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**Poor Succession Planning by Entrepreneurs: The
Bane of Generational Enterprises in South-East,
Nigeria**

Onuoha, B. Chima, Ph.D.

Department Of Business Administration

Kogi State University, Anyigba, Nigeria

E-mail: Chimaonuoha2005@yahoo.co.uk

Tel: +2348037078654

Abstract

The Ibos of South-East Nigeria are renowned for their zeal and tenacity in business; spanning decades, yet there are no corporations that are in their third or fourth generation. This is as a result of poor attitude to succession planning. This article – a survey research, covered the commercial cities of South-East region of Nigeria. The findings include: majority of enterprises are not incorporated and over 94% of entrepreneurs have no succession plans. The factors responsible for these are: (a) the feelings that the entrepreneurs are still strong and healthy (b) uninterested children and relations; (c) entrepreneurs not knowing what succession planning is all about; and (d) no capable hand yet/fear of mismanagement. Based on these findings, the article made recommendations which will greatly assist the South-East region of Nigeria to have hundreds and thousands of generational enterprises, which in turn, will aid the country's quest to be a major global economic player in the year 2020.

Key words: Entrepreneurs, South-East Nigeria, Succession Planning, Generational Enterprises, SMEs

Introduction

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. One critical factor is responsible for this poor or lack of succession planning or plans.

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 this article will investigate factors responsible for poor succession planning in South-East, Nigeria. The South-East being the bedrock of entrepreneurship in West Africa, the need to have well-managed enterprises cannot be underscored.

Theoretical Framework

One of the hallmarks of a market-oriented economy or a mixed economy is the presence, of large number of entrepreneurs. In these economies, they are seen as agents of development and economic emancipation. If this is true, who then is an entrepreneur? Researchers, authors and practitioners have attempted to answer the question of who an entrepreneur is, from different perspectives, Onuoha, (1991:245-247). Some opinions will be highlighted in this section. Drucker (1983:93) and Schumpeter (1961) see an entrepreneur as "any person who coordinates other factors of production and bears the risk or uncertainty by investing his scarce resources in business ventures". In so doing, he also takes the managerial decisions of planning, staffing,

organizing, directing and controlling the business enterprises. Some authors like Siropolis (1977:23-24) describe an entrepreneur as “anyone who runs a business enterprise-whether small or big”. This perspective includes all those who found their business from scratch and nurse them into lusty ventures by dint of hard work and idea-getting ability, (Uzoma, 1991:2). Continuing, Uzoma (1991) also highlights the other variants of these definitions. They include: all those who take over the management of a business venture after the founder retires, dies, or sells out the business; franchise operators – those who are granted by another party or organization (franchiser) to use or sell some product(s) and/or service(s) that is the property of the franchiser. In return, the franchisee pays an initial fee and thereafter, a continuing royalty, license fee or lease charges on equipment and building.

Further reference to Schumpeter will throw more light on who an entrepreneur is. Early this century, Schumpeter, the Moravian born economist writing in Vienna, gave us the modern definition of an entrepreneur as ‘the person who destroys the existing economic order by introducing new products and services, by creating new forms of organization or by exploiting new raw materials’. According to him, the person is most likely to accomplish the destruction by finding a new business but may also do it within an existing one. Bygrave (1997:2) gives a broader definition. An entrepreneur is someone who perceives an opportunity and creates an organization to pursue it. The entrepreneur always searches for change and responds to it and exploits it as an opportunity. An entrepreneur is a person who is involved in entrepreneurship (Burton, & Thakur, 1997:7574).

Finally, Ivancevich et al (1997:503) see an entrepreneur as a person who assumes the major risk of creating incremental wealth by making an equity, time and/or career commitment of providing value to a product or service. The product or service itself may or may not be new or distinct, but an entrepreneur adds value.

Having highlighted a number of facts on who an entrepreneur is, what then are his functions? Experts in this area of study have attempted to enumerate entrepreneurial functions. Some of these scholars include: Longenecker and Scheon (1995); Fadahunsi (1992:44); Kirchoff (1997:462-466); Edet (2004:14); and Agbaeze (2004:27). Their contributions all emphasize their indispensable functions. Typical descriptions of the functions are as provided

by Fadahunsi (1992:44). In his view, entrepreneurs are said to: search and discover new information; translate new information into new markets, techniques and goals; seek and discover economic opportunity; evaluate economic opportunity; marshal the financial resources necessary for the enterprise; make time-binding arrangements; take ultimate responsibility in management; provide for and is responsible to the motivational system within firm; provide leadership for the group; and are the ultimate uncertainty or risk blazers.

Successful entrepreneurs are the owner-managers of SMEs which ought to be transferred to future generations, with the aid of effective succession planning.

Succession planning is a process for identifying and developing internal people with the potential to fill business leadership positions in the company. In other words, succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available (wikipedia, 2011). The Business Dictionary.com defines succession planning as the “identification and development of potential successors for key positions in an organization, through a systematic evaluation process and training”.

When developing a succession plan, an entrepreneur needs to consider the following questions: What traits/qualities are needed in your professional and personal roles?; What positive attributes did you bring to your position in the business and in the family?; What were your greatest growth opportunities/challenges in your position and what wisdom should you pass along to your successors to increase their level of success? Are there any past issues or family dysfunction that you need to resolve with your possible successor?; What are the top two or three development opportunities your successor needs to focus on over the next 12 months to eventually assume your roles?; and what is the proposed time table? (www.smadvisors.com).

An entrepreneur or a family business does not wait until answers are found or provided for the above questions before commencing succession planning. Start now! But it is vital that the succession process be carefully planned before it becomes necessary due to the owner’s illness or death. Bowman-Upton (1991) recommends that family businesses follow a four-stage process in planning for succession: initiation, selection, education, and transition. In the initiation phase, possible successors are introduced to the business and

guided through a variety of work experiences of increasing responsibility. In the selection phase, a successor is chosen and a schedule is developed for the transition. During the education phase, the business owner gradually hands over the reins to the successor, one task at a time, so that he or she may learn the requirements of the position. Finally, the transition is made and the business owner removes himself or herself from the daily operations of the firm. This final stage can be the most difficult, as many entrepreneurs experience great difficulty in letting go of the family business. It may help if the business owner establishes outside interests, creates a sound financial base for retirement, and gains confidence in the abilities of the successor.

Methodology

The study which lasted three months covered the major capital cum commercial nerve centres of South-East. They are Aba, Enugu, Owerri, Nnewi and Onitsha. The South-East region has a long history of entrepreneurship in Nigeria and West Africa. The researcher with the help of these postgraduate students who served as a research assistants distributed 1070 questionnaire to owner-managers of firms in these towns. The essential areas of entrepreneurship were surveyed. They include: manufacturing, trading, printing and publishing, fabrication and steel based enterprises, agro-based businesses, etc, again covering the key points of the topic. The questionnaires were allocated thus: Aba (250), Enugu (140), Owerri (130), Nnewi (250) and Onitsha (300), based on perceived level of commercialization, cost, time available, etc. The selection of the sample size and respondents was with the convenience sampling method, based on the following conditions; that the respondents must have a minimum qualification of West Africa School Certificate (WASC); he or she would have been in business for at least five years; the main office (or the main operational base of the business is in the South-East, Nigeria; and finally that the firm has a minimum annual turnover of five million Naira (₦5m). Out of the 1070 questionnaire distributed, 990 were correctly filled and returned. This represents 95.5% response rate.

Survey Findings

Table 1 shows poor attitude to succession planning which had made having enterprises that span generations difficult in the south-east region and indeed other regions of Nigeria. Majority of the enterprises 700 or 70.7% are unincorporated. Very few entrepreneurs, 88 or 8.9% inherited their business and about 60 or 68.2% remained in the same line of business while 28

(31.8%) changed their line of business, that is different from the one inherited. One major reason why entrepreneurs are not keen in succession planning is their reluctance to retire from active participation in the day-to-day operations of their enterprises Over 625 (410+215) or 63.4% (41.7%+21.7%) would want to remain in their businesses for over 26 years from now. Consequently, about 933 or 94.2% of entrepreneurs under study have no succession plan. The reasons adduced for this poor management practice include: not knowing what a succession plan is (150 or 16.1%); no capable hand to hand over the business to and fear of mismanagement (120 or (12.9%); the feeling by the entrepreneurs themselves that they are still strong and healthy (483 or 51.8%); and the fact that their children or relations are not interested in the business (180 or 9.3%).

Table 1; Responses to Questions

S/No	Question	Responses	Respondent	Percentage
1	How old is your business?	A) 5-10 yrs b) 11-20 yrs c) 21-30 yrs d) 31-40 yrs e) > 40 yrs	215 410 195 105 65	21.7 41.7 19.7 10.6 6.6
2	Is your enterprise incorporated with CAC?	Yes No	290 700	29.3 70.7
3	Did your inherent this from your father or relation?	Yes No	88 902	8.9 91.1
4	If yes, is it the same line of business all the way	Yes No	60 28	68.2 31.8
5	When are you retiring from active participation in this business	A) 10-15 yrs b) 16-20 yrs c) 21-25 yrs d) 26-30 yrs e) don't know when	65 105 195 410 215	6.6 10.6 19.7 41.7 21.7
6	Do you have a succession Plan?	Yes No	57 933	5.87 94.2
7	If No, state the reasons why	a) Don't know what it is b) No capable hand yet/fear of mismanagement c) still strong and healthy d) Children/relations not interested in the business	150 120 483 180	16.1 12.9 51.8 19.3

Source: Field Data, 2013

Poor Succession Planning in South-East, Nigeria

Our survey shows that there is a correlation between the obvious reluctance of entrepreneurs to retire and not being interested in successions planning. What is the statistics like? There has not been effective documentation of data on succession planning in the Third World Nations including Nigeria. Let us look at the statistics of the most advanced country of this world – USA.

88% of current family owners believe the same family or families will control their business in five years, but succession statistics undermine this belief. Only about 30% of family businesses survive into second generation, 12% are still viable into the third generation, and only 3% of all family business operates in the fourth generation and beyond. The statistics reveal a disconnect between the optimistic belief of today's family business owners and the reality of the massive failure of family companies to survive through the generations. Research indicates that family business failure can essentially be traced to one factor: an unfortunate lack of family business succession planning.

www.familybusinessinstitute.com/index.php/succession-planning

If the picture is like this in the United States, it is more precarious in Nigeria. Our survey indicated that 933 respondents (or 94.2%) have no succession plan. The reasons given for this ugly scenario in order of ranking include: the entrepreneurs are still strong and healthy (483 or 51.8%); children and relations not really interested in the business (180 or 19.3%); do not know what succession planning and plans are all about (150 or 16.1%) and no capable hand yet and the fear of mismanagement (120 or 12.9%). This is coupled with the fact that majority of the enterprises are not incorporated (700 or 70.7%). We shall take each of them in turn.

Strong and Healthy Entrepreneurs

Many of the entrepreneurs think that they are strong and have no health challenges. They don't see any reason why they should retire early or be in a hurry to hand over the enterprises they had struggled all their lives to build to

outsiders. This mindset is not suitable for the present-day competitive and globalized world. It means that these enterprises are poorly structured: there are no systems and processes in place; everything depends on the owner-manager(s). All operations are devoid of professionalism. To be able to grow and effectively compete, enterprises require the services of managers, highly trained and with in-depth knowledge of the sector and sub-sectors.

Through informal interviews, the issue of whether they go for regular medical check-up or go to the clinic only when they are sick. Many did not see why they should just go to see a doctor, when not sick. This explains the rampant cases or sudden deaths among businessmen. Many are hypertensive without knowing. Sudden deaths can put many otherwise successful businessmen and enterprises into disarray.

Uninterested Children and Relations

Most of the entrepreneurs we surveyed are successful and wealthy. As such, they have the resources to provide their children and siblings quality education, in Nigeria and overseas. Majority of their children and relations are studying courses not related to their parents' businesses. Some would like to pursue passion, interests and careers to prove their mettle in their chosen professions, distinct and different from parents' enterprises, in politics, religion, teaching/academia, civil/public service, Non-governmental organizations (NGOs), Faith-based Organizations (FBOs), Civil rights organizations, etc. Since there cannot be two captains in a ship, a father would like to be the captain both at home and workplace. Some children may not want a situation that their bosses during childhood are still their bosses in the workplace. Some children may even want to seek work experiences and professional skills outside the family enclave. All these are disincentives to effective succession planning.

Even where some children inherit enterprises, they tend to change the line of business along the line. This happens particularly when they think that they inherited a line of business that is beneath their qualifications, skills, experiences, talents, or status, or is out-dated.

After their university and professional education in urban areas, and exposed to city lives, a good number of children of entrepreneurs will not like to live in rural and semi-urban areas like their parents. They prefer cities.

Do not know what Succession Planning is all about?

A good number of entrepreneurs are not aware of the numerous policies and incentive packages for encouraging entrepreneurship development in Nigeria. They and their key employees have not participated in or benefited from the seminars, workshops, skills trainings, etc. organized by government agencies. It was realized in the course of interactions with the entrepreneurs that their claim that they don't know what succession planning is all about is just a phobia, just like writing a Will. The phobia of having a succession plan is in the following directions.

Entrepreneurs erroneously assume that a succession plan means that they are becoming unproductive, weak, and useless or they will soon die – thoughts they hate to admit or contemplate.

The knowledge of a succession plan will make their children not to take their studies or education seriously. They will be more eager to come on board earlier than anticipated. Some ill-advised or bad children may or connive with their parents' enemies to kill them to fast track their directorship or ownership of the enterprises.

In polygamous homes, a knowledge of the existence of a succession plan may spark off rivalry and other family conflicts, inimical to the business(es).

All these explain the reasons why most successful entrepreneurs in the South-East, Nigeria do not have succession plan or Will before they die and the countless conflicts and litigations thereafter.

No Capable Hand Yet/Fear of Mismanagement

Most Ibo entrepreneurs served between five and ten years as apprentices. To be successful, entrepreneurs in South-East, Nigeria put enormous efforts and resources in their enterprises. Along the line, they get so emotionally attached to their business and they enjoy the ego identification with the success of the enterprises, and the wealth and status that come with it. As such, they are not in a hurry to transfer management or ownership. In fact, they assume that the next person is not capable. The fear of mismanaging all their lives' efforts and enterprises becomes real. This mindset discourages succession planning.

Recommendations

When family businesses transit from one generation to another, they have the tendency of being better, bigger and professionally managed. This is because younger generations are more educated than the older generations. Entrepreneurs in South-East, Nigeria should change their poor attitude to succession planning, to enable the region have in large numbers, generational enterprises, to enhance the rapid economic development of a region long known for its active involvement in entrepreneurship.

Entrepreneurs should know that there cannot be generational transfer of wealth and enterprises without effective succession planning. Many experts and scholars have approached this all important topic from different perspectives with the same goal in mind. This section will rely on some of the recommendations of Phil Thompson a business lawyer and corporate counsel. They include:

- Commit to having an open, transparent and written succession plan.
- Commit to having a safe, open and objective process to uncover all the issues.
- Hire experienced and objective advisors to help you develop the plan, and give them access to all the principal players, including your family members.
- Involve your family in the planning process.
- Make sure your successors and the business have been objectively assessed by independent third parties.
- Determine what you need to be secured in retirement.
- Do a commercially sensible deal, not only for you, but also for your successor and the rest of the family.
- Build in a realistic timetable that is not too long.
- Empower your successors, and disempower yourself, in a timely and realistic fashion.
- Consider how the plan will work if something unexpected happens, such as death, critical illness or a change in economic conditions.

- Put the interest of the business ahead of personal agenda.
- Once you have secured your financial future, put what is best for the family as whole ahead of what is best for any one family member-including you.
- Put the plan in writing.
- Integrate the plan with other legal documents, including wills and estate planning.
- Share the plan with others, as needed, especially anyone affected by the plan financially or emotionally.

Conclusion

Our efforts in this article were geared towards finding out the factors responsible for the poor attitude of entrepreneurs in South-East, Nigeria toward succession planning. It has to emphasized that Nigeria can not be a global economic player, when indigenous enterprises are not well structured and professionalized with the existence of succession planning. After identifying the problems, the article made recommendations, to help South-East and Nigeria to have well managed generational enterprises which will contribute positively to the nation's GDP and assists in its quest to be one of the twenty biggest economies in the world by the year 2020.

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