeholders will be informed and kept up to date on the accurate financial position of the company without having the chance to misrepresent the data to report on.

2.4.3 International Financial Reporting Standards (IFRS)

Most entrepreneurs, owners and stakeholders related to companies view compliance as a burden, as they are more concerned with the organisation's short-term cash flow, balance sheet strength, liquidity and solvability.

The introduction of IFRS placed a responsibility on businesses that they ensure compliance with financial principles. Businesses have to account for their economic transactions in a very consistent manner where investors, stakeholders, employees and other users can compare these transactions to different entities with similar transactions (Botha, 2013).

According to a survey done by PriceWaterhouseCoopers in 2009, there are definite benefits to businesses, shareholders, stakeholders and investors to get a business to comply with IFRS, even when it is not compulsory to comply because the organisation is not a JSE-listed company.

- With the introduction of the National Credit Act and when referring to international financial scandals such as Enron mentioned in paragraph 2.4.1., it can be assumed that similar specific financial scandals had a material impact on the way that financial institutions, banks and credit institutions grant credit and loans to organisations. The financial information available to the different financial institutions is one of the main factors of consideration and approval for the application, thus meaning that detailed financial information based on IFRS and integrated reporting standards is presented based on global benchmarks. All financial institutions receiving an application for credit will give preference to organisations complying with IFRS as a certain level of trust can be placed on the information that the statements contain (Botha, 2013).

- Vendors and suppliers evaluate the financial status of an entity based on the information contained in the financial statements. If an organisation is liquid and solvent enough, vendors and suppliers will be more likely to grant credit and revenue to the businesses.

- Investors, stakeholders and employees place a lot of confidence and trust in the financial information contained in the financial statements as it sketches a clear picture on the past and future of the business by evaluating specific financial ratios, cash flows, equity, etc. Also included in the financial statements when they comply with IFRS is part of the information on the general management of the business that one would not be able to gather otherwise. Sections included in the IFRS reporting include:

  - Business combinations
  - Investments in associates and joint ventures
  - Expense recognition
  - Revenue recognition
  - Financial instruments
  - Tangible & intangible assets
  - Investments
  - Non-current assets held for sale and discontinued operations
  - Employee benefits – defined benefit plans
  - Related parties

- o Income taxes, etc. (Botha, 2013)

As stated by Botha (2013) in the first paragraph of 2.4.3 above, IFRS places a responsibility on businesses to ensure compliance with financial principles. As companies have to comply with IFRS regulation, it is not compulsory regulation for businesses to comply with quality management systems. The motivation for and the benefits of making use of the systems will be discussed in the next section.

2.4.4 Quality management systems – ISO9001 & ISO14001

Quality management and environmental management systems are business practices that can benefit companies where it is implemented. Its main focus is on aspects of quality management giving guidance and tools to companies who want to ensure that their customers' requirements are met through continuously delivering a quality service and product every time.

The system can be used by any organisation, regardless of size and field of activity. The system is currently implemented in over one million organisations spread over more than 170 countries worldwide (Lazarte, 2013).

The quality management principles are based on strong motivation and the implication to management principles, customer focus and continual improvement of systems and procedures (Lazarte, 2013).

In a study done by Tarí, Molina-Azorín and Heras (2012) it was found that in several performance dimensions great benefits have been identified, which can be classified into the following categories:

- Market share (MS)
- Sales and sales growth (SG)
- Improved relationships with authorities and other stakeholders (STA)
- Improved image (I)
- Improvements in employee results (motivation, satisfaction, teams, communication, knowledge) (EMP)

- Profitability (P)
- Improvement in systematisation (improved documentation, work procedures, clarity of work, improvement in responsibilities) (S)
- Improved relationships with suppliers (SUP)
- Improvement in competitive position/competitive advantage (CA)
- Improved customer satisfaction (reduction in complaints, etc.) (CUS)
- Exports (EX)

These are the most common benefits identified in the study, which are summarised in Figure 2 below, summarised per abbreviated benefit category and based on the research done:

Figure 2: Quality management system benefits

Study	MS	EX	SG	P	CA	S	EF	PQ	I	EMP	CUS	SUP	STA
Abraham et al. (2000)					X		X	X			X		
Arauz and Suzuki (2004)		X	X	X			X			X	X	X	
Askey and Malcolm (1997)	X				X		X						
Bayati and Taghavi (2007)						X	X			X	X		
Beirao and Cabral (2002)				X									
Benner and Veloso (2008)				X									
Beskese and Cebeci (2001)						X	X		X		X		
Bhuiyan and Alam (2005)						X					X		
Briscoe et al. (2005)	X	X	X				X						
Brown et al. (1998)	X	X					X	X	X	X			
Buttle (1997)	X		X	X			X		X	X	X		
Calisir (2007)	X	X		X		X	X	X	X	X			
Casadesús and Giménez (2000)	X		X	X			X			X	X		
Casadesús and Karapetrovic (2005)	X		X	X			X			X	X	X	
Casdesús et al. (2001)	X		X	X			X			X	X		
Chow-Chua et al. (2003)		X	X		X	X	X	X	X	X	X		
Corbett et al. (2005)			X	X									
Dick et al. (2008)			X	X									
Dimara et al. (2004)				X									
Dissanayaka et al. (2001)	X				X	X	X		X	X	X	X	
Dunu and Ayokanmbi (2008)				X									
Escanciano et al. (2001)	X	X	X			X	X	X		X	X	X	
Feng et al. (2008)	X	X			X	X	X		X	X			
Gotzamani and Tsiotras (2002)	X		X		X	X	X	X		X	X	X	
Han et al. (2007)	X						X				X		
Heras et al. (2002)			X	X									
Huarng (1998)		X	X	X	X		X	X			X		
Huarng et al. (1999)													
Jang and Lin (2008)	X			X		X	X			X	X		
Johnson (2004)			X				X						
Jones et al. (1997)			X			X	X				X		
Krasachol et al. (1998),						X	X		X	X	X		
Lee (1998)			X				X		X	X	X	X	
Lee et al. (1999)						X	X	X	X	X	X	X	
Leung et al. (1999)			X		X		X		X	X	X		
Lima et al. (2000)			X	X									
Lo (2002)						X							
Lo and Chang (2007)	X			X	X	X	X	X	X	X	X	X	
Magd (2006)	X	X				X	X	X		X	X		
Magd (2008)		X		X		X	X	X	X	X	X	X	
Magd and Curry (2003)		X				X	X	X	X	X	X	X	X
Magd et al. (2003)	X	X		X			X	X		X	X	X	
Martínez Fuentes et al. (2000)	X				X		X		X		X		
Martínez-Costa and Martínez-Lorente (2003)				X									
Martínez-Costa and Martínez-Lorente (2007)			X	X									
Martínez-Costa et al. (2008)	X			X			X			X	X		
Martínez-Lorente and Martínez-Costa (2004)			X				X						
McAdam and McKeown (1999)			X				X				X		
McGuire and Dilts (2008)				X									
Naser et al. (2004)				X									
Naveh and Marcus (2004)	X	X	X				X				X		
Naveh and Marcus (2005)				X									
Nicolau and Sellers (2002)				X									
Nield and Kozak (1999)					X	X			X	X	X		
Oliver and Qu (1999)							X				X		
Pan (2003)	X						X		X	X	X		X
Pinar and Ozqur (2007)				X									
Posinska et al. (2002)	X					X	X		X	X	X		X
Quazi and Jacobs (2004)					X			X		X	X		
Ragothaman and Korte (1999)		X				X	X	X			X	X	X
Rodríguez-Escobar et al. (2006)	X				X	X	X		X	X	X	X	
Ruzevicius et al. (2004)			X				X				X		
Santos and Escanciano (2002)	X	X	X	X		X	X	X	X	X	X		
Sharma (2005)			X	X									

Adapted from Tarí, Molina-Azorín and Heras (2012)

In the table above, 64 studies were performed, indicating the benefits of implementing a quality management system. The benefits identified in the study have been broken down into the 13 most common benefits achieved by implementing a quality management system. Every study performed indicates the total amount of benefits that were identified and could be linked to the 13 most common benefits used as benchmark. The research performed and Figure 2 above indicates that 358 of the possible 832 benefits could be identified, which comprise 43% of the total population. The implementation of a quality management system contributed 43% to the benefits of the organisations.

It is evident from the above research done that the implementation of the quality management system is beneficial for all businesses, which includes the shareholders, stakeholders, employees, customers and suppliers.

When management systems are implemented, maintained and improved it creates a trust in the business and its owners as guidelines and processes are established which are easy to follow. This makes training, troubleshooting and transitions much easier, establishing confidence in the management of the company (Lazarte, 2013).

2.5 CONCLUSION

This chapter discussed how fund management could function as a business practice when specific regulation, guidelines and management systems are implemented and maintained. The chapter addressed what possible impact the fund management, regulation, guidelines and management systems could have on FBs, which includes the owners, shareholders, stakeholders and employees. It also investigated at how fund management can improve a business's resources, improve productivity and what influence it has on the environment.

Following this, an analysis was done indicating the various benefits that organisations, specifically FBs can enjoy when best fund management practices are followed through the implementation of regulation, guidelines and management systems.

The chapter also touched on historical research done in terms of fund management principles and models as a business practice but, unfortunately, not much research has been done on the practice in FBs. This chapter gives guidance on the formulation of a fund management managerial framework that can be used to implement new systems, procedures and develop internal controls through the adherence of specific regulation, guidelines and management systems.

The next chapter will focus on the research methodology in terms of sampling and data analysis, ethical consideration, objectivity, voluntary participation, informed consent and confidentiality, and respect, which will be followed up with an empirical result and quantitative investigation in Chapter 4 of the study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

With reference to paragraph 1.5 and 1.6.1, an integrated theoretical framework will be used by evaluating and researching fund management practices from a theoretical as well as a practical perspective. The research done will be used to develop a framework for FBs that will assist in the maintenance of efficient financial management procedures to increase the probability of enhanced business sustainability.

A mixed method research design will be used for this study, including both qualitative and quantitative methods in phases of the research. As mentioned in Chapter 2 of the study, this chapter will have as focus the research design where participants will be selected and data will be collected and analysed, laying the platform to present empirical data to enable the construction of a model framework for fund management for FBs.

In Chapter 2 of this study, the first three research questions were addressed, but to ensure that the fund management needs of FBs are adhered to in developing a fund management framework, an empirical investigation is necessary to ensure that a draft FB framework is extended to a model framework.

The following research question will be used to drive the empirical investigation:

- What are the financial procedural models and practices used in FBs?

According to De Beer (2011), research involves the following criteria:

- The formulation of a problem that needs to be investigated
- Identifying and selecting the appropriate research design
- Applying applicable processes for data collection
- Compiling a written report on the findings through an analysis and communication of the processes

The specific research decisions taken in the framework, that is, elements exclusive to the study is referred to as the research methodology (De Beer, 2011).

After the research design is discussed, more detail will be provided about the data collection methods, data analysis and sampling of the study.

3.2 RESEARCH DESIGN

According to De Vos, Strydom, Fouché and Delport, (2005), the success or failure of a research study is determined by the research design, a guide with consistent measures where data are collected and analysed to ensure that conclusions can be drawn. It is the blueprint of the study, giving the plan in detail as to how the research is to be conducted.

The research design is also very purposeful and organised to ensure that the best data are presented and delivered to address a specific research problem raised (McMillan & Schumacher, 2010:8).

For this study, the mixed method research design will be used with reference to paragraph 1.6 of this study. Both qualitative and quantitative data will be collected by making use of questionnaires, group focused and personal interviews that will be discussed in more detail in paragraph 3.2 to follow. According to Creswell (2003:28), the mixed method research design includes philosophical assumptions as well as methods of enquiry. The philosophical assumptions are the guide to the data collection and analysis and mixture of the qualitative and quantitative methods used in phases of the research. The methods used are both qualitative and quantitative data and provides a clearer understanding of the research problems than the single methods alone (Creswell, 2008:29). As a method, it focuses on collecting, analysing, and mixing both quantitative and qualitative data in a single study or series of studies.

3.2.1 Design and planning phase

According to Ramage (2003), it is imperative to ensure that research conducted, either quantitative or qualitative by nature, is designed and planned based on the following layout:

- Make a decision on the type of research to be performed (example questionnaires, interviews, etc.)
- Decide on the type of respondent, population and sample
- Construct the instrument/questionnaire
    - Raise questions to measure certain variables
    - Get all the questions in the right sequence
    - Draft the categories for responses to be received
    - Draft the layout of the questionnaire
- Create a procedure for recording all the answers received
- Test the instrument
- Train the people taking part in the interview process
- Select the sample

3.2.2 Data collection methods

The first method will include a quantitative research design where the underpinning epistemology includes a positivistic paradigm. The quantitative approach includes data collection methods, for example, questionnaires, scales, checklists and indexes (Elliot, 2005:47).

According to De Vos *et al*. (2005), questionnaires are instruments that include open or closed questions, which force an interviewee to react to the questions asked. There are distinct advantages in using questionnaires as a research method. Questionnaires are inexpensive and easy to administer. Confidentiality of data is assured and forms part of a group administration process.

According to Robson (2002), questionnaires that are distributed by e-mail are very efficient as they retrieve the required information in a short period of time and with little or no cost to the researcher. Robson further states that an added advantage to using structured questionnaires is that the respondents are treated the same as they have the same possible choices. The questions are presented in the same order with fixed instructions and explanations. This makes the process fixed without allowing respondents to look for additional clarification. With the questions in the instrument being clear, specific and carefully formulated to address a specific problem, the respondents are often believed to be representatives of the chosen sample of the organisation, which increases the trust built between the researcher and the respondent that leads to honest and clear answers to questions raised.

In this study, information will be collected through self-administrated questionnaires that will be personally circulated to the sample of subjects. Questionnaires will be distributed to preselected executive management and family members of the FBs These will include closed-ended questions to evaluate the attitude and behaviour of the members of the business. The questionnaires will give a clear indication of the feelings of management in the FBs signifying whether proper fund management is in place and whether these procedures have a direct impact on the financial sustainability of the business.

In the second part of the preliminary investigation, the study will focus on a qualitative method of research where words are specifically used to define the phenomenon (Bernard, 2005). Specific focus is placed on the participants' insights, experiences and perceptions where the researcher is given the opportunity to gain a deeper understanding of the challenges that FBs face, related to fund management in the organisation.

For the second method of investigation, emphasis will be placed on following a multi-method constructivist qualitative approach. This implies that interviews will be held with a sample of people that will include both one-on-one and focus group interviews. The construction of a model fund-management framework for FBs is one of the primary objectives of this study, thus giving the flexibility of the constructivist approach the added advantage and making the approach more suitable to create a comprehensive theoretical model (Anderson & Taylor, 2009).

Next, the two qualitative data gathering methods that will be applied in sequential order are briefly discussed:

(a) Focus group interviews

Focus group interviews will be done to establish what the requirements and conditions of fund management are. The focus group interviews will be done with the board of directors of each FB entity, keeping the responses received on a high, yet very informative level.

According to Tewksbury (2009), there are a number of advantages when making use of focus group interviews as they focus specifically on generating interaction between the participants taking part in the same interview session that leads to the stimulation of their memories, ensuring that more depth of information is retrieved and alternative interpretations are explored. These added factors can only be probed when interaction is established between the different participants.

(b) Personal interviews

According to a survey done by Jeff Anderson Consulting (2011), personal interviews become personal when an interviewee asks questions to interviewees face to face. This process can take place almost anywhere. It does not have to be at a specific location, for example, always at the office. Interviews can be done at home, in shopping malls, outside a polling station or even a movie theatre, e.g. for personal interviews, thereby having clear advantages and disadvantages as a research method.

- Should you do an interview of a specific product, it allows the interviewee to see, taste and feel the product
- If you interview people at a specific location or target population, the interview can be done at the place where the respondents are easily found. For example, if an interview is done for a film that was watched, the

interviews can be done outside the movie theatre, which is much easier than phoning all the interviewees at random.

- When interviews take a bit longer than was anticipated, it is more often tolerated by the interviewees when the interviews are done at a location that is familiar to them and have been arranged in advance. For instance, when interviews are done with executive management, it is easier to do the interviews at their offices where the interviewees feel more comfortable and can manage their time better. People are not fond of having interviews over the phone when it takes up a lot of time.
- Personal interviews normally cost more than other interview methods as the interviewer needs to travel to the interviewees to meet them face to face. This can be expensive for the interviewer, for instance travel costs, but also in time for the interviewees.
- Each geographic area and location surrounding it attracts a certain profile of client. When looking for a specific target population, the characteristics of the people may differ vastly from the set target population that can lead to a non-representative sample being established.

According to Sewell (2013), qualitative research interviews seek to present a detailed description of the central themes of the specific subjects, giving meaning to the interviewees. The primary task of the interviews is to get a clear indication and meaning of what message the interviewees are transferring.

To ensure that the interviews can be directed and monitored, semi-structured interview questions will be raised and used as guideline. This will also ensure that no feedback received will be taken for granted during the process. The semi-structured questions allows for informality, flexibility, diversion of the questions and freedom, depending on the responses received from the interviewees (Cohen & Manion, 2008:270).

3.3 SELECTING THE PARTICIPANTS (SAMPLING)

Sampling is a very important and powerful tool when referring to research. It is defined as selecting a sample of subjects from a large group with fewer subjects selected than the total in the larger group (Trochim, 2006). The procedures followed in sampling ensures the confidence in the information gathered that when the correct procedures had been followed, the information can be trusted as if the researcher had studied everyone in the larger group.

Trochim (2006) defines sampling in surveys as efficient devices for generating findings from a small sample selected from a larger target population and forming relatively safe generalisations out of the findings from the selected sample.

According to De Vos *et al.* (2005), probability sampling is based on a random procedure where every person or sampling unit in the population has the same probability of being selected. Theoretically, each individual case in the population has an equal chance to be selected in the sample.

De Vos *et al*. (2005) further state that the larger the population, the smaller the percentage of the total sample needs to be. If the population is relatively small, the sample selected percentage needs to increase.

Ten private companies based in the Free State and Northern Cape, specifically situated in Bloemfontein and Kimberley will be used as sample for the study. Selected executive management and family members employed by FBs will be used as population to perform the research.

In the first data collection method, questionnaires will be distributed to pre-selected executive management and family members of the FBs that will include closed-ended questions to evaluate the attitude and behaviour of the members of the FB. The questionnaires will be distributed to all the executive management and family members employed by the ten FBs excluding the general manager, chief executive officer and chief financial officer of the entities. The questionnaires will give a clear indication of the feelings of management in the FB, signifying whether proper fund management is in place and whether these procedures have a direct impact on the financial sustainability of the business. The questionnaires will be distributed to all executive management, prescribed officers and family members that do not form part of the board of directors of the FB.

Phase two of the data collection method will include focus group and personal interviews with pre-selected executive management and family members that form part of the board of directors and not form part of the process where questionnaires were completed. Members included in the interview process include the general manager, chief executive officer, operations director and chief financial officer of the entities including all family members who are part of the board. The researcher purposefully selected the interview participants because of their vast managerial experience, as well as participants who have the accountability as family and board members with a material interest in the fund management of the FBs.

3.4 DATA GATHERING AND ANALYSIS

Bertram (2005) states that data gathering and analysis is the process where the researcher collects evidence that contains certain information that will assist in answering the specific questions asked in the research undertaken. As indicated in paragraph 3.3, the data will be collected using two methods, distributing questionnaires to respondents and performing focus group and personal interviews. The data received and analysed will be used to construct a model fund-management framework that FBs can use to create a more efficient sustainable fund management environment.

To ensure that all data are recorded effectively during the interview processes, a digital recorder will be used during the process that will assist in the reliability of the data gathering and analysis process. The recorded interviews will be transcribed after the sessions that will be used together with the additional notes made during the interviews. The qualitative data will be interpreted and analysed manually within the context of each FB.

Quantitative data can be analysed by making use of manual procedures or computer assistance. The amount of data retrieved and the types of analysis to be performed play an important role in deciding which approach to use.

For this research study, the quantitative data will be analysed by making use of SPSS version 22 for Windows. It is important to clarify the independent variables in the research by describing the characteristics of the demographic variables.

All data collected, ordered and analysed by means of the quantitative and qualitative data collection methods will be presented in Chapter 4 of this study.

3.5 ENSURING QUALITY DATA

3.5.1 Objectivity

It is of the utmost importance that the researcher remains objective throughout the study, with the assumption that there might be another reality present outside of the research or surveillance. In research, the researcher has to remain impartial, with one of the focus points being to uncover the reality without contaminating it.

3.5.2 Validity

Validity is defined by Polkinghorne (2007) as the degree to which research is seen as part of an investigation, what the main aim of the investigation is, or to which extent the occurrence being researched is reflected in the research findings. Validity provides the reader with confidence in terms of the proposed study knowledge claims.

To ensure that content validity is achieved in the quantitative research, the questionnaires will include a range of questions, varying from knowledge of fund management, what influence the family members have on the management and what rectification processes can be implemented and maintained to ensure sustainable fund management (Polkinghorne, 2007).

Questions in the questionnaire will be based on the detail as set out in Chapter 2 of the literature review to ensure that the questions are representative of fund management. The content validity will further be ensured through the consistent administration of the questionnaires by distributing them personally to every respondent taking part. The questions will be formulated very clearly and in easy language to make it easy for every respondent to understand and respond to them. All respondents receive clear instructions on how to complete the questionnaires. If someone in the sample cannot read, the questionnaire will be read to the specific respondent and completed on their behalf based on their feedback received.

All the questionnaires will be completed in the presence of the researcher to ensure that all questionnaires are completed by the original person selected in the sample and not by someone else completing the questionnaires on his or her behalf.

The number of respondents that will be approached to complete the questionnaires and did not take part will be reported. This increases the threats of external validity as more respondents who decline to take part in the completion of the questionnaires, decreases the external validity (Burns & Grove, 1993).

To ensure that content validity is achieved in the qualitative research done, the researcher ensured that the sample selection for the interview processes was appropriate, with the interview questions not being leading in any way (Ashworth & Lucas, 2000).

3.5.3 Reliability

Niemann, Niemann, Brazelle, Van Staden, Heyns and De Wet (2000:7) have done a comparison of reliability in quantitative and qualitative research. It was found that quantitative research is generally related to repeatability, accuracy and consistency. Qualitative research reliability removes the casual errors that can have a material impact on the results of the study.

Reliability can be ensured by decreasing data collector bias initiated by sources of measurement errors (Polit and Hungler, 2004). Polit and Hungler (2004) further state that data collector bias can be decreased by the researcher normalising the personal attributes of the respondents and the researcher being the only person to administer the questionnaires.

To enhance the reliability of the data further, all actions of the participants noted during the questionnaire and interview processes will be reported. This will include reporting in full detail, such as facial expressions, when the participants stood up during the process, when they sat down and how they sat when answering the questions, any pauses during the interview phase, etc.

The participants' rights will all be respected, as they will not be forced to participate in the study without their consent. The participants will receive full details of the main aim and purpose of the study, what benefits the study could generate and the methods to be used for collecting the data. The information will be presented to the participant by telephone and e-mail with sufficient notice.

3.5.4 Trustworthiness

Trustworthiness is one of the main factors that have to be built when performing research. The researcher has to build trust with the audience to convince them that the research and findings are worth looking into and paying attention to the detailed information contained in the study. Specific techniques will be used to ensure that trust is built with the audience. This will include trustworthiness through neutrality and conformability, credibility, applicability through transferability and dependability through consistency (Loh, 2013). Loh further suggests that the researcher should reflect critically on him/herself as researcher and the human participants as instruments, called the process of reflexivity. For this to be ensured, the researcher will use consent forms for all the participants to complete to include and involve them in the research study.

3.6 CONCLUSION

In this chapter the research design, sampling, data gathering and analysis, and ensuring the quality of the data of the study were discussed to address some of the identified problem questions raised in Chapter 1. The next chapter, Chapter 4, will focus on an empirical result and quantitative and qualitative investigation where the outcomes of the research investigation will be addressed and discussed.

CHAPTER 4: EMPIRICAL RESULTS AND QUANTITATIVE AND QUALITATIVE INVESTIGATION

4.1 INTRODUCTION

The foregoing chapters form the backbone and very important background to this research study. In Chapter 1, an orientation to the study was given where the objectives, need and scope of the study were dealt with, with reference to the background and reason for the selection of the specific topic. The researcher discussed why the topic and issues at hand are significant, applicable and worth investigating referring to the problem statement, problem questions and research objectives that were raised in this study.

Chapter 2 concentrated on relevant literature based on historical research done in terms of fund management principles and models as a business practice. Secondly, the chapter addressed what possible impact fund management, regulation, guidelines and management systems can have on FBs, which include the owners, shareholders, stakeholders and employees. It also investigated how fund management could improve business resources; improve productivity and what influence it had on the environment. Thirdly, an analysis was done indicating the various benefits that organisations, specifically FBs, could enjoy when best fund management practices were followed through the implementation of regulation, guidelines and management systems.

In Chapter 3 an overview of the research methodology applied was given. The research design, sampling, data gathering and analysis, and ensuring the quality of the data of the study were discussed to address some of the identified problem questions raised in Chapter 1.

The main aim of this chapter is to focus on an empirical result and quantitative and qualitative investigation where the outcomes of the research investigation will be addressed and discussed. The researcher will report on the data collected during the questionnaires, focus group interviews and personal interviews, and consolidate it with all the data captured throughout the study in order to recommend a new managerial framework.

4.2 REPORTING THE DATA

This section of the study will report on the data captured during the completed questionnaires, focus group interview and personal interview phases. The reporting will focus on finding similarities in the fund management practices, models and frameworks for each FB that was part of the sample selection, as well as the unique and vast differences that were identified whereby the data will be used to build a model framework for fund management in FBs.

4.2.1 Quantitative research data findings

In this study, the quantitative research data were collected through self-administrated questionnaires. Questionnaires were distributed to pre-selected executive management and family members of the FBs. This included the closed-ended questions illustrated in Figure 3 below. The main aim of the questionnaires was to get a clear indication of the feelings of management in the FBs signifying whether proper fund management was in place and whether these procedures had a direct impact on the financial sustainability of the FBs.

The questionnaires were distributed to and completed by 37 participants. The findings of the data collected are discussed in detail in paragraph 4.2.1.1 below.

Please refer to Appendix 1 for the detailed, Quantitative research questionnaire.

4.2.1.1 Questionnaire findings

In Figure 4 below, the findings per question asked are shown. It is illustrated by presenting each question’s findings as a percentage of the total number of participants/answers, ranging from *strongly disagree* to *strongly agree*.

Figure 3: Quantitative research questionnaire findings

	STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE	TOTAL
Funds / Cash is one of the most valuable assets in a business?	0	0	0	13	24	37
	0%	**0%**	**0%**	**35%**	**65%**	**100%**
The way that funds are being managed by the business have an impact on the procedures being followed in the business?	0	12	0	18	7	37
	0%	**32%**	**0%**	**49%**	**19%**	**100%**
Fund management is a function that senior and executive management have to take responsibility for?	0	7	5	21	4	37
	0%	**19%**	**14%**	**57%**	**11%**	**100%**
Fund management can have a material impact on the sustainability of a business?	0	0	4	18	15	37
	0%	**0%**	**11%**	**49%**	**41%**	**100%**
Fund management is a process that is monitored and managed with ease?	7	25	4	1	0	37
	19%	**68%**	**11%**	**3%**	**0%**	**100%**
Effective fund management has no impact a business' liquid assets?	6	19	11	1	0	37
	16%	**51%**	**30%**	**3%**	**0%**	**100%**
Effective fund management has no impact on a business ability to trade effectively?	8	22	6	1	0	37
	22%	**59%**	**16%**	**3%**	**0%**	**100%**
Fund management is one of the most important functions / models being followed in business?	0	0	3	20	14	37
	0%	**0%**	**8%**	**54%**	**38%**	**100%**
According to me, fund management should be one of the first priorities of any business?	0	0	4	16	17	37
	0%	**0%**	**11%**	**43%**	**46%**	**100%**
In general, a family business operations, controls and management is exactly the same as a non-family business?	10	12	4	10	1	37
	27%	**32%**	**11%**	**27%**	**3%**	**100%**
Our business is recognised and seen as a family business?	0	0	0	24	13	37
	0%	**0%**	**0%**	**65%**	**35%**	**100%**
Our business is controlled /owned by family members?	0	0	14	18	5	37
	0%	**0%**	**38%**	**49%**	**14%**	**100%**
In our business, the business operations and management is exactly the same as a non-family business?	11	12	3	11	0	37
	30%	**32%**	**8%**	**30%**	**0%**	**100%**
Non-family members that are part of senior and executive management have a material impact on the procedures being followed for fund management?	0	10	16	11	0	37
	0%	**27%**	**43%**	**30%**	**0%**	**100%**
Our business has effective fund management procedures and strategies in place?	0	20	8	6	3	37
	0%	**54%**	**22%**	**16%**	**8%**	**100%**
It is easy to govern procedures / models / controls in family businesses?	8	13	8	4	4	37
	22%	**35%**	**22%**	**11%**	**11%**	**100%**
I have knowledge or a good understanding of South African Companies Act, 2011	0	13	15	9	0	37
	0%	**35%**	**41%**	**24%**	**0%**	**100%**

I have knowledge or a good understanding of King III, Corporate Governance	0	23	6	8	0	37
	0%	62%	16%	22%	0%	100%
I have knowledge or a good understanding of Generally accepted accounting principles (GAAP)	14	16	3	4	0	37
	38%	43%	8%	11%	0%	100%
I have knowledge or a good understanding of International financial reporting standards (IFRS)	14	15	3	5	0	37
	38%	41%	8%	14%	0%	100%
I have knowledge or a good understanding of Quality management systems	13	15	3	4	2	37
	35%	41%	8%	11%	5%	100%
Law, legislation and being registered to certain bodies can have a material impact on procedures being followed in business?	0	0	8	20	9	37
	0%	0%	22%	54%	24%	100%
Law, legislation and being registered to certain bodies can have a material impact on fund management in business?	0	0	10	20	7	37
	0%	0%	27%	54%	19%	100%
In our business we adhere to set Law, legislation and we are registered to certain bodies?	0	16	9	12	0	37
	0%	43%	24%	32%	0%	100%
In our business set Law, legislation and quality management systems are not part our fund management model?	0	5	10	20	2	37
	0%	14%	27%	54%	5%	100%
Our business has an effective fund management framework?	0	25	4	5	3	37
	0%	68%	11%	14%	8%	100%
All senior and executive management play an integral part of the framework?	0	14	12	11	0	37
	0%	38%	32%	30%	0%	100%
Businesses do not have to integrate set Law, legislation and quality management systems as part their fund management framework?	8	22	5	2		37
	22%	59%	14%	5%	0%	100%

From the above evident findings, the following confirmations and conclusions can be drawn:

- Funds and fund management are seen one of the most valuable assets and most important models of any organisation.
- Fund management:
  - has an impact on the general procedures and practices followed in a business;
  - is a function that has to be driven as part of a top-down structure where senior and executive management have to take the responsibility and is a function that should be prioritised;
  - has a material impact on the sustainability of a business as 90% of the participants agreed to the statement, and 41% of the 90% strongly agreed; and

  - o has an impact on a business's liquid assets.

- FB operations, procedures, controls and management are not the same as in non-family businesses.
- It was confirmed by 54% of all participants that they do not have an efficient fund management strategy and procedures in place. 22% of the participants chose to stay neutral in the question.
- It is not an easy function to govern procedures/models/controls in family businesses.
- Participants in the study confirmed that they had knowledge of set law, legislation and quality management systems, but their detailed knowledge of the mentioned was limited.
- It was confirmed by 78% of the participants that law, legislation and quality management systems could have a material impact on procedures followed in business.
- It was confirmed by 73% of the participants that law, legislation and being registered with certain bodies could have a material impact on fund management in business.
- It was confirmed by 59% of the participants that law, legislation and quality management systems did not form part their fund management model. 27% of the participants chose to stay neutral in the question.
- FBs do not have an effective fund management framework in place.
- Businesses have to integrate set law, legislation and quality management systems as part their fund management framework.

The main aim of the questionnaires was to get a clear indication signifying whether proper fund management were in place and whether these procedures had a direct impact on the financial sustainability of the FBs. From the findings above it is evident that proper fund management is not in place and fund management has a direct impact on the financial sustainability of FBs.

It is therefore recommended that a model fund-management framework be constructed that can be implemented and maintained by FBs. The framework has to include a structure that is driven as part of a top-down management structure where senior and executive management have to take the responsibility. The framework has to be governed by including law, legislation and quality management systems as part of the framework.

This will increase the probability of a more sustainable financial environment and business.

4.2.2 Qualitative research data findings

Phase two of the research included a qualitative research design where interviews were held with participants. The process was divided into personal and focus group interviews held with the participants.

Please refer to Appendix 2 for the detailed Qualitative research questionnaire.

From the ten FBs selected that participated in the study, only three were of the opinion that their fund management practices and framework were on a standard that had a definite positive impact on their companies' sustainability.

The data findings of phase two of the qualitative research will be discussed in two main sections. This will include the similarities and differences found in the fund management practices and models between the FBs, with sub-sections with more detailed explanations of the findings.

4.2.2.1 Similarities in family businesses' fund management practices and models

It was very evident in both the individual and focus group interviews that the participants perceived:

> Effective fund management forms the heart of the business. Sales and marketing is the muscle of the business, but the muscle cannot grow

> without the blood flowing through it and fund management is the heart that keeps the business alive.

This indicates that the importance of effective fund management cannot be measured when it relates to business and business practices. Three FBs stated:

> Without effective fund management practice being followed, you can generate all the profit in the world, but without the funds and cash in the bank to show for it, the business is not sustainable and even worth being in business anymore.

Six FBs stated:

> Fund management practices are followed in their respective businesses, but there is a vast difference in the procedures followed when compared to companies in a more corporate environment. It has definite specific advantages when funds have to be managed in a typical FB environment when you are part of the family members in the business, but there is also a definite disadvantage to the practices being followed. Fund management in a FB environment remains a difficult task.

The detail will be discussed in paragraph 4.2.2.2 below.

Budgets and financial forecasting

It was very noticeable during the focus group interview phases that all participants recognised the importance of budgets and financial forecasting. The majority pointed out:

> Fund management in FBs, budgets and financial forecasting work hand in hand and cannot be separated into different procedures. The budgets drawn up and approved every quarter/year, give a very good indication of how the funds will flow to and from the business for the specified period. This enables the FB to exercise effective fund and financial forecasting for the twelve months to follow that forms a very important part of fund management in FBs.

It was also mentioned in the interviews that they all agreed that budgets and financial forecasting were part of their fund management framework, but not all relevant staff that formed part of the fund management framework on a day-to-day basis was asked to participate in the budget and forecasting process. Only senior executives and family members took part in the process.

Regular cash-flow reporting

Cash flow reporting is part of eight FBs fund management practices, where the movement in funds is illustrated in a document on regular intervals. Seven of the FBs report on the movement in funds on a weekly, monthly and quarterly basis.

Very apparent in the focus group interviews, the norm of the cash flow for the FBs are reporting the funds available at the beginning of a period, adding the revenue to be received as an inflow, deducting the operational and overhead costs to be incurred, giving the net inflow/outflow of funds for the period reported.

Only two FBs took cognisance of the movement of assets and liabilities in their cash flow reporting. It was stated by the two FBs:

> It can have a material impact on the increased risk of effective fund management as the following is left out when ignoring the movement of assets and liabilities in cash flow reporting:
>
> - Purchase of fixed assets for example property, plant, equipment
> - Increase in loans payable/receivable to/from financial institutions
> - Increase in loans payable/receivable to/from shareholders
> - Increase in loans payable/receivable to/from related parties
> - Increase/decrease in trade payables and trade payable days
> - Increase/decrease in trade receivables and trade receivable days
> - Increase/decrease in tax payable”

Fund management software

All ten FBs use specific software in their businesses to capture all data that form the basis of their reporting structure from a financial, operational, production and logistical view. Some of the software includes:

- Pastel Partner
- Pastel Evolution
- Quickbooks
- Buildsmart
- CCS-Candy software
- MDA property manager
- Propworx
- Omni Accounts Accounting Software

The majority of the participants mentioned and agreed in both the personal and focus group interviews that:

> “The software assists to ensure that reporting and specifically financial reporting can be done that enables them to track where the business is to date for a specified period in terms of revenue, gross profit, operational costs, overhead costs and net profit”.

The software, however, does not support fund management and their fund management practices that well.

Microsoft Excel is primarily used as cash flow and fund-management software for reporting and forecast purposes. They will have to investigate and do research to find specific fund management software that could assist in their fund management operations and ultimately be included in their framework.

Adherence to company laws and regulation

All the FBs participating in the study in both the personal and focus group interviews confirmed that they were registered South African companies that had to comply with the laws and regulation as set out in the South African Companies Act, 2011.

It became very apparent during the interviews that all participants had heard of:

- King III, Corporate Governance
- International financial reporting standards (IFRS)
- Quality management systems

Three of the FBs, with reference to specific executive personnel employed at the FBs, including the Chief Compliance Officer, Company Secretary, Legal officer, Chief Financial Officer, Financial Director and Chairman of the audit committee, confirmed:

> They had extensive knowledge of King III, IFRS and quality management systems and the influence it had or could have on the fund management practices in FBs.

They further confirmed that they complied with the requirements set out by these laws and regulation; it formed part of their fund management framework and it had a definite positive impact on the fund management practices followed in the FBs.

The majority of the executives and directors employed at the FBs confirmed:

> They complied with the laws and regulation as set out by the South African Companies Act, 2011, but they do not have good knowledge of King III, IFRS and Quality management systems and what influence it had/could have on the fund management practices in FBs.

The directors of six of the FBs acknowledged that:

> They know what their fiduciary rights and responsibilities as directors of the companies are, but they had no idea what specific acts in the company law apply to fund management and the influence these acts have on the fund management of a company.

The differences found in the interview phases that relate to laws and regulation with reference to fund management will be discussed in paragraph 4.2.2.2 below.

4.2.2.2 Differences found in fund management practices and frameworks

Feedback and discussion on cash flow reporting

With reference to paragraph 4.2.2.1 above, it is evident that the majority of the FBs participating in the study report on the cash flow of a business, which relates to fund management practices in business. However, it was confirmed in the focus group interviews that only three of the FBs' executives gave feedback on the reports submitted and had a formal meeting on the cash flow reports where the movements and variances were discussed in detail.

The three FBs mentioned above confirmed that the following were priority points of their cash-flow feedback and discussions, which formed an integral part of their fund management framework:

- Cash flow feedback and discussions take place on regular intervals. A formal meeting is set once every two weeks with a maximum interval of one month between meetings.
- A formal feedback session is held between all employees that have an input in the compilation of the cash flow report to ensure the validity and accuracy of the report.
- A formal discussion session is held afterwards between all the executives and family members of the FB where the movement, approval of the transactions occurred and statutory requirements are discussed and formulated.
- The discussion session is done strictly by taking the requirements of King III and the South African Companies Act into consideration and talking very openly about all transactions and movements that occurred.

Top-down management support and guidance

During the focus group interview phases, it became apparent that the three FBs, who were of the opinion that they had effective fund management practices in place and used a top-down management system. The fund management process is driven from the top organisational structure, which includes the executives of the FBs through to each department, where support and guidance are given by them to every staff member employed and working with the funds of the business.

They make it a priority that all fund management practices and procedures implemented or maintained are communicated through the right channels and organisational structure to ensure that every staff member is made aware of it and understand the process.

The executives driving the process of fund management see themselves as the influential mentors and role models of the process of implementation or change. It is such an important process in any business that they take the responsibility and accountability in ensuring that all staff gets their buy-in into the processes right from the start. With this form of management structure, they believe that the chances are much better in succeeding with a smooth implementation/transition, than for them not to be part of the process at all or not, including all staff that has an influence in the fund management practices of the FB.

The majority of the FBs stated:

> They did not follow a top-down management system, specifically when it related to fund management of the business.

It was specifically stated in the personal interviews that any new procedures or maintenance done to current practices was strictly handled and monitored by the executives and, more often, family members of the business. The responsibility lies with the staff working with the funds on a day-to-day basis as they get all the questions and queries that relate to funds and fund management, but they have no input in the practices that are followed or maintained.

It was also stated that it increases the risk of the prescribed officers responsible for reporting on the cash flow and fund management, as they had to take the responsibility and accountability but they could not control the procedures.

Adherence to company laws and regulation

As mentioned in 4.2.2.1 above, three of the FBs confirmed that:

> They had extensive knowledge of King III, IFRS and quality management systems and what influence it had/could have on the fund management practices in FBs.

They further confirmed that they did comply with the requirements set out by these laws and regulation. It formed part of their fund management framework and it a definite, positive impact on the fund management practices followed in the FBs.

Considering this, seven of the FBs confirmed that:

> They comply with the laws and regulations as set out by the South African Companies Act, 2011, but they do not have good knowledge of King III, IFRS and quality management systems and what influence it has or could have on the fund management practices in FBs.

A comparison was made between what the three FBs with efficient fund management practices and framework procedures regarded as priorities in the law and regulation pertaining to fund management, and the seven FBs that did not know exactly what influence these laws and regulation had on fund management in business. The differences found will be listed below with the details, explaining which laws and regulation are priority and implemented by the three FBs, compared to the seven who did not implement them:

i) Establishment of an audit committee

It became evident that the FBs agreed to what the roles and responsibilities of the audit committee were when confirmed:

> The audit committee is an independent statutory committee appointed by the board for the review of the financial information and preparation of accurate financial reporting. The audit committee carries out its functions through discussions with executive management and internal and external audit.

Other functions performed by the audit committee are the safeguarding of the assets and controls, reviewing the findings of the risk management function, providing oversight of the company's ethics, and regulatory compliance.

It was further confirmed:

> This forms an integral part of the reporting done by the FBs ensuring the validity, accuracy and completeness of the reporting disclosed and presented to the shareholders and directors of the company. The committee is completely independent, thus indicating that the functions of the committee are not aligned with the personal goals, motives and to the personal benefit of the family members and shareholders of the FBs.

The committee is a requirement of King III to ensure a balanced view of the financial statements, accounting practices, internal financial control, overseeing financial risk management and control, as well as sustainability through managing the integrity of the FB.

ii) Compliance with Section 45 of the Companies Act

Section 45 of the Companies Act refers to financial assistance given to directors, members and prescribed officers of the company, inter-related and related companies.

The three FBs confirmed that they were very strict on providing any funds or financial assistance to such parties, as all assistance first had to be approved by the board of directors with a resolution adopted by the shareholders, as set out in the company’s memorandum of incorporation. By complying with this Section of the Companies Act, the shareholders are protected from directors who abuse their position in the company by placing the company’s assets and cash flow at risk by directly or indirectly benefiting the directors, shareholders and prescribed officers of the business instead of using the assistance for normal commercial purposes.

It was an additional requirement of the three FBs’ memorandum of incorporation that, before such financial assistance could be approved by the directors and shareholders, the company’s solvency and liquidity tests first had to be applied.

This had to be done to ensure that the assistance was fair and reasonable to the company; that the company would still be in a financial position to settle their short-term debt for the next twelve months to come; and that the company's assets exceeded its liabilities.

This ultimately ensures that no funds are transferred by the FB to provide financial assistance without prior approval by the board and the shareholders, a very important part of any FB's fund management framework.

iii) Adherence to the clauses as set out by the company's memorandum of incorporation (MOI)

It became very evident that the three FBs' MOI were drafted and approved in such a way as to protect the business from fund mismanagement. The following was also confirmed:

> Their approved board charters and delegation of authority are aligned with their MOI to ensure that the risk of fund mismanagement is addressed.

It was further stated:

> All financial transactions that have to be processed and are above a specific minimum amount as contained in the approved board charters and delegation of authority have to be approved by the board and shareholders by adopting a resolution or special resolution. This ensures that funds cannot leave the business or be used for something that is not commercially related without prior approval by the board and shareholders.

For example, if a request is made for funds to be transferred that is below a specific amount but not commercially related, the transaction has to be approved by adopting a resolution whereby 50% of the shareholders have to vote in favour of the transaction. If, for example, the request is made for an amount that is above the minimum set amount and not commercially related, the transaction has to be approved by a minimum vote of 75% of the shareholders by adopting a special resolution as set out by the company's MOI.

Seven of the FBs do not make use of board charters, delegation of authority and utilising clauses, as set out by their MOIs to enhance fund management practices in their businesses.

iv) Confirmation of shareholder and related party loan balances on a monthly basis

It was stated by four of the FBs during both the personal and focus group interviews that:

> It is implemented as standard fund management practice that all shareholder and related-party loans be confirmed on a monthly basis by signing a loan certificate on behalf of the FB and on behalf of the shareholder/related party who obtained the loan from the FB.

These loan confirmations are communicated to the directors and shareholders of the FB through the monthly financial management reporting that is distributed.

This practice enables all directors and independent shareholders to see exactly which funds have been withdrawn by the shareholders and related parties and through reconciling those transactions with the resolutions approved, it can be seen what unauthorised transactions were processed to the benefit of the directors, shareholders and prescribed officers of the business or related party involved. It keeps the communication open and honest between all related stakeholders in the FB, which is of great value to any fund management framework and business.

v) Complying with International Financial Reporting Standards (IFRS) reporting

It was confirmed by three individual financial executives of the FBs during the personal interviews that to enhance the communication and trust between all stakeholders, they comply with IFRS reporting in their quarterly, bi-annual and annual financial reporting to the executives and shareholders.

It is not required by company law to do IFRS reporting when draft or interim financial reporting is done, but annual financial statements have to comply with IFRS reporting.

It was further stated that these FBs deliberately reported their quarterly and biannual financial management statements in this format to ensure that they comply with their fund management practices and framework. As an added advantage, IFRS reporting was done to ensure increased internal control, leading to financial reporting that was done free from material misstatements, whether due to fraud or error.

The financial executives of the three FBs further confirmed that IFRS reporting included the following reporting sections, which increased the value and effectiveness of fund management practices and reporting:

- Dividends
- Going concern
- Statement of Cash Flows
- Financial instruments
- Loans to (from) group companies
- Loans to shareholders, directors, managers and employees
- Fellow subsidiaries and other related parties
- Taxation
- Amounts included in Trade receivable regarding related parties
- Amounts included in Trade Payable regarding related parties
- Compensation to directors and other key management
- Risk management

vi) Adherence to compliance management systems

As indicated in Chapter 2 of this study (2.4.4), quality management and environmental management systems are business practices with its focus on aspects of quality management.

The quality management principles are based on strong motivation and the implication to management principles, customer focus and continual improvement of systems and procedures (Lazarte, 2013). According to a study done by Tarí, Molina-Azorín and Heras (2012) it was found that in several performance dimensions great benefits have been identified which can be classified into the following categories:

- Improved relationships with authorities and other stakeholders
- Improvements in employee results (motivation, satisfaction, teams, communication, knowledge)
- Improvement in systematisation (improved documentation, work procedures, clarity of work and improvement in responsibilities)

It was confirmed and made very clear by four of the FBs during the focus group interviews that:

> Although the implemented compliance management systems are mainly implemented to drive the process and activities of delivering improved quality products to customers, the system is also one of the main drivers behind fund management practices in their FBs.

A fund management internal control system has been written and implemented into the day-to-day operations of the business that is monitored and reported on by the ISO9001 & ISO14001 system in their monthly compliance management meetings. The system tracks whether the fund management procedures are followed and implemented as set out in their fund management framework.

It was further stated:

> The big advantage of this internal control system is that fund management procedures are monitored and reported on by an independent compliance department with the assistance of the internal

audit department of the business. There is a monthly report compiled by the compliance and internal audit department that is presented to the executives and audit committee on a quarterly basis to ensure compliance with the fund management practices.

This process ensures that there is an improved relationship and trust between all stakeholders, better communication and motivation of all relevant staff and improved documentation, workflow procedures, clarity of work and improvement in individuals' responsibilities and productivity.

Formulation of clear and shared goals

During the interviews with the executives and family members it was evident that all of them agreed that a definite improvement would be to set clear and shared goals and objectives per department that had a mutually desired end result. All departments should have as main aim a managerial approach driven by every head of department in achieving "sustainable and effective fund management practices".

The main problem identified by all was that every department has different set goals and objectives that take their focus away from fund management in their specific department:

- The operations department focuses on delivering a quality project in time
- The sales and marketing department focuses on generating turnover for the business
- The logistics department focuses on maintenance programmes and delivering a product on time

An incorrect assumption was made by the majority of the heads of departments that the finance department was ultimately the driver and the responsible department in control of fund management.

It was stated in a corrective statement by some of the executive members:

> Just because you work with money every day does not mean that you are in control of the reserve bank.

According to this, finance is not the only department that has a great influence in the practices of fund management. It was further stated that:

> Every department has a direct or indirect role to play in fund management practices of the FB.

If all departments understand what their responsibilities are, with a common, shared goal and objective in terms of fund management, the implemented framework will be a great success in every FB.

Recruitment of competent staff

It was very evident during both the personal and focus group interview phases that the recruitment of competent staff had a material impact on the effectiveness of fund management practices. It was confirmed that:

> Fund management practices have to be driven as part of a top-down management system but, even more important, the process has to be enforced by staff with the right background, experience and knowledge.

Four key positions that form the backbone of a fund management framework to be implemented and maintained were identified with required expertise during the focus group interviews:

- Chief Financial Officer
  - Sound financial experience and background
  - Good knowledge of IFRS
  - Good knowledge of King III and the company's act
  - Team leader

- Chief Compliance Officer
  - Good knowledge of King III and the company's act
  - Very good knowledge of labour relations and human resources
  - Good knowledge of compliance systems
  - Must have financial knowledge
- Chief Executive Officer
  - Good financial knowledge
  - Knowledge of King III
  - Knowledge of compliance systems
  - Team leader
- Company Secretary
  - Very good knowledge of King III and the company's act
  - Good knowledge of compliance systems
  - Good human resources knowledge/experience

To ensure that suitable candidates are identified and appointed, FBs compile a job profile with key performance indicators for every position that need to be filled for the staff part of the fund management framework. The job profile and key performance indicators are identified through the goals set for fund management according to their practices. A thorough background check is done on every shortlisted candidate by confirming their qualifications obtained and getting a detailed reference from previous employers as set out in their curriculum vitae.

> Induction courses are held with all newly appointed staff to ensure they understand the business, their responsibilities and expectations from the business department. It is a process that takes a bit longer than usual when appointing an employee, but saves a lot of time and money in the long term, as processes and practices are driven and followed as approved and communicated to all staff.

Training, education and motivation of staff

Respondents from two of the FBs stressed the fact specifically during the personal interviews that it is critical to provide employees with the necessary training when new procedures, processes or software are implemented. The main concern raised was the fact that the employees should be trained but, even more important, they should be educated in terms of the rationale behind the changing environment to ensure that one gets the buy-in of all members involved. It was also stated that regular workshops were held where the skills of the members of staff were refreshed and new changes to legislation and practices were communicated to them to ensure that they were fully equipped with regard to business planning and reporting.

The last item that was identified was the importance of motivating the staff regularly. This could be done by completing performance appraisals of the staff on a quarterly basis and rewarding them for good performance. The rewards could be given in the form of a cash bonus, an increase in monthly salary or extra leave days credited to their existing leave days due.

4.3 CONCLUSION

This chapter inspected the various fund management practices followed and what differences there were between the FBs' fund management practices and frameworks.

It was very clear from the quantitative research phase that proper fund management practices were not in place and fund management had a direct impact on the financial sustainability of FBs.

The qualitative research also pointed out that there were vast differences between the fund management practices and frameworks, especially between the FBs who were of the opinion that they had an effective fund management framework in place that were followed and the other FBs who confirmed that their fund management framework needed to be revised and improved.

Chapter 5 of the study will aim to provide recommendations on what constitutes a fund management managerial framework and how to implement it. The chapter will also serve as a conclusion and briefly touch on all the important aspects of the study.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The main aim of this chapter is to analyse the results and findings of the previous chapters, based on and taking into consideration the research objectives set out in Chapter 1 of the study. The objectives will be discussed briefly, together with the applicable findings and recommendations.

5.2 OBJECTIVES

5.2.1 Primary objective

The primary objective of this study is to identify which fund management practices FBs comply with and what influence the implemented fund management practices have on the financial sustainability of FBs.

5.2.2 Secondary objective

The secondary objectives set for this research were:

- To review the importance of an effective fund management approach critically
- To explore what constitutes sound fund management practices
- To provide an overview of the directives/guidelines for fund management in FBs
- To explore financial procedural models and practices used in FBs
- To review the general trends in family business registered companies in adhering to set laws and regulation
- To construct a framework for fund management based on past experience, legislation and quality management systems contributing to the success in FBs

5.3 FINDINGS

This section will focus on discussing the findings of the study that are linked to the primary and secondary objectives and providing recommendations for a model fund-management framework. The secondary objectives and recommendations will primarily unpack the implications of a FB fund management culture to ensure the development of an efficient fund management framework for FBs.

5.3.1 Findings and recommendations linked to primary objective

Chapter 2 of the study focused on the functioning and impact of fund management as a business practice, where specific regulation, guidelines and management systems were implemented and maintained. It also investigated at how fund management can improve a business's resources, sustainability, improved productivity and what influence it had on the environment.

An analysis was done indicating the various benefits that organisations, specifically FBs, could enjoy when best fund management practices are followed through the implementation of regulation, guidelines and management systems. Focus was also placed on the disadvantages and challenges that FBs face that increase the risk of inadequate and ineffective systems and controls related to fund management.

Guidance was given on the formulation of a fund management managerial framework that could be used to implement new systems, procedures and develop internal controls through the adherence to specific regulation, guidelines and management systems.

Chapter 4 inspected the various fund management practices followed by FBs and the differences between the business's fund management practices.

It was found that fund management improves a business's resources, sustainability, improves productivity and has a positive impact on the environment. FBs enjoy various benefits when best fund management practices are followed through the implementation of regulation, guidelines and management systems. It was also found that proper fund management practices are not in place and fund management has a direct impact on the financial sustainability of FBs. Vast differences were found between the fund management practices of the FBs, which that had a confirmed impact on the sustainability of the FBs.

It is recommended that a model fund-management framework is constructed that could be implemented and used in FBs to ensure increased sustainability through adequate and effective systems and controls related to fund management. It is further recommended that best fund management practices are implemented by making regulation, guidelines and management systems part of the fund management framework. This model fund-management framework must be presented and discussed with the FBs that participated in the study to increase the probability of financial sustainability in the FBs.

5.3.2 Findings and recommendations linked to secondary objectives

5.3.2.1 The importance of an effective fund management approach; what constitutes sound fund management practices

The main purpose of paragraph 2.2 of the study was to conceptualise fund management to ensure best practice and increase the probability of sustainability and growth in FBs. The importance of fund management, linked to sustainability, was defined and described in 2.2.1 and 2.2.2 of the study.

It was found that by adhering to set laws, regulation and compliance management systems, the probability of sustainability and growth in business is increased. It was found that adherence to the following regulatory practices constituted principles of sound fund management:

- South African Companies Act, 2011
- King III, Corporate Governance
- GAAP
- IFRS
- Quality management systems

It is recommended that these laws, regulation and guidelines form part of the final suggested fund management framework to be constructed and implemented by FBs. It is further recommended that these laws, regulation and guidelines be prioritised by FBs by increasing their knowledge of it, specifically the clauses that have a direct impact on fund management. This knowledge has to be passed on to the rest of the employees that form part of the fund management framework through following a top-down management structure, workshops and training sessions.

5.3.2.2 Directives/guidelines for fund management in FBs

Chapter 2.4 of the study set out the directives/guidelines and measures for fund management that FBs can implement that empower a significant opportunity for businesses to embrace their implemented fund management principles.

Regulation and guidelines that give businesses the opportunity to report to the stakeholders on recommended practices and what impact it had on the management and sustainability of the business by discussing the following in detail were emphasised:

- South African Companies Act
- King III, Corporate Governance
- IFRS
- Quality management systems – ISO9001 & ISO14001

It was found that the owners, shareholders, stakeholders and employees could be influenced positively through the following practices of fund management, regulation, guidelines and management systems. It was found that by adhering to set laws, regulation and compliance management systems, the probability of sustainability and growth in business is increased.

It is again recommended that these laws, regulation and guidelines form part of the final suggested fund management framework to be constructed and implemented by FBs. These laws, regulation and guidelines must be prioritised by FBs by increasing their knowledge of it, specifically the clauses that have a direct impact on fund management. This knowledge has to be passed on to the rest of the employees that form part of the fund management framework through workshops and training sessions.

5.3.2.3 The use of financial procedural models and practices in FBs

In Chapter 2.3 of the study, the FB culture relating to fund management and general practices was discussed. The background, past research done and the disadvantages and challenges that FBs face in implementing and maintaining financial systems and controls were emphasised.

The following was found:

- FBs have a very low success rate and the lack of, or non-existence of proper governance and fund management have a significant influence on the financial sustainability of the businesses. It was also confirmed that it leads to the businesses financial and material resources not being put to proper use
- With a lack of financial systems and controls, the possibility increases that it will have a negative impact on the sustainability of FBs.
- FBs have a very low success rate with the lack of proper fund management and governance being some of the main contributing factors.
- Without proper fund management and governance, FBs are increasingly at risk, posing a significant threat to an industry that plays a major role in the SOUTH AFRICAN economy.
- Investors rate corporate governance more important today than three years ago and this will become even more important in the years to come, specifically relating to FBs.
- As a rule, governance-related policies and procedures are informal in FBs. Too much reliance is placed on specific key individuals rather, than relying on the documented structures and processes.

In Chapter 4.2.1 and 4.2.2 of the study, the financial procedural models and practices that FBs use were discussed. It was found that proper fund management practices were not in place in all FBs and fund management had a direct impact on the financial sustainability of FBs.

The research also pointed out that there were vast differences between the fund management practices and frameworks of the participating FBs. It was found that:

- There is not regular feedback and discussions that relates to cash flow reporting between the employees, management and stakeholders.
- A top-down management structure is not followed to give support and guidance from the executives, down to employee level.
- Company laws and regulation are adhered to, but only limited clauses and guidelines are followed as the executives and employees have very limited knowledge of the direct impact these laws and regulation have on fund management practices in FBs. The implemented laws and regulation in the FBs with efficient fund management practices in place have a positive impact on the financial sustainability and success of the businesses.
- Clear and shared fund management goals are not set by all FBs and departments. Every department has different set goals and objectives that take their focus away from fund management in their specific department.
- Competent staff members that have good knowledge of fund management and fund management practices are not recruited.
- Employees are not trained, educated and motivated with regard to fund management practices.

It is recommended that all the above findings form part of the model fund-management framework to be constructed to ensure a complete, operational and efficient framework for FBs. It is further recommended that the importance of fund management, fund management practices, governance and the impact that law, regulation and guidelines have on the financial management framework and sustainability of businesses be discussed with the FBs that participated in the study.

5.3.2.4 The general trends in family business registered companies in adhering to set laws and regulation

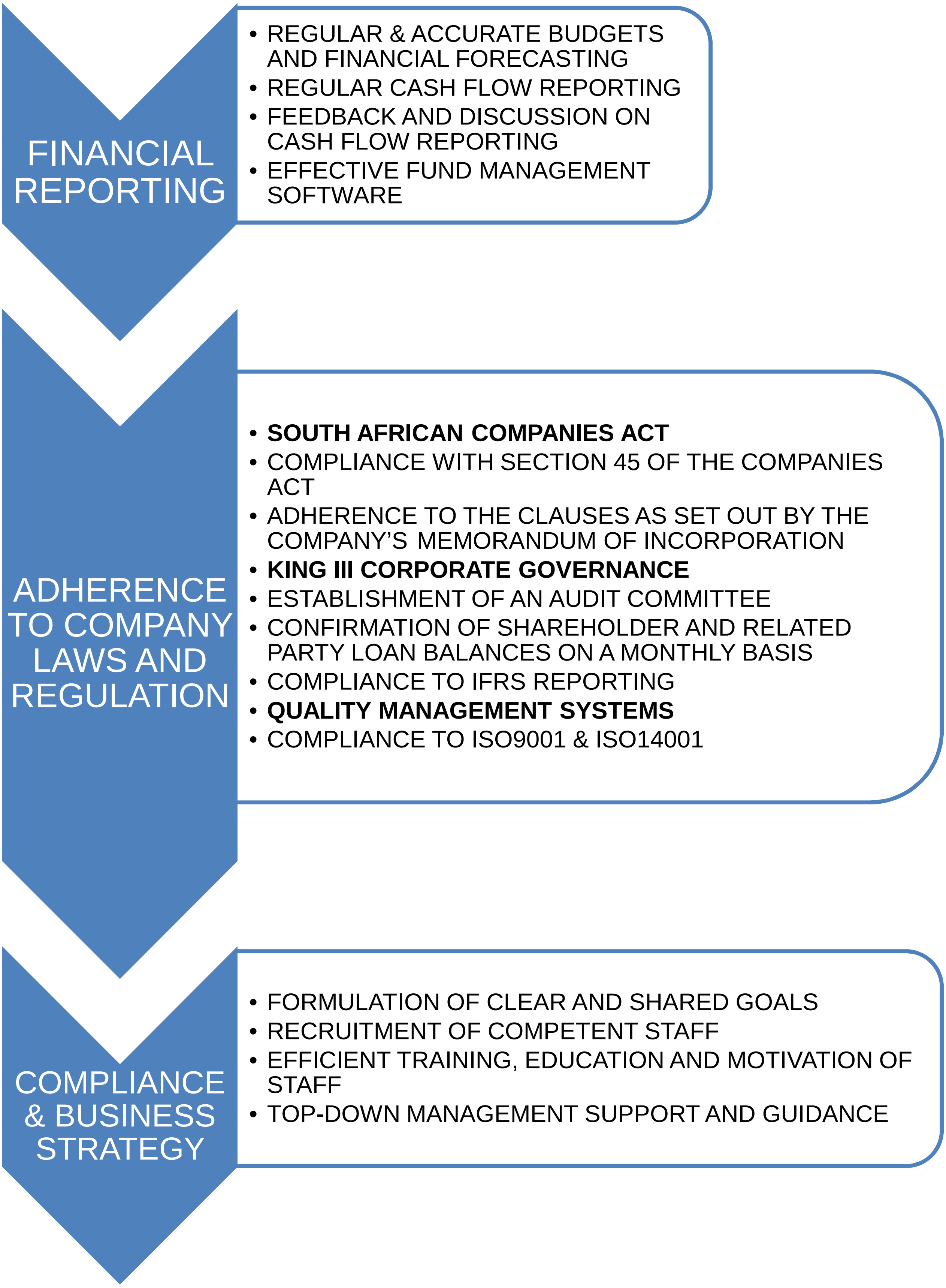
In Chapter 4.2.2.4 of the study the FBs' trends in adherence to company laws and regulation were discussed. It was found that the majority of the FBs do comply with parts of the South African Companies Act, but they do not have good knowledge of King III, IFRS and quality management systems, as well as how it could have an impact on the fund management of a business.

It was found that the majority of the FBs did not comply with many of the requirements as set out by the law and regulation. It is recommended that the laws and regulation as discussed in paragraph 2.4 and 4.2 of the study are included in the model fund-management framework to be implemented and maintained in FBs. It is further recommended that the importance of fund management, fund management practices, governance and the impact that law, regulation and guidelines have on the financial management framework and sustainability of businesses be discussed with the FBs that participated in the study.

5.3.2.5 Constructing a framework for fund management based on past experience, legislation and quality management systems contributing to the success in FBs

The purpose of Chapters 2 and 4 was to identify what fund management models and practices are recommended and actually implemented by FBs. Through these findings, a model framework for fund management framework is constructed based on experience, legislation and quality management systems that all FBs can implement and maintain and will contribute to the sustainability and success of FBs.

Figure 4: Recommended FB fund management framework



It is recommended that this model fund-management framework be implemented and used in FBs, serving as basis for fund management practices in business. The framework will assist in implementing new financial systems, procedures and develop internal controls through the adherence of specific regulation, guidelines and management systems.

5.4 RECOMMENDATION FOR FUTURE RESEARCH

Fund management in FBs have been researched and a model fund-management framework constructed to assist in the practices to be followed in FBs. It was evident from the research performed that the participants were of the opinion that FBs fund management practices, governance, controls and procedures were different, compared to non-family businesses. It is therefore recommended that an investigation into the fund management framework within non-family businesses is performed to compare to this study's results in order to enable the construction of a model fund-management framework in businesses overall.

5.5 CONCLUSION

The main purpose of this study was to evaluate fund management in FBs to enable the development of a model fund-management framework that could assist in the internal controls, practices, sustainability and ultimately success of FBs overall.

The problem statement in Chapter 1 was addressed through recognising a primary objective with related secondary objectives. The objectives were addressed and discussed during the study where the literature study and data findings could be linked to each objective set.

This study provides sufficient evidence that fund management practices in FBs are not based on one standard, approved framework. This all ultimately lead to the formulation of a model fund-management framework that can be implemented and maintained in FBs, which could assist in the internal controls, practices, sustainability and ultimately success of FBs.

In conclusion, this study can serve as a set of directives that can be followed to ensure more efficient fund management in businesses. Although this study focused on FBs, the essential issues addressed could also be implemented and used in other businesses that do not have a family culture and origin.

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APPENDIX 1

Questionnaire

	STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE
Funds / Cash is one of the most valuable assets in a business?	1	2	3	4	5
The way that funds are being managed by the business have an impact on the procedures being followed in the business?	1	2	3	4	5
Fund management is a function that senior and executive management have to take responsibility for?	1	2	3	4	5
Fund management can have a material impact on the sustainability of a business?	1	2	3	4	5
Fund management is a process that is monitored and managed with ease?	1	2	3	4	5
Effective fund management has no impact a business' liquid assets?	1	2	3	4	5
Effective fund management has no impact on a business ability to trade effectively?	1	2	3	4	5
Fund management is one of the most important functions / models being followed in business?	1	2	3	4	5
According to me, fund management should be one of the first priorities of any business?	1	2	3	4	5
In general, a family business operations, controls and management is exactly the same as a non-family business?	1	2	3	4	5
Our business is recognised and seen as a family business?	1	2	3	4	5
Our business is controlled /owned by family members?	1	2	3	4	5
In our business, the business operations and management is exactly the same as a non-family business?	1	2	3	4	5
Non-family members that are part of senior and executive management have a material impact on the procedures being followed for fund management?	1	2	3	4	5
Our business has effective fund management procedures and strategies in place?	1	2	3	4	5
It is easy to govern procedures / models / controls in family businesses?	1	2	3	4	5
I have knowledge or a good understanding of South African Companies Act, 2011	1	2	3	4	5
I have knowledge or a good understanding of King III, Corporate Governance	1	2	3	4	5
I have knowledge or a good understanding of Generally accepted accounting principles (GAAP)	1	2	3	4	5
I have knowledge or a good understanding of International financial reporting standards (IFRS)	1	2	3	4	5
I have knowledge or a good understanding of Quality management systems	1	2	3	4	5
Law, legislation and being registered to certain bodies can have a material impact on procedures being followed in business?	1	2	3	4	5
Law, legislation and being registered to certain bodies can have a material impact on fund management in business?	1	2	3	4	5
In our business we adhere to set Law, legislation and we are registered to certain bodies?	1	2	3	4	5
In our business set Law, legislation and quality management systems are not part our fund management model?	1	2	3	4	5
Our business has an effective fund management framework?	1	2	3	4	5
All senior and executive management play an integral part of the framework?	1	2	3	4	5
Businesses do not have to integrate set Law, legislation and quality management systems as part their fund management framework?	1	2	3	4	5

APPENDIX 2

Focus Group Interviews

Good day all involved. Thanks you for the opportunity that I have been given to act as moderator in this focus group interview at your business. With all of you being part of the executive management of the business, I appreciate the time that you have set aside for this interview.

My name is GM Visagie and we will take 2 minutes to introduce ourselves as we will be on a first name basis throughout the interview. With me is ________________, he/she will be the assistant moderator and primarily be responsible to take down the notes of the interview.

Our topic for discussion will have as focus fund management in family businesses. The main purpose is to identify what fund management practices, frameworks and trends are followed in family businesses to ensure effective fund management and what impact the fund management practices have on the sustainability of the business.

You as executive management and family members have been identified to participate in this interview because of your unique experience and positions in the business and you all being the main drivers of the fund management process and having a substantial influence on the practices followed.

Very important is that the interview and the comments made will be handled very confidentially and no individual names or business names will be mentioned anywhere in the study.

There are no wrong answers but rather differing points of view. Please feel free to share your point of view even if it differs from what others have said. Keep in mind that we are just as interested in negative comments as positive comments, and at times negative comments may be very helpful. You do not have to agree with others during the discussion, but you must listen respectfully as others share their views.

We ask that your turn off your phones or pagers. If you cannot and if you must respond to a telephone call, please do so as quietly as possible and re-join us as quickly as you can.

Let us start with the interview.

1) When you think about the term “fund management”, what comes to mind?

2) How would you define fund management in a business environment?

3) What are the main characteristics of fund management in a business?

4) How would you define the term “family business”?

5) What are the main characteristics of a family business?

6) Let me give you my definition of a family business – do the definitions constitute any characteristics found in your specific business?

7) Do you know that family businesses constitute up to 80% of all businesses in the country, and includes up to 50% of the companies listed on the Johannesburg Stock Exchange (JSE)?

8) Do you know that FBs in SOUTH AFRICAN have an alarming low success rate, with the lack of proper fund management one of the main contributing factors?

9) Do you think it is important to have an effective fund management approach in a business that may contribute to the success and sustainability in the business?

10) Does your business have an effective fund management approach?

11) What constitutes sound fund management practices in your business?

12) Do you think that your fund management practices differ from other businesses who are not family owned?

13) What are the general trends in your family business in adhering to set laws and regulation? For example the South African Companies Act, 2011 ;King III, Corporate Governance; Generally accepted accounting principles (GAAP); International financial reporting standards (IFRS); and Quality management systems (if registered).

14) Is there a framework being followed in your family business to ensure effective fund management?

15) Do you think that adhering to set laws and regulation can have an influence on the fund management in your business? Please give reasons

16) To summarise, do you think that your family business is practising effective fund management? Why?

17) What can your business do to enhance the effectiveness of the fund management practices followed when taking all the above into consideration?