GST

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FOB: FAMILY OWNED BUSINESSES

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FOB: CLARIFICATIONS………

- Family business is an approach to entrepreneurship, and it has sometimes been referred to as family entrepreneurship. Unlike "entrepreneurship", there appears to be no standard definition of family business. It has even been suggested that the definition of family business varies with culture . The definitional problem is compounded by a lack of consensus about what constitutes a family: whether it should include only parents and children, or all blood relations and in-laws.

- Despite the definitional problem of what constitute the terminology, Kenyon-Rouvinez and Ward (2005)define family business as a proprietorship, partnership, corporation or any form of business association, which is classified as a Small Business Enterprise (SME) and has at least one of the following five characteristics:

- Businesses that are owned by members of the same family, typically with the family owning over half of the shares (majority of ownership is controlled by a family).

CLARIFICATIONS CONTD……….

- Businesses controlled by members of the same family, even if the family is not the majority owner. In this case the family can lose control if the owners become unhappy with the performance of the business.
- Two or more members of the family are employed and actively participate in the management of the firm.
- Businesses in which the ownership and/or management passes from one generation to the next. This may be thought of as a "higher order" of family business.
- The CEO/Managing Director sees the business as being family owned and controlled.

FOB CLARIFICATIONS,,,,,,,,,

- Nwankwo (1990) is of the opinion that when family business is basically owned and operated by one person, he or she usually does the necessary balancing automatically. For example, the founder may decide that the business needs to build a new plant and decide to take less money out of the business to live on for a period of time in order for the business to generate the cash needed to expand. In making this decision, the founder is balancing his personal interest (taking cash out) with the needs of the society (expansion).

FOB………

- Family businesses constitute a large number of commercial activities worldwide, contributing significantly to the global economy.

- Succession is a key issue influencing the sustainability of family businesses. There are many family business failures in Nigeria, especially at the demise of the owner/founder.

FOB /ENTERPRENEURSHIP

- Family business represents the oldest and most prevalent type of business organizations worldwide (De Alwis, 2011). As such, they play a significant role in both the stability and health of the new global economy. It is estimated that 90 percent of all businesses in the US, Canada and Europe are family owned and operated.
- Family business also represents the prevailing type of organization in most Asian and Latin American countries due to the strong clan type culture (Ibrahim & Ellis, 2006). Figures of family businesses in Nigeria could not be easily determined, due to paucity of data (Esuh, Mohd & Adebayo, 2011), however it is safe to conclude that it will be similar to what operates in other countries. Despite their importance to the national economy, the survival rate of family firms beyond the founder's generation is extremely low especially in Nigeria . It is estimated that less than one-third of family firms survived into the second generation and only 13 percent survived through the third generation . In Nigeria, this situation is prevalent since many organizations, however promising and vibrant have close down at the death of their founder, due to lack of adequate planning for succession

HOME SAMPLERS……….

- In Nigeria, history abounds of many big family businesses that disappeared with the death of their proprietors. We have the likes of Odutola Group, Sir Louis Odumegwu-Ojukwu, Lawrence Omole, Sir Mobolaji Bank-Anthony, Igwe Mathais Ugochukwu and J. K. Ladipo; they laid the foundation for modern business in Nigeria. Businesses of Chief Moshood Kashimawo Olawale Abiola's, the Tabansi Group, Alhaji Haruna Kassim, Alhaji Baballe Ila, Alhaji Mamman Goda, Alhaji Adamu Muri and Alhaji Sule Garo. Others are Alhaji Mai Deribe, Alhaji Umar Ali, Alhaji Inuwa Usman and Alhaji Ali Koloko, Danboyi Zang, Alhaji Ali Illya, Alhaji Bakari and Alhaji Namata, all went moribund at the death of their founders.

FOB DIMENSIONS…….

- From the catalogue of businesses that have gone under at the demise of their owner/founder, the major problem confronting Nigerian family business owner is the need to create opportunity for succession planning, which is lacking with most family firms in Nigeria. When the planning is carried out, they are done in half measure without carrying along all the interested parties: the successor, other siblings, other family members and also non-family member employees within the business . At the exit of the founder, problem arises which may eventually lead to the break-up of the family business.
- Most of the Nigerian Entrepreneurs and successful business owners are opportunistic businessmen and women. They move from one business to the other – whichever area that money can be made becomes ideal – through politics, relationships and the like. There is the need to share their accumulated wisdom and experiences with their successor. What we see in our environment is that the owner/founders do not share this knowledge and experience because most businesses they run are not formal businesses that they can really leave behind as a legacy, but successors need both experience and training to develop the visioning and evaluative skills to strategically redirect the businesses.

FOB DIMENSIONS……

- Successful businesses actively promote mentoring and networking opportunities for the successor as a way to prepare them for leadership . In order for a business to continue to be successful, each generation needs to bring in new strategic ideas that build on the business's core competencies. The mentoring of potential successors should begin early and follow a planned, sequential process.
- The challenge with Nigerian family business owner is that, due to increased number of children, polygamous marriages, the choice of who to mentor or groom is difficult, therefore the choice of a successor becomes a problem and this will invariably affect the firm's survival beyond the owner/founder.

FOB Vs SUCCESSION PLANNING

- To solve the problems highlighted above, an objective to determine the need for proper grooming and mentoring of successor of the owner/founder in order to successfully assume higher managerial capability and how it affects sustainability was explored.

- Another problem is internal conflict among family members; conflict with nonfamily managers/employees; sharing of the business assets to the beneficiaries of the dead owner; emotional and distrust factors among successors. Conflict when unresolved and handled effectively can affect the fabric of any family business, the need for proper management, as it crops up is essential. Polygamous families, nepotism, favoritism, lack of trust and respect among siblings etc can create conflict thereby affecting the business..

SSP IN FOB………

- Succession, in organizational theory and practice, refers to the process of transferring managerial control from one leader or one generation of leaders to the next. It includes the dynamics preceding the actual transition as well as the after-math of the transition .

- In the context of family business, Sharma et al (2001) define succession as the actions and events that lead to the transition of leadership from one family member to another.

SS CONTD………

- Write ups on succession shows that although a viable succession plan often results in a smooth transition, certain factors do constrain the process. For instance, many people avoid thinking about succession because to do so means acknowledging one's mortality . This may be more prevalent among young owner-founders, who feel that they have many years of life, health and strength ahead of them. Further, conflict can arise between the founder and the heirs-apparent upon the realization by the former that more responsibilities to the latter mean less power and visibility to him, the founder. Conflict can also escalate within the family as many members campaign, lobby, or engage in intrigues to secure power in the prospectively new entrepreneurial dispensation. Consequently, choosing the appropriate successor even from one's own children poses a problem . The founder's choice may be reversed, or the enterprise may disintegrate upon the death of the founder as a result of posthumous antagonisms among family members. Therefore, maintaining good family relationships is extremely important for a successful and effective succession

SSP CONTD.........

- By extension, succession is the process by which ownership and control of the production or commercial infrastructure accumulated by one generation of a nuclear or extended family is transferred to the next. In the context of this research work, it entails the transfer of a commercial investment of any type from the owner-founder to his prospective survivors. These could be members of a nuclear family in a monogamous household such as a wife and children, or members of a compound family in a polygamous household, namely wives and children.

SSP…….

- In professionalizing family business in Nigeria, it is found out that business in Nigeria lacks the critical criteria to survive into generations, no planning, no succession, no mentoring etc. Entrepreneurs and SMEs are agents of economic and technological advancement. The quest for Nigeria to be one of the biggest twenty economies in the year 2020 in the World can only be achieved by having thousands and millions, of well managed and professionalized Small-to-Medium enterprises, majority of which are family businesses.

THANK YOU FOR YOUR ATTENTION

FOB : ISSUES……….

- Ifekwem, Oghojafor, and Kuye 2011, on Growth, Sustainability and Inhibiting Factors of Family Owned Businesses in the South East of Nigeria, the paper presents and discusses the various challenges in family owned businesses in the South East of Nigeria. The attitudes of business owners in the region and inadequate planning that often lead to the limited life span of most businesses (Onuoha 2012). The responses from two hundred and fifty small business owners/executives in the South East of Nigeria confirmed that family owned businesses suffer many management and attitudinal problems ranging from individualistic spirit, lack of planning and basic information, lack of political awareness, wrong line of business, and poor book keeping among others

FOB ISSUES……….

- . The implication is that businesses start and fail, rarely succeeding the owner. It is strongly recommended that business owners should invest heavily in training and courses locally and abroad to sensitize, orientate and change their mindset as well as adequately develop their management skills and abilities. It is also imperative for business owners to adequately scan the Nigerian business environment so as to identify the opportunities and threats therein, and develop the various techniques that will help them to adapt to the changing environments as they emerge (Onuoha 2012).

THE FOUR ESSENTIALS……

Succession Planning :

- Planning is a roadmap for success. The success and continued existence of a family business depends on the ability of the owner/founder to start planning for succession early in the life of the business. In this research work, most of the respondents clearly had succession planning in mind; however, the succession plan was not formalized and was not a part of the business strategic plan. Therefore, to ensure a high survival rate of small family businesses, succession must be put into a strategic plan, to make certain that a successor has an adequate capability and knowledge of the family business. Family business owners need to understand that their valued family business may not survive the next generation if they do not start early to plan for succession. Family business succession is thus an important practice that must be cautiously managed. A good plan will describe how management transition would occur and what criteria will be used to judge the best timing for the succession. Family businesses plan should clearly define how to avoid any potential conflicts between family members and nonfamily members involved in the company.

SUCCESSION PLANNING ISSUES….

Previous Experience and Exposure before starting the business :

- Successors need both experience and exposure to develop the visioning and evaluative skills to strategically direct the family business. Successors also need to see how the rest of the world operates and garner as much experience to use in the family business. Again, earning a higher education degree, training, and obtaining outside work experience are important requirements to be ready to take up a management role. Gaining experience in other companies can also provide the potential successor with a broader perspective on managerial issues and help him/her develop the capacity to adapt to far-reaching environmental change.

SUCCESSION PLANNING ISSUES….

Mentoring and Grooming of Successor:

- Family members' involvement and commitment are critical to the continuity, survival and sustainability of the family business. The family business culture is based on shared values and vision and these values and cultures are learned through mentoring and grooming. Mentoring is therefore essential to provide direction on the kinds of opportunities and experiences that the successor should pursue, evaluating the successor's performance, serving as a role model, explaining company dynamics and politics, and introducing the successor to key contacts inside and outside of the company.

SUCCESSION PLANNING ISSUES…

Family Conflicts :

- Increased conflicts among family members are the main reasons behind the stagnation of a family business. Problem of succession planning are inheritance conflict; owners unwillingness to let go; lack of skills by the potential successor; better career opportunities outside the family business for the successor; and intra-family conflict especially in a polygamous family; all these affects succession and sustainability. Family harmony will therefore help the succession process as it ensures greater trust, mutual understanding, and knowledge among the family members. Conflicts between family members might prevent the appointment of a successor or discourage aspiring successors for the position. Successor must also be trusted by the family members as the most ideal selection to take over the leadership of the family business. The owner/founder must therefore promote harmony while still alive among all the family members.

END NOTES........

- In the final analysis, it is submitted that entrepreneurs running family businesses should recognize that succession problems can constitute a great threat to the sustenance of the business and constitute a clog in the economic development of Nigeria. They must act proactively and pragmatically in this matter

NASME……

Nigerian Association of Small and Medium Scale Enterprises:

- The NASME (Nigerian Association of Small and Medium Enterprises) is a private business organization established mainly to promote Nigerian men and women-owned Micro, Small and Medium Enterprises.

- NASME is established to achieve the following objectives; (i) to promote the growth of micro, small and medium enterprises (ii) to coordinate the activities of SMEs and related agencies in Nigeria. NASME is to pursue these objectives through the following activities (a) advocacy (b) exchange of information (c) training (d) financial and technical advice (e) credit delivery (f) business support services (g) on capacity building.

NASME……

- NASME has seven sub-sectors, these include food processing, timber and furniture, wearing apparel, leather products, non-metallic mineral products, cottage industry. NASME renders its services in form of support services for existing members and the public through: business start-up services and promotion of self-help capacities.

- NASME is to pursue these objectives through:
- Networking Capacity building;
- Policy advocacy;
- Promotion of performance of its members firm and operators; and
- Improving the welfare of its members and make input in industrial policy

CHALLENGES OF FAMILY BUSINESS.....

- When family business owners were asked "What issues are of the greatest importance *and* greatest difficulty for you?" They responded in agreement:
- 1. Resolving conflicts among family members who are in the business
- 2. Formulating a succession plan
- 3. Developing a strategic business plan
- 4. Developing a retirement and estate plan.
- (Mass Mutual Financial Group, Raymond Institute, Survey Results, 2010)
- Many of what are considered family business benefits can quickly turn into liabilities or roadblocks to the business and can create irreversible damage/conflict within the family if not effectively managed.

CHALLENGES.....

- Typically, as the family business moves along its generational timeline, more family members are actively involved in the business and more family members have an interest in the activities of the business. Access to the broader family provides many potential benefits, as identified above, but also brings with it many potential challenges. Some of the more common challenges include

- **Conflicting goals/values** – Family members, especially between generations, can have different personal and business goals/values. These goals/values need to be clearly expressed and understood by all, to avoid unnecessary stress and potential conflict among family members.

CHALLENGES CONTD..

- **Conflicting personalities** – Everyone is different. Different personalities can often lead to sibling rivalries and intergenerational conflicts. Left unattended or unmanaged, they can destroy family and business harmony, and in some cases, destroy the business.
- **Expectations** – Family members have different expectations from the family and from the business. Expectations with respect to employment, management, ownership, compensation, work assignments, training, use of business assets, etc. will vary among family members. These expectations need to be addressed and managed in order for the family and the business to operate smoothly. Left unattended or unmanaged, they will negatively impact family and business harmony, and challenge the long-term survival of the business

CHALLENGES CONTD…

- **Work ethic** – The work ethic tends to differ significantly as the family business moves through its generations. The newer generations tend to be less prepared to invest the kind of time their parents invested in the business. This can cause considerable stress and discord between the generations and can also unnecessarily delay the transition of both management and ownership.
- **Employment of family members** – Who gets to work in the family business? Who gets what jobs? Can spouses and in-laws work in the business? Will employment be based on what the families want (bloodline) or what the business needs (competencies)? How are these employment decisions made? If not effectively addressed, all of these issues can turn into liabilities for both the family and the business.

CHALLENGES.....

- **Compensation** – Compensation and the inappropriate use of compensation to achieve family or personal goals instead of business goals continues to be one of the most challenging issues facing family businesses. The expectations to be fair are often in conflict with the desire to treat family members equally. Emotions can run high when this topic is addressed.
- **Reluctance to plan** – Generally, family business owners (especially the founders) are not very good at articulating and sharing their vision for the family business or their long-term business goals. Business planning, succession planning, and financial planning are often viewed as an ineffective use of time instead of a necessary business process. As the business moves through the generations, the owners' vision tends to get lost or blurred and the next generation of owners often find themselves without direction as they plan for the future. The dining room table often replaces the boardroom table, and whatever planning is done tends to be informal and irregular.

CHALLENGES….

- **The element of time** – In general, the family component gets more difficult to manage as the business moves from one generation to the next. Therefore, learning how to manage the family component early on in the evolution of the family business will pay dividends down the road.

THANK YOU SO MUCH.

Factors Causing Resistance to Family Business Succession.

RESISTANCE FACTORS……

- Resistance to succession sometimes comes from family business founders. A challenge family business face is the owner’s unwillingness to step aside, largely owing to the need for control. The thought to transfer the company to successor means not only foreseeing his own mortality, but also letting go of his power. The owner’s unwillingness to step aside can result in offspring losing interest in taking over the family business. Other problems include the unexpected, premature loss (death or illness) of the incumbent .

R F........

- Such trust depends primarily on the offspring's skills, previous work experience outside the company, and commitment to the company. They also suggest that planning for succession and retaining the founder as a consultant after succession are ways to facilitate the founder giving up control while maintaining an identity of the business.

- Scholars found that an owner-founder's gradual disengagement from the firm, combined with more delegation of responsibility to managers, helps reduce resistance to succession. Succession can fail because of resistance from the potential successors. Factors such as low skills/ability of the successor, lack of motivation of the potential successor, needs for career, psychological, and life-stage fulfillment influence the potential successor's response to succession. There are times when career and personal interests conflict with a profession in the family business.

RF……

- The potential successor may not want to be engrossed with the emotional and generational conflict from other family members hence will resist any attempt to take control of the family business. In some cases, the family business cannot provide the needs of the successor. With better prospects elsewhere, the potential successor seeks for them. To overcome the resistance from the successor there is need for training as well as the need employing nonfamily members as managers. Sibling rivalry appears when ego, envy, disagreement, unfairness, or inequality is perceived among brothers and sisters. When siblings work in a family business, rivalry can be an issue when it comes to naming a successor among multiple siblings.

RF……

- The sibling rivalry can be magnified when the performance of the elder brother in the family business is below expectation and the younger brothers/sisters must admonish him as well as act against him for the firm's benefit. There are times when the junior ones are better prepared for succession than the seniors.

- In this respect, extreme skills are needed by the founder in making the succession decision to avoid envy and conflict. If choice of parental preference of successor is partial it will likely result in family members, especially children resisting succession.

RF…….

- Harmony, trustworthiness, and equity in the treatment and selection of family members smooth the progress of succession planning. Without harmony, no family can stand, neither can a family business. Trustworthiness is an essential ingredient in family business. In the absence of trust, fear dominates organizations and slow down business succession. Thus, the family business leader/owner generates and sustains trust among the offspring. The features of trust are a combination of competencies, constancy, caring, fairness, condor and authenticity, most of all the latter.

RF……

- Nonfamily member employees can challenge the family business succession process. This exists when a top level nonfamily member employee (e.g., a manager) joins the company from the beginning, assuming the role of "second-in-command". This nonfamily member employee may feel threatened by the owner's offspring in the business. This includes a threat to employment due to a change of organizational structure, or to a fear of loss in leadership and power.

- Likewise, the offspring may see the manager as infringing on their close relationship with the father. Common nonfamily member manager's reactions include; excluding the family employees from important decision-making meetings, unkind remarks of the offspring, and making them look ineffective and inefficient in the business management. To reduce the transition's impact, it is also vital for founders

RF…..

- To clearly communicate to both the family and the nonfamily employees that the succession is taking place and offer incentives to ensure their cooperation .
- To define the offspring's positions and the nonfamily member's positions at the beginning of the business in order to minimize possible future conflicts that can undermine managerial effectiveness.
- To clearly articulate that the competent and high performing employee irrespective of being a family or nonfamily person can be picked as the successor in line with (1) above.

RF.....

- Right from on set the founder/manager should create genuine interpersonal relationships and harmonious culture between the family and nonfamily employees. Such relationships are easy to achieve because employees in family firms are usually either family or friends of the family, or referred by family or friends. Done well, the business expects little resistance to succession from managers in the family firm.

- Resistance from the environment can emanate from inheritance, financial position of the company, improper definition of roles and responsibilities, failing to train successor, not formalizing formal criteria for selection and succession.

THANK YOU

SUCCESSION PLANNING

SUCCESSION PLANNING?

Succession Planning

- Succession planning is a process where firms plan for the future transfer of ownership . Succession planning is a dynamic process requiring the current ownership to plan the company's future and then to implement the resulting plan. In fact, it occurs when the firm owner wishes to exit from the firm, nevertheless wants the business to continue.

- The motive behind this is to transfer ownership of the firm to any of the family members rather than shutting down the business altogether. Succession planning is generally considered to be a unique, case-by-case process, where a one-size-fits-all mentality is simply not appropriate

SP CONTD………

- Effective succession or talent-pool management concerns itself with building a series of feeder groups up and down the entire leadership pipeline or progression .

- Succession planning arises from the family firm's intention to pursue succession for two reasons.

1. First, activities related to succession planning are part of the succession process.
2. Second, succession planning is believed to increase the probability of a successful succession .

- Many FOB authors tend either to treat succession planning as a one-dimensional process or to combine its dimensions into one overall measure.

SP CONTD……..

- Succession planning as a process should include identifying the pool of potential successors, designating the successor, and notifying the successor designate and other management leaders of the decision made.
- To this set of activities, there is the need to train the successors and to formulate a vision of the company after succession .
- Its proper for the retiring CEO to be involved in this.

SP COMPONENTS……..

- Succession-planning process consists of the following discrete components :

1. Selecting and training a successor
2. Developing a vision or strategic plan for the company after succession
3. Defining the role of the departing incumbent
4. Communicating the decision to key stakeholders

- Succession planning should be part of an ongoing process that looks at what leadership and management skills are necessary for the ongoing success of the company as it strives to meet its vision.

- Just as one develop board members and the skills of the workforce, the leadership needs of the organization should be regularly assessed and plans made for development.

SP IS NECESSARY…..

- Like fire plants prepares a company for potential future emergency, a good succession plan should consider what would happen if the CEO were suddenly unable to carry out his or her job. A comprehensive succession plan should consider declining abilities and impending retirement as well as accidental death.

- Business owners may assume that if they have an estate plan, they don't need a succession plan. This is not the case. Estate planning, with its primary focus on the transfer of property, is an essential component of succession planning, but succession planning is much more comprehensive

SP IS NECESSARY ….

- A good succession plan, in addition to outlining the business's future ownership form, organizational structure and management, identifies how the transition from one generation of leaders/owners to the next will be managed. Furthermore, it provides a means of transferring a company's accumulated store of trust, respect and goodwill to new company leaders.

- It is important to emphasize that a succession plan is a *written document*. Because failing to plan for business succession can mean significant monetary losses and even loss of the business itself.

- An owner's intentions about what will happen to the business upon his or her departure from it are a poor substitute for a formal plan

IMPORTANCE…..

- In order to be effective, a succession plan must also be regularly reviewed and updated to reflect company changes, industry or market developments, changes in tax laws, etc. Even in the absence of such changes, an annual review is in order !

- A number of crises can befall businesses that operate without a succession plan.

- For example, company leadership can fall to successors who have not been properly prepared for leadership, thus threatening the company's profitability and endangering relationships with key clients.

IMPORTANCE……

- In addition to preventing a crisis down the road, succession planning offers many immediate benefits. Having envisioned a specific future, companies often emerge from the succession-planning process with a clearer sense of their mission and core values.
- The necessary discussions of company organization, management and operations may lead owners to the discovery that existing structures or practices are no longer effective, while a formal business valuation may reveal that the company's product has stagnated.
- Implementing a long-term training program for successors is likely to yield shorter-term results as successors acquire new skills on the path to leadership.

End notes……

- No doubt, the steps required to prepare a business for succession can take several years – and because succession can be the result of unexpected death as well as planned retirement – developing a succession plan is not a task to put off.

- Many succession-planning experts recommend that owners develop a plan as soon as the business has weathered the start-up stage.

Succession Processes

SP PROCESSES…..

- The family business succession plan comprises two processes, the 'management' succession process and the 'ownership' succession process. Numerous succession activities are outlined for each of the two processes to achieve the desired succession outcomes.

- The management and ownership succession processes can be undertaken simultaneously or one at a time.

- It is recommended that the management succession process be carried out first so that the ownership succession plan reflects and supports the management succession.

Succession Activities

- A number of family business succession activities intended to integrate family members into the management and ownership succession processes. The activities are also intended to make family members feel comfortable with both the succession process and its outcomes.

- The ultimate goal is to allow family members to make informed decisions about their individual and collective futures in the management and ownership of the family business.

ACTIVITIES…….

- Establishing family communication activities, such as family business meetings for the active family members, family council meetings for the broader family, and family business rules, will serve to guide the overall succession process.
- These communication activities will pave the way for the effective management of the all-important family component.

- The management succession activities also include the grooming of successors and integrating the active family members into a number of key management activities.

ACTIVITIES........

- The management and ownership succession activities can be carried out simultaneously. However, it is recommended that the management succession process/plan be underway or in place before undertaking the ownership succession activities.

- You will notice that the proposed activities to manage the family's communication (family business meetings, family council meetings, and the family rules) are the same for both the management and ownership succession processes.

END NOTE…..

- What will differ is the type of succession issues that are addressed at the family meetings.

- KPMG strongly recommended that regardless of which of the management or ownership succession processes are undertaken, you start with the family communication activities.

Succession Planning and Small & Medium Enterprises

SP & SURVIVAL…….

- Succession planning minimizes the threats posed to family wealth, through generation transfer changes. Therefore, whether it is an individual, partnership, private limited corporation, or family business, the occurrence of wealth transfer change from one generation to another is inevitable and to a certain extent, serious.
- This explains why only a very small percentage of family businesses made it to the 2nd and 3rd generation

SP & SMEs…….

- Small business plays an important role in representing around 99.8% of business activities, accounting for 68% of total employment, and 63% of business turn- over in the European Union.
- It is also supported by several studies that, small and medium firms are a major engine for job creation, because of its heavy reliance on labour intensive techniques of production and the use of local input as raw materials.
- Thus, growth –oriented small businesses make a major contribution to economic development and employment generation within local communities and national economies

Sustainability/ Survival..............

- Every human being and product has a beginning and an end. Hence the concept of Product Life Cycle [PLC] in the case of a product. Though the concept of perpetuity in company law assumes that the corporate personality called 'company' is expected to exist into infinity, real life experience reveals the contrary in many cases. Companies also die.

- As Marketing Management battles to extend their products' life cycles, entrepreneurs and top management also manipulate strategic variables in order to sustain the life of the organization, as far as possible. The extent to which such organization's life can be stretched while fulfilling its purpose can be termed as *sustainability* (Ogundele et al, 2012)

SURVIVAL THEMES…..

- The long-term health and sustainability of any family business depend on its ability to anticipate and respond to change . According to family business research sustainability here defined as social, economic and ecologic long-term orientation, seems to overlap partly with the resources of long-lived family businesses. In resource theory, the meaning of sustainability refers to long-lasting or durable competitive advantages .

- This wide definition does not cover the ecologic aspects of sustainability. The Brundland Commission (World Commission on Environment and Development, 1987) defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

SP........

- The essence of succession planning is crucial especially among small and medium businesses as they cannot afford to withstand various major setbacks for continuity and sustainability in developing and developed countries alike . Nigeria is not exceptional to this.

- Sustainability in businesses contributes to sustainable economic growth and development. In this relation, family-owned businesses, their presence and sustainable development is believed to contribute greater impact on the economy as Small and Medium Enterprises (SMEs) that constitute a significant proportion of family-owned businesses in many countries .

FOB Vs SURVIVAL……

- Family businesses are among the longest-lived organizations in the world with some dating back to the sixth century, having weathered the rise and fall of multiple state regimes, recessions including the dark ages, nearly all the ‘great’ wars, plagues and famines, and other crises.

- Despite the importance of survival for family business, it is interesting that there are relatively few publications dealing with the subject in any organizational context. Though there are many examples of long-lived family businesses, their sources of longevity are not well understood.

SURVIVAL Vs PROFIT…..

- Family businesses focus on long-term sustainability of the firm rather than the realisation of short-term profits .
- Indeed, family business experts are of the opinion that the main characteristic of family businesses differentiating them from non-family businesses is that they are run and managed without the intention to sell the business

PLANNING TO SURVIVE.....

- Sustainability is an age-old problem for businesses of all shapes and sizes across the entrepreneurial landscape. Measuring the success of non-family businesses is typically generational, whereas the judgment on family businesses is over a longer timeframe with sustainability analyzed over decades.

- The ability of the family business to disseminate the tacit and explicit knowledge required to deliver competitive advantage is at the heart of the successful succession.

END NOTES…..

- The central drive for sustainability, coupled with familial ownership and management, delivers a unique identity. The stakeholders of the succession process are the family, the founder, the successors and the advisors.

- Each can be a significant reason for success and equally the cause of failure.

THANK YOU

TRANSITION PROCESS

The Transition Process ....

- Succession can be achieved in two ways: transfer of ownership and transfer of managerial responsibility. In this course, we assume that family business owners would be unlikely to relinquish both ownership and managerial responsibility at the same time.

- On the contrary, the succession process usually begins with a partial transfer of managerial responsibility with succession actually occurring when the other assumes the role of Chief Executive Officer.

- Thus, succession is seen both as a process as well as an event

TP........

- An indicator of a successful transition is thus **the *timely* hand over** of managerial responsibilities, including the final assumption of the CEO position
- Although the transfer of ownership is not a criterion for succession, it has been associated with success. To ensure a smooth transition, a founder can strengthen the share-holding position of the successor, which suggests that the treatment of the heirs should be fair rather than equal.

- This means that the share equity should only be gifted or sold to those responsible for running the firm .

TRANSITION…….

- Assets outside of the business, such as real estate, should go to inactive heirs. Along this line of reasoning, the portion of ownership transferred from the founder to the successor can be used as an indicator of the effectiveness and smoothness of transition.
- Even if ownership is successfully transferred, tension can still exist if one or more contenders for the CEO position remain on the management team.
- Tension is a sign that the successor has not secured full legitimacy in the family firm, and firm performance in the future is likely to be negatively affected by such rivalry

TRANSITION END NOTE…..

- Ownership that is not transferred during succession may indicate reluctance by the owner to let go.
- Such reluctance may result from a sense of insecurity, so that if a post-succession financial program for the owner is in existence, it may attenuate the owner's lack of confidence in his or her successor.

THANK YOU

SELECTED FOB MODELS

1. SSM
2. LCM
3. P-P M.

Stepping Stone Model for Family Business ……

The model is presented as stepping stones from one step to the next.

- Intrapreneurship
- Studies
- Formal Internal
- Education
- External Experience
- Official Start in Family Business:
- Written plan and agreement
- Family Business

SSM.....

- Lambrecht (2005) developed this model based on the empirical study on several FOBs :
- Entrepreneurship is the 1st stepping stone, and at this step, the transfer of business knowledge, management values and leadership characteristics are passed to the next generation .
- The owner is usually the founder who displays great entrepreneurial abilities to start a new business and that knowledge is passed on to the next generation

SSM....

- The second stepping stone for the successful transfer of the business consists of the Studies. At this step successors earn a degree or obtain educational training before full-time entry into the family business or they take specific studies that are oriented toward the sector of the family business to gain knowledge required to run the business.

- At the third stepping-stone formal internal education is provided and that is usually possible with larger FOB's. The education and training is provided to the potential successors at a very young age . The successors attend meetings and they learn about the networks and contacts associated with the business.

- At this step the predecessor gains the opportunity to judge and asses the capabilities of the successor.

SSM.....

- At the 5th step, the successor gains work experience from outside the family firm. This provides the potential successors with knowledge, self-confidence and worldly wisdom .
- The successor passes through different departments in the business hence they prove themselves and also it helps the successor to win the confidence of employees, and to discover the business, the sector, and the customers.

- The sixth stepping-stone relates to the written plans and agreements. The plans are outlined on what to do in case of sudden death or resignation of the incumbent, on how to legally transfer ownership. During these six steps, the predecessor is very deliberate and conscious about the need to train and prepare the successor to take over the leadership/ownership of the family business.

Life Cycle Model ......

- In this model, Churchill and Hatten (1987) developed a life cycle approach to describe the succession process between father and son in a family firm. They outlined 4 stages to the life cycle as follows:

Stage 1

- Owner Management

Stage 2

- Training and Development

Stage 3

- Partnership

Stage 4

- Power Transfer

LCM….

Stage 1: Owner Management

- At this stage the owner is the only member of the family directly involved in the business and the successor is not directly involved in the business. The founder is the person running the business and using his/her leadership capabilities in building the organizational culture which on the one hand is necessary to run the day to day working of the business and in the long run it is useful for the successful succession of the company leadership.

Stage2: Training and development

- It is the stage where the offspring learns the business. The successor is brought into the organization and starts taking part in day to day activities of the business. At this stage the incumbent learns to delegate and share his power

LCM……

Stage 3: Partnership

- A partnership is developed between the incumbent and successor as an extension of the second stage. The successor gains more authority and the relationship between the two is strengthened.

Stage 4: Power transfer

- It is the stage where actual power transfer takes place and where responsibilities shift to the successor. The incumbent disassociates from the business and it is at this stage that it becomes crucial to look for new opportunities for predecessor's own life to help smoothen the process of succession.

Dana’s Push-Pull Model …….

- Dana’s Push-Pull Model is a descriptive framework that emphasizes the need for pull factors to act on existing push factors for timely voluntary succession (Dana, 2005).
- Push forces are those that persuade incumbent owners to 'let go' and pass on management and ownership control of the family owned business (FOB) to their successors. The incumbent is compelled by these factors to plan and implement succession strategies. Push forces are generally external in nature, generated primarily by successors, other family members, employees, or by third party advisers such as accountants, attorneys and bankers.
- The push forces also come from professional advisers and peer pressure from family business associations that believe in a well-ordered and timely succession as the best thing for family and the business

PULL FACTORS.......

- On the other hand pull factors draw the incumbent away from their businesses as their primary interest and activity .
- The incumbent feels that it is their decision, they are doing it their way and it is at their own time. Usually they are starting a new phase in their life. The pull factors include; a concern to spend more time with loved ones, a desire to serve the community; a desire to travel or to write a book or vacation and doing the things that they always wanted to do but never had an opportunity.

OUTCOMES……

- There are three possible outcomes as a result of the interaction between the push-pull factors as presented below:

1st Outcome

- Stalemate- there is stronger push factors acting on the incumbent and pull factors are not present. As a result there is considerable and sustained resistance to succession. Thus little or no movement at succession results which causes delays, indecision, frustrations and possible conflict.

2nd Outcome

- Drag Effect- occurs when only pull factors are present and the result is little or no movement in the short to medium term.

OUTCOMES.....

3rd Outcome

- Smooth and voluntary succession- a combination of both pull and push forces are in play. The complementary forces would have to act on an incumbent to generate the requisite momentum for succession and retirement to take place.

- The absence of either one leads to the incumbent’s hesitation in fully letting go.

END NOTES……

- Timing is critical for push forces to work, since the push factors help to coerce the incumbent to 'let go' of both management and ownership control.
- At the right time the incumbent will be compelled to pass on the torch. The incumbent usually enjoys the power and responsibility of being the owner and their position provides meaning and purpose.
- To pass on the torch means losing control, losing power and sometimes losing the identity hence to minimize resistance the timing should be right.
- This might be a factor why succession planning is often delayed.

THANK YOU ALL