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Leadership Succession Problem: an Examination of Small Family Businesses

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Abstract
The greatest challenge facing the Small Family Businesses (SFBs) is the problem of succession (continuity) in today's dynamic world. This phenomenon is caused by lack of proper planning by the business founders for the succession when they retire or die. The aim of this study is to examine the problem of succession among small family businesses in Nigeria. Drawing from eight small family businesses in Gombe metropolis, Gombe State of Nigeria, we examine why these businesses failed after the death of their founders. Primary data was used from former employees of the businesses under investigation and the children and relatives of the founders which, was qualitatively discussed. We also discussed some of the factors that prevent smooth succession or continuity of small businesses in Nigeria. The findings show that lack of proper planning by the founders for succession is the backbone of this problem. However, this happens due to fear of losing control of the business to subordinate or any of the family members by the founders. In addition, there is inheritance problem among the members of the founder's family which tie down the business. The study suggests that SFB founders should have a long term succession management strategy by training a member of the family or hiring an expert to manage the business, alternatively, they should sale some shares of the business to the public or a partner.
Keywords: Small business, succession problem, family business, business founder, and Gombe.

1. Introduction
Continuity or survival is one of the key objectives of every business. Nobody venture into business with the intention to stop or the business will die in future date. Entrepreneurs start-up business with the hope to succeed, survive and make profit till the end of time. However, most small businesses failed to continue after the retirement, incapacitation or death of the founder, there are few that survived beyond the generation of the original founder. In Nigeria many small family businesses die with their founders as in the other part of the globe. Therefore this study intends to investigate the reason behind small business discontinuity after the retirement, incapacitation or death of the founder.

2. Literature Review
Every organisation must experience a leadership or managerial succession, the process by which key officials, especially the chief executive, are replaced by others (Grusky, 1961). Business founders are human, it is crucial for its long-term stability, survival and growth, to plan beyond its founder and develop strategies to create atmosphere for a smooth and successful succession. Available evidence in one of the oldest empirical studies on business succession effects was carried out by Gouldner in 1954. In a case study of a gypsum plant employing 225 people, Gouldner found that succession disrupted the operations of the organisation, led to high tensions, employee de-motivation, and the general decline in productivity that led to the closure of the firm. Moreover, Grusky (1961) observe that there are two reasons for the interest in the study of organizational succession, namely, that it is a universal phenomenon and that it tends to promote organisational instability.

The universality of succession in formal business organisations and the tendency of the process to promote instability combine to make this phenomenon of crucial importance to organisational theory (Grusky, 1961, 115). Today one of the greatest challenges facing small family businesses in Nigeria is the trouble of succession, that is, uncertainty of the firm's future beyond the founder. The success of every economy depends to a large extent on small and medium enterprises performance and survival being a key sector for generating employment. Therefore, if it failed to cross beyond the founder, interest of many employees, suppliers and customers will be shattered, and this affects the economic performance of the country.

This study is based on findings from a study of 8 small businesses in Gombe metropolis which seized to exist after the death of their founders. These businesses were studied using interviews of their former employees available and the children of the founders and the researcher's observation. The businesses were selected through a list of some popular businesses in the state that died with their owners from the record of Gombe chamber of commerce. The study also draws from literature on the problem of succession in small and family owned businesses in general. The businesses studied were selected through convenient sampling technique. In selecting the businesses, consideration was taken of such variables as main activity, size, and location of business. The list include; one business in the manufacturing, one general distributor of many multi-national corporations, one transportation, one oil mill processing industry, one textile dealer shop, one business of tire selling and related services, one trading in cooking oil, and a bookshop, they are small-scale businesses. For the purpose of this study, "small business" will be used to refer to an enterprise that employs less than 50 people, owned, managed and control by the founder, with the capital of less than 50 million naira.

A family business is one that is owned by members of the same family to shape and/or pursue the formal or implicit vision of the business, in which it is the intention of family members to hand the business over to the next generation, or which has already been handed over to a family member to manage and/ or control it (Venter 2002:17). Daily and Dollinger (1991:60) maintain that family businesses are different from other businesses because ownership and control of the business interests breach on family interests, and hence conflicts occur quite often as the business and family may strive to realize different objectives.

3. Small Family Businesses (SFBs) Beyond Their Founders

Indigenous African enterprises have very often died with their founders (Forrest, 1994, 237; Wild, 1997, 122). This problem is not peculiar to indigenous African enterprises as Tootelian and Gaedeke (1978, 223) argue that history is replete with business failures that result from poor succession policies. Forrest observes that although this situation is changing, but very slowly. One of the previous studies in Nigeria, Wilier (1996) found that although many of the founders of the businesses she studied had reached an age where the question of succession arises many of them still did not have clear succession plans. In another study of ten Zimbabwean indigenous small-scale businesses by (Maphosa, 1996) indicated that succession had not yet become a serious issue for the business owners. Six out of the 10 businesses studied did not have a clear succession plan. While all the business-people knew the individuals whom they wanted to take over their businesses, only three of the business-people had actually appointed those people to positions that would enable them to exercise a substantial amount of authority and responsibility to prepare them to take over in the event of a sudden death or incapacitation of the founder.

The problem of continuity of the business after the founder is not unique to Africa (Wilier, 1996, 3). The various explanations that have been given to account for this phenomenon are characterized by a dichotomy between a focus on the successor on the one hand, and a focus on the founder on the other (Wilier, 1996, 3). Those who focus on the successor have argued that businesses fail after the founder because the successor usually lacks the personality characteristics of the founder. Those who focus on the founder have argued that it is the founder's inability to plan for the succession plan that is responsible for many business failures after the founder. The crisis of succession in Small Family Businesses (SFB) is presented below.

4. The Problem with Entrepreneurial Leadership

To scholars entrepreneur is been considered as agent of change in an economy (Mill, 1848; Schumpeter, 1934, 1947; MacLelland, 1961; Hagen, 1962). Over the years they tried to identify the distinguishing characteristics of this agent of change. Mill (1848) defines an entrepreneur as an individual with a propensity to take risks. For Schumpeter (1947, 151) the defining characteristic of an entrepreneur is "simply the doing of new things or the doing of things that are being done in a new way". MacLelland (1961) considers an entrepreneur as one with the following characteristics: a liking for moderate risk taking; confidence in one's ability to succeed; energetic action directed towards one's self-advancement; the desire for freedom and individual responsibility; and individual success usually measured by the acquisition of wealth. The distinguishing characteristic of an entrepreneur is autonomy, the freedom to take decisions according to the individual's preferences.

Most SFBs owe their existence to the individual efforts of their founders. New ventures are formed through the founders' commitment to time and effort and assume the personal financial risks to venture into unknown. The growth and survival of a small business during its start-up time might depend on efforts and personality of its founder. The problem with entrepreneurial leadership, however, is that it is personalized. Entrepreneurs are visionaries who cherish the independence to make decisions and take responsibility for those decisions in order to realize their dreams. As a result the founders tend to maximize control and disdain delegation of authority and responsibility to any one; instead they like to directly carry out or to supervise most of the day-to-day operations of their firms themselves (Gorb et. al., 1981, 209; Perrigo, 1980, 215). This type of management, however, allows owner/manager to offer personalized service or attention to their clients thus giving them a competitive advantage over large enterprises. Delegation is related to the expansion of the business. As the business expands, there is more division of labour and the founder has to be aware of the extent of the growth of the business so that division of labour and delegation can be properly planned.

The typical founder is the picture of the business with his/her own personal wellbeing closely intertwined with that of the enterprise. This close identification of the business with its owner prevents the development of businesses into corporate identities with interests which are distinct from those of their owners. The lack of separation between the individual founders and organisational interests prevents the formation of partnerships with both relatives and non-relatives.

5. Leadership Succession

A partnership necessarily implies joint control and shared responsibilities and authority. It is easy for such an organisation to plan its succession since the sharing of authority and responsibility starts with the inception of the organisation. The opposition towards partnerships is rooted in a widespread fear of losing control and feeling of distrust of both relatives and non-relatives alike.

Kennedy (1988) observes that in Africa genuine family business, in which members of the family share capital and managerial skills, is a rare phenomenon. Where such enterprises occur, they tend to be confined to commerce market trade, shop-keeping and wholesale activity. However, Marris and Somerset (1971) observe that even in businesses which do not need any specialized skills and large amounts of capital to start or run, like rural stores, there is a tendency to avoid joint ownership.

6. The Choice of a Successor

In seven out of the eight businesses studied, the founders' families indicated that they preferred their family member to take over the businesses. Unfortunately, there was no plan to that assertion from the founders of the businesses. It is generally acceptable the transfer of fortune or wealth from a parent to an offspring through handing over ownership of a business, as the increasing effect of such a practice is the development and sustainability of the family investment and prestige as well as for economic development in the country. Tootelian and Gaedeke (1978) assert that there are many successful businesses, both large and small, where a parent has been succeeded by an offspring. Wild (1997) argues that in many capitalist countries, the family formed and still forms the structural nucleus of some businesses. Such businesses include Krupp, Thyssen and Siemens in Germany whose 'expansion and continuity were and still are organized via the social networks of the family' (Wild, 1997, 120). Forrest (1994) argues that successful transitions in family businesses can be achieved through bringing children early into the business and gradually giving them responsibilities and authority during the lifetime of the founder. Children who would have assumed authority in this manner would be likely to have sufficient authority at the death of the founder to deter and resist extended family pressures to subdivide the business's assets.

The problem with the choice of children or relative as successors in SFBs, most of the chosen successor often comes too late into the business. In cases where children are selected as successors, some of them would still be very young. This makes the future of the business very uncertain in the event of the sudden death or incapacitation of the founder. Most of the would-be successors of small family businesses we studied in Gombe were still at school or college at the time of the death of the founders. They had little or no contact with or knowledge of their family businesses and therefore this increases the uncertainty of the future of the business as they were force to take over in the event of the owner's departure from the business.

Bringing in children into the business during the lifetime of the founder is not in itself a guarantee for the business long term survival and success. There is also the problem of uncertainty with whether or not the chosen successor to the business would be interested in going into that type of business or any business at all. He/she should also have the willingness to run a business and be interested in that line of business if the growth and survival of the business is to be guaranteed.

In the event that the heir (successor) does not have the interest to run a business and (or) that the founder dies before the successor is mature enough to take over the business, contingency measures ought to be put in place. However, no such contingency measures were in place in all the eight businesses studied which makes the firms continuity uncertain.

7. Delegation and Succession

Effective delegation is a necessary condition for a smooth succession. This is because delegating some of the chief executive's powers and responsibilities to the possible successor prepares the latter and the subordinates for the eventual takeover. In large bureaucratic-organisations, the succession process is generally routinised through the use of rules regulating retirement, rotation, and promotion of chief officials especially the chief executive (Grusky, 1961). In such organisations the succession event is less likely to be disruptive. This is because usually, well before the chief executive dies, retires or is incapacitated in any manner, a successor would have been chosen and prepared for the eventual takeover. Delegation of some of the chief executive's powers and responsibilities becomes an indispensable condition for a smooth succession. Even in the event of a sudden death or incapacitation of the chief executive, an organisation which has been encouraging delegation of power and responsibilities to the chief executive's subordinates is less likely to experience serious instability during succession than one which does not.

Family businesses are generally small, manage and control by the founder. They don't usually delegate authority to members of the family or subordinates for the fear of losing control. That is coupled with the autocratic leadership characteristic of the entrepreneurs (founders), are likely to render the succession process of the firms unpredictable and more likely to be disruptive.

8. Results and Discussion

The main reason succession planning does not occur is purely psychological. Most, if not all, business owners fear their mortality and believe that the product of all their hard work cannot be run without them. So they constantly put it off as something that doesn't need immediate thought. Experts believe the best time to conduct succession planning in a small business is when the business owner is between the ages of 55 and 65. That way there is sufficient time to groom candidates over a three to five year period. Yet, the preparation of a good succession plans must start earlier if the best outcome is to be achieved.

Another reason for unsuccessful successions in SFB as observe by Wild (1997) is the low prestige accorded a career in business by second generations compared to professions like medicine and law. As a most important status symbol, the acquisition of formal education has always been the pursuit of many children of business-people as well as their parents. For instance out of the 10 Zimbabwean business people studied, two of them had children who were undertaking studies that had a direct relevance to business. This is also the same in Nigeria most family business founders children preferred the prestige of engineering, medicine, law etc than going back to their fathers businesses. However, this became big problem for succession in some family businesses in Nigeria, even if the founder want to relinquish some authority to the chosen successor, if the child has no interest in business or that type of business is a crisis.

According to Daily and Dollinger (1991:60), the "problem is that family businesses have a built-in Achilles' heel. Two systems interacts the *family* and the *business* these two systems are not necessarily compatible. On the contrary, examples of destructive family feuds are not hard to find." Levinson (1971) concurs with this view and points out that the possible conflicts in family businesses arise when managerial decisions are influenced by feelings about, and responsibilities towards, relatives in the business, when nepotism exerts a negative influence. Conflict also arises when a company is run more to honour a family tradition than for its own needs and purposes. Under these circumstances there is likely to be chaos. Identification of these situations may help researchers understand why many Western family businesses cease to exist after ten years, and why only three out of ten survive into the second generation (Beckard and Dyer, 1983) while less than 15% survive into the third generation (Morris, Williams, Allen and Avila, 1997).

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

Traditional practices that interfere with smooth succession in small family businesses include those associated with polygamy and inheritance. At the death of a polygamous business founder the tendency is towards the subdivision of the business's assets among the many wives and children as well as other relatives. Even in monogamous families the subdivision of the business's assets among numerous relatives has often been inevitable in some cases in Africa. In many instances, at the death of a founder:' the relatives fell on the legacy and divided it against themselves and left the widow penniless' (Wild, 1997, 122). This is exactly the situation in Nigeria and Gombe in particular where polygamy is the tradition, therefore, polygamous crisis contributed to the closure of almost all of the businesses studied but one.

Tradition may influence the selection of the heir even if he or she is unsuitable for the position. The strength of the relations between the founder of a business and his or her relatives determines the latter's influence on the selection of the successor to the founder. This is especially true in cases where the founder has received assistance from relative especially initial capital to set up the business. All but one, however, reported that they carried alone their relatives and extended family needs even after the demised of the founders, because it was the tradition during his lifetime, this also lead to the bankruptcy of the firm. Only one businessman received financial assistance from his uncle to start his business. The uncle died before the business founder, his children pursued their share from the business immediately after the demised of the founder, and this necessitated the sharing of the business assets. While three out of the eight business founders got financial assistance from their friends as loan or lending institutions. This made them less obligated to their relatives. The remaining four started the business with their personal savings.

The receipt of financial assistance from relatives is likely to complicate the succession process, this results from the numerous demands on the organisations by relatives who might feel that they have a stake in the business because of the assistance they gave. These demands might include the appointment of a relative as a successor even though he or she might not be the best qualified for the job.

Evidence from this study did not find extended family demands as a threat to organisational succession of the SFBs studied as all but one of the business founders started their businesses from scratch either on their own personal savings plus bank loans or assistance from their friends. This financial independence from the extended family gave them independence to make decisions, including the decision to appoint a successor. For smooth and successful inter-generational transfer of corporate investments, the appointment of the successor should not be based merely on sentimental reasons. It is important to ascertain that the successor should have the necessary ability and the inclination to go into business and the type of business he or she is called upon to take over. There is evidence, however, to suggest that the selection of some successors was influenced by traditional and sentimental factors. Older male children were the most preferred as successors. This is in line with traditional Nigerian custom where, for instance, the oldest son provided he was of age would, as the future head of the family, inherit the father's fortune in most cases, while in others he will be the right person to manage his younger once assets till they come of age. However, he is to administer and manage the estate and businesses in trust for the benefit of the entire family. Where the deceased founder had more than one wife, the eldest sons of the wives inherit jointly in another culture Ogundele, et, al. (No date). This is irrespective of whether they are compatible or not.

9. Conclusion

Developing a succession plan is much easier in an organisation which values participative decision-making and delegation of authority and responsibilities. Whether the founder wants to leave the business to his offspring or to professional managers, it is important to bring the potential successor into the organisation as soon as possible. The tendency, however is to leave the potential successor out of the business until it is too late Small-scale businesses may not have resources to pay professional managers. Furthermore, if the firm's turnover has historically been poor, necessitating constant bailouts from relatives, this would be a sufficient disincentive for any potential successor.

10. Recommendations

The future of Africa's economic development lies in the promotion of indigenous small and medium businesses alongside the multinational corporations. The first step towards this goal is to realize that entrepreneurship can be learned we can proceed to make it an integral part of our entrepreneurial development efforts. The continuity of our business enterprises beyond the founder is possible if there is a well prepared succession plan before the founder goes. Leadership in many small-scale enterprises is personalized. This kind of leadership does not easily lend itself to delegation and makes Planning for the succession very difficult. We also suggest that SFB founders should have a long term succession management strategy by training a member of the family or hiring an expert to manage the business, alternatively, they should sale some shares of the business to the public or a partner. African entrepreneurial development efforts have a challenge to develop entrepreneurship approaches that give priority to the collectivity rather than the individual.

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