

**OPPORTUNITIES AND CHALLENGES OF FAMILY OWNED BUSINESSES IN  
NIGERIA**

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**BENIN CITY.**

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**A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF  
ENTREPRENEURSHIP IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF B.Sc. ENTREPRENEURSHIP OF THE UNIVERSITY OF  
BENIN , BENIN CITY**

**JULY, 2024**

## **DECLARATION**

I, **OYAIRO DEBORAH UYIOSA**, do hereby declare that this project is entirely my own work, and composition. The work embodied in this project has not been submitted in candidature for any degree, and is concurrently not being submitted for any other degree. All references made to works of other persons have been duly acknowledged. All errors and omission and litigation arising from this work are to be wholly borne by me and not the supervisor.

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**UYIOSA DEBORAH OYAIRO.**

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**DATE**

## CERTIFICATION

We certify that this work was carried out by Miss OYAIRO DEBORAH UYIOSA in the Department of Entrepreneurship, University of Benin, Benin City.

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**Date.**

## **DEDICATION**

This work is dedicated entirely to God Almighty, with profound gratitude and reverence, Your boundless wisdom, unwavering guidance, and abundant grace have been my constant companions throughout this journey. May this work serve as a testament of Your faithfulness and love towards me.

At the end of it all, it was only you who kept to your promise.

## **ACKNOWLEDGEMENT**

First and foremost, to God Almighty for His infinite wisdom, guidance, and grace throughout this research journey. His unwavering support has been my source of strength and inspiration.

I am profoundly grateful to my parents, Mr. Thomas and Mrs. Agharese Oyairo, for their encouragement, and sacrifices, which have been the bedrock of my academic pursuits, may you reap the rewards of your labor over me in a thousand fold.

My heartfelt appreciation goes to my project supervisor, whose patience and timely corrections contributed to the successful completion of this project work.

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And lastly, My sincere appreciation to my extended family members and friends alike who in one way or the other contributed to the success of my academic pursuit. I am indeed grateful, if I were to list all the names, this page would not suffice.

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## ABSTRACT

*This research explores the opportunities and challenges of family-owned businesses, aiming to provide a comprehensive understanding of the factors that influence their success and longevity. The broad objective is to identify the key enablers and obstacles that family businesses face and to offer actionable recommendations for enhancing their sustainability and growth.*

*The study employs a survey methodology, gathering data from a diverse range of family-owned businesses. Respondents provided insights on various aspects such as succession planning, intergenerational involvement, communication, and conflict resolution. Statistical analysis was conducted to determine the mean and standard deviation for each variable, highlighting the level of agreement and variability in responses. The results reveal that early involvement of the next generation and structured succession planning are critical for fostering engagement and ensuring continuity. Effective communication and conflict resolution are also essential for mitigating internal disputes and maintaining performance. However, significant challenges include family conflict hindering succession planning and limited interest from the next generation. There is variability in opinions regarding the impact of effective succession on business growth and stability, indicating mixed perceptions of its benefits. To capitalize on their inherent strengths and overcome challenges, family-owned businesses should prioritize structured succession planning and actively involve the next generation early, enhance communication and conflict resolution mechanisms for minimizing internal disputes as addressing family conflicts and fostering strong family relationships are essential for effective succession planning. By implementing these strategies, family businesses can achieve sustainable growth and long-term success. This research underscores the need for a strategic approach to managing family dynamics and succession processes, offering valuable insights for practitioners and scholars in the field of family business management.*

## CHAPTER ONE

### 1.1 Background to the Study

Family-owned businesses are a peculiar fragment of businesses, characterized by their ownership and management by members of the same family. The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. Chua et al. (1999). Family owned businesses play a vital role in economies worldwide, contributing to job creation, economic growth, and wealth generation. The study of family-owned businesses explores the dynamics, complexities, and unique characteristics that distinctively separate them from non-family businesses, which encompasses various aspects such as succession planning, governance structures, decision-making processes, family dynamics, and the interplay between family and business systems. korianen 2002; Goldberg(1996).

Hamza and Abu Bakar, (2017), understanding the challenges faced by family-owned businesses is crucial for their long-term sustainability. These challenges may include issues related to succession planning, conflicts arising from the overlap of family and business roles, communication breakdowns, and the balancing of family and business objectives. Venter, Merwe & Farrington(2012) Exploring these challenges helps identify strategies and best practices to

overcome them. On the other hand, family-owned businesses also present unique opportunities. They often possess strong family values, a long-term perspective, and a commitment to preserving the family legacy. These qualities can contribute to building strong relationships with stakeholders, fostering trust, and creating a competitive advantage. Family business survey(2023).

Family-owned businesses encounter challenges rooted in their distinct structure. However, these challenges also offer unique opportunities. The strong sense of identity within family-owned businesses often fosters a deep commitment to the company's values and long-term success. This commitment can lead to increased resilience in navigating economic fluctuations and industry changes. Furthermore, the agility and flexibility inherent in smaller, family-run enterprises can enable quicker adaptation to market trends and customer needs.

Studying these dynamics provides insights into effective governance structures, communication strategies, and succession planning models, helping family-owned businesses overcome challenges and capitalize on their inherent strengths.

## **1.2 Statement of Research Problem**

Results from previous studies have shown so far that family businesses account for about 60% of businesses in Nigeria, with about 23.8 million businesses being family owned. Onyenucha A,(2023). Studies have also shown that though 77.7% of family business owners show interest in

passing down their businesses to the next generation, but only 30% of those businesses actually do and majority never pass its third generation PwC,( 2018).

This is of a huge concern to the nation at large because every economy thrives on the success of its indigenous businesses which collectively forms its GDP, Adefela (2019), listed several reasons why family businesses “fail”, a major cause was a lack of succession plan where according to Chima (2013) 81.89% of its respondent did not have a succession plan and 21.98% did not even know what a succession plan was. The absence of a succession plan severs the continuity of the family business and often times results to a succession crisis in the case of the demise of its actual owner, also the intertwining of obligations to the family and the business more at times lead to poor decision making which also arises from family conflict where the desire to take over the business becomes more superior to actually managing the business. This complexities in the family has thus far hindered the growth of these businesses

The vast generational gap between the present (parent )generation and the next (children) generation resulting from the high pace of technological advancement in the children's generation and the belief that the next generation are incapable of running the business by parent generation.

Understanding the unique characteristics which the family business posses can further help to enhance the productivity and longevity of the family business, being that the Nigerian family

business community have positive enthusiasm about the future growth of the business with about 75% of these business owners have confidence about the future( Nigerian family business barometer, KPMG, 2017.)

This study explores the opportunities peculiar to the family business as well as its challenges through qualitative methods to gain more insight to the research topic.

### **1.3 Research Questions**

Based on the research problem of exploring the challenges and opportunities of family-owned businesses, the following are the research questions

- i. What are the key challenges faced by family-owned businesses in terms of leadership succession?
- ii. What are the specific opportunities that arise from the unique characteristics of family-owned businesses?
- iii. How do the unique characteristics of family-owned businesses, contribute to their growth and longevity.

## **1.4 Objectives of the Study**

The objectives of the study on of the challenges and opportunities of family-owned businesses includes:

- i. To identify the common obstacles in next generation succession within family owned businesses.
- ii. To understand the impact of family dynamics on the decision-making processes, organizational culture, and overall performance of family-owned businesses.
- iii. To provide recommendations and insights for family-owned businesses to enhance their competitiveness, sustainability, and growth in a dynamic business environment.

## **1.5 Research Hypotheses**

**H<sub>01</sub>:** Family-owned businesses that effectively manage succession planning are not likely to experience long-term sustainability and growth compared to those that do not prioritize succession planning.

**H<sub>02</sub>:** Innovation and adaptation to changing market conditions have no significance in maintaining a competitive advantage compared to those that resist change.

**H<sub>03</sub>:** Family business with trust and strong family dynamics are not better equipped to navigate challenges, compared to those with trust issues and weak family dynamics.

## **1.6 Significance of the Study**

**Practical Guidance:** Findings can offer practical insights and recommendations for family-owned businesses, aiding them in overcoming challenges and capitalizing on opportunities for sustained success.

**Academic Contribution:** Adds to the body of knowledge in the field of family business studies by delving into specific challenges, dynamics, and strategies applicable to this unique business structure.

**Policy Implications:** Informs policymakers and business associations about potential interventions and support mechanisms that can foster the growth and continuity of family-owned enterprises.

**Educational Value:** Provides educational institutions with valuable content for curriculum development in areas such as business management, entrepreneurship, and family business governance.

**Economic Impact:** Understanding the dynamics of family-owned businesses is vital for economies globally, as they often constitute a significant portion of businesses, contributing to employment and economic stability.

Long-term Sustainability: By addressing challenges such as succession planning and family conflicts, the study contributes to the long-term sustainability of family-owned businesses, benefiting both the businesses themselves and the broader economic landscape.

### **1.7 Scope of the Study**

The study examines the specific issues and dynamics that arise within the family businesses. It explores topics such as succession planning, family dynamics, governance structures, intergenerational wealth transfer, and the impact of these factors on the long-term sustainability and growth of family-owned businesses. The study provides insights and recommendations that can help family-owned businesses overcome challenges, leverage opportunities, and thrive in the ever-changing business environment

### **1.8 Limitation of the Study**

Generalization: Findings may not be universally applicable due to the diversity of family-owned businesses, varying significantly in size, industry, and cultural context.

Temporal Constraints: Rapid changes in business environments may render some findings time-sensitive, limiting their long-term applicability.

Availability of Data: Access to comprehensive and accurate data from family-owned businesses may be challenging due to privacy concerns or limited transparency.

**Subjectivity:** The subjective nature of family dynamics and business decisions introduces potential biases, affecting the objectivity of the study.

**Contextual Variations:** Cultural, legal, and economic differences across regions may impact the transferability of insights, necessitating a cautious interpretation of findings.

**Scope Constraints:** The study's broad scope may result in a lack of depth on specific aspects, requiring additional research for a more detailed exploration of particular challenges or opportunities.

## **1.9 Operational Definition of Terms**

It is of utmost importance to clarify conceptual keywords or terms used in this study, for a better understanding of the research.

**Family-Owned Business:** A business in which ownership and control are primarily held by members of a single family or multiple generations of a family.

**Challenges:** Difficulties or obstacles that family-owned businesses face, such as succession planning, conflict resolution, balancing family dynamics with business decisions, and managing intergenerational transitions.

**Opportunities:** Favourable circumstances or possibilities that family-owned businesses can leverage to achieve success, such as the ability to maintain long-term relationships with customers, preserve family values and legacies, and adapt to changing market conditions.

Succession Planning: The process of identifying and preparing the next generation of family members to take over leadership and ownership roles within the business, ensuring a smooth transition of power and responsibility.

Family Dynamics: The unique interpersonal relationships, roles, and interactions among family members involved in the business, which can influence decision-making, communication, and overall business performance.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

In this literature review, a closer look is taken at the peculiar dynamics of family owned businesses and how they navigate through the complexities of running a family enterprise. We'll examine the existing research and gather insights on the various challenges and opportunities that arise in this context. By understanding these factors, we can gain a deeper appreciation for the complexities of family-owned businesses and the strategies they employ to thrive in today's competitive market.

#### 2.2. Review of Conceptual Literature

##### 2.2.1 The concept of family business

(Davis, 2001) stated that the definitions of the concepts of family business can be separated into two major categories: structural definitions and process definitions. The main premise of the structural definition is that it focuses on the ownership or management arrangements within the family business, for example, '50% or more ownership of the business shares by same family members'. While the process definition of a family business centres around the amount of involvement the 'family' has in the business.

Some process definitions includes that of Miller and Rice (1967) where they defined a family business as a business where members of one family, own enough voting equity to control strategy, policies and tactical implementation. Also Davis and Tagiuri (1982) defined it as two or more members influencing the direction of a business through the exercise of management roles, kinship ties or ownership rights.

Structural definition defined a family business as a business where ownership is controlled by a single family or individual .( Barnes and Hersh, 1976) another definition was given by Stern (1986) who defined as the ownership and operation of a business by members of one family .

A mixed definition was earlier given by Leach et al (1990) which sees family business as a state where a single family effectively controls the firm through the ownership of greater than 50% of the voting shares and a significant portion of the firms senior management team is drawn from within the family.

These being stated Astrachan and shanker (2011) from a wider view proposed that a family business only requires input from some family members in the business and that strategic decision of the business is being controlled by the family.

One of the defining features of family businesses is the involvement of multiple generations within the same company. This can create a strong sense of tradition and legacy, as well as a

shared vision for the future. Family members often have a deep emotional connection to the business, which can drive their commitment and dedication.

However, family dynamics can also introduce complexities, Conflicts and disagreements within the family can spill over into the business, making decision-making more challenging. Balancing personal relationships with professional responsibilities can be a difficult task. Effective communication and clear boundaries are important to maintaining unity within the family business.

Despite these challenges, family businesses also have unique strengths. They often prioritize long-term sustainability over short-term gains, which can lead to more strategic decision-making. The close-knit nature of family businesses can foster a strong company culture, built on trust, loyalty, and shared values. This can create a sense of unity and commitment among employees, which can be a competitive advantage.

### **2.2.2 Historical development of family business in Nigeria**

The historical development of family businesses in Nigeria spans centuries and reflects the country's rich cultural heritage, economic evolution, and societal changes.

#### **Pre-Colonial Era:**

Before colonial rule, Nigeria's economy was primarily agrarian, with family businesses centred around farming, trading, and artisanal crafts. Families often passed down their businesses and

skills from generation to generation, contributing to the stability and sustainability of local economies.

### **Colonial Era:**

During the colonial period, Nigeria's economy underwent significant transformations, with the establishment of trade routes and the introduction of cash crops such as cocoa, palm oil, and rubber. Many family businesses adapted to these changes by engaging in commercial agriculture and trading with European merchants. However, colonial policies and taxation systems often favoured large corporations and foreign interests, posing challenges to smaller family enterprises.

### **Post-Independence:**

Following Nigeria's independence in 1960, there was a surge in entrepreneurial activity as the country sought to develop its economy and reduce dependence on agriculture. Many family businesses expanded into manufacturing, retail, and services, contributing to the diversification of the economy and the creation of employment opportunities.

However, political instability, economic downturns, and policy changes in the post-independence era posed challenges to family businesses. The oil boom of the 1970s led to a shift in focus towards the oil sector, impacting other industries and disrupting traditional business models. Additionally, government regulations and policies often favoured large corporations, making it difficult for family businesses to compete.

### **Modern Era:**

In recent decades, Nigeria has witnessed a resurgence of entrepreneurial activity, driven by factors such as urbanization, technological advancements, and globalization. Many family businesses have embraced innovation, leveraging technology and digital platforms to reach new markets and customers.

However, family businesses in Nigeria face modern challenges such as succession planning, governance issues, access to finance, and competition from multinational corporations. Despite these challenges, family businesses continue to play a vital role in Nigeria's economy, contributing to employment generation, wealth creation, and social development.<sup>6</sup>

Overall, the historical development of family businesses in Nigeria reflects the resilience, adaptability, and entrepreneurial spirit of its people. From humble beginnings in traditional agrarian societies to thriving enterprises in the modern economy, family businesses have remained integral to Nigeria's economic and social fabric.

### **2.2.3 Benefits of family owned businesses**

Family businesses have a range of benefits that serves as a competitive advantage against other business types. They include;

**Strong Commitment and Loyalty:** Family members are usually deeply committed to the success and growth of the business, as it is tied to their family's reputation and legacy. This dedication can lead to a higher level of loyalty, motivation, and long-term commitment among family members and employees.

**Shared Values and Vision:** Family businesses often have a strong sense of shared values and a common vision for the future. This alignment can be a unifying force and culture, fostering a sense of purpose and direction within the organization.

**Trust and Stability:** Family businesses tend to prioritize long-term stability and sustainability. They often make decisions with the future in mind, which can lead to a more cautious and prudent approach to business operations. This stability can be attractive to customers, suppliers, and employees alike.

**Flexibility and Agility:** Family businesses are more agile and flexible in decision-making compared to larger, more bureaucratic organizations. This allows them to respond quickly to market changes, adapt to customer needs, and seize new opportunities.

**Faster Decision-Making:** In family businesses, decision-making processes can be streamlined and efficient. This is because family members often have a deep understanding of the business and can make decisions more quickly, without the need for extensive consultation or hierarchical approval.

**Long-Term Perspective:** Family businesses often have a long-term perspective, focusing on the sustainability and growth of the business for future generations. This can lead to a more patient and strategic approach to decision-making, rather than solely pursuing short-term financial gains.

#### **2.2.4 Opportunities of family owned businesses**

Family businesses present a range of opportunities that can be advantageous for both the family members involved and the business itself. Some notable opportunities includes :

**Succession Planning:** Family businesses provide a unique opportunity for smooth succession planning. The next generation can be groomed from an early stage to take over leadership roles, ensuring continuity and preserving the family's legacy.

**Knowledge Transfer:** Family businesses offer a platform for knowledge transfer between generations. Older family members can pass on their expertise, industry insights, and values to younger family members, fostering a sense of mentorship and preserving institutional knowledge.

**Entrepreneurial Spirit:** Family businesses often have a strong entrepreneurial spirit. Family members can explore new ideas, take calculated risks, and innovate without the fear of immediate repercussions. This freedom can lead to creativity and the ability to seize new business opportunities.

**Flexibility in Decision-Making:** Family businesses have the advantage of flexibility in decision-making. Family members can make decisions quickly, adapt to market changes, and implement strategies without the need for extensive bureaucracy or approval processes.

**Trust and Reputation:** Family businesses can build a strong reputation and trust within their communities. This trust can lead to customer loyalty, repeat business, and positive word-of-mouth referrals, which are crucial for long-term success.

**specialization and Expertise:** Family businesses often specialize in a particular industry, allowing them to develop deep expertise and knowledge. This specialization can lead to a competitive advantage and attract customers seeking specialized products or services.

**Family Unity:** Running a family business can foster strong bonds and unity among family members. Working together towards a common goal can strengthen family relationships, creating a supportive family unit.

### **2.2.5 Challenges of family owned businesses**

While family businesses have their advantages, they also come with their own challenges. They include;

**Miscommunication and Conflict:** Miscommunication can occur due to several factors. First, the familiarity and close relationships among family members may lead to assumptions or shortcuts in communication. This can result in important details being overlooked or misunderstood. Also the lack of established communication protocols or a formal structure can contribute to confusion and ambiguity, making it difficult to convey information effectively.

**Succession Planning:** Determining who will take over the business can be a complex process, especially if there are multiple family members contesting for leadership positions. As this can lead to rivalry amongst family members, selecting the right successor can be a challenge especially in families with deep cultural / traditional roots which prioritize the passing down of the business to male family members rather than to consider qualifications, skills, and experience. Without ensuring that the chosen successor has the necessary capabilities to lead the business.

**Separating Family and Business:** Maintaining a healthy boundary between family life and business can be challenging, as some families do not have established roles, responsibilities, and expectations and this usually leads to conflicts and strained personal relationships can cause disagreements in taking strategic decisions.

**Balancing Personal and Business objectives:** Balancing personal goals and business objectives can be challenging, especially when family members have different priorities or aspirations. Balancing the needs of the business with individual desires can require careful negotiation and compromise.

**Family Dynamics:** Family dynamics can sometimes complicate decision-making processes. Personal relationships, rivalries, or favouritism can influence business decisions, potentially leading to conflicts or unfair treatment among family members.

**External Perception:** Some stakeholders, such as employees, customers, or investors, may perceive family businesses as favouring family members over merit-based decisions. Building trust and credibility with external stakeholders can be a challenge and requires transparent and fair practices.

### **2.2.6 Difference between family owned businesses and other businesses**

Some key differences between family-owned businesses and other businesses includes :

**1. Ownership and Control:** In a family-owned business, ownership and control are typically held by family members. This means that decisions are often made with the family's best interests in mind. While other businesses may have a more diverse ownership structure with shareholders or investors who have a say in decision-making.

**2. Long-Term Perspective:** Family-owned businesses often have a long-term perspective and focus on generational continuity. They prioritize the preservation and growth of the business for future family members, while other businesses may have a shorter-term outlook, driven by quarterly profits or immediate returns for shareholders.

**3. Relationship Dynamics:** Family-owned businesses are characterized by close relationships and emotional ties among family members. This can impact decision-making, communication, and conflict resolution. In other businesses, relationships are typically more professional and based on contractual agreements.

**4. Decision-Making Process:** Family-owned businesses may have a more centralized decision-making process, with key decisions made by family members or a small group, while other businesses may have decentralized decision-making structure, involving multiple departments or levels of management in order to implement checks and balances

**5. Succession Planning:** Family-owned businesses often face the challenge of planning for leadership succession within the family. This process involves identifying and preparing the next generation to take over the business, while other businesses may have succession plans that focus on finding the most qualified individuals, regardless of family ties.

**6. Culture and Values:** Family-owned businesses often have a strong culture and shared values that are passed down through generations. These values can shape the business's identity and guide its actions, while other businesses may have a more diverse range of cultures and values, depending on the individuals involved.

**7. Financial Resources:** Family-owned businesses may face challenges in accessing external funding or capital compared to other businesses, which may have access to a wider range of financial resources through investors or public markets.

**8. Work-Life Balance:** Family-owned businesses often cross the line between work and personal life, as family members may be involved in both aspects, while other businesses may maintain proper demarcations between both.

## **2.3 Review of Theoretical Literature**

### **2.3.1 Two and Three circle model of family businesses**

The Two Model of the Family Business System was developed at Harvard Business School by Professors Renato Tagiuri and John A. Davis in 1978, after conducting numerous interviews with family companies and employees alike .

The three circle model of family business evolved from the two circle model of family business which is illustrated by a Venn diagram of two overlapping circles, where the circle on the left is labelled family and the circle on the right labelled business, its aim was to illustrate the dependency and relationship between the family and the business, making the family structure more comprehensible but yet it lacked the realistic power tussle which exist in family businesses, there was a need to include a third circle which would distinguish between ownership and management within the business and the family ,this led to the creation of the three circle model, Gersick et al developed this based on Tagiuri & Davis earlier work.

The three-circle model of family business is a valuable framework for understanding the complex dynamics that exist within family-owned enterprises. It comprises of the **family** circle, **business** circle and the **ownership** circle, it simplifies the interdependence of groups which

makes up the family business, Tagiuri and Davis identified seven interest groups in the family business namely,

- Family members who are neither employees nor owners.
- Family members who are owners but not employees.
- Family members who are employees but not owners.
- Family members who are owners and employees.
- Owners who are neither family members nor employees.
- Owners who are not family members but are employees.
- Employees who are not owners and not family members

**The family circle** embodies shared values, history, and a sense of belonging, which can foster loyalty, trust, and a long-term perspective.

Nevertheless family dynamics can introduce emotional complexities, conflicts of interest, and nepotism, which may impact decision-making, succession planning, and professionalization efforts.

**The business circle** focuses on organizational objectives, performance metrics, and market dynamics, driving innovation, growth, and competitiveness.

Challenges that can arise in the business circle includes operational challenges, strategic conflicts, and managerial competencies can especially when family members lack the necessary skills or experience to lead effectively.

**The Ownership circle** encompasses ownership rights, governance structures, and financial interests, providing stability, accountability, and investment opportunities.

Disagreements over dividends, shareholder agreements, and wealth distribution can arise, leading to disputes, power struggles, and legal complications.

The circles are interconnected, and changes in one circle can impact the others. For example, family conflicts can spill over into the business, affecting morale and productivity.

Achieving alignment between the three circles is crucial for long-term success. Misalignment can lead to conflicts of interest, inefficiencies, and missed opportunities.

The dynamics within each circle evolve over time, influenced by factors such as generational transitions, market conditions, and external pressures.

Effective governance structures, such as family councils and advisory boards, are essential for managing conflicts, setting strategic direction, and ensuring transparency.

Open and honest communication fosters trust, facilitates decision-making, and aligns family members' expectations with business objectives.

Balancing family involvement with professional management practices is crucial for enhancing performance, mitigating risks, and attracting external talent.

The three-circle model provides a comprehensive framework for understanding the complexities of family-owned businesses. While each circle has its strengths and challenges, success ultimately depends on the family's ability to navigate the interplay between them, adapt to

change, and uphold shared values while pursuing business goals. Effective governance, communication, and a commitment to professionalization are key to overcoming challenges and ensuring the long-term sustainability of family businesses

### **2.3.2 The bull-eye model**

The Bull's Eye Model proposed by Astrachan & Shankar (1996) is a framework which is used in family business to clarify the dynamics between family, ownership, and business. It is literally illustrated as a bull eye, at the centre of the model is the family, surrounded by three concentric circles representing ownership, governance, and management within the family context. It helps identify areas of potential conflict and areas where alignment is needed to ensure the success and longevity of the business across generations.

**This narrow circle** which is the innermost circle represents the family members, which includes multiple generations of the family who are the owners involved in the business. It includes both active and non-active family members, as well as those who may have a stake in the business but are not directly involved in its operations.

**The middle circle** represents the ownership structure of the business. It encompasses individuals or entities that hold equity in the company, which may include family members, non-family investors, trusts, or other entities.

**The third circle** focuses on the governance structure of the business. This involves the systems and processes put in place to make decisions about the direction and management of the company. Governance mechanisms may include a board of directors, family councils, and formalized decision-making procedures.

**The outermost circle** represents the management of the business. It includes the day-to-day operations and strategic decisions made by executives, managers, and employees. In family businesses, management roles may be filled by family members, non-family executives, or a combination of both.

The Bull-Eye Model helps family businesses traverse the difficulties that arise when family dynamics intersect with ownership and business operations. By understanding the interactions between these three spheres, family businesses can implement strategies to mitigate conflicts, foster communication, and ensure the long-term success of the enterprise.

## **2.4 Review of Empirical Literature**

B. Chima Onuha, (2013) examines the challenges and problems of professionalizing family businesses in the South Eastern States of Nigeria. Using a survey sampling method, 2000 respondents were examined by the help of his project assistants who helped in distributing questionnaires across the different states, Findings from this study showed that 21.98% of the research population had no idea what a succession plan is, with past successors having being

the first son of the family, and 32.44% having children who have no interest in being part of the business and 89.25% having no vision and mission statements. Not having effective plans are threats to the family business, Indelecio (2012) listed the following as common threats to the family business -; Family feud/ conflict, nepotism, letting emotions run the business and losing non- family employees and no succession plans.

Astrachan, J. H., & Shanker, M. C. (2003) Country of Study: United States Technique of Estimation: Qualitative analysis and case studies. This research Identified the importance of governance structures in addressing conflicts and ensuring effective decision-making in family-owned businesses. As recommendations, it suggested implementing formal governance mechanisms and succession planning to enhance the long-term sustainability of family firms.

Chua, J. H., Chrisman, J. J., & Sharma, P. (1999) Country of Study: Various countries with a focus on the United States and Canada. used the Survey data analysis method and case studies. Finding from this research highlighted the impact of family dynamics on strategic decision-making and the subsequent performance outcomes of family-owned businesses. As recommendations, the authors advocated for clear communication, professionalization, and strategic planning to mitigate the negative effects of family conflicts on business performance

.Dunn, B. & Cummins, J. (1999)Country of Study: United States , Technique of Estimation: Case studies and qualitative analysis. This study explored the influence of leadership style and organizational culture on intergenerational conflict resolution within family firms. As recommendations the authors emphasized the importance of adopting participative leadership styles and fostering a supportive organizational culture to address conflicts and promote smooth succession.

Habbershon, T. G., & Williams, M. L. (1999)Country of Study: United States Technique of Estimation: Qualitative analysis and longitudinal studies. Findings: Examined the implications of family involvement in management on resource allocation and long-term planning in family-owned businesses. Recommendations: Proposed balancing family interests with business needs and implementing formal planning processes to ensure the sustainability of family firms across generations.

Lansberg, I. (1999) Country of Study: Global perspective with examples from various countries. Technique of Estimation: Case studies and qualitative analysis. The research explored the challenges associated with family governance, professionalization, and external partnerships in family-owned businesses. And advocated for the establishment of clear governance structures, professional development programs, and strategic alliances to enhance the competitiveness of family firms.

Zahra, S. A., Hayton, J. C., & Salvato, C. (2004) Country of Study: Primarily focused on the United States and Europe. Technique of Estimation: Longitudinal studies, surveys, and case studies. It explored the relationship between family firm innovation, risk-taking behaviour, and performance outcomes. The authors recommended fostering a culture of innovation, encouraging risk-taking, and aligning innovation strategies with long-term business goals to enhance the competitiveness and sustainability of family-owned businesses.

Adegbite, E., Amaeshi, K., & Nakajima, C. (2013) Country of Study: Nigeria, Technique of Estimation: Qualitative analysis and survey data. The study explores the various influences on corporate governance practices in Nigerian family-owned businesses. It identifies multiple agents and strategies shaping governance practices, including the role of family members, professional managers, and external stakeholders. The research highlights the complexity of governance dynamics in Nigerian family firms and the need for tailored governance mechanisms. The study recommends adopting a multi-faceted approach to corporate governance that considers the unique context of Nigerian family businesses. This may involve strengthening regulatory frameworks, enhancing board effectiveness, and promoting transparency and accountability within family firms.

Iyortim, A., & Iyortim, F. E. (2015) Country of Study: Nigeria, Technique of Estimation: Qualitative analysis of interviews and case studies.: This study focuses on the challenges of succession planning in Nigerian family-owned businesses. It identifies various barriers to

effective succession planning, including cultural norms, family conflicts, and lack of formal processes. The research highlights the importance of addressing these challenges to ensure the continuity and long-term success of family firms in Nigeria. The study recommends implementing formal succession planning processes, fostering open communication among family members, and professionalizing family-owned businesses through training and development programs. It emphasizes the need for proactive measures to overcome the barriers to succession planning and ensure smooth leadership transitions.

Madichie, N. O. (2012) Country of Study: Nigeria, Technique of Estimation: Qualitative analysis of industry insights and case studies. This study provides insights into the entrepreneurial dynamics of small family-owned businesses in Nigeria, focusing on the bottled table water industry. It examines the strategies adopted by family entrepreneurs to navigate the competitive business environment and achieve success. The research sheds light on the entrepreneurial mind set, innovation strategies, and market positioning of Nigerian family firms. The study suggests fostering a culture of entrepreneurship and innovation within Nigerian family businesses, leveraging local resources and market opportunities. It emphasizes the importance of strategic planning, market research, and customer engagement in driving business growth and sustainability in the Nigerian context.

## **2.5 Research Gap**

From the reviewed empirical studies it can be established that not many studies have been conducted in Nigeria. But there exist limited Understanding of the Role of Family Dynamics in Succession which inter play as a challenge and opportunity for the family owned businesses, while existing studies acknowledge the importance of succession planning in Nigerian family-owned businesses, there is a gap in understanding how family dynamics influence succession processes. Family dynamics encompass various factors such as intra-family relationships, conflicts, communication patterns, and power dynamics, all of which can significantly impact the succession planning process. However, few studies have explicitly examined the influence of these family dynamics on succession planning strategies and outcomes in the Nigerian context

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

For this study on the challenges and opportunities of family-owned businesses in Nigeria, as well as the opportunities available to them. . To do this, this research utilizes the primary data method , which goes straight to the source to gather information, talking directly to the people involved in these family-owned businesses - like the owners, and employees ( who are family members) Through administering questionnaires, to get a clear picture of what their challenges as well as what opportunities they see ahead., This way, we shed light on ways to help them overcome challenges and make the most of their opportunities.

#### **3.2 The Research Design**

For the purpose of this research, a survey research design (primary data) was selected, and this is chosen based on the study's objective. According to Nworgu (2005) Survey is defined as studies that samples individual units from an already known population and its associated survey data collection techniques, such as questionnaire construction ad methods of improving number and accuracy of responses to survey. In other to assess the different factors that affect family businesses, survey methodology is the most practical method for gathering data from a large group of dispersed people in a short duration of time, Through which we can identify common

trends, insights, and best practices that can inform our analysis and recommendations. Overall, using primary data allows us to draw upon a wide range of sources to provide a well-rounded perspective on the topic, contributing valuable insights to the understanding of family-owned businesses.

### **3.3 Population of Study**

The population of study consists of family members of family-owned businesses who occupy positions of owners, managers, and stakeholders directly involved in the management and operation of the family-owned businesses, and also non-family employees who essentially are individuals working within family-owned businesses who are not related to the owning family. All of which was located within Benin city, Edo state.. Their perspectives are crucial for understanding internal dynamics and organizational culture.

### **3.4 Sample and Sampling Methods**

For the purpose of this study, we used the Taro Yamane sampling technique to determine the sampling size of the population, while a simple random sampling technique was used to select 100 respondents from the population for the study.

### **3.5 Model Specifications**

The Taro Yamane sampling technique, or Yamane formula, has the following model specifications:

- Population Size ( $N$ ): This refers to the total number of elements in the population being studied. It could be the total number of individuals, households, businesses, or any other units of analysis relevant to the research.
- Sample Size ( $n$ ): This is the number of elements or units selected from the population to be included in the study. The sample size is determined using the Yamane formula.
- Margin of Error ( $e$ ): The margin of error is the maximum acceptable difference between the sample estimate and the true population parameter. It is typically expressed as a percentage (e.g., 5% or 0.05) and is used to quantify the precision of the sample estimate.

### **3.6 Sources and Methods of Data Collection**

For the course of this study, we used the survey method of data collection which would require a questionnaire for collecting the data from chosen population which includes family members and non-family members who occupy positions and are directly involved in the management and operation of the family-owned businesses was adopted. The survey questionnaire was designed to collect the responses against multiple questions on a Likert scale, The scale ranges from “SA=Strongly Agree,” to “SD=Strongly Disagree”.

### 3.7 Operationalization of Variables

Objectives	Hypotheses	Questionnaire questions	Measure
<p>To identify the common obstacles in next generation succession within family owned businesses.</p>	<p><b>H01:</b> Family-owned businesses that effectively manage succession planning are not likely to experience long-term sustainability and growth compared to those that do not prioritize succession planning.</p>	<p>1, Succession planning is a major challenge for family owned businesses.            2, Family conflict often hinder effective succession planning process.            3, Limited interest from the next generation in taking over the business is a significant obstacle to succession planning            4, Effective succession enhances the growth</p>	<p>Likert scale</p>

		and sustainability of family business	
<p>To understand the impact of family dynamics on the decision-making processes, organizational A recent study conducted by Harvard University and Massachusetts General Hospital showed that improvements of physical surroundings of workers impacted productivity as it made employees feel cared for although this makes sense but some companies aren't content simply to increase the health, productivity, and contentment of their employees. Culture, and overall performance of</p>	<p><b>H02:</b> Innovation and adaptation to changing market conditions have no significance in maintaining a competitive advantage compared to those that resist change.</p>	<p>1, Family businesses have peculiar strengths that can be utilized to foster innovation.</p> <p>2, Family owned businesses have potentials to foster long-term relationships and loyalty amongst customers and employees.</p> <p>3, Family dynamics significantly influence decision making process within the family business</p> <p>4, Strong organizational</p>	<p>Likert scale</p>

family-owned businesses.		culture can contribute to employee loyalty, innovation and competitive advantage	
To provide recommendations and insights for family-owned businesses to enhance their competitiveness, sustainability, and growth in a dynamic business environment.	<b>H03:</b> Family business with trust and strong family dynamics are not better equipped to navigate challenges, compared to those with trust issues and weak family dynamics.	1, Encouraging the upcoming generation to participate early in business can enhance their potential interest and involvement in the business. 2, Improving communication and conflict resolution mechanism can mitigate the impact of family dynamics on businesses performance.	Likert scale

		3, Implementing structured succession planning process is important for the long term success of the family business.	
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### 3.8 Methods of Data Analysis

The descriptive analysis method of data was adopted. In order to present the data in a more meaningful way and facilitate easier data interpretation, we applied descriptive statistics to summarize the characteristics of all variables in the administered questionnaires. With the aid of the SPSS, we are going to carry out the data analyses using percentages and the frequency of the variables. We made use of statistical methods such as chi-square to test the hypotheses.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSES OF RESULTS**

#### **4.1 Introduction**

This chapter provides a comprehensive presentation and analysis of the data collected through the questionnaire survey, with the objective to interpret and understand the responses in order to provide insights into the research questions. The chapter begins with a detailed description of the demographic characteristics of the respondents, followed by an examination of their responses to various questions related to the study's core themes. The data is presented in tabular form to enhance clarity and facilitate a deeper understanding of the trends and patterns observed. Each section includes a discussion of the key findings and their implications, drawing connections to the broader context of the research. The analysis is structured to highlight the frequency and percentage distributions of responses across different variables, such as gender, age, educational level, type of business ownership, and involvement in the business. This systematic approach ensures that the data is not only accurately presented but also meaningfully interpreted to provide valuable insights for stakeholders and contribute to the existing body of knowledge on the subject.

## 4.2 Background Information/Bio-Data of the Respondents

This section contains a descriptive analysis of the bio-data drawn from the sampled respondents.

The socio-demographic variables includes the gender of the respondents, age, educational qualification, Types of business and involvement in the business.

Total questionnaires distributed: 100

Questionnaires not returned: 1

Questionnaires with invalid responses: 2

Valid questionnaires:  $100 - (1 - 2) = 97$

Thus, the analysis is based on the responses from 97 valid questionnaires.

<b>Variables</b>	<b>Option</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>	Male	39	40.21
	Female	58	59.79
	<b>Total</b>	<b>97</b>	<b>100</b>
<b>Age</b>	Under 25	21	21.65
	25 - 34	34	35.05
	35 - 44	28	28.87
	45 - 54	16	16.49

	55 and above	2	2.06
	<b>Total</b>	<b>97</b>	<b>100</b>
<b>Educational level</b>			
	Primary school	0	0.00
	Secondary school	41	42.27
	Diploma	15	15.46
	Bachelor's degree	34	35.05
	Master's degree	7	7.22
	Doctorate degree	0	0.00
	<b>Total</b>	<b>97</b>	<b>100</b>
<b>Type of business</b>			
	Sole proprietorship	28	28.87
	Family owned business	67	69.07
	Partnership	2	2.06
	Corporation	0	0.00
	<b>Total</b>	<b>97</b>	<b>100</b>

<b>Position/Involvement in the business</b>	Owner	33	34.02
	Employee	18	18.56
	Family member and directly involved in running the business.	39	40.21
	Family member but not directly involved in running the business.	7	<b>7.22</b>
	<b>Total</b>	<b>97</b>	<b>100</b>

### 4.3 Descriptive Analyses

#### Gender

The gender distribution among the respondents shows that out of the 97 valid responses, 39 (40.21%) are male, and 58 (59.79%) are female.

This indicates a higher participation rate among females. The gender balance can influence the overall findings, especially in aspects where gender perspectives might differ, such as business management styles, decision-making processes, and priorities in business operations.

### **Age**

The age distribution of respondents is as follows: Under 25: 21 respondents (21.65%), 25 to 34: 34 respondents (35.05%), 35 to 44: 28 respondents (28.87%), 45 to 54: 16 respondents (16.49%), 55 and above: 2 respondents (2.06%).

The majority of respondents fall within the 25 to 44 age range (63.92%), indicating a relatively young and middle-aged population. This age group is often at the peak of their careers and business activities, which may reflect their active involvement and interest in the survey topics.

### **Educational Level**

The educational levels among respondents are: Primary School: 0 respondents (0.00%), Secondary School: 41 respondents (42.27%), Diploma: 15 respondents (15.46%), Bachelor's Degree: 34 respondents (35.05%), Master's Degree: 7 respondents (7.22%), Doctorate Degree: 0 respondents (0.00%).

Most respondents have at least a secondary education (42.27%), with a significant number holding a bachelor's degree (35.05%) and a smaller percentage having a master's degree (7.22%). This suggests a well-educated respondent group, likely to possess the necessary skills and

knowledge for effective business management and decision-making. The absence of respondents with only primary education or a doctorate might indicate that higher educational qualifications are common or required in the surveyed business context.

### **Type of Business Ownership**

The types of business ownership are: Sole Proprietorship: 28 respondents (28.87%), Family Owned Business: 67 respondents (69.07%), Partnership: 2 respondents (2.06%), Corporation: 0 respondents (0.00%). A significant majority of the respondents are involved in family-owned businesses (69.07%), followed by sole proprietorships (28.87%). The minimal representation of partnerships (2.06%) and the absence of corporations indicate that the business environment in the surveyed population is dominated by smaller, more personal business structures. This dominance of family-owned businesses suggests a reliance on family networks and possibly a traditional approach to business operations.

### **Involvement in the Business**

The involvement in business is categorized as follows: Owner:33 respondents (34.02%), Employee:18 respondents (18.56%), Family Members who are Directly Involved in Running the Business:39 respondents (40.21%), Family Member who are Not Directly Involved in Running the Business: 7 respondents (7.22%).

The data shows that a substantial number of respondents are either owners (34.02%) or family members directly involved in running the business (40.21%). This high level of direct

involvement underscores the personal stake and commitment of the respondents in their business operations. The presence of employees (18.56%) and family members not directly involved (7.22%) provides additional perspectives on the business, reflecting a mix of operational roles and family dynamics.

The data reveals important demographic and business characteristics of the respondents. The higher female participation, concentration of respondents in the 25 to 44 age range, significant educational attainment, dominance of family-owned businesses, and high level of direct involvement in business operations provide a comprehensive understanding of the surveyed population. These insights are essential for interpreting the survey results and drawing meaningful conclusions about the business environment and practices in the context studied.

#### **4.4 Results of Research Question I: What are the key challenges faced by family-owned businesses in terms of leadership succession?**

The objective of this research is to identify the common obstacles in next-generation succession within family-owned businesses.

#### 4.4.1 Data Analysis and responses to Statements on Likert scale.

Statement	SD	D	N	A	SA	TR	Mean	S.D	Remark
1, succession planning is a major challenge of family business.	0	7	4	33	53	97	4.35	0.91	Agreed
2,Family conflict often hinders the effective succession planning process.	0	1	3	22	71	97	4.68	0.63	Agreed
3, Limited interest from the next generation in taking over the business is a significant obstacle to succession planning.	0	1	3	25	68	97	4.72	0.65	Agreed
4,Effective succession enhances the growth and stability of family businesses.	4	13	11	47	22	97	3.64	1.13	Agreed

**SD: Strongly disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly agree, TR: Total response and S.D: Standard deviation.**

#### **4.4.2 Interpretation of Results**

**Succession Planning as a Major Challenge:** The mean score of 4.35 indicates that respondents generally agree that succession planning is a significant challenge for family-owned businesses. The standard deviation of 0.91 suggests that there is moderate agreement among respondents, with some variability in opinions.

**Family Conflict Hindering Succession Planning:** With a mean score of 4.68 and a low standard deviation of 0.63, respondents strongly agree that family conflict hinders effective succession planning. This indicates a high level of consensus among respondents on the impact of family dynamics on succession processes.

**Limited Interest from Next Generation:** Similarly, respondents agree (mean = 4.72, standard deviation = 0.65) that limited interest from the next generation poses a significant obstacle to succession planning. The low standard deviation suggests consistent agreement among respondents regarding this challenge.

**Effective Succession and Business Stability:** The mean score of 3.64 suggests agreement that effective succession planning enhances the growth and stability of family businesses. However, the standard deviation of 1.13 is higher compared to the other statements, indicating more variability in responses. While most respondents agree on the positive impact of effective succession, there is some diversity of opinion, possibly reflecting different experiences and perspectives on how succession has been managed in their own businesses

#### **4.4.3 Test of hypothesis**

**H01:** Family-owned businesses that effectively manage succession planning are not likely to experience long-term sustainability and growth compared to those that do not prioritize succession planning,

We reject the null hypothesis because there is strong evidence that effective succession planning significantly enhances the growth and stability of family businesses, as indicated by the mean response of 3.64.

#### **4.5 Results of Research Question 2: What are the specific opportunities that arise from the unique characteristics of family-owned businesses?**

The objective of this research question is to understand the impact of family dynamics on the decision-making processes, organizational culture, and overall performance of family-owned businesses.

#### 4.5.1 Data Analysis and responses to Statements on Likert scale

Statement	SD	D	N	A	SA	TR	Mean	S.D	Remark
1, Family business have peculiar strengths that can be utilized to foster innovation.	1	7	19	47	23	97	3.88	0.86	Agree
2, family owned business have potentials to foster long term relationships and loyalty amongst customers and employees	5	12	23	42	15	97	3.55	1.06	Agree
3, Family dynamics significantly influence decision making process within the family owned business	1	9	34	38	15	97	3.89	0.97	Agree
4, Strong organizational culture can contribute to employees loyalty, innovation and competitive advantage	3	10	32	44	8	97	3.67	1.02	Agree

**SD: Strongly disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly agree, TR: Total response and S.D: Standard deviation.**

#### **4.5.2 Interpretation of results**

**Family Businesses Have Peculiar Strengths That Can Be Utilized to Foster Innovation:** The high mean score (3.88) indicates a strong agreement among respondents that family businesses possess unique strengths that can drive innovation. The relatively low standard deviation (0.86) suggests that this belief is widely shared and consistent among respondents. These strengths might include deep-rooted family values, long-term orientation, and the ability to make quick decisions due to a more flexible structure.

**Family-Owned Businesses Have Potential to Foster Long-Term Relationships and Loyalty Amongst Customers and Employees:** Respondents generally agree (mean of 3.55) that family-owned businesses are well-positioned to build long-term relationships and loyalty. However, the higher standard deviation (1.06) indicates more variation in responses, suggesting that while many see this potential, there are differing opinions on how effectively these businesses realize it. This potential is likely rooted in the personal connections and commitment characteristic of family businesses, which can translate into strong bonds with customers and employees.

**Family Dynamics Significantly Influence Decision-Making Processes Within the Family Business:** There is a strong consensus (mean of 3.98) that family dynamics play a significant role in the decision-making processes within family businesses. The standard deviation (0.97) suggests that most respondents agree on this point. Family dynamics can include factors like trust, communication, and shared values, which can either facilitate or hinder decision-making.

This influence underscores the importance of managing family relationships and conflicts to ensure effective governance.

**Strong Organizational Culture Can Contribute to Employee Loyalty, Innovation, and Competitive Advantage:** Respondents agree (mean of 3.67) that a strong organizational culture is crucial for fostering employee loyalty, innovation, and maintaining a competitive edge. The standard deviation (1.02) indicates some variability in responses, suggesting that while many recognize the importance of organizational culture, there may be differences in how it is perceived or implemented across different businesses. A robust organizational culture often reflects shared values, clear communication, and a supportive environment, all of which contribute to overall business success.

#### **4.5.3 Test of hypothesis**

**H02** – Innovation and adaptation to changing market conditions have no significance in maintaining a competitive advantage compared to those that resist change.

Findings from the above Table 4.5.1 supports that family-owned businesses possess unique characteristics that can foster innovation, build long-term relationships, and influence decision-making processes. Strong organizational culture is also seen as contributing to competitive advantage. Therefore, the null hypothesis (H02) is rejected based on the agreement observed in the responses

#### 4.6 Results of the Research Question 3: How do the unique characteristics of family-owned businesses, contribute to their growth and longevity?

The objective of this research question is to provide recommendations and insights for family-owned businesses to enhance their competitiveness, sustainability, and growth in a dynamic business environment.

##### 4.6.1 Data Analysis and responses to Statements on Likert scale.

Statement	SD	D	N	A	SA	TR	Mean	S.D	Remark
1, Encourage the upcoming generation to participate early in business can enhance their potential interest and involvement in business.	0	2	10	55	30	97	4.16	0.72	Agree
2, Improving communication and conflict resolution mechanism can mitigate the impact of family dynamics on businesses.	1	7	5	52	32	97	4.10	0.90	Agree
3, Implementing structured succession planning process of the long term success of the family business.	1	6	3	35	52	97	4.39	0.93	Agree

**SD: Strongly disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly agree, TR: Total response and S.D: Standard deviation.**

#### **4.6.2. Interpretation of results**

**Encouraging Early Participation:** A high mean score of 4.16 indicates strong agreement among respondents that early participation of the next generation in the family business enhances their interest and involvement. The low standard deviation of 0.72 suggests that responses were closely clustered around the mean, indicating consistent agreement on this statement. Improving

**Communication and Conflict Resolution:** The mean score of 4.10 reflects a general agreement that improving communication and conflict resolution can mitigate negative impacts on business performance. A standard deviation of 0.90 shows a slightly wider spread of responses but still indicates general consensus.

**Structured Succession Planning:** With a mean of 4.34, there is strong agreement on the importance of structured succession planning for the long-term success of family-owned businesses. The standard deviation of 0.93 suggests a relatively high level of agreement, although with a bit more variability than the other statements.

This suggests a general consensus among respondents that early involvement of the next generation, effective communication, conflict resolution, and structured succession planning are crucial for the success and longevity of family-owned businesses. The findings support the objective of enhancing competitiveness, sustainability, and growth.

### **4.6.3. Test of hypothesis**

**H03:** Family businesses with trust and strong family dynamics are not better equipped to navigate challenges, compared to those with trust issues and weak family dynamics.

Results obtained from table 4.6.1, shows that family businesses with trust and strong family dynamics appear to be better equipped to navigate challenges compared to those with trust issues and weak family dynamics. The consistent agreement on the importance of early participation, communication, conflict resolution, and succession planning supports this conclusion . there is therefore evidence to reject the null hypothesis ( H03 ).

## **4.7 Discussion of Findings**

Findings from the research throws more light on critical challenges faced by family-owned businesses in managing leadership succession. They include;

**.Family Conflict:** Family conflicts are seen as major hindrances to effective succession planning, indicating that addressing interpersonal issues and fostering good family relationships are crucial for smooth leadership transitions.

**Next Generation's Interest:** A significant obstacle to succession planning is the limited interest from the next generation, suggesting a need for engagement and motivation strategies to prepare future leaders.

**Impact of Effective Succession:** There is agreement that effective succession planning contributes to business growth and stability, highlighting the importance of prioritizing this process for long-term sustainability.

These findings support the need for family-owned businesses to actively engage in succession planning, address family conflicts, and encourage the next generation to take on leadership roles to ensure their continued success and longevity. The results support the hypothesis that effective succession planning is crucial for the long-term sustainability and growth of family-owned businesses, although there is room for improvement in consensus regarding its direct impact on business outcomes. Addressing these challenges requires comprehensive strategies that prioritize conflict resolution, engage the next generation, and optimize succession planning processes to ensure smooth transitions and business continuity

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter offers a brief overview of the findings obtained from the analysis of the data. The chapter is structured as follows; the summary of findings, the conclusion of the study, recommendations of the study, contribution to knowledge and the suggestions for further research.

#### **5.2 Summary of Findings**

The study investigated challenges and opportunities of family owned businesses. To achieve the study's aim, questionnaire were distributed to family members of family-owned businesses who occupy positions as owners, managers, and stakeholders directly involved in the management and operation of the family-owned businesses, and also non-family employees who essentially are individuals working within family-owned businesses but who are not related to the owning family within Benin city, Edo state. Data obtained were analysed using the statistical software for social sciences (SPSS).

The findings arrived at after due analysis of the data are summarized below:-

1, Succession planning is a major challenge for family-owned businesses and key obstacles include family conflict which hinders the succession planning process and limited interest from the next generation in taking over the business.

2, Family-owned businesses have peculiar strengths, such as fostering long-term relationships and loyalty among customers and employees, being significantly influenced by family dynamics in decision-making, and benefiting from a strong organizational culture that contributes to employee loyalty, innovation, and competitive advantage.

3, Encouraging early participation, enhancing communication and conflict resolution, and implementing structured succession planning are key strategies to solve the challenges faced by family-owned businesses.

### **5.3 Conclusion**

The research highlights key strategies for overcoming challenges in family-owned businesses, such as encouraging early participation, enhancing communication and conflict resolution, and implementing structured succession planning. By adopting these strategies, family-owned businesses can achieve improved stability, growth, and innovation. The findings provide valuable insights that can help these businesses leverage their unique strengths, foster long-term relationships, and build a strong organizational culture, ultimately enhancing their competitive advantage and long-term sustainability.

## 5.4 Recommendations

Based on the findings, the following recommendations are made for family-owned businesses to harness opportunities and overcome challenges:

**Encourage Early Participation:** Involve younger family members in the business early on through internships, mentorship programs, and leadership training as this prepares the next generation for leadership roles, ensuring a smooth transition and continuity.

**Enhance Communication and Conflict Resolution:** Establish open communication channels and regular family meetings to discuss business matters and resolve conflicts, as improved communication fosters transparency and trust, while effective conflict resolution prevents disputes from hindering business operations.

**Implement Structured Succession Planning:** Develop and document a clear succession plan that includes timelines, roles, and responsibilities for the transition of leadership. Structured succession planning ensures a smooth leadership transition, minimizing disruptions and maintaining business stability.

**Leverage Family Dynamics Positively:** Recognize and utilize the unique strengths of family dynamics, such as shared values and trust, to enhance decision-making processes. Positive family dynamics can strengthen the business's foundation and contribute to a cohesive leadership team.

**Foster a Strong Organizational Culture:** Promote a culture of loyalty, innovation, and continuous improvement through regular training, team-building activities, and recognition

programs. A strong organizational culture enhances employee engagement, drives innovation, and provides a competitive advantage.

**Build Long-Term Relationships:** Focus on building and maintaining long-term relationships with customers, suppliers, and employees through consistent engagement and quality service. Strong relationships foster loyalty and support, contributing to the business's resilience and growth.

## **5.5 Contributions to Knowledge**

The findings of this research significantly contributes to the understanding and management of family-owned businesses in several ways:

**Enhanced Understanding of Succession Challenges:** The research provides detailed insights into the specific challenges family-owned businesses face during leadership succession, such as family conflicts and limited next-generation interest. This enhances existing literature by pinpointing critical areas that need attention.

**Strategies for Effective Succession Planning:** By identifying practical strategies like encouraging early participation, enhancing communication and conflict resolution, and implementing structured succession planning, the research offers actionable solutions that can be adopted by family businesses. This contributes to a more strategic approach to succession planning in the academic and business communities.

**Impact of Family Dynamics:** The findings highlight the significant influence of family dynamics on decision-making processes within family businesses. This adds to the body of knowledge by emphasizing the importance of understanding and managing family relationships to ensure business success.

**Role of Organizational Culture:** The research underscores the importance of a strong organizational culture in fostering employee loyalty, innovation, and competitive advantage. This finding enriches the understanding of how cultural factors within family businesses can be leveraged to drive performance.

**Practical Recommendations:** The research provides practical recommendations that family-owned businesses can implement to harness opportunities and overcome challenges. This pragmatic approach bridges the gap between theory and practice, offering valuable guidance to business practitioners.

**Framework for Further Research:** The study lays a foundation for future research by identifying key areas that impact the sustainability and growth of family-owned businesses. It encourages further exploration into specific strategies and their effectiveness in different contexts and industries.

Overall, the research contributes to a deeper understanding of the unique challenges and opportunities within family-owned businesses. It provides a comprehensive framework that can inform both academic research and practical business strategies, ultimately aiding in the sustainable growth and success of these enterprises.

## **5.6 Suggestions for Further Research**

Further research can be done in qualitative analysis of family dynamics within family-owned businesses, focusing on understanding how intra-family relationships, communication patterns, and decision-making processes influence succession planning and business continuity.

**APPENDIX**  
**DEPARTMENT OF ENTREPRENEURSHIP**  
**FACULTY OF MANAGEMENT SCIENCES**  
**UNIVERSITY OF BENIN**  
**A QUESTIONNAIRE FOR THE ASSESSMENT OF OPPORTUNITIES AND**  
**CHALLENGES OF FAMILY-OWNED BUSINESSES**

Dear respondent,

I am a final year student from the above-named university and department. I am conducting a research on the topic titled: OPPORTUNITIES AND CHALLENGES OF FAMILY OWNED BUSINESSES I hope to have few minutes of your time to fill out this questionnaire as all information you provide on this questionnaire will be highly confidential and will only be used for research purposes. Kindly respond to each question with strongly agree, agree, strongly disagree, strongly disagree.

INSTRUCTIONS: Please tick ( ) the correct item that matches your response

KEYS: SD=Strongly Disagree; D=Disagree; N=Neutral; A= Agree; SA= Strongly Agree.

**SECTION A**

1) Sex: Male [ ], Female [ ]

- 2) Age: Under 25[ ], 25-34years [ ], 35-44 years [ ], 45 and 54[ ],  
55and above[ ]
- 3) Educational Qualification: Primary 6 [ ] SSCE [ ] Diploma [ ] B.Sc. [ ] M.Sc. [ ] PhD [ ]
- 4) Type Of Business : Sole Proprietorship[ ] Family Owned Business [ ] Partnership [ ]  
Corporation [ ]
- 5) Position/Involvement in the business: Owner[ ] Employee [ ] Family member and directly  
involved in running the Business [ ] Family member but not directly involved in running  
the business [ ]

## **SECTION B**

What are the key challenges faced by family-owned businesses in terms of leadership succession?

1. Succession planning is a major challenge of family business.  
SD [ ], D[ ],N [ ] A[ ],SA[ ].
2. Family conflict often hinders the effective succession planning process.  
SD [ ], D[ ],N [ ] A[ ],SA[ ].
3. Limited interest from the next generation in taking over the business is a significant  
obstacle to succession planning. SD [ ], D[ ],N [ ] A[ ],SA[ ].
4. Effective succession enhances the growth and stability of family  
Business. SD [ ], D[ ],N [ ] A[ ],SA[ ].

What are the specific opportunities that arise from the unique characteristics of family-owned businesses?

5. Family business have peculiar strengths that can be utilized to foster innovation. SD [ ], D[ ],N[ ], A[ ],SA[ ].

Family owned business have potentials to foster long term relationships and loyalty amongst customers and employees. SD [ ], D[ ],N [ ] A[ ],SA[ ].

6. Family dynamics significantly influence decision making process within the family owned business . SD [ ], D[ ],N[ ], A[ ],SA[ ]

7. Strong organizational culture can contribute to employees loyalty, innovation and competitive advantage . SD [ ], D[ ],N[ ], A[ ],SA[ ]

How do the unique characteristics of family-owned businesses, contribute to their growth and longevity?

8. Encourage the upcoming generation to participate early in business can enhance their potential interest and involvement in business. SD [ ], D[ ],N[ ], A[ ],SA[ ]

9. Improving communication and conflict resolution mechanism can mitigate the impact of family dynamics on businesses. SD [ ], D[ ],N[ ], A[ ] SA[ ]

10. Implementing structured succession planning process of the long term success of the family business. SD [ ], D[ ],N[ ], A[ ],SA[ ]

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