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Examination of Factors Affecting Succession in Family Businesses in South-East, Nigeria**Orga, Christopher Chukwudi and Nwoye, Isaac Udeze**

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ABSTRACT

The study investigated the factors affecting the succession in family owned businesses in South East, Nigeria. The people of South East region of Nigeria, who are predominantly Igbo, are renowned for their zeal and tenacity in business spanning decades, yet one can hardly find corporations that are in their third or fourth generations. The study therefore set to achieve the following objectives as certain extent to which family conflicts affected the longevity/succession of family businesses in South East, Nigeria; and determine the extent to which non-professionalization of family businesses affected their successions in South East, Nigeria. A sample survey research was done using randomly selected entrepreneurs amounting to 2000 from across the commercial cities of Onitsha and Nnewi (Anambra State), Enugu (Enugu State), Umuahia and Aba (Abia State), Abakaliki (Ebonyi State) and Owerri (Imo State). Data were presented in frequency tables, and analysed with percentages and Pearsonian product moment coefficient correlation statistical tools. It was found that the succession of family businesses were hindered by family conflicts related to polygamy, children's lack of interest and knowledge in the line of business and general nepotism; that most family businesses in South East, Nigeria were not professionalized, precisely, they did not have clear vision and mission statements, they did not register with trade organizations like Manufacturers Association Nigeria (MAN) and National Association of Small and Medium Scale Enterprises (NASMEs), they did not subject their staff through in-service training and did not encourage them to belong to professional bodies like ICAN, COREN and the likes. It was concluded that family conflicts and lack of professionalism resulted in high mortality rate of family businesses in the South East, Nigeria. It was therefore recommended that family businesses should embrace the professional approach in the running of their affairs and to have clear cut succession plan devoid of family clashes so as to develop businesses/corporations that would outlive generations.

Keywords: Succession, family, longevity, polygamy and South East.

INTRODUCTION

Succession is critical to ensuring the continuity of any family owned business [1, 2]. An effectively developed succession plan provides for a smooth transition in management and ownership [3, 4]. Although the bulk of family owned businesses, intends to pass the control of the business to the next generation of family members, it is surprising that such family members are not gifted with the skills required for the operation and management of the businesses [5]. The net result of this is that very few family businesses survive to the second generation [6].

This is even more so in the Southeast region of Nigeria. Cases abound everywhere in the southeast, which is predominantly made up of the Igbo population of Nigeria, where thriving businesses fold-up after the death of the originator. A popular real estate business in Aba fizzled out immediately after the death of the founder in 2005- no successor owner or manager. The large compound of a renowned transporter has remained desolate in Port Harcourt since the owner-manager died in 2009; again, no successor manager or owner. This scenario is very common in South-East, Nigeria and indeed every other geographical zone of the country [7].

A variety of factors might be responsible, but a large number of family businesses fail because they have no plan for business succession [8, 9, 10]. [11], also lays credence to the thought that poor or lack of succession planning or plans is one factor responsible for the failure of family businesses.

Management and ownership succession remain a central focus on which all other business activities revolve. Be it in Nigeria or anywhere else in the world. Again, be it profit or non-profit making organization, no organization can run itself in its present form forever. There must be succession or the organization will cease to exist. Succession management is making provisions for the development, replacement and strategic application of key personnel or owner(s) over time and this requires the identification of the organization's core values, vision, mission, strategic plans, etc. This entails ensuring continuous corporate leadership.

Without effective succession planning, there cannot be generational enterprises. It is against this backdrop that the study investigated succession factors affecting family businesses in South-East, Nigeria.

Statement of the Problem

Family business represents the oldest and most prevalent type of business organizations worldwide. As such, they play a significant role in both the stability and health of the new global economy. It is estimated that 90 percent of all businesses in the US, Canada and Europe are family owned and operated. Family business also represents the prevailing type of organization in most Asian and Latin American countries due to the strong clan type culture. Figures of family businesses in Nigeria could not be easily determined, due to paucity of data. Despite their importance to the national economy, the survival rate of family firms beyond the founder is extremely low especially in the South-east being the bedrock of entrepreneurship in West Africa, hence the need to have well-managed enterprises cannot be underscored.

In South East Nigeria, history abounds of many big family businesses that disappeared with the death of their proprietors. We have the likes of, Sir Louis Odumegwu-Ojukwu, Igwe Mathais Ugochukwu to mention a few; they laid the foundation for modern business in Nigeria, all went moribund at the death of their founders.

From the catalogue of businesses that have gone under at the demise of their owners/founders, the major problem confronting family business owners in South East Nigeria is the need to manage conflict that may arise while the owner is alive. Due to increased number of children, polygamous marriages, extended family, the choice of who to mentor or groom is difficult, therefore the choice of a successor becomes a problem and this invariably affects the firm's survival beyond the owner/founder. Conflict when unresolved and handled effectively can affect the fabric of any family business, the need for proper management, as it crops up is essential. Another reason is the non-professionalism associated with family businesses in South East Nigeria. Majority of family enterprises have no clearly stated vision and mission statements, they rarely attended seminars and training programmes; have few graduates and professionals in their employment, have poor wages and salaries structure; not incorporated; few are members of professional and trade associations; and largely not aware of government incentive policies on entrepreneurship development. It is therefore imperative to study the factors affecting succession in family business in South East, Nigeria with a view to proffering appropriate solutions so as to promote businesses that will outlive their founders in the region.

Objectives of the Study

The main objective of the study was to investigate the factors affecting the success of family businesses in South East Nigeria. The specific objectives were to:

- (i) Ascertain the extent to which family conflict affects the longevity of family business in South East Nigeria;
- (ii) Determine the extent to which non-professionalization of family businesses affects the longevity of family business in South East Nigeria.

Research Questions

The following questions guided the study:

- (i) To what extent does family conflict affect the longevity of family business in South East Nigeria?
- (ii) To what extent does non-professionalization of family businesses affect the longevity of family business in South East Nigeria?

Research Hypotheses

The following hypotheses were tested:

- (i) Family conflict has negative effect on the longevity of family businesses in South East Nigeria
- (ii) Non-professionalization of family has negative effect on the longevity of family business in South East Nigeria

METHODOLOGY

Research design used in the research was descriptive survey involving the method of collection of data, sample used, instrument used, analysis and interpretation of data with a view to doing the investigation. The survey approach was used, because it has its own advantages of identifying attributes of a large population from a small group of individuals, the economy of the design and the rapid approach in data collection [12, 13]. It covered the major commercial centres of all the South-East States Abakailiki (Ebonyi States), Enugu (Enugu State), Nnewi and Onitsha (Anambra State), Orlu and Owerri (Imo State), Aba and Umuahia (Abia State). These towns are the commercial nerve centres of the South-East. The South-East, Nigeria has a long history of entrepreneurship in West Africa. Population of the study is the aggregate to be studied. For this study, the population is 2300 comprising owners and first generation successors of enterprises in the study areas. Out of the population, the researcher randomly sampled 2000 respondents. In pursuit of the study objectives, the research instrument used was a structured and non-disguised questionnaire with close-ended questions, designed from literature review and previous studies. The questionnaire was pre-tested with ten owners of business from the sample size in order to check and ensure that no irrelevant question was present. Data obtained from investigation were presented in tables. The presentation of data was done using frequency tables and analyses were done using percentages as well as Pearson correlation moment statistics.

DATA PRESENTATION AND ANALYSIS

The Effect of family conflict on the sustainability of family business after the owner/founder has passed away in South East Nigeria

From the table below, it was found out that some family conflict-related issues affect the succession of family businesses in South East Nigeria. Respondents agree that If family members are not committed to the succession, it is capable of blocking opportunity to demonstrate the requisite management abilities of the successor (77% of respondents); Bad interpersonal relationship is a cause of potential conflicts that can obstruct the succession (615% of respondents); Conflicts between family members might prevent the appointment of a good and qualified successor (86% of respondents); If there is a conflict, the succession

process might be put at risk because the potential successor may decide to leave the business or incumbent might block the appointment (75.5% of respondents); and Outright Uninterested Children and Relations cripples the succession of family businesses in the South East (86% of respondents). This finding validates those of [2, 5 and 14].

Table 1: The Effect of Family conflict on Family Business Longevity in South East, Nigeria

Options	Frequency				Total
	Agree	%	Disagree	%	
If family members are not committed to the succession, it is capable of blocking opportunity to demonstrate the requisite management abilities of the successor	1540	77	460	23	2000 (100%)
Bad interpersonal relationship is a cause of potential conflicts that can obstruct the succession	1230	61.5	770	38.5	2000 (100%)
Conflicts between family members might prevent the appointment of a good and qualified successor.	1720	86	280	14	2000 (100%)
If there is a conflict, the succession process might be put at risk because the potential successor may decide to leave the business or incumbent might block the appointment	1510	75.5	490	24.5	2000 (100%)
Outright Uninterested Children and Relations cripples the succession of family businesses in the South East	1720	86	280	14	2000 (100%)

Source: Field Survey, 2016.

The professional Status/Exposure of Family Business in South East

Table 2: shows that professional status of family businesses in South East Nigeria. Only minority of the respondents representing 14% indicated that family businesses have vision and mission statement; on staff attendance of in-service training, only 24.5% indicated; family business that are members of any trade association like NACCIMA, MAN represents only 23%; family businesses with graduate employee accounts for 14% and those whose staff belong to professional bodies like the ICAN, COREN, etc are only 38.5%. This finding is in line with findings of [15] where he found out that virtually all the family businesses surveyed are not professionalized. Majority of family enterprises have no clearly stated vision and mission statements, they rarely attended seminars and training programmes; have few graduates and professionals in their employment, have poor wages and salaries structure; not incorporated; few are members of professional and trade associations; and largely not aware of government incentive policies on entrepreneurship development.

Table 2: The Effect of Professional Status/Exposure of Family businesses

Option	Frequency				Total
	Agree	%	Disagree	%	
Family businesses with vision and mission statement	280	14	1720	86	2000 (100%)
Businesses whose staff attend any kind of in-service training	490	24.5	1510	75.5	2000 (100%)
Family businesses that are members of any trade associations like NACCIMA, MAN, NASME, etc.	460	23	1540	77	2000 (100%)
Family businesses with graduate employee	280	14	1720	86	2000 (100%)
Family businesses whose staff belong to professional bodies like ICAN, ANAN, COREN, etc	770	38.5	1230	61.5	2000 (100%)

Source: Field Survey, 2016.

Test of Hypotheses

The hypotheses were tested using the student t- statistic with the aid of SPSS. Pearson's correlation coefficient was adopted in analyzing the data and is given as:

$$r = \frac{\sum x_i y_i - \frac{\sum x_i \sum y_i}{n}}{\sqrt{\left(\sum x_i^2 - \frac{(\sum x_i)^2}{n}\right) \left(\sum y_i^2 - \frac{(\sum y_i)^2}{n}\right)}}$$

Defining null and alternate hypotheses

$$H_0; p = 0$$

$$H_1; p \neq 0.01.$$

$$\text{Alpha} = 0.01$$

Degree of freedom (df) = n-2; n is the number of subjects

Using our alpha level and degrees of freedom, we look up a critical value in the t-table.

HYPOTHESIS I

H_1 : Family conflict has significant negative effect on the longevity of family businesses in South East Nigeria

Table 1 was used for this hypothesis

Extracting the relevant data from table 1, we have our x and y represented as follow:

Table 4: Pearson correlation parameters for hypothesis I

X	y
1540	1544
460	456
1230	1544
770	456
1720	1544
280	456
1510	1544
490	456
1720	1544
280	456

From table 4, n=10

$$\therefore df = n - 2 = 10 - 2 = 8$$

\Rightarrow critical value, $r = 0.765$

Decision Rule: If r is greater than 0.765, we reject the hypothesis

Using SPSS, the Pearson correlation is represented below:

Table 5		Correlations	
		x	y
X	Pearson Correlation	1	.949**
	Sig. (2-tailed)		.000
	N	10	10
Y	Pearson Correlation	.949**	1
	Sig. (2-tailed)	.000	
	N	10	10

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS ver. 20 Computation

Critical value for $r = 0.765$

Calculated value for $r = 0.949$

Decision

The calculated value is greater than the critical value, the hypothesis is therefore rejected. This implies that family conflict has significant negative effect on the longevity of family businesses in South East Nigeria.

Hypothesis II

H_{02} : Non-professionalization of family has negative effect on their longevity in South East Nigeria

Table 2 is used to test this hypothesis

We have our x and y represented as follow:

Table 6: Pearson correlation parameters for Hypothesis II

X	y
280	475
1720	1524
490	456
1510	1544
460	456
1540	1544
1230	1544
770	456
1720	1344
280	456

From table 6, $n=10$

$$\therefore df = n - 2 = 10 - 2 = 8$$

$$\Rightarrow \text{critical value, } r = 0.765$$

Decision Rule: If r is greater than 0.765, we reject the hypothesis

Using SPSS, the Pearson correlation is represented below

Table 7:

		Correlations	
		x	y
X	Pearson Correlation	1	.930**
	Sig. (2-tailed)		.000
	N	10	10
Y	Pearson Correlation	.930**	1
	Sig. (2-tailed)	.000	
	N	10	10
**. Correlation is significant at the 0.01 level (2-tailed).			
Source: SPSS Computation, 2017			

Critical Value of $r = 0.765$

Calculated value = 0.930

Decision

The calculated value is greater than the critical values the hypothesis that “Non-professionalization of family has significant negative effect on their longevity in South East Nigeria” is accepted.

DISCUSSION OF RESULTS

Findings from hypothesis I indicated that family conflict had significant negative effect on the longevity of family businesses in South East Nigeria. This result is in congruence with the empirical result arrived at by [1,2 16]; that there is potential for even greater conflict under harsh economic conditions when the tensions between family and business goals are high. The result also supports the works of [17], which suggest that intra-family conflicts are a major contributor to family business failure. Based on the works of [18], it was found that increased conflicts among family members are one of the main reasons behind the stagnation of a family business. Therefore, some researchers have proposed a balanced approach in which all stakeholders, including non-family employees are considered in the decision making process in family firms to ensure success.

Finding from hypothesis II showed that non-professionalization of family has significant negative effect on their longevity in South East Nigeria. This finding shows the importance of professionalizing a business. [1], succinctly puts it that the quest for Nigeria to be one of the biggest twenty economies in the year 2020 in the World can only be achieved by having thousands and millions, of well managed and professionalized small-to-medium enterprises, majority of which are family businesses. Onuoha’s position further stressed the importance of professionalizing businesses, which (according to the findings) is lacking in South East, Nigeria.

SUMMARY OF FINDINGS

Based on the analysis on the research work, the following core findings were made:

- (i) Family conflict had significant negative effect on the longevity of family businesses in South East Nigeria;
- (ii) Non-professionalization in family businesses had significant negative effect on their longevity in South East Nigeria.

CONCLUSION

Family businesses are very common in Nigeria, especially in South East Nigeria. Findings from the study have proven so. Though the result of the hypothesis indicated that family businesses in the South East make significant plan, it was concluded that family businesses in South East Nigeria often do not make adequate succession plan. The submission was given credence to by the findings made from the questions raised in the study: that family conflict (resulting from polygamy, bad interpersonal relationship among siblings, children's lack of business know-how and lack of interest in the line of business) hindered the smooth succession of family businesses; and that non-professionalization of family businesses (non-registration of business, no clear mission and vision statements, no in-service training for staff, non-membership of trade associations, etc.) affected family businesses negatively. In sum, succession in family businesses in South East Nigeria was poor and lack of succession planning owing to family conflict and non-professionalization of the businesses was responsible for such poor succession in family businesses.

RECOMMENDATIONS

Following the findings made, the following recommendations became necessary:

- (1) Owners/founders of family businesses in the South East Nigeria should imbibe the practice of appointing board of trustees to avoid the possibility of family conflict over succession after their demise. All family members must agree with the trustee, as a result, there will be smooth succession of family businesses in the region.
- (2) Businessmen in the South East Nigeria should endeavour to professionalize their businesses. This kind of professional approach aids business longevity and breeds a well- structured succession plan.

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