Succession Planning and Survival of Selected Family Businesses in Benue State, Nigeria

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Abstract:
The study investigated the effect of succession planning on the survival of selected family businesses in Benue State, Nigeria. The study examined the extent to which successor selection has an effect on survival of family businesses and the extent to which successor training affects the survival of family businesses. The study adopted a survey research design and primary data were collected using self-administered questionnaire. The population of the study consists of 82 selected family-owned businesses in Benue State. The study used a census sampling approach and the entire population was considered as the sample size. Data collected from the participants were analysed using descriptive statistics (mean and standard deviation) and inferential statistics (correlation and multiple regression) with the aid of the Statistical Package for Social Sciences (SPSS 23). The study found that successor selection has a positive significant effect on the survival of family businesses in Benue State ($\beta= 0.544; p<0.05$). The study also revealed that successor training has a positive significant effect on the survival of family businesses in Benue State ($\beta= 0.208; p<0.05$). The study recommended amongst others that family business owners in Benue State should have a business policy that will guide in the successor selection process to enable succession planning to be successful in their businesses.

Keywords: succession planning, family business, successor selection, successor training.

Introduction
The survival of a business organisation in a dynamic and competitive environment is influenced by the ability of the organisation to learn how to adapt to the environment and take full advantage of its resources (Akani, 2015). Family-owned businesses around the world play a significant role in emerging and developed economies through their contributions to Gross Domestic Product (GDP), employment generation and wealth creation (Okoh, Worlu, Oyewunmi & Falola, 2021). Family-owned businesses strive not only to remain successful through profit maximization, market position and other determinants of business success but they also strive in the continuity of transitioning management and ownership from one generation to the next. Long-term survival is therefore one of the most critical concerns for family businesses, and this hinges on how leaders manage the succession planning process (Judd, 2017).

Family businesses are firms that are run by the founder, are owned and managed by at least one family member, and are expected to be passed down to the next generation (LeCounte, 2022). Membership of family business could include sons, daughters, wives, husbands, grandchildren,
and other family members. Most SMEs are family-run enterprises, and a key factor in determining their survival and growth is family succession (Rod, 2019). Succession planning is one of the most complex issues family businesses face. The participation of all members of the family who are directly involved in the day-to-day operations of the company is fundamentally important as the succession plan is implemented. Succession planning is the process through which management control is transferred from one family member to another (Ghazali, Ghani, & Rahman, 2022). A succession plan serves as a roadmap for preserving valuable knowledge during leadership transitions (Stephens, 2016).

Succession planning in the family business enables stable family relationships, brings about the identification of potential successors (LeCounte, 2020), ensures the availability of a capable and trusted potential successor (Tetteh et al., 2022), and ensure that there are ready replacements for key positions within the firm (Umans, 2021). An effectively developed succession plan provides for a smooth transition in management and ownership (Chrisman, Sharma & Yoder, 2019). Agbim (2019) identified succession planning as a contributory factor to successful succession in a family-owned business.

In the United States, an estimate of at least 90 percent of businesses are family-owned and controlled; and contribute about 30-60 percent of the nation’s gross domestic product (GDP) as well as half of the total wage paid (Bhat, Shah & Baba, 2013). Family Businesses in Spain contribute 85 percent of the business sector, 70 percent of the national GDP, and 70 percent of employment in the private sector (Galván, Martínez & Rahman, 2017). A study of family businesses firms in Japan shows Kōngo Gumi construction firm is the world’s oldest family-owned business which began operation in 578 AD till the end of 2005, spanning over 39 generations, and the company’s succession planning practices facilitated business survival over fourteen centuries (Agbim, 2019).

Despite widespread knowledge of the importance of succession planning as a mechanism for business sustainability and survival, many Boards of Directors do not plan for leadership transition (Hooijberg & Lane, 2016), and most family business owners do not establish formal succession plans (Bozer, Levin & Santora, 2017). This has generated concern because only about 30% of family businesses survive beyond the first generation and only 13% go beyond the second generation, and approximately 3% reach the fourth generation (António, Augusto & Carrilho, 2019; Mokhber, et al., 2017).

In Nigeria, over 70% of Small and Medium-scale Enterprises (SMEs), many of which are family-owned businesses, die before their founders as most of them fail to survive a generational transition (Otika, Okocha & Ejiofor, 2019). This has spurred the need for research to provide an understanding about the relationship between succession planning and family business survival. The purpose of this study was to explore the extent to which succession planning affects the survival of family businesses in Benue State.

Objectives of the Study

The broad objective of the study is to examine the effect of succession planning on the survival of selected family businesses in Benue State. The specific objectives of the study include to:

i. Determine the effect of successor selection on the survival of selected family businesses in Benue State.

ii. Ascertain the effect of successor training on the survival of selected family businesses in Benue State.

Literature Review

Succession Planning

Succession planning can be defined as the process of identifying and preparing suitable employees through mentoring, training and job rotation, to replace key players within an organization who leave due to retirement,
advancement and attrition (Rodrigo, 2013). Succession planning is the process of identifying and developing internal people with the potential to fill key leadership positions in the company (Nnabuife & Okoli, 2017). Rothwell (2020) defines planning for succession as a “deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future and encourage individual advancement.

Succession planning is therefore an inevitable event in the life of any business. In a family firm, succession planning entails the process by which the management control is transmitted from one family member to another. The objectives of succession planning are to efficiently and fairly distribute assets from older to younger generations; to pass control of the business in a way that will ensure effective business leadership; and to maintain and promote family harmony (Magasi, 2022). According to Budhiraja and Pathak (2018) and Chirapanda (2019), the succession process primarily pertains to two essential steps: selecting a successor and the transfer of ownership. This study considers successor selection and successor training or mentorship as succession planning practices.

**Family Business**

The concept of family business is historical in origin yet it has been regarded as an emerging field in the entrepreneurship development most countries. Several arguments on what really constitute family business are still ongoing hence; different definitions are provided by authors. A family business is a business that is owned and run concurrently or successively by at least two or more members of the same family (Abdille, 2013). According to Stephen (2015), a family firm is a company that is primarily owned, run directly, or managed by at least two members of one family. A family business is defined by Scheemaecher (2017) as a company with at least 15% family ownership. Shares may be held jointly by a group of families. This implies that family business must have ownership of family members.

**Family Business Survival**

One of the key objectives of any business is to continue to exist for an extended period. Longevity can be seen as a measure of firm success and can be used interchangeably as business survival (Akpan & Ukpai, 2017). Business survival is also regarded as an unwritten law of every organisation, which is required as a prerequisite for serving any interest whatsoever (Akani, 2015; Akpan & Akpan, 2017). Business Survival refers to the continued existence of an enterprise, especially in the face of dangerous and challenging conditions. To survive these operating conditions, Oyewunmi and Oyewunmi (2018) suggested that such businesses must innovate and respond appropriately to the dynamism in the business environment.

The survival of the family business is more challenging than the non-family business counterparts due to its peculiarities. This is evident in the mode of selecting a successor (succession planning), drivers of decision making (mostly non-economic consideration), and financing options. Corporate survival is hinged on several factors which include dynamic capability, adaptability, innovativeness, and sustainability (Akani, 2015; Louangrath, 2015; Nnabuife & Okoli, 2017).

**Empirical Studies**

Briamah, Olusegun and Mustapha (2023) examined the effect of succession planning on the sustainability of small and medium scale enterprises in Nigeria. The study adopted a cross-sectional survey. The population of the study consists of 7,301 SMEs block businesses in Kwara State. The study purposively sampled eight (8) owners of block making SMEs in Kwara State using interviews conducted on the participants. Correlation analysis was conducted to determine the strength and direction of relationship between the variables. Regression was used to for test of hypotheses. The study established that succession planning significantly affects the sustainability of block making firms in Kwara State, Nigeria.
Massalu, Onyancha and Amembah (2022) assessed factors influencing the successor selection process during succession planning on growth of family business within Moshi municipality, Tanzania. A convergent parallel research design was used with a mixed research approach involving quantitative and qualitative data collection. The target population was 302 family businesses and the sample size was 120 respondents. Data were collected via self-administered questionnaire and interview. Probability sampling was used to select registered and active family businesses and simple random sampling techniques were used to obtain employees from selected family businesses. Regression was used for data analysis and the findings revealed the factors influencing successor selection have significant impact on family business.

Magasi (2022) investigated the relationship between succession planning and the survival of Family owned businesses (FOMBs), moderated by the firm’s background variables in Indonesia. A sample size of 339 executives was randomly drawn from the FOMBs in Dar es Salaam city and data were collected using a structured questionnaire. Multiple linear regression was used as a quantitative data analysis technique with the support of the Statistical Package for Social Sciences (SPSS). Results revealed that management succession variables (training the successor, successor involvement in business management and successor factors-work fit) had a positive and significant relationship with the survival of FOMBs. However, the internal recruitment of the successor had an insignificant relationship with the survival of FOMBs.

Ikechukwu and Enudu (2022) researched on succession planning and the performance of family owned business in Enugu State, Nigeria. The study adopted a descriptive survey design. The total population for the study was one thousand and forty-nine (1049) and the sample size of 303 was drawn using Freund and Williams’s statistical formula. Questionnaire and interviews were used as the instruments for data collection. Data were presented and analyzed using mean scores and Pearson correlation coefficient. The findings indicated that there was positive significant relationship between innovation investment and the profitability of family owned business; a positive significant relationship between mentoring and quality of service of family owned business and there was positive significant relationship between leadership succession planning and business survival.

Arinze (2022) examined the effect of succession planning on sustainability of family businesses in Anambra and Lagos States of Southern Nigeria. A survey research design was adopted for the study and Taro Yamane’s formula (1964) was used in determining the sample size of 354 respondents drawn from SMEs in Anambra and Lagos States participated in the study. Ordinary Least Square multiple regression was used for analysis. The study found that there is a significant adverse linear relationship between delayed-retirement of family business owner-managers and the business perpetuity and a significant relationship between mentoring and successful management transference in family businesses.

Olagunju, Abdulraheem, Abu and Salau (2022) investigated on succession planning and sustainability of family-owned businesses in Lagos State, Nigeria. The study used a cross-sectional survey with a descriptive methodology to gather data from 145 cleaning service companies registered with the Cleaning Practitioners Association of Nigeria (CPAN) and operating in the state of Lagos. Primary data were collected for the study using a standardized questionnaire. Tables were used for data presentation and multiple regression was used for data analysis. The study established that succession planning has significant effect on the sustainability of family-owned businesses in Lagos State.

Okoh, Worlu, Oyewunmi and Falola (2021) investigated the moderating effect of succession planning on inheritance culture and business survival of selected family-owned schools in South-West, Nigeria. The study adopted a descriptive survey design. The study sampled 357 participants and data collected were analysed using Smart PLS 3.0. The study revealed that
succession planning moderates the relationship between inheritance culture and family business survival.

Asikhia, Bienose and Oduyoye (2021) examined the influence of management succession planning on family business continuity in Lagos State, Nigeria. The study used a survey research design. The population of the study was 8712 registered family businesses in Lagos State. The study determined a sample size of 477 using Cochran formula for sample size determination and the participants were selected using a random sampling technique. The data were analysed using descriptive and inferential statistics. Findings showed that management style had no significant impact on the survival of family businesses in Lagos State, Nigeria; organisational structure had a significant impact on business growth; organisational culture had a significant impact on business performance, and managerial transition process had a significant impact on sales growth.

Monyei, Agbaeze, Omonona, Kelvin-Iloafu and Obi-Anike (2021) studied the impact of succession management on the long-term viability of small and medium-sized enterprises (SMEs) in Lagos, Nigeria. The study employed a descriptive survey research technique. The research participants included 3126 staff five selected SMEs in Lagos Metropolis. A sample size of 359 was determined using the Bill Godden formula. Data analysis and test of hypotheses were done using the Pearson Product Moment Correlation coefficient and findings indicated that succession planning was associated with corporate sustainability among SMEs in Lagos State, Nigeria.

Osita, Kekeocha and Ojimba (2020) investigated the effect of succession planning on small and medium firm sustainability (SMEs) in South-East Nigeria. A survey research design was used in the study and a self-structured questionnaire was used to collect data from 1000 SME owners in two primary marketplaces the region. Regression analysis was used to analyse the data and the hypothesis was tested at a 5% level of significance. The study found that mentorship has a statistically significant effect on SMEs' continuity in South-East Nigeria.

Methodology
A survey research design was adopted for the study. The use of survey design helped in gathering different views of the participants through questionnaire administration. The questionnaire was developed on a five point Likert scales measuring from strongly agree (5), agree (4), uncertain (3), disagree (2) to strongly disagree (1). The target population consists of 82 owners of selected family-owned businesses in Benue State. A census sampling technique was adopted for the study and the entire population was used as the sample size. A pilot test was carried out to determine validity and reliability of the instrument. The result of Cronbach’s alpha indicated a high reliability for all the constructs and above the recommended threshold of 0.70 as follows: successor selection (0.892); successor training (0.923) and survival (0.886). Data collected from respondents were tabulated and analyzed using mean, standard deviation, correlation and regression statistical tools with the aid of the Statistical Package for Social Sciences (SPSS 23). Formulated hypotheses were tested at 0.05 level of significance.

Results and Findings
Descriptive Statistics Analysis
Mean and standard deviation were used to explain respondents’ agreement with the responses.

The result in Table 1 shows responses collected from participants on the dependent variable (survival) and predictor variables; successor selection and successor training. For survival of family businesses the values (M=3.66; SD=0.560) implies that there is significant change in the survival of family of businesses. Successor selection has mean value of 3.63 (SD=0.653) which means that there is high agreement while successor training has a mean value of 3.67(SD=0.586) which explains that successor training significantly affects the survival of family businesses.
### Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successor Selection</td>
<td>82</td>
<td>3.63</td>
<td>.653</td>
</tr>
<tr>
<td>Successor Training</td>
<td>82</td>
<td>3.67</td>
<td>.586</td>
</tr>
<tr>
<td>Survival</td>
<td>82</td>
<td>3.66</td>
<td>.560</td>
</tr>
</tbody>
</table>

Source: Computation from SPSS Output, 2023

### Table 2. Correlation Matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Successor selection</th>
<th>Successor training</th>
<th>Survival</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successor Selection</td>
<td>1</td>
<td>.493**</td>
<td></td>
</tr>
<tr>
<td>Successor Training</td>
<td>.493**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Survival</td>
<td>.485**</td>
<td>.448**</td>
<td>1</td>
</tr>
</tbody>
</table>

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

Source: Computation from SPSS Output, 2023.

Table 2 shows the correlation between succession planning strategies and survival of family businesses. The result found a positive correlation between successor selection and survival of family businesses ($r=.485; p<.01$) and a positive correlation between successor training and survival of family businesses ($r=.448; p<.01$). The result further shows that there is no problem of multi-collinearity associated with the variables.

### Table 3. Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R-Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>.920*</td>
<td>.718</td>
<td>.712</td>
<td>.651</td>
<td>1.825</td>
</tr>
</tbody>
</table>

Note: a. Predictors (Constant), Successor Training, Successor Selection; b. Dependent Variable: Survival

Source: Computation from SPSS Output, 2023.

### Table 4. Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>53.742</td>
<td>2</td>
<td>17.914</td>
<td>88.076</td>
</tr>
<tr>
<td>Residual</td>
<td>50.034</td>
<td>79</td>
<td>.203</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>103.776</td>
<td>81</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Survival; b. Predictors (Constant), Successor Training, Successor Selection

Source: Computation from SPSS Output, 2023.

The results of the model summary as presented in Table 3 shows an $R^2$ value of .718 meaning that 71.8% of the variation in the dependent variable (survival) is explained by the independent variables (successor selection and successor training) while 28.2% is explained by other variables outside the model. This indicated that the model is a strong and fit in predicting the effect of succession planning on the survival of family businesses. The $R$-value of .920 indicates that there is a strong positive correlation between the dependent variable (survival of family businesses) and the set of independent variables.

The result in Table 4 shows that the significance value (.000) is less than 0.05 hence, the model is statistically significant in predicting the effect of the independent variables (successor selection and successor training) on the dependent
variable (survival of family businesses). The F critical at 5% level of significance was 88.076. This is an indication that successor selection and successor training jointly affect the survival of family businesses in Benue State.

Table 5. Regression Coefficients

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.676</td>
<td>.217</td>
</tr>
<tr>
<td>Successor Selection</td>
<td>.538</td>
<td>.067</td>
</tr>
<tr>
<td>Successor Training</td>
<td>.208</td>
<td>.061</td>
</tr>
</tbody>
</table>

Note: a. Dependent Variable: Survival
Source: Computation from SPSS Output, 2023.

The result of the regression coefficient as presented in Table 5 indicated that taking all other independent variables at zero, a unit increase in successor selection will lead to 53.8% increase in survival of family businesses and a unit increase in successor training will lead to 20.8% increase in survival of family businesses. The result further implies that successor selection has the highest significant effect on the survival of family businesses in Benue State, Nigeria.

Hypothesis one (1) states that successor selection has no significant effect of on the survival of family businesses in Benue State. The result in Table 5 shows that successor selection has significant effect on survival of family businesses (β= 0.544; p<0.05) and the null hypothesis was rejected. This implies that successor selection has a positive significant effect on the survival of family businesses in Benue State.

Hypothesis two (2) states that successor training has no significant effect on the survival of family businesses in Benue State. The result in Table 5 shows that successor training has a positive significant effect on survival of family businesses (β= 0.208; p<0.05). The null hypothesis was therefore rejected and alternate hypothesis accepted.

Discussion of Findings
Findings of the study established that succession planning significantly affect the survival of family-owned businesses. In line with the Monyei, Agbaeze, Omonona, Kelvin-Iloafu and Obi-Anike (2021) in their study on succession management and long-term viability of SMEs in Lagos, Nigeria found that succession planning has significant effect on the sustainability of SMEs. Olagunju, Abdulraheem, Abu and Salau (2022) also established that succession planning has significant effect on the sustainability of family-owned businesses.

The result of hypothesis one indicated that successor selection has a positive significant effect on the survival of family businesses in Benue State. The findings clearly demonstrated that careful selection of successors enhances the sustainability and survival of family-owned businesses. In agreement with this result, Massalu, Onyancha and Amembah (2022) in a study on factors influencing the successor selection process during succession planning on growth of family business affirmed that there is a positive significant effect of successor selection on the growth of family business in Tanzania. The result if corroborated by Okoh, Worlu, Oyewunmi and Falola (2021) who found a significant relationship between successor selection and family business survival. The implication of the finding is that the survival of family-owned businesses is dependent on the type of successors selected to continue with the business.

The test of hypothesis two revealed that successor training has a positive significant effect on the survival of family businesses in
Benue State. Training is done to prepare business successors to enable them to hold big duties and responsibilities. Alayo, Jainaga, Maseda and Arzubiaga (2016) stated the level of employees’ training and work experience determines the quality of management succession planning process in the family-owned business. The result is supported by Magasi (2022) whose study reported that training the successor had a positive and significant relationship with the survival of family-owned businesses. Ikechukwu and Enudu (2022) also found a positive significant relationship between training (mentoring) and quality of service of family owned business. The result is also supported by Osita, Kekeocha and Ojimba (2020) whose study revealed that mentorship has a statistically significant effect on SMEs' continuity in South-East Nigeria. The implication of the finding is that training or mentorship is an important aspect of succession planning that cannot be ignored. Family businesses can only survive or strive well if people in charge are properly trained or mentored.

Conclusion
The study focused on the effect of succession planning on the survival of family businesses in Benue State. Findings of the study established that succession planning significantly affects the survival of family businesses. The study concludes that successor selection is vital during succession planning and it is positively associated with survival of family businesses. However, majority of family businesses do not take successor’s selection into cognizance. The study also concludes that having qualified and well-trained employees for a particular job will assure the business success because the successor is at the right place and the right job.

Recommendations
Based on the findings and conclusion drawn the following findings are made:

i. Family businesses in Benue State should invest in factors that influence the successor selection process for the growth and survival of the business. Family business owners in Benue State should have a business policy that will guide in the successor selection process to enable succession planning to be successful in their businesses.

ii. Successors should be given appropriate training according to position or job title. Owners of family businesses in Benue State should ensure that staff or members are well trained. Training enables the successor to acquire specific attributes that are unique to the family’s culture.

iii. Family businesses should incorporate experts with professional knowhow to run the business and offer expert guidance

References


Magasi, C. (2022). Management succession planning and family-owned manufacturing businesses survival: The moderating role of


