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PROSPECTS AND CHALLENGES OF PROMINENT FAMILY-OWNED BUSINESSES: THE CASE OF TWO SUB CITIES IN ADDIS ABABA

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ABSTRACT: A family business is a business in which majority of business is controlled and managed by family members. Ethiopia is having rich and glorious history of family business. More than half of all established companies in the Ethiopia are family businesses. This distinctive group does not only dominate the Ethiopian economy, they make a large contribution to the global economy as well. Family businesses are unique. Family and business interact and provide these firms with special characteristics, which help them, outperform non-family businesses. To use this unique bundle of resources strategically and develop a competitive advantage, proper investigation is required. This study focuses on assessing the distinctive features of family business and the unique prospects and challenges facing family businesses in Addis Ababa. This research used both qualitative and quantitative research methods. The data collected through four in-depth interviews from family business owner-managers were chosen as interviewees and 110 questionnaires from two different sub cities. The most significant characteristic that separates family businesses from non-family businesses is the family's impact on the business and ownership. The findings of this research indicates that from the demographic profile it has revealed that there exists gender disproportion, low level of educational background, different experience with the same sector and most of the founder work as a manger. In addition, most of the family owned business lack a written strategy for succession plan and faces management problems. On the other hand, on the prospects, most of the business has long-term orientation, commitment and retaining good will are the major ones besides challenges dimension: emotion, succession plan and corporate governance are the main. Furthermore, the study recommended upgrading educational level of the founders of family businesses, prepare a written strategy and articulating the shared vision, goals and values of the family business, craft proper leadership and succession plan of the family owned business, formulate suitable corporate governance. Besides, the government should give much attention on family owned business sector.

Key words: Challenges, Family-Owned Business, Ownership, Prospects, Succession Plan

1. INTRODUCTION

1.1 Background of the study

Family business is the oldest and a predominant form of enterprise around the world and it is a backbone of the world's economies. In capitalist economies, most firms start with the ideas, commitment, and investment off entrepreneurial individuals and their relatives. Married couples pool their savings and run a store together. Brothers and sisters learn their parents' business. In many countries, family businesses represent more than 70 percent of the overall businesses and play a key role in the economy growth and work force employment (Gersick, 1997)

Family businesses range from small and medium-sized companies to large conglomerates that operate in multiple industries and countries. The oldest family business in the world is a Japanese one - Kongo Gumi – a construction company since the year 578 for 1400 years and 40 generations old. In addition, based on research of the Forbes 400 richest Americans, 44% of the Forbes 400 member fortunes were derived by being a member of a family business. Some of the world largest and well-known family businesses include: Samsung, Hyundai Motor, and LG Group in south Korea; BMW, and Siemens in Germany; Kikkoman, and Ito-Yokado in Japan; Salvatore Ferragamo, Benetton, and Fiat Group in Italy; L'Oréal, Carrefour Group, LVMH, and Michelin in France; Tata Group in India and Ford Motors Co. and Wal-Mart stored in United States (IFC, 2011).

When we come to here in our society, As International Finance Corporation program reported Family-Owned Businesses comprise close to 80 to 90 percent of all enterprises operating in Ethiopia. But concerns have been raised on the rate at which family-owned businesses never get to the fourth and fifth generation or very few manage to that level also most of the family businesses survives for up to 2nd generation.

There are very particular prospects and challenges of family firms in a highly competitive global economy. It is thus important for Ethiopian entrepreneurs to have an understanding of family firms in general. Family firms have to strive to be well managed as the best of their competitors. The need for a professional business approach is in fact greater in a family than in a non-family business. This would allow the entrepreneurs, and hence the economy, to create tomorrow's firms today.

1.2 Statement of the Problem

The creation, growth and longevity of family businesses are critical to the success of the global economy (Gersick, 1997). Likewise, Small and micro enterprises in Ethiopia are mostly family-run, and play a vital role in employment creation and economic development. Even though there is not that much research done in the area of family businesses. Family business research is still at an early stage, but it has undergone drastic development (Sharma, 2004). Because family owned businesses are the majority of all businesses in the world.

Heck (1999) and they have been understudied relative to other businesses (Winter, 1998). In addition, in order to transform the developing economies we have often restated the wealth of opportunities that exists on our continent and we believe that the time is right for these opportunities to be realized and capitalized on from within our own boarders and work on the challenges as well. It is also a fact that most family businesses have a very short life span beyond their founder's stage and that some 95 percent of family businesses do not survive the third generation of ownership.

You may have heard the old proverb, "**Shirtsleeves to shirtsleeves in three generations**."

The Scottish say, "The father buys, the son builds, the grandchild sells, and his son begs." In China, "Wealth never survives three generations." Around the world, there are many variations on this theme, all used to describe the tendency of the third generation of a family to squander the wealth obtained by the first generation. This is the same happened in Ethiopia too.

Especially, during the 21st century, family businesses have gotten stronger interest (Sharma, 2004). However, there is not much family business research have been conducted specifically on prospects and challenges of family business. Also in the case of Ethiopia, Addis Ababa as the authors tried to investigate there is no research work on the prospects and challenges of family business in the specific case of the two-selected sub cites for Bole and Addis Ketema, which is the major number of family businesses located. In addition, the researchers' lot of experience on family business gives a unique dimension to fill or minimize the gap by investigating the study through the theories in a different and relevant approach.

1.3 Research Questions

In order to accomplish the four main objectives for conducting this study, the following research questions are addressed.

i. What are the general and distinctive features of family businesses in the study area?
ii. What are the prospects and challenges of family businesses?
iii. What are the best practices to overcome family business challenges and to enhance its sustainable success in the case of Addis Ababa?

2. RELATED LITERATURE REVIEW

2.1 Meaning of Family Business

Family-Owned Businesses (FOBs) have an important economic presence throughout history. A key question of interest is how a FOB should be defined. Up to now a variety of definitions have been provided. A business should meet at least one of the following four criteria for it to be considered as an FOB:

- More than 50% of ownership is held by a single family.
- More than 50% of ownership is held by more than one family.
- A single family group effectively controls the business.
- A majority of senior management is drawn from the same family.

Table 2.1- Main Differences between the Average Family and Non-Family Business

	FAMILY BUSINESS	NON-FAMILY BUSINESS
CENTRE OF THE FIRM	Family /Owner(s)/	Managers
NECESSARY GOVERNANCE	Company and Family sphere	Company sphere
MAIN OBJECTIVE	Economic and non-economic	Economic
MINDSET ORIENTATION	Transfer among generations,	Sale of the business, sustainability
COMPETITIVE STRATEGY	Quality, reputation, long-term relationships	Price
ASSETS	Financial, social, cultur	Financial
COMPANY CLIMATE	Familiness, trust, cohesion,	Business goal orientation, formality,
BUSINESS ORIENTATION	Satisfaction of stakeholders	Satisfaction of owners/shareholders
MANAGEMENT STYLE	Value-driven, emotional	Facts-and-Figures-driven, rational
ALLOCATION OF PROFITS	Reinvestment into the company	Distribution among owners/ shareholders

Remark: Family and non-family businesses constitute two extreme positions in a continuum of enterprises. In practice, the major characteristics are realized in a more mixed way.

Source: Austrian Institute for SME Research

2.2 Family business characteristics

The unique characteristics of family businesses have been described with the term "familiness", which means the casual relationships between an owner family and the resources and capabilities of a business (Habbershon, 1999). Familiness makes family businesses unique and separates them from non-family businesses.

2.2.1 Family and Business System

The family firm can be divided into two systems: the family and the business (Gersick, 1997).

Table 2.2 - Differences between family and business system

Family system	Business system
Connected from birth	Joining is your own choice
For live	Temporary
Based on emotions	Based on rationality
Unconscious behavior	Conscious behavior
Rewards on the basis of equality	Rewards on the basis of accomplishments
Internally oriented	Externally oriented
Conservative	Dynamic

Source: Flören (2005)

2.2.2 Two-Circle Model

Much research on family firms is underpinned by systems theory, we are accustomed to the idea of a family business acting as a system, which may be seen as open or closed (James, 2012).

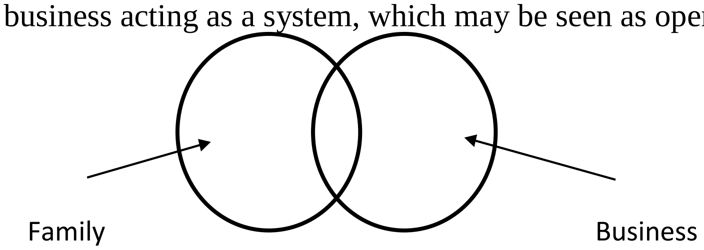

Figure 2.1: Two-Circle Model (James, 2012)

When a family owns and runs a business, however, an open systems view of family and business tends to predominate, emphasizing the interaction of the family with the business. This interaction is represented by the overlap between two circles.

2.2.3 Three-Circle Model

The Three-Circle Model represents a family business as three independent but overlapping systems: ownership system, business system and family system (Tagiuri, 1996); (Gersick, 1997); (Flören, 2005).

The three axes model or three dimension of family business a management model developed

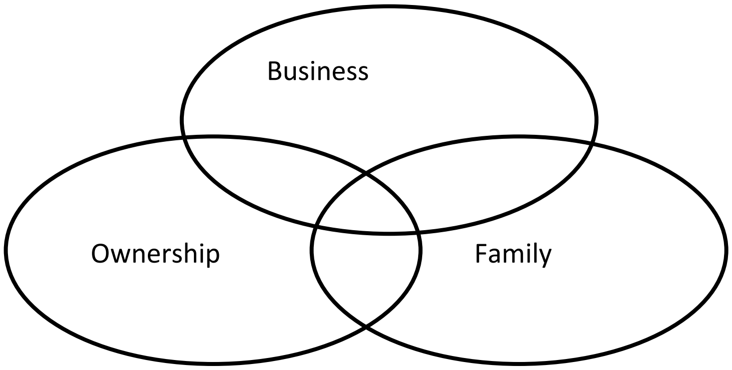

Figure 2.2: Three – Circle Model (Tagiuri, 1996)

from the three circles model (Getz, 2004). Describes family business in three connected circles as depicted as follows. The circles represent (Sucipto, 2014):

THE FAMILY SYSTEM 3 CIRCLE MODEL

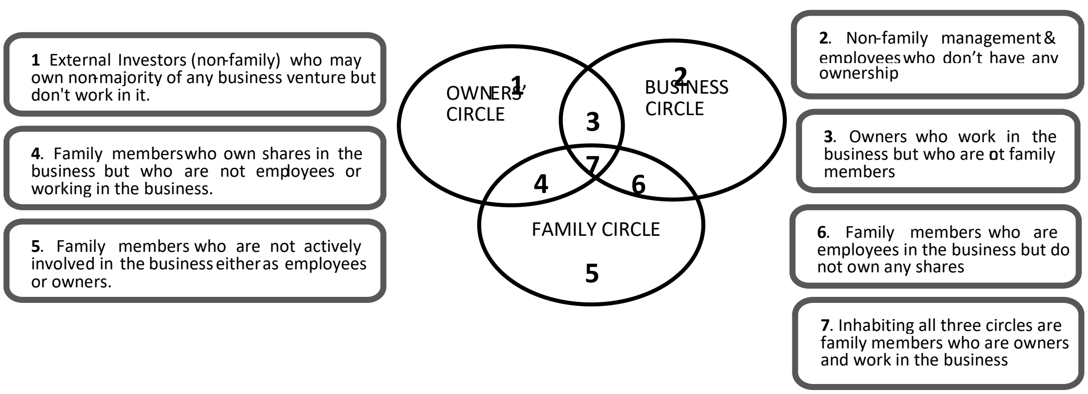

Figure 2.3: Three Dimensions Model (Tagiuri, 1996)

2.3 Family Business Life Cycle

Like living and breathing organisms, businesses have what literature refers to as an organizational lifecycle. The lifecycle concept assumes that businesses develop through a series of definable stages as they grow in terms of size, age, complexity, etc. (Greiner, 1972). The following section describes the transitional process of each dimension of ownership, family and business.

2.3.1 Ownership Dimension

Based on the evolution of ownership over time, the IMD Leading the Family Business Program has developed a "Three Stages" topology (Ward, 1987) that summarizes the family business life cycle as: Stag1.The Founder(s) Stage2.The Sibling Partnership; and Stage 3.The Cousin Confederation Stage

2.3.1.1 Stage 1: The Founder(s)

This stage is usually characterized by a strong commitment of the founder(s) to the success of their company and a relatively simple governance structure. Perhaps the most important issue that will need to be addresses during the life of the founder(s) is succession planning.

2.3.1.2 Stage 2: The Sibling Partnership

This is the stage where management and ownership have been transferred to the children of the founder(s). Some of the common challenges of the sibling partnership stage are maintaining siblings' harmony, formalizing business processes and procedures, establishing efficient communication channels between family members, and ensuring succession planning for key management positions (IFC, 2011).

2.3.1.3 Stage 3: The Cousin Confederation

At this stage, (IFC, 2011) more family members are directly or indirectly involved in the business, include children of the siblings, cousins, and in-laws. Some of the most common issues are family member employment; family shareholding rights; shareholding liquidity; dividend policy; family member role in the business; family conflict resolution; and family vision and mission.

2.3.2 Family Dimension

A family has the ability to build a close identity founded on interpersonal trust and loyalty. The Family dimension is broken down into the following stages:

Young Family Business | Entering the Business | Working Together | Passing the Baton

To manage the transitions between stages of the Family Dimension, First, developing a family council will provide the appropriate setting for educating family members, setting boundaries between business and family, and creating shared values. (Gersick, 1997).

2.3.3 Business Dimension

The Business dimension into three stages based on the growth and complexity of the business:

Start-Up | Expansion/ Formalization | Maturity

As the business transitions, the authors of the model suggest the implementation of a management development team with the purpose of developing a management plan (Gersick, 1997).

2.4 The Uniqueness of the Family Business

The unique prospects and challenges of family businesses include:

2.4.1 Family Business Prospects

Several studies have considered the differences between a family business and a non-family business. As a result, they argue that the variances provide significant benefits. The unique prospects a family business possesses are being discussed in this section.

Commitment. The ethics and behavior patterns present in a family can also be found in the working environment of the family firm (Kets de Vries, 1993).

Flexibility. To maintain a good performance and a good reputation, family members will be more flexible with dedicating extra time and money to the company, which provides them with the ability to quickly adapt to changes in the environment (Kets de Vries, 1993; Floren, 1996).

Stability. Family firms are characterized by stability in different areas: organizational structure, culture and performance (Floren, 1998).

Long-term orientation. It is therefore unattractive for family firms to go for short-term financial gains if this damages the company’s standing in the market (Kets de Vries, 1993).

Quick Decision-making. In many family businesses the decision-making authority is centralized and limited to one or two top family members (Habbershon, 1999). Bureaucracy is therefore often less present and enables decisions to be taken more quickly (Dreux, 1990; Kets de Vries, 1993; Floren, 1996).

Reliability. The stability and commitment of employees are the basis for family firms to be considered as a reliable business partner. Firms with committed employees have a lower rate in personnel turnover (Lockwood, 2007).

Human Values and Trust. Family as an owner also brings in more human values and trust they do not base their decisions only on performance and efficiency (Elo-Pärssinen, 2007).

Knowledge. Family businesses often have a unique way of working which is cherished and protected within the family. This unique tacit knowledge often found with the founder or general manager can provide family firms with a significant advantage over their competitors (Floren, 1996).

2.4.2 Family Business Challenges

Financing. Due to their private nature, family firms have a limited array of possibilities for acquiring financial capital. Several authors confirm that the lack of willingness of family businesses to attract finances from external sources is a barrier for the growth of the organization (Gallo, 1996; Uhlaner, 2003).

Emotional issues. The family system is driven by emotions while the business system is based on rationality (Flören, 2005).

Conflicts: Business conflicts can spill over into the family atmosphere and family conflicts can end up in the workplace. Rivalry between siblings for example is one of the most common conflicts in a family, which should not be underestimated (Flören, 2002).

Succession. During a succession in a family firm, not only managerial problems need to be addressed but emotional issues also arise complicating the process (Flören, 2005).

Management and Corporate Governance: A fascinating way for growing families to think about how they can structure their way of managing themselves and their businesses (Schwass, 2013).

2.5 Theories about Family Businesses

There are four theories that are usually linked to family business research:

2.5.1 Agency Theory

According to agency theory, problems arise when there is a conflict between the owner's and manager's interests (Eisenhardt, 1989a; Schulze et al., 2001)

2.5.2 Stewardship Theory

Stewardship theory is based on the long-term commitment and dedication that managers have for the organization and the collective well-being in it. According to (Kontinen, 2011).

2.5.3 Resource-Based Theory

The theory assumes that valuable, rare, inimitable and irreplaceable resources can result to sustainable competitive advantage. (Barney, 1991,

2.5.4 Social Capital Theory

Social capital theory is based on the respect towards common norms, which is created by reciprocity (Tourunen, 2009b). LaChapelle and Barnes (1998, 2) suggest that the most important success factor for family business management is trust, which is the expressive mechanism behind social capital (Tourunen, 2009a).

2.6 Empirical Review

Previous research indicated that managerial activities are related to business performance (Adams et al., 2004; Eddleston et al., 2008; Westhead & Howorth, 2006). The results of this study indicate that managers who participate in managerial activities largely perceive a higher degree of business success. Overall, managers with a higher managerial activities score perceived more business success than business managers who reported a lower score. Therefore, in terms of perceived business success, business managers might benefit from reviewing the 10 managerial activities in this study, and carefully contemplating how they can improve their overall score.

Wallace, 2010 had studied was to examine many factors associated with family-owned businesses that lead to business success and profitability. The panel data used in this study came from the 1997 and 2000 waves of the National Family Business Study (NFBS). Many independent variables from the 1997 wave (e.g., age, gender, managerial activities, business size, home-based, business problems) were tested to predict business success and profitability (dependent variables), which were variables from the 2000wave.According to previous research (Bird et al., 2001), business owner's gender has both direct and indirect effects on business success (profitability). Male business owners spent more hours at their business than did female owners, and hours spent at the business, in turn, improved small business success (profitability). The results of the present study contribute to the existing literature in terms of business managers' gender as it relates to perceived business success and business profitability. Female mangers perceived their businesses to be more successful, yet male managers experienced more business profitability and reported more business problems. According to the findings of this study, the following are a few suggestions, or items that family business managers and consultants could take into consideration when discussing issues related to perceiving family business success and/or experiencing family business profitability.

Among these, Ingalsuo (2014) has studied on how family businesses differentiate from nonfamily businesses and what are the unique challenges and opportunities facing family businesses. This research was conducted using qualitative research methods. Qualitative method was chosen because the authors wanted to gain more profound and specific data to answer the research questions. The research findings were collected through two in-depth interviews and two family business owner-managers were chosen as interviewees. The theoretical framework examines family business characteristics, theories, challenges and opportunities. This information was then applied to the interview results of family business owner-managers. The theoretical framework was gathered using well-known theories and data gained mainly from Finnish books.

The authors of this article decided to use only qualitative methods due to the fact that the timeframe and scope of this research was pre-determined and limited. If further research would be made, it could also employ quantitative methods to get results that can be better generalized. The same research could also be done with more comprehensive interviewees including several different types of family businesses to increase the reliability and validity of the research. It could also be interesting to take this research further and find out the level of significance of the different family business challenges and opportunities.

3. RESEARCH METHODS

3.1 Research Design

In this study, descriptive research design with primary objective of assessing the potential prospects and challenges of family business was employed. Descriptive research design is appropriate to answer the "how" "what", "where", and "when" questions and to describe the nature or present situation of an event or problem in detail based on opinions, attitudes or practices that are observed or measured at a given time and environment. Both Quantitative and Qualitative research approach was chosen for this research. This mixed approach seen as a better option for this particular research. Because when we see quantitative approach, it gives us the general information from much number of the respondent.

3.2 Sample size and Sampling Techniques

The target populations of this study are family-owned businesses, which is located in Addis Ababa who are engaged in different sectors. Since the population is estimated to be large, the researchers selected a sample. According to the report of the Addis Ababa Trade and Industry Development Bureau, there were 44,498 different business enterprises owners in 2010 with in the 10 sub cities. However, this number is not disaggregated into family-owned businesses and other variables. This is consistent with the situations elsewhere. The lack of up-to-date and comprehensive data on business enterprises is a universal problem, to a greater or lesser extent, throughout the world (WorldBank, 2000) and (Liedholm, 2001). It is compounded in many African countries where, largely because of lack of resources, there are few national formal data collection structures in place. Even if out of the total population 80% can show family business so, we can get roughly 35,598 family owned businesses in Addis Ababa in 10 sub cities. Specifically Lideta - 1071, Kirkos – 2140, Bole – 5944, Nifas Silk – 4761, Arada – 1848, Akaki Kaliti – 3330, Adis ketema – 3666, Kolfe Keranio – 5186, Yeka – 4319, and Gulele – 3329.

Target groups were contacted from their business premises. Before they responded to the question, the researchers verified if their businesses fall within the definition of family-owned businesses category. Moreover, samples were selected based on the researchers' capacity and sample manageability. Therefore, respondents were selected as a sample because of their direct roles and responsibilities. From all the 10 subcities, the researchers selected two of them namely Bole and Addis Ketema sub cities as 5944 and 3666 population sequentially, which is selected based on greater quantity of prominent family businesses population and researchers' location familiarity. There are various formulas for calculating the required sample size based upon whether the data collected is to be of a categorical or quantitative nature (e.g. is to estimate a proportion or a mean). These formulas require knowledge of the variance or proportion in the population and a determination as to the maximum desirable error, as well as the acceptable Type I error risk (e.g., confidence level).

The formula used for these calculations was (Morgan, 1970):

$$n = \frac{X^2 * N * P * (1-P)}{(ME^2 * (N-1)) + (X^2 * P * (1-P))}$$

Where:

n = sample size

X^2 = Chi – square for the specified confidence level at 1 degree of freedom

N = Population Size

P = population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

Therefore, the total population from Bole and Addis Ketema sub-cites is 9610 while the sample size for the questionnaire is 370. Beside, in order to get enough and valuable information out of the sample size four Owners/Managers were interviewed from the two sub-cities.

3.3 Data sources and collection methods

The source of data for the study will be both primary and secondary. The primary data was gathered by using interview, visits and distributing questionnaire for the owners, leaders or the managers of the selected organizations. While secondary data was gathered from books, journals, article reviewing, study materials, books and any written materials on family-owned businesses.
For the purpose of this study, questionnaires with both close-ended and few open-ended questions were prepared and distributed. The questionnaire has two parts. Generally, the questionnaire contains a broad range of information on family-owned business and on the prospects and challenges of the business. The Cronbach's alpha result was .970, which confirms the data collection instrument is reliable.

4. RESUTS & DISCUSSIONS

4.1 Business Profile

4.1.1 Basic information about the family business

The next table shows about the main business profile features of data, which is collected from the sample respondents in quantity and percentage. Such as type of the business, starting capital, awareness about the business, number of family member employees and establishment year of the business.
Table 4.1 shows the distribution of family firms per sector. Service giving 34%, Manufacturing 38% and Merchandise 38%. So it shows family owned businesses become obvious in all sector correspondingly.
Correspondingly, the above table 4.1 shows the respondent awareness about family owned business. In addition, 59% of them believe it is interested and 41% says challenging. Therefore, obviously at most working with family is interested but not less it is challenging too.
Furthermore, the above table 4.1 represents the age of the companies represented in the sample. The highest percentage of firms (50%) is between both 11-20 years old, 29% above 25 years, 15% between 6-10 years and 6% between 1-5 years. However, it indicating that family firms to have a relative long lifespan. In addition, it shows in the literatures that the lifecycle concept assumes that businesses develop through a series of definable stages as they grow in terms of size, age, complexity, etc.

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Table 4.1: Basic information about the family business

No.	Category	Frequency	Percentage
1	**Type of the family owned business**		
	Service giving	34	30%
	Manufacturing	38	35%
	Merchandise	38	35%
	Total	110	100%
2	**Starting Capital**		
	Below 1,000,000	47	43%
	1,000,000 – 10,000,000	20	18%
	Above 10,000,000	43	39%
	Total	110	100%
3	**Awareness about the business**		
	Interested	65	59%
	Challenging	45	41%
	Total	110	100%
4	**Number of family that works in the family business.**		
	1-5	100	91%
	5-10	10	9%
	Above 10	-	-
	Total	110	100%
5	**Establishment year of the family business**		
	1-5	7	6%
	6-10	16	15%
	11-20	55	50%
	Above 20	32	29%
	Total	110	100%

In each stage, businesses face new challenges requiring a unique set of solutions. The study of organization lifecycles has become increasingly more specific by considering the unique elements of different types of businesses. An early model, by (Greiner, 1972) characterized organizational growth through a one-size fits all approach. The model focuses on progression and breaks businesses down to moments that require a "revolutionary" change in order to "evolve" to the next stage of development (Greiner, 1972). The speed at which an organization experienced these changes depended on the pace of the industry (Greiner, 1972).

4.2.2 Basic information about succession plan

The succeeding table shows the essential succession plan features of the selected family business. Such as the - occurrence of management transfer, reasons for not making the transfer and children (next successor) involvement in the business.
Table 4.2 is about transfer of management in family owned business. It shows that majority of the respondent (59%) still did not plan about succession at all. Even if 25% of the respondent planned to do so and 15% already transfer management of the business to the next generation.

Table 4.2: Basic information about Succession Plan

No.	Category	Frequency	Percentage
1	**Occurrence of transfer of management**		
	Before 5 year occurred	17	16%
	Planned to do	28	25%
	No plan at all	65	59%
	Total	110	100%
2	**Reason for not making the transfer**		
	Next generation not ready	27	25%
	Better managed by founder	50	45%
	Sibling ownership conflict	13	12%
	No shared vision	20	18%
	Total	110	100%
3	**Children Involvement**		
	They are learning not working	42	38%
	They work after school	10	9%
	They take over the family business	37	34%
	They focus on private work	21	19%
	Total	110	100
4	**Current Generation who run the business**		
	Founder	55	50%
	2nd generation	47	43%
	3rd generation	8	7%
	4th generation	-	-
	Total	Total	110

In addition, table 4.2 shows about the reason for not transferring the management. 45% of respondents believe family business is better when managed by the founder. 25% shows the next generation are not ready physically and intellectually. 18% explain because not having shared vision and the 12% indications is sibling ownership conflict. Therefore, mostly the owner has a fear about transfer of management and there is no enough awareness about. Indeed, it is expected, in early stages of this family business model, the business experiences problems of creativity and direction, which spark the development of leadership and autonomy. The business then experiences growth through delegation, which causes a crisis as the top managers fear a loss of control. This leads to an overhaul of coordination to the point where too much "red tape" prevents productive work. In the final stage, collaborative efforts grow the business to the point where personal enrichment becomes the objective (Greiner, 1972). Throughout the developmental process, the small business may move in and out of four stages: exist, survive, succeed and disengage or grow, and take-off. As the business evolves, the relationship between its founder and the business becomes increasingly detached (Churchill & Lewis, 1983).

In addition, table 4.2 shows about children involvement in the business. The major respondent (38%) indicate the children are in school so not working, 34% of respondents take over the business, 19% respondent focus on their own private work and 9% of respondent shows the

children work beside school. Therefore, it shows there is no plan for the next generation business involvement even if some of them take over the business with in the founder supervision.
Additionally table 4.2 represents the generation currently managing the family firm. The owner or first generation manages half of the family firms. The second generation is 43% interestingly enough some of the respondents still have the first generation responsible for daily management even though a transfer has already taken place. Third generation is 7% that is not much and fourth generation is not ensued at all from the respondents. Therefore, we can see most family businesses could not last up to third and fourth generation.
Which remind the quotation “shirtsleeves to shirtsleeves.”

4.3 Prospects of Family Owned Business

Figure 4.1 illustrates about the prospects of the family business. From the major respondent 65% shows long-term orientation is the first, secondly 60% of respondents entail commitment, 54% good will retaining also flexibility, quick decision making and trust have equal value, which is 34%. Thus, it shows the major family business benefit is its long-term orientation attribute and stability.

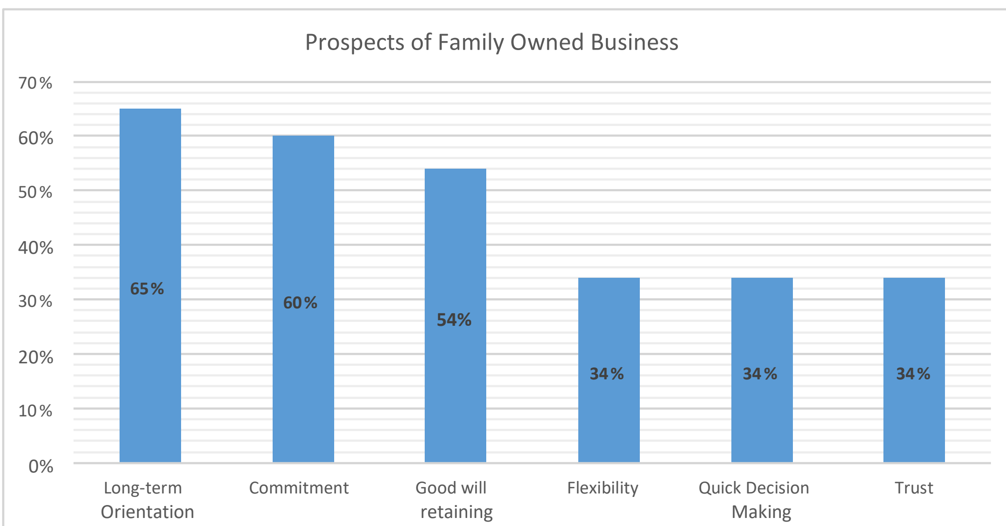

Figure 4.1: Prospects of the family owned business

One characteristic that makes family businesses different from non-family businesses is their set of values. The values of the family business owners are reflected to the business affecting its business strategies and social responsibility. The interviewees state the same that the values of the family business owners have definitely affected the values of the business and generate so called “higher” values. Family businesses are related to more values that are human and rarely exist just because of money. This theory goes hand in hand with the information given by Austrian Institute for SME Research. Putting family business about competitive strategy. What it shows that the most important values for the family business owners were honesty, trustworthiness, operating according to law, high quality, and hard work. In addition, it mentions fairness and high quality services provided through expertise as the highest values of his business.

The common feature for family businesses is long-term business planning. Family businesses are able to make long-term investments and have the patience to wait returns on their investments. This theory goes hand in hand with the case family businesses and from the interview results because most the interviewees and questionnaire shows to employ long-term strategies in their family businesses.

In a family business, the owner has a so-called face. If the business can be linked to the owner, for example through the name of the business, the owner usually experiences that the reputation of the business is the same as his/her own reputation. Both the data and interviewees agree that the family's reputation is related to the firm's reputation, which is why family businesses avoid actions that might endanger their reputation. Floren (2005) agrees with this theory saying that the owner's reputation has a direct impact on the business and vice versa, even in situations where the owner's name is not part of the business's name.

The chapter also states that the way silent knowledge is systematically processed and information integrated in family businesses is one of the unique resources of family businesses. This goes together with the response given by the interview that they are able to utilize the experiences and information gained from former generations. Floren (2005) also states that the business intuition is inherited from his entrepreneur parents. In addition, Stewardship theory is based on the long-term commitment and dedication that managers have for the organization and the collective well-being in it. The manager experiences a strong responsibility towards the organization. (Davis et al., 1997; Miller & Breton-Miller, 2006, According to Kontinen (2011), the business management can be motivated by the fact that it is primarily pursuing the interests of the business (Donaldson & Davis 1991; Tourunen, 2009b). According to Kontinen (2011), family businesses usually have the aim to sustain the business over generations and improve its long-term well-being, so it is more likely for family businesses to have stewardship attitudes than other businesses.

4.4 Challenges of Family Owned Business

Figure 4.2 illustrates about challenges of family business. From the major respondent 55% shows emotional issue is the major, secondly both succession plan and corporate governance 50%, it is obvious thirdly, financing 34%, even if 19% of the respondent believe there is no problem and the last but not the least sibling conflict is 14%. As we realize it is family business that bring together family and business so the major challenge is emotional issue.

The biggest family business challenge is succession because it includes changes concerning all three family business dimensions: family, business and ownership. Floren (2005), states that the way they prepare for succession is by making sure that the business operations lie on a healthy ground and by making business arrangements. Floren (2005), then again notes that the biggest challenge with succession is the fact that there's no preparations made even though there should be. For him it is difficult to, for example determine when the right time to retire is and when the time comes to hand the business over to the next continuator. He mentioned that it can be difficult for parents to trust the next generation and let go of the decision-making.

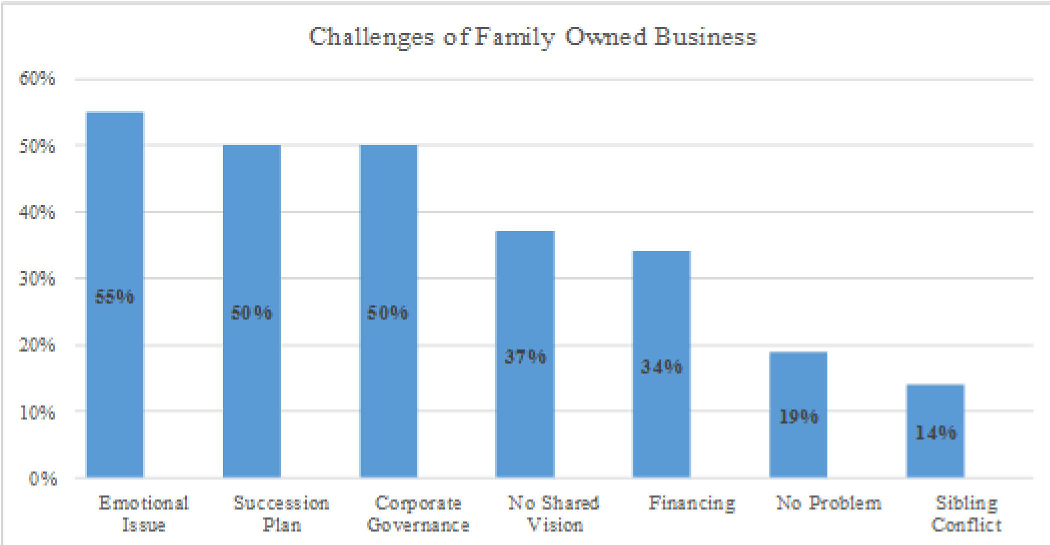

Figure 4.2: Challenges of the family owned business

Emotional Issue providing unique strengths but also significant challenges. Research conducted by Cromie showed that some family firms consider family interests more important than business interests and this number even increases for second-generation managers. Emotional decision-making provides negatively influence the performance of the family as Kets de Vries (1993). In addition, family conflicts and business conflicts often are mixed up. Conflicts in family businesses are usually different in nature because the members of the organization are also related to each other. This theory goes together with the statement given by Tagiuri (1996) that the business conflicts tend to have an impact on the family and vice versa. The economic or finance business problems might cause conflicts inside the family.

In family businesses, the board of directors does not always work as they should or there is no value given to it at all. The owner-manager does usually all the decisions in family businesses. This applies to the case companies, in which the decision-making is centralized to the owner-manager, who is allowed to make decisions independently and takes responsibility of all decisions.

However, this is seen as a good thing among the case companies, since this makes the decision-making considerably faster and easier. Family members are often seen as small businesses, which avoid risks and because of that are often considered as less effective compared to companies, which have decentralized ownership and control.

Family businesses use their own money in their operations and risks have direct impact on the family. However, Gallo sees that the use of 'own money' in family businesses has a positive impact on risk taking and on the investment strategy and does not make them any less effective than non-family businesses. Family businesses avoid the use of external financial capital, which can hinder growth. Family members like to keep ownership in the hands of the family and avoid sharing equity with non-family members. This goes together with the statement made by Coleman (1999) when asked how the use of own money affects the business.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The analysis on the Prominent Family-Owned Business in Addis Ababa may raise some important issues. More importantly, it expresses the general and distinctive features. The paper also provided specific insights about the benefits and the challenges of family business. In addition to that, the analysis tries to indicate best practices, which will help the area.

From the demographic profile, it reveals that there exists gender disproportion, low level of educational background, different experience with the same sector, most of the founder work as a manger and married marital status.

Regarding Business Profile:

- Family-owned businesses are a unique and dynamic field of study, which has the potential to boom Ethiopian economy. However, more research on this topic is indeed needed. Nevertheless, there is still no research focusing on the family business context in Ethiopia, Addis Ababa. In addition, most businesses in the city are Family-owned businesses that participate in different sectors and capital but they are treated as the same and there is no study within the specific sector category.
- Family Business is a fascinating sector, which will bring family and business together so, most of the family members start enthusiastically but no knowledge (awareness) of the worth of the business and no readiness about the challenges at all. Likewise, there is no proper training when participating succeeding family members in the business. In addition, most of older family members could not lead by knowledge rather try to preserve the status and resist change. Especially resistance to ideas and change proposed by the younger generation.
- Lack of written strategy, no documented plan, no clear policies, business norms, or no long term planning for family-members rather most of it is inside the founder mind. In related to Vision: Most family members have a different vision of the business or did not know it properly. In addition, most of family businesses do not have a plan for handover the power to the next generation (succession plan). In addition, there is a communication problem: provoked by role confusion, emotions, (envy, fear, anger) and other relationship problems.
- Management problems in a family business owned are somewhat different from the same problems in a non-family business. When close relatives work together, emotions often interfere with business decisions. As well, most of the family businesses do not have proper organizational structure, which will confirm the position and responsibility of the employees (especially for family member employees). In addition, the management of the family business influenced by the owner rather managing by professional team or advisory boards.
- Finally, on the prospects and challenges dimension: Family Business has a remarkable benefit which the other businesses don’t have and some challenges which hinder the growth like lack of capital and new investment and re-investment in the business. However, no strategy via all the stakeholders to use or manage it appropriately to acquire a competitive advantage.

5.2 Recommendation

The researchers suggested some recommendations that support to diminish the problem of family owned businesses in order to alleviate family business effectiveness. Working with family can be a blessing and a curse as well. Hence, it should be planned properly.

- ✓ From the above evidence, male and female membership are disproportionate, therefore, the responsible bodies like the owner of the company or the manager should take more consideration to optimize equal opportunity for women that enhance the poverty reduction strategies pursued by the government.
- ✓ Most participants had a low level of education (vocational training), therefore, participants should upgrade their educational level since education increases the potential for production and innovation and the ability to adapt to changes in the business environment. Therefore, the owner or the manger should upgrade his/her status besides consider and create opportunities for all the employees advanced training either in the governmental organizations or a private company in order to bring professionalism in the sector.
- ✓ As the owner is the top, it expected to create a proper Leadership and Succession plan of the family owned business to keep an open line of communication at all time. In addition to ensure your business exists on after you are gone and family business members should learn that no generation is wrong but each generation has different skills and culture. Parent generation need to accept the involvement of new generation. The next generation has to learn to appreciate parents' wisdom and understand that there is no substitute for hard work. Thus if family businesses can manage these dynamics, they will have great range of opportunities in overall Ethiopian economy.
- ✓ Over again, family-business owners should hire a professional team in order to prepare a written strategy and articulating the shared vision, goals and values, to formulate proper corporate governance structure. Furthermore, professional advisors and consultants should design direction and control of the relationship among the family, management, board of directors, and other shareholders.
- ✓ Finally, the government should give much attention for the Family Owned Business policies and strategies to improve their odds of survival of the sector subsequent generations by diminishing taxation, by applying action research to bring applicable solutions for the sector and articulating a system for the oldest and successful family businesses in order to share best practices.
- ✓

5.3 Implications for further research

There is no doubt that family firms will continue to be, in the decades to come, the most influential and dominant organizational form not only in the global economic context, but particularly in small and rural economies and remote areas. As stated in the Introduction, family business research is still at an early stage and in Ethiopia also family business research should has gotten stronger attention in the 21st century.

This can also be seen in the materials used when gathering information for the theoretical framework. The authors of this article decided to use both qualitative and quantitative methods in small quantity relatively to the total population so, the fact that the timeframe and scope of this research was pre-determined and limited.

If further research would be made, it could also employ both quantitative and qualitative methods in all sub cities to get results than can be better generalized. The same research could also be done again with more comprehensive amount of interviewees including several different types of family businesses from around Addis Ababa by covering all 10 sub-cities to increasing the reliability and validity of the research.

After graduation, the authors of the article continue working in a family business hoping that this research has provided some useful information about the unique characteristics of family businesses and the benefit and challenges facing them. If she plans later to continue her studies, she will definitely proceed to study the interesting topic of family businesses further.

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