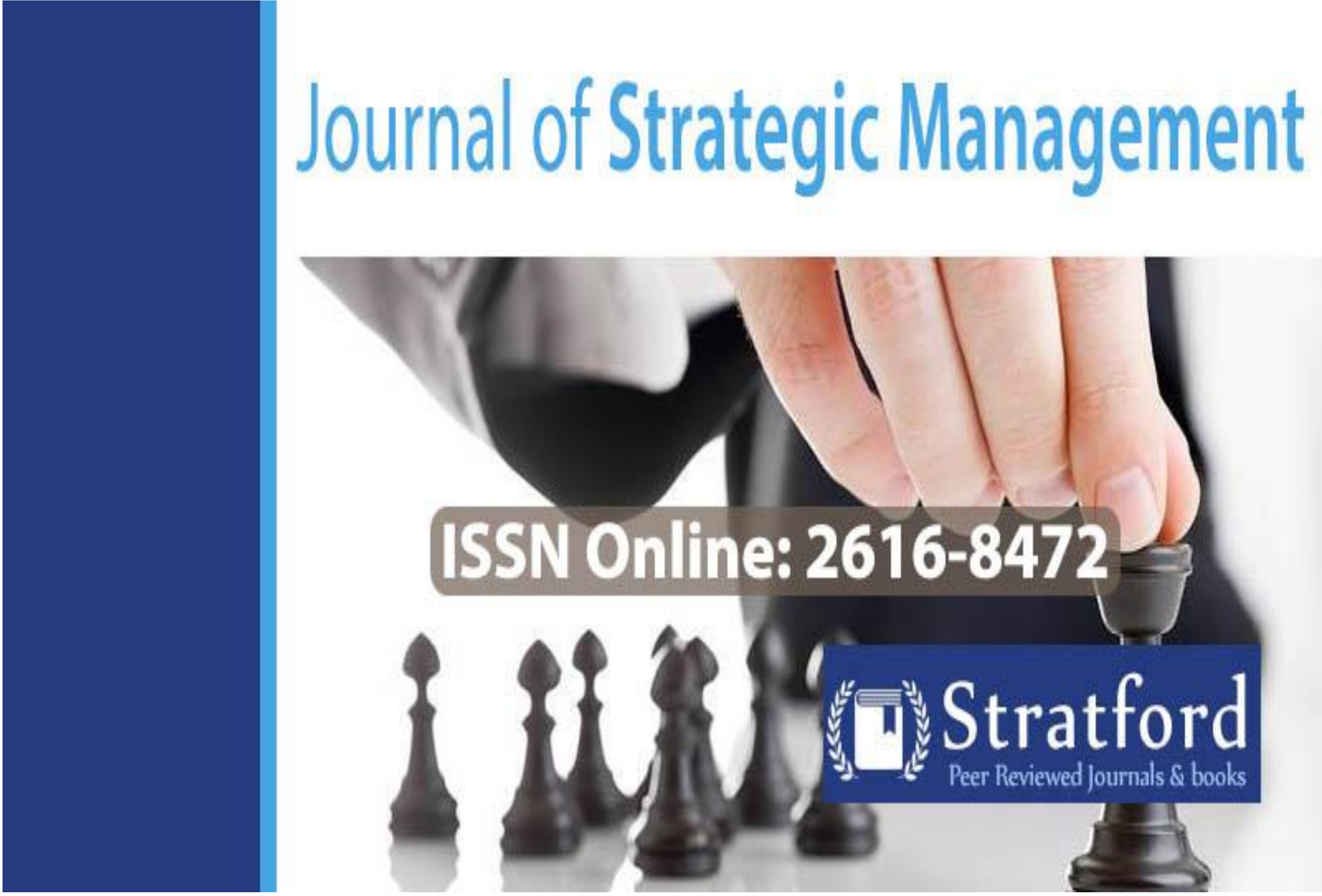

Family Business and Its Problems; A Failure of Entrepreneurial Succession in Nigeria

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Abstract

Family-owned business and its succession is a huge problem in Nigeria and needs to be looked into due to the fact that over the years a series of well-known family-owned businesses have collapsed and gone extinct immediately after the death/demise of its founder. The aim of this paper is to ascertain the causes and lack of entrepreneurial transferability in Nigeria. The theoretical framework is hinged on the institutional theory as well as the innovative theory. The methodology will rely heavily on secondary data. The problem of succession and its causes as well as the sources of these problems is the focal point of this paper. This paper conclusively pin pointed that both internal and external sources as well as the multi-ethnic identity of Nigeria generates a whole lot of transferability problems for family-owned businesses in the land (Nigeria). It is recommended that for a family-owned business in Nigeria to be run and operated from generation to generation, the teaching, guiding, orientation and imparting of an extensive, organized and planned mentoring of the family business, starts early, as well as the Government enacting favorable laws that enhance and promote family-owned business in Nigeria.

Keywords: *Culture, Entrepreneur, Entrepreneurship, Entrepreneurial Succession Family-Owned Business, Nigerian Government, Succession.*

INTRODUCTION

Nigeria is an African country in the West African sub-region with over a 140 million population with diverse views, beliefs, culture, norms, over 250 different ethnic groups, and different customary laws. Nigeria is a country that run a large family system where the extended and large families are widespread. Therefore, these to a large extent impact gravely on the transferability of family enterprises and its survival.

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A private-owned enterprise is a profit-oriented business that is controlled by numerous lineage and bloodline and arising from either marriage, through adoption etc. of family members and they wiled the power and authority to sway, determine and control any decision made in the company or enterprise. And as De Massis, Sharma, Chua, and Chrisman (2012.) concurs they have the capacity, capability, wherewithal and power to impact, guide, lead and direct the image of the enterprise and the preparedness, readiness and eagerness to properly and adequately utilize these talents, capabilities, power and to go after extraordinary, original, peculiar and special objectives.

A family-owned business usually begins by means of an independent and singular person or a group of persons with a particular vision with determination, will power and resolution to dominate the business sector. Most of these individual(s) are mentored by family members who normally gives them a start-up funds to begin their enterprise. A good example is Aliko Dangote of the Dangote conglomerate who is said to have been given a seed-capital of N500,000 by his maternal grandfather and notable trader, Alhaji Sanusi Dantata (Akanbi, 2004).

Family-owned businesses all over the world contributes to the county's economy, we have family-owned businesses like Ford Motors, Heineken, Walt Disney, Wal Mart, WWE (World Wrestling Entertainment), Mango, Porsche, Tata Group, Trump Organization, but to mention but a few

PURPOSE OF THE STUDY

The aim of this paper is in respect to ascertain theoretically those problems associated with family-owned business and entrepreneurial succession in Nigeria.

To do this, the following research questions were raised:

RESEARCH QUESTIONS

1. What business is the family-owned business succession plan?
2. What systems or framework does the family-owned business designed to deal with or tackle or handle conflicts when they occur?
3. What values does the family-owned business possess and in what way have they aided to the success of the family-owned business?
4. What's the greatest challenge or challenges facing the family-owned business?

THEORETICAL FRAMEWORK

This work relied on the institutional theory because it hinges on how the environment plays a role to either the survival or the demise of a business, as a well as the innovative theory because its postulation is on creating something new.

DEFINITION OF CONCEPTUAL TERMS

THE CONCEPT OF ENTREPRENURSHIP AND ENTREPRENUER

There are different definitions of entrepreneurship by different scholars, but for the purpose of this paper, the definition by Hisrich and Brush (1985 as cited in Hisrich & Peters, 2002), will be adopted. According to them, one who spends time and money to create anything from scratch that is valuable and bears both the gains, risks and losses of that new creation, is termed entrepreneurship.

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While an entrepreneur is the individual who undertakes the above process. In addition, an entrepreneur is one who recognizes emerging markets, innovation, technique or approaches and tries to combine all these innovation, techniques and approaches either by copying them, acquiring them, or transferring them into the emerging market (Schumpeter, 1934).

CONCEPT OF FAMILY BUSINESS

This is one of the earliest and customary forms of economic organization. It ranges from the smallest (corner kiosk) to publicly multinational organizations, with lots of employees (Randel, Kets de Vires & Florent-Treacy, 2007). A family-owned business is described as any business that family members own majority of the shares in the business and so dictates what happens in the running of the day-to-day activities of the business and so there's infusion of both ownership and management. That is to say that the business is operated by the creator or originator or initiator or whoever from the family he assigns to run it.

CONCEPT OF SUCCESSION AND ENTREPRENUERIAL SUCCESSION.

Succession in the light of family-owned business can be defined as the activities, steps or measures and issues or circumstances that give rise to the change or passage of management or leadership between family members, Sharma, Chrisman, Pablo and Chua. (200) as cited in Ukaegbu (2003). The idea or notion of Entrepreneurial transferability used in this paper is of the broader view. The broader view is seen as a procedure and a situation whereby the next generation easily takes over the control and management of the family-owned business. The family-owned business needless to say comprise of the manufacture as well as economic development in terms of profit etc. gathered or amassed by the owner of the enterprise. In Nigeria, succession can come from either an exclusive member in an immediate family or from a member belonging to an extended large family. There are three (3) ways in which succession can be made:

- Succession by law
- Succession by management in an organization
- Succession by crisis

SUCCESSION BY LAW

In law, Animashaun and Oyeneyin (2002) posits that succession is generally seen as the handing over of or transfer of "property to persons upon the death of the owner of the property". It is a known fact that everything in life has a beginning and an end. But in the meantime, people amass wealth, assets, worldly goods etc. when they were alive and numerous prosperous, affluent, wealthy business persons have the family-owned business as one of such properties, possessions. Estates etc. After the death of the founder, the properties will have to be allocated to their surviving family members. The rule, principle or law of transferability controls the transference of the entitlements and responsibilities of the dead business person with regards to the founders' properties to his descendants and heir apparent or beneficiaries.

SUCCESSION BY MANAGEMENT IN AN ORGANIZATION

Succession planning according to Schmalzried and Fallon (2007) as cited in Okeah (2024) is the process whereby the corporation is foresighted and so goes ahead to make certain that there

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is a continuous as well as constant leadership in the corporation by recognizing how these leadership positions will be manned or occupied as departures occur either voluntarily or involuntarily. Zacharakis (2000) as cited in Ukaegbu (2003) defined management succession as the procedure of transmitting or handing over power and authority of management from a mentor to a mentee or from a leader to a subordinate together with all the circumstances, determinants and details involved prior to, in the course of and succeeding the real change or hand over. Succession by management as defined by Erven (2007) "is a process… over the years … involving the planning, selection and preparation of the next generation of managers, transition in management responsibility, gradual decrease in the role of previous managers and final discontinuation of any input by previous managers".

SUCCESSION BY CRISIS

According to Erven (2007), succession also arises out of crisis. The crisis can arise from the founder being ill, disabled, afflicted with a disease or might be incapacitated, or the crisis can be due to the death of the owner of the business. Therefore, the consequence of the suggestions, submission or advice of an external adviser or counsel employed to expedite the administering of the will can actually raise problems amongst the beneficiaries.

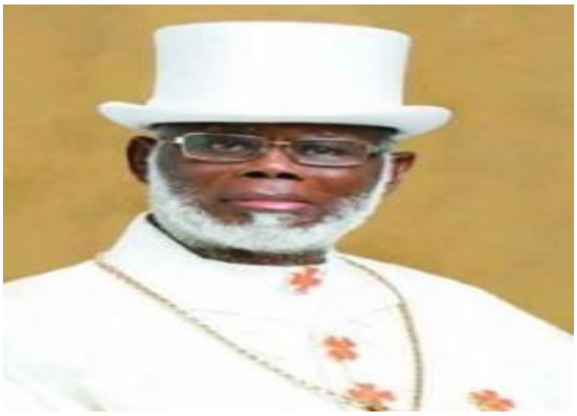
THE CONCEPT OF CULTURE/ RELIGION

Every country is bound by its culture, beliefs, way of life and religion. Taylor (1971) defined culture as that intricate and complicated entity that includes understanding, faith, principles, ideals, codes or constitution etc. that govern a people. In addition, culture can be defined as the common, captivating, fascinating, interconnected, mastery of images, signs or figures that means or supplies a peculiar bearing and direction to a people (Terpstra & David, 1985).

ENTREPRENUERSHIP AND ESSENCE OF FAMILY-OWNED BUSINESS IN NIGERIA

Family enterprises in Nigeria, like the world over, are operated in either small, medium or on a larger scope and in all sectors. However, they can be found mainly in small business, like fashion and design, hair styling, trading shops, filling stations, furniture-making, hair cutting etc. This presentation aims to highlight some family-owned entrepreneurial businesses that have made tremendous impact in Nigeria, but why some of these family-owned businesses have not succeeded. Some known and notable family-owned businesses are:

BRIGGS FAMILY: Late Chief Olu Benson Lulu-Briggs, the family's patriarch, founded Moni Pulo Limited, an oil exploration and production company.



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THE OJUKWU FAMILY: owners of Ojukwu stores, textiles, first and founding President of The Nigerian Stock Exchange, (but his son Emeka went into the military and subsequently politics).

FOLORUNSHO ALAKIJA: (Nigeria's first female billionaire) made her money and name in the fashion and oil and gas industries (owner of Famfa Oil).

BASHORUN M.K.O. ABIOLA: he is considered amongst the richest men in African continent, who proficiently and flourishingly set up a consortium of businesses in Nigeria ranging from Concord commercial airline, Concord, and Sun Ray dailies, to an array of numerous ventures ranging from landed properties, fish farming and merchandising.

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CHIEF ASHAMU OKOYA-THOMAS: Chairperson of CFAO motors (distributors of Chevrolet and Mitsubishi in Nigeria)

CHIEF PETER EPETE IBRU (IBRU DYNASTY): He started his frozen fish distribution business. His family enterprise transcends the mass media like the Guardian Newspaper, service industry like Sheraton Hotels and Suites, Four Point Hotel, agriculture and petroleum industry as well as into laned properties etc.

DANTATA: Founder and initiator of Alhassan Danata and Sons, Dantata began his entrepreneurial enterprise and later the chief exporter through merchandising of goora nuts, pearls, chains and peanuts from Nigeria to the United Kingdom.

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MIKE ADENUGA: The founder and initiator of telecommunications establishment (Globacom) and oil and gas (Conoil).

MULLIGAN MURRAY-BRUCE: Father of well-known Ben-Murray Bruce and founder of Dominos Stores, His kids are kingpins in the entertainment industry in the country.

ALIKO DANGOTE: Founder of the Dangote conglomerate, he produces an array of commodities, which includes but not limited to cement production, production of noodles, production of salt, production of sugar and presently establishing a refinery.

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TONY O. ELUMELU-: The director of Heirs Holdings. He is the initiator of the Tony Elumelu Foundation, owner of United Bank for Africa (UBA).

PASCAL DOZIE-: Founder of Diamond bank. As well as the director of MTN in Nigeria.

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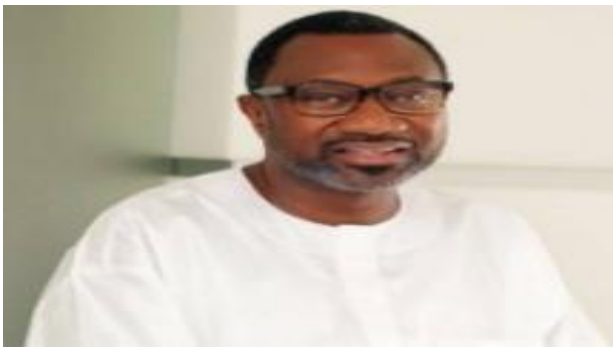
ATIKU ABUBAKAR: The co-owner of the oil and gas Integrated Logistics Services (Intels) Nigeria, a Beverages company called Adama as well as a university located in Yola called the American University.

RASAQ OKOYA-: The owner and initiator of the famous Eleganza conglomerate and RAO Real Estate.

FEMI OTEDOLA-: A key player in the oil and gas sector, **he is the** founder of Forte Oil.



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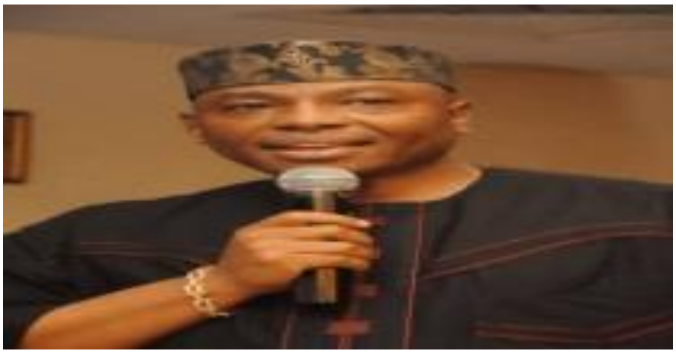
COSMOS MADUKA: The owner of Coscharis conglomerate, that includes the distribution of Range Rover, Jaguar, BMW and Ford cars, as well as agriculture, ICT and a whole lot more.

TONY EZENNA: The founder and President of Orange Drugs.



PRINCE SAMUEL ADEDOYIN-: Owner and President of the Doyin conglomerate, makers of penicillin ointment, Ariel detergent, bold detergent and soap, prime water, just to name a few

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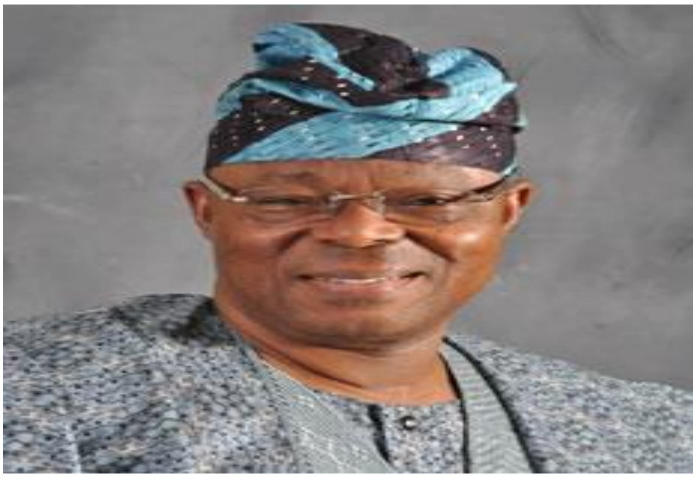
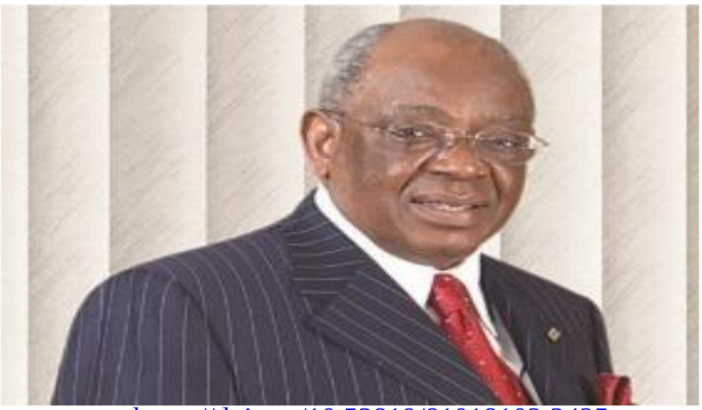
CHIEF EMMANUEL IWUANYANWU: Owner of Champion newspaper, founder of Iwuanyanwu National football club (now Heartland FC), etc

OTUNBA SUBOMI BALOGUN-: The owner and President of First City Monument Bank.



RAYMOND DOKPESI-: Founder, Chairman and President of DAAR Communications, producers of Raypower Radio stations and AIT (African Independent Television).



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CHIEF GABRIEL IGBINEDION-: The founder, owner and chair of Okada Airline. He is the patriarch of the Igbinedion family. He is the founder of Okada Airline.

OBA OTUDEKO: The founder of Honeywell conglomerate.

These are business conglomerates that were built by known Entrepreneurs through their solo efforts and from 'humble beginnings'. However, a number of the above and many similar Enterprises are now moribund.

Finally, I am tempted to state that politics is also a family-owned business if not so, look at the Chief Igbenidion's family of old Bendel State. His sons Lucky and Charles where all into politics. For Lucky, from being a local Government Chairman to being the Governor of Edo State serving two tenures in both offices. While Charles was also a one-time Local Government chair and then the Educations commissioner. In addition, Hon. Omosede, Igbenidions daughter is currently serving in the Green Chambers in Abuja representing the good people Edo State (Ovia Federal Constituency.

The politics family-owned business also includes the Saraki's of Kwara State, and the Tinubu's of Lagos. Another family who would have make up the list but failed in the process was the immediate pass governor of Imo State Wellas Rochas Okorocha.

The question now is, why did some of these family-owned businesses go moribund?

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SUCCESSION PROBLEMS AND SUSTAINABILITY OF FAMILY-OWNED BUSINESSES

Family-owned business is transmitted from generation to generation, but the founder can decide to step aside (retire) and hand over the reins to the next generation to manage the enterprise, like the founder of Zenon Group Sir Michael Otedola. Succession can also take place if the founder is ill or incapacitated and so is forced to step aside and relinquish power. According to Ogundele and Idris (2008), Gosling and Mintzberg (2003)/ it is noteworthy to state that Nigerian tycoons or magnates find it difficult to freely relinquish power. They would rather prefer to continually stay in power and die on sit or they will be compulsory compelled to vacate and relinquish power due to their ill health like diabetes, hypertension or incapacitation like stroke. As Ortiz (2007) states the attitudinal behavior of Nigerian tycoons also aggravates and worsens transferability problems of family-owned enterprises.

THE FOLLOWING WERE FOUND TO BE THE REASONS WHY IT'S DIFFICULT FOR ENTREPRENURIAL FAMILY-OWNED BUSINESS/BUSINESSES TO TRANSIT FROM GENERATION TO GENERATION (SUCCESSION).

There exist two sources that prevents the smooth succession of entrepreneurial family -owned business, namely:

- Internal sources
- External sources

Elaborating on them:

INTERNAL SOURCES OF SUCCESSION PROBLEMS

The internal problems are due to the inner influence inside the enterprise itself or connecting or linking the enterprise along with the blood relations of the owner. They are as follows:

- **CULTURE/RELIGION:** In the Nigerian culture, as stated by Adesua-Lincoln (2012), women are not meant to inherit any business of whatever kind. Thery are meant to be home keepers and care givers to their husbands and kids. They are prohibited from going to school and acquiring any form of education. Therefore, the culture and tradition is that the male kids are successors of the fathers wealth and head of the household. The male kids especially the first male kid of every family in Nigeria is considered the successor of the family business and so no well thought out plan is put in place to see that this is done. In addition, when the owner of the enterprise does have some kind of succession plan in place, he might be hindered by some external influence as posited by Ukaegbu (2003 and Forrest (1994).

In addition, Religious beliefs in Nigeria impede and dictate the limits of family-owned business succession as stated by Cohen (2000). The Islamic/Muslim religion is a very good example of this. The religion of the Muslims abhors and forbids females from running a family-owned business, or any business at that, if allowed, its usually small. The Islamic religion frowns at their women socializing, and as Cohen and Tinker (1985) said, the Muslim women cannot be found outside the house if not in the company of a male. Therefore, if a male Muslim has all or most of his kids as females, it poses a problem in setting up a succession plan.

- ***LACK OF SUCCESSION PLANNING.*** A great number of business owners/founders do not think of grooming anyone to succeed them in case of an unfortunate incident like death. In addition, as Kets de Vires (1993) posits this is because taking measures to prepare for one's death is so abnormal and alien to the norms of the land. Because of this cultural norm, they feel invincible to death and so negate the fundamental nexus of business, which is longevity. Also, the business owner may feel relegated and threatened after transferring power and authority as well as responsibility to his or her successor because of the realization that he has nothing to do anymore concerning the business, he might feel shut out and so wouldn't want to put any succession plan in place for as long as possible. Furthermore, when the founder of the business senses that transferring the business will lead to problems in the family, he tends to shelve the plan and so no plans are made for transferring the business in the event of any unforeseen circumstance.
- ***SUCCESSION CRISIS.*** This arises due to panic, apprehension and the refusal to accept new management of the family-owned business which leads to confrontation and defiance by the employees. Normally, this defiance or opposition is short lived if adequately and promptly tackled. This can be gleaned from the story concerning the Lulu Briggs family, where the step mother of the heir apparent (Dumo), refused to let him inherit the family business, which generated so much strife, crisis and all in the tabloids, and because it wasn't managed well and quelled quickly, it dragged on for over 2 years, putting the business at a stand-still.

- ***POLYGAMY.*** The contention, friction and enmity that arises amongst children, husbands and wives and in general household members after the death of the owner or founder of a family-owned business from an extended family, as well as the myriad of norms, beliefs, life style etc. pertaining to the laws of the land governing the bequest or estate of the deceased assets in Nigeria is strenuous, difficult, tumultuous and usually biased and partial favoring a particular member or members of the extended family and so choosing a successor is a problem. And when a qualified successor is finally chosen, he finds it hard to rejig or rejuvenate or refurbish the family enterprise, he invariably drags his feet, is nonchalant and detached from the family-owned enterprise. He does this because of the notion that any day the senior members of the extended family can decide to divide the family enterprise amongst all the kids in the extended family. As in the case of the successor to the family enterprise belonging to Chief M.K.O Abiola of blessed memory. His successor, Kola was so skeptical and aware of this, that though highly qualified, decided to let his father's enterprise that comprised of the Concord Group of Companies (Newspapers and Airlines,). As well as the Bookshop, Radio station, Football Club and lots more. He allowed these businesses to suffer and finally go extinct.
- In addition, in Nigerian, a child born out of wedlock as posited by Sagay (2006) can earn and receive all the rights and benefits accruing to a legitimate child of the family-owned business. the founder of the enterprises agrees that the illegitimate child is his, as in "the alleged father does something overtly by which he recognizes the child as his" And concurring also, Abisogun V. Abisogun cited in Sagay (2006) if before dying the owner of the family-owned business confides in his friends companions, associates, best friends and relatives or as according to Young V.Young as cited in Sagay (2006) even if the founder of the business before dying wrote a letter accepting the child as his

and kept in a safe and later discovered, the child automatically partakes in the largesse of the family business.

- ***INTESTATE SUCCESSION:*** It is a given that every living thing goes through birth, growth and death. When the dead business owner, founder, initiator put together and draw up a will before dying, in law, it's termed *testate*, but on the other hand, if the founder dies without putting together and drawing up a valid will before dying, it is termed *intestate.* And so, his family members inherit his enterprise and becomes his successors or beneficiaries of his business and all that he had while alive.

In Nigeria, as posited by Animashaun and Oyeneyin (2002) there are two (2) methods through which the property or assets of a dead individual can be distributed. And they are:

- The lack of drawing up a will order or jurisdiction guiding the management of the property,
- A legal testament arranged and drawn up by the departed.

Every so often, the initiator/creator of the family enterprise dies without leaving a valid document (will) saddling the responsibilities to the senior citizens of the family to make decisions on how to allocate and disperse his assets and properties. The senior citizens of the family-owned business are now saddled with the choice or dilemma whether to adopt the law of the land which is the customary law of the people or adopt the legal law when the owner dies intestate which is the 1918 of the Marriage Act section 36. Needless to say, that the senior citizens of the family-owned business typically adopt the laws of the land to settle any squabble. The extended members of the family-owned business start to hustle and scramble for the legacy, heritage, estate which invariable leads to the business neglect of the business as all attention is who gets what and not on the wellbeing, managerial leadership and sustainability of the business. A few members of the family enterprise literally remove costly and important assets from the enterprise like cars, generating plant, equipment's, split units etc. A case study can be gleaned from the Hotel owned by Bobby Benson located Lagos, members of his family carted away considerable amount of the costly and important assets from the hotel, ruining the business, and so the Lagos authorities had no choice but to confiscate and demolished it, since it became a safe haven for criminals.

Customary Law as opined by Salacuse (1965) and cited in Animashaun and Oyeneyin, (2002) is a "mirror of acceptable usage, a reflection of the social attitudes and habits of various ethnic groups which derives its validity from the consent of the community which it governs and is applicable only to people indigenous to the locality where such customary law holds sway".

EXTERNAL SOURCES OF SUCESSION PROBLEMS

The external environment also poses a problem to entrepreneurial succession, and they consist of the following:

- ***GOVERNMENT POLICY ON RECAPITILIZATION:*** Past governments have tried to rejig the economic sector, especially the banking sector, insurance sector and the oil sector. A reform or modification in the funding prerequisite would or may bring about mergers which invariably is a compulsory, involuntary or mandatory succession thereby jeopardizing the continuity of the family-owned business. This was the case in 2006 when banks capital rose to twenty-five billion naira (25 billion) from the initial five billion naira (N5 billon). Lots of banks had no choice but to consolidate, amalgamate and join forces. And this brought about a whole lot of management revamping and modification. Example of merged banks are: Access Bank merging with Marina Bank, Intercontinental Bank and Diamond Bank to still be Access Bank, United Bank for Africa (UBA), merged with Continental Bank and Nigerian Standard Trust Bank to still be UBA etc.

- ***GOVERNMENT REGULATORY BODIES:*** Government regulatory bodies and its stipulated requirement can constitute transferability challenges for any business, family enterprises inclusive. For instance, the Nigerian Deposit Insurance Corporation (NDIC), mandated to safeguard depositors' funds in case a bank folds, demands a N500,000.00 indemnity or protection for account holders in the occurrence of bankruptcy, extinction or if the bank folds up. This policy has created succession problems and threat to the sustainability of many family businesses. The closure of Allstates Trust Bank Plc, owned by Ebitimi Banigo, Hallmark Bank Plc by Dr. Clement Maduako, etc are classical examples.
- ***GOVERNMENT POLITICAL POLICIES:*** Occurrences are rife ***i***n Nigeria where past governments deploy and wield executive might, strength and force to shut out or prevent famous, distinguished, celebrated and well-known family run enterprises or formulate schemes or strategies aimed at destroying his enterprise. Of note, is the dictatorial regime of late General Sani Abacha, who endeavored to shatter late Chief M.K.O Abiola's determination and forego his presidential endorsement/authority, composed, hatched and developed lots of approaches and strategies to wreck and pull down his enterprises. Summit oil (one of the late Abiola's companies) had its oil prospecting license withdrawn for political reasons. This led to the liquidation of the company. It can, therefore, be said that the founder's political expedition can be a source of threat to the sustainability of a family business.

CONCLUSION

Entrepreneurial transferability of a family enterprise in Nigeria is fraught with so many problems as highlighted above. In Nigeria, the laws of the land like life style, beliefs, tradition, Islamic laws, religion, laws regulating the death of an entrepreneur dying without leaving a will, as well as the various traditions, beliefs, life style etc. of the populace generates lots of transferability challenges for the family enterprise and heralds' grave danger to the survival of the family enterprise. Initiators/founders of businesses should take cognizance of these problems and take measures appropriately to protect their heritage, patrimony, inheritance and birthright when they are still alive.

RECOMMENDATION

The entrepreneur while still alive should mentor his or her kid/kids depending on who and how many he wants to run the business when he's gone. A clear and distinct path should be put in place as a succession plan that cannot be deviated from when he/she is no more.

Not all kids take to the family business as can be seen from earlier families that the business has gone underground once the founder is dead, so the entrepreneur should look out for any of his or her kids that will toe his or her footstep and give them the right adequate and necessary education, tips, advice and most importantly mentorship skills.

A will MUST be put in place stating who gets what, who does what and will lead the family business, to avoid any family squabbles that might get ugly and dangerous.

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Government must endeavor to put laws in place that make the entrepreneur and family-owned business blossom and grow, for any economy that wants to thrive and compete robustly in the international scene must make sure that its local entrepreneurs, family-owned business are not stifled, but encouraged and motivated to grow, just like is seen in the USA and other countries that their economy is booming.

LIMITATION AND FURTHER RESAERCH

This study should not be generalized because of some limitations. The approach the researcher relied on was qualitative and descriptive in nature, which is solely theoretical and conceptual based. Nonetheless, this study does contribute to the wealth of knowledge that examines the family-owned business and its problems of succession in Nigeria.

Further action in this study is that of data collection to authenticate, corroborate and confirm if the findings relied on here are true.

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