

Succession Planning and Sustainability of Small and Medium Enterprises (SMEs) in South East, Nigeria

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Abstract: The study investigated sustainability of Small and Medium Enterprises (SMEs) in South East Nigeria. The population was 1000 owners of SMEs selected from the two major markets in the region. Survey research design was adopted by the study. The instrument for data collection was a self-structured questionnaire which underwent both face and content validity and was also put through Cronbach Alpha reliability test with an Alpha value of .837. Regression analysis was used in analysing the data gathered in the cause of the study and hypothesis was tested at 5% level of significance. The result indicated that most of the businesses are still in their first generation. From the hypothesis test, it was revealed that there is a statistically significant relationship existing between mentoring and continuity of SMEs in the selected markets in the area studied ($r = .933$; $R^2 = .871$, $F = 6562.226$; $p\text{-value} < 0.05$). Following this finding, it was concluded that mentoring people to take over the business at the retirement or demise of owner/founder gives a fillip to business sustainability. It was therefore recommended among other things that business owners need to start the mentoring process of successors early so as to get them equipped for the role of management and leadership in the business in the event of demise or retirement of the owners.

I. INTRODUCTION

What ponders in the minds of every small and medium enterprises (SMEs) driven economies which Nigeria is one of them, is how to sustain their SMEs sector beyond the first generation, after the death of their founders. This is because those economies depend heavily on the SMEs capacity for employment generation, contribution to their Gross Domestic Products (GDP), and a major stakeholder in the redistribution of wealth to the citizenry. Ariyo (2008) avers that the contribution of SMEs to the development of any economy has been widely recognized because of their capacity to enhancing industrial output and human welfare by ensuring diversification and growth of industrial production and the achievement of the basic objectives of development. Therefore, the death of any SMEs has a negative impact on the economies that depend on them. The need for sustenance and resuscitation of the dying, comatose and moribund SMEs immediately after the death of their founder is a task that needs to be championed by the government in order to provide a lasting solution. Solutions such as more capital incentive and credit have been used by some economies to support the growth of SMEs in the past. However, succession planning may be one of the remedies in tackling the situation. Succession planning as a concept is as old as mankind. This is

because the first credence given to this concept was from the Holy Bible.

In the book of Matthew 16: 13-20, Jesus prepared peter for the leadership role He wanted him to play in his church and society and subjected him to various trials and tribulations to see whether he had the attributes that will make him a good successor. This was shown in times when Jesus took Peter away from others to lonely places to teach him the rudiments of leadership. To buttress this point further, the book of Number 27:17 says, “who shall go out before them and come in before them, who shall lead them out and bring them in, so that the congregation of the Lord may not be like sheep without a shepherd”. In the words of theology of work project (2013) “preparing a successor takes time. Poor leaders may be afraid to equip someone capable of succeeding them, but great leaders who know their onion begin developing successors long before they expect to leave office”.

Succession planning is a process of identifying, training, mentoring, equipping recruiting and developing new leaders who could succeed their predecessors. It entails developing family members, internal employees or people from outside with the potential to fill key positions in the organization. This is to ensure that the business is equipped with perpetual lifespan and operate without hitches after the organisation’s most valuable employee or founder must have bowed out or dies. Effective succession planning equips an organisation with the needed employees for life time sustainability. Oluwabunwa (2015) as cited in Onuwka, Ekuwluo, Dibua and Ezeayim (2017) opine that many of the world’s renowned organisations with must longevity have their successes rooted in effective succession management; these great companies begin planning their exit strategy right at the start of their business endeavours. This is because succession planning is an important aspect of organisational growth, longevity and stability.

It is worrisome that in Nigeria, SME owners particularly in south-eastern part of the country treats succession planning with kid-gloves. Evidences abound lending credence to the fact that Nigeria SMEs hardly survive the demise of their founders unlike in the developed world where such businesses have survived generations (Lekan, 2012). Among the very disturbing cases of failed businesses in the zone is that of late chief Augustine Ilodibe (Ekene Dili Chukwu Nig Ltd), a business mogul whose business conglomerate went into

extinction soon after the demise of the founder-owner demise in 2007. This was a business tycoon whose businesses sprang across Nigeria and other Africa countries. Though, the business continued operation albeit skeletally but gradually dwindled in fortunes and operations. There are many cases like this in the region where once booming businesses go under at the retirement or death of the founder. It is on this premise, that the study aims to find out the influence of succession planning on continuity of SMEs in Southeast, Nigeria.

The main objective of this study is to determine the influence of succession planning on sustainability of SMEs in selected markets in south-eastern region of Nigeria. Specifically however, the study seeks to determine the influence of mentoring on continuity of SMEs in selected markets in south-eastern region of Nigeria.

II. REVIEW OF RELATED LITERATURE

Succession Planning

Succession planning has to do with seeing beyond the present and making plans for the continuity of a venture in a distant future. Yahaya (2013) note that succession planning is the preparations of how and when to pass the leadership baton from the present owner/manager to a successor who will either be a family member or a non-family member (a professional manager) while the family retains the ownerships in order to sustain the business across generation. In that same vein, Miller (2005) defines succession planning as a deliberate and a formal process that facilitates the transfer of management control from one family member to another. The lack of succession planning could be the cause for the death of businesses when the owners are no longer around to nurture them. This was the position of Kellermanns and Eddleston (2006) that posit that lack of succession planning is a major cause of the high mortality rate in small scale businesses and note that succession planning does not take place in most small scale businesses.

In the light of the above views of scholars about what succession planning is, it could be summarized that it is a long term process of training, mentoring, identifying and developing of new leaders who could replace the older generation in time of death or retirement. It is important to note however that these replacements could come from family members, staff of organizations or fresh injection of new blood in the system by way of recruiting new staff. The effectiveness of succession planning depends on the quality of the successor. The bottom line of every plan of succession is the successful transfer of businesses from one generation to another in order to sustain such a business to perpetuity.

Sustainability

According to Oxford Advanced Learner's dictionary, sustainability is derived from the word "sustain" which is to provide enough of what sb/sth needs in order to live or exist. Nnabuife and Okoli (2017) opine that sustainability is akin to

the business concept of going concern. That a business must be maintained, sustained for a long term for it to be termed a going concern. Sustainability in a business context can therefore be seen as the ability of a business or organization to exist beyond and in all cost without compromising the capacity of their successors. It is not a one man affair, rather, it needs a conscious effort of many, having in mind that all hands must be on deck in order to ensure the perpetuity of the business.

Small and Medium Enterprises

The definition of SMEs is one that have been generating a lot of controversy in definition since it started gaining momentum in the business world. Laying credence to this, Ojo (2004) posits that there is no consensus on the definition of SMEs, as the terms small or medium are relative and they differ from industry to industry and country to country. The Nigeria Bank of industry adopted a definition of small business as one with total capital not exceeding 750,000 Naira excluding cost of land but including working capital. Ogundele (2000) defines it as an organisation employing a minimum of five employees and with a maximum initial capital outlay of not less than 500,000 Naira, when such organisations were established between 1972 and 1986.

The Nigeria Industrial Development Bank (NIDB) define medium enterprise business as those operating within the range of at 750,000 to 3,000,000. However, Ame (2000) sees small and medium enterprises from the angle of each or all of the following:-

1. The size or amount of investment in assets, excluding real estate.
2. Their total annual turnover.
3. The number of employees employed.

Within this framework, the classification of enterprises as "medium and small" naturally varies from one economy to another and from one period to another in the same economy.

III. METHODOLOGY

The study adopted a survey research design. The areas of the study were Onitsha Main Market, and Ariaria International Market, Aba situated in Anambra State and Abia State respectively, South-East, Nigeria. The choice of Onitsha and Aba is because these states have the largest number of SMEs concentration in South East Nigeria. Onitsha Main Market is purported to be the largest market in the whole of West Africa based on size and volume of goods while Ariaria international market is renowned for its versatility in making of wears and leather works in great quantity. The population of the study is 1,000 (500 from each of the market) owners of SMEs. The instrument for data collection is a structured questionnaire that was validated using face and content techniques. The reliability of the instrument was ascertained using Crombach Alpha technique and a coefficient of 0.837 was obtained. A total of 1,000 copies of questionnaire were randomly distributed and 978 were correctly filled and returned. Data

collected were analysed through Ordinary Least Square Regression Analysis Method and the hypothesis was tested at 5% level of significance.

IV. DATA PRESENTATION AND ANALYSIS

Biographic Data

The biography of the respondents shows that 841 of them are male while 137 are female. This signifies that there are more male small business owners than female. None of the business owners are below 20, 89 are between 20-35, 201 are between 36-45, 406 are between 46-60 while 282 are above 60. The

age statistics shows that more of the business owners are between the age of 46-60 years. As for the age of the business owners, 122 of the business are below 10 years, 326 are between 10-20 years, 316 of the business are between 21-40 years, 214 are between 41-70 years while none of the businesses are above 70 years. This shows that most of the businesses are still within the first generation with none of the businesses being above 70 years, this shows a succession issue in the business operations in the region.

Questionnaire Items Descriptive Statistics

Table 1: Distribution of Responses

S/N	Mentoring Items	SA 5	A 4	U 3	D 2	SD 1	Mean
1	I was mentored by someone before I started my business.	416	190	109	213	50	3.72
2	I see mentoring as a waste of time and energy.	311	188	200	101	178	3.36
3	I am not preparing my children for potential take-over.	366	209	154	128	121	3.58
4	My children are equipped with formal education for effective take over from me.	386	222	120	157	93	3.66
5	My children learn the business methods from me.	98	247	335	116	182	2.96
6	I believe if I mentor people well, they will be prepared to take over from me.	219	258	244	132	125	3.32
	Continuity Items						
7	My children prefer government job than learning the business from me and it affects my business.	110	103	203	190	372	2.38
8	My business will not survive if there is no one to take over from me.	289	230	197	142	120	3.44
9	I will like my son to take over from me if I retire from the business.	276	200	276	126	100	3.44
10	It is only a successor who is trained in business operations that can manage it perfectly.	316	352	101	116	93	3.70
11	The survival of my business will be assured if my successor learns the business well.	266	281	176	107	148	3.42
12	Adequate training and mentoring of young ones leads to businesses surviving for a long time.	341	264	190	89	94	3.68

Source: Field Survey, 2020

Keys:

SA- Strongly agree ; A- Agree; U- Undecided; D- Disagree; SD- Strongly disagree

Table 1 shows the distribution of responses of the business owners studied. Descriptive statistic was used in the analysis. Any questionnaire item that has a mean that is less than 3 shows that the respondents do not agree with the question or are not doing what is contained in the question. From the mean scores of the questionnaire items, apart from questionnaire items 5 and 7, which have a mean of less than 3 showing rejection, every other questionnaire items returned a mean of 3 and above showing acceptance of the questionnaire items.

Data Analysis

Table 2: Regression Result

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.933 ^a	.871	.870	2.330
a. Predictors: (Constant), Mentoring				
Source: Field Survey, 2020				

Table 2 shows the regression result for the influence of mentoring on continuity of small and medium enterprises on the selected business in the area studied. From the result, the correlation coefficient is .933 while the coefficient of determination (R²) is .871. This shows that 87% continuity rate of businesses in the area is accounted for by changes in mentoring. That is, mentoring of siblings and employees of business owners have 87% effect on the continuity of businesses in the area.

Test of Hypothesis

There is no significant relationship existing between mentoring and continuity of small and medium enterprises in the selected markets.

Table 3: Test of Hypothesis

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35624.981	1	35624.981	6562.226	.000 ^b
	Residual	5298.504	976	5.429		
	Total	40923.485	977			
a. Dependent Variable: Continuity						
b. Predictors: (Constant), Mentoring						

Source: Field Survey, 2020

Table 3 shows the result of ANOVA which was used to test the hypothesis of the study. From the result, the F-statistics is 6562.226 while the p-value is .000 (p-value < 0.05). Going by this, the null hypothesis is rejected in favour of the alternate hypothesis and it is stated thus: There is a statistically significant relationship existing between mentoring and continuity of small and medium enterprises in the selected markets in the area studied.

V. CONCLUSION

Businesses have continued failing in the southeast zone of Nigeria and this have been having impact on the socio-economic life of the people as unemployment have continued to rise leading to increase in crime rate. The inability of small businesses to survive beyond first generation could be link to succession issues as can be seen from the findings of this study that mentoring of new leaders to take over the business when the founder/owners are no more, gives fillip to the sustainability and ultimately survival rate of the business. Deaths come unannounced and when people are already prepared to take over the mantle of the business, then it improves the odds of the business to survive beyond the owner/founder.

VI. RECOMMENDATIONS

Following the findings of the study, the researchers recommend that:

1. Business owners need to start the mentoring process of successors early so as to get them equipped for the role of management and leadership in the business in the event of demise or retirement of the owners.
2. The mindset of getting a successor from within the family circle and in favour of male children needs to be reconsidered as successors could be any gender

and could come from outside the family and even outside the organization.

3. Government needs to also step in to educate business owners about the importance of succession plan so as to avoid untimely death of SMEs in the region.

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