QUALITATIVE ANALYSIS OF SUCCESSION PLANNING AND SUSTAINABILITY OF BLOCK MAKING FIRMS IN KWARA STATE NIGERIA

MUSTAPHA, Rahman O.
Department of Business and Entrepreneurship
Faculty of Humanities, Management and Social Sciences
Kwara State University, Malete, Nigeria

NASSIR, Briamah A.
Department of Business and Entrepreneurship
Faculty of Humanities, Management and Social Sciences
Kwara State University, Malete, Nigeria

OLUSEGUN, Daniel O.
Department of Business and Entrepreneurship
Faculty of Humanities, Management and Social Sciences
Kwara State University, Malete, Nigeria

ABSTRACT

Succession planning is an ongoing problem faced by SMEs in Nigeria. As growing organisation grows, they are confronted with the problem of continuity, market value, profitability and growths of the enterprise. The study examined the effect of succession planning on the sustainability of small and medium scale enterprises in Nigeria. The study adopted cross sectional survey with descriptive approach by interviewing eight owners of block firms in Kwara State. The study concluded that the industry characteristics, successor capability, documented transition and family harmony are essential ingredient succession planning as they ensure market value of the business, profitability, business survival and growth of the block industry. Succession planning provides a block industry with a market value by enabling the industry to define itself in a unique characteristic. The study therefore recommends that key stakeholders in block making industry should evaluate the industry characteristics to ascertain the market value of the business to attract a worthy successor. This could be further achieved if the children are enrolled as apprentice so as to ensure that they are able to smoothly transition from one generation to another.

Keywords: Documented transition, family harmony, succession planning, successor capability.

INTRODUCTION

Succession planning is a complex process that draws upon many business disciplines. Many privately held businesses display solid professionalism and enviable profits in their operations, yet fail to properly plan for, and complete transition to next generation of leaders. Even the most sophisticated and knowledgeable business professionals can get caught in a web of complex issues. In fact, many business owners do not carry out managed transition to a successor leadership team. In the case of family-owned businesses, only 30 per cent survive into the second generation, 12 per cent survive into the third, and only about 3 per cent operate into the fourth generation and beyond. Effective succession management is vital to long-term sustainability and survival of small and medium scale enterprises (SMEs). Many of the world's renowned

organizations with the most longevity have their success rooted in effective succession management; leaders of these great companies begin planning their exit strategies right at the start of their appointment (Cummings, 2022).

Succession planning is a common problem faced by SMEs in Nigeria. As organisations grow, they are confronted with the problem of market value. Lot of SMEs is unable to achieve their objectives due to lack of proper planning in succession management. Salau and Nurudeen (2022) pointed out that the ideal market value of block making firms is difficult to ascertain as each firm face its own peculiarity in succession. The study thematically examined the effect of succession planning on the sustainability of small and medium scale enterprises in Nigeria.

LITERATURE REVIEW

A succession plan involves documentation providing for the continuous operation of an organization when key members exit the organization owing to factors like termination, retirement, or death. It specifies the modifications that will occur in the transfer of leadership across generations. Succession plans assist in retaining important employees, decreasing tax burdens, and preserving stock and assets' value during management transitions (Karaki, 2022). The term succession planning as a business plan for the replacement of retiring family members of family-owned companies; the role of the family leader was to identify and mentor the person who was to take over the family business (Avanesh, 2011). According to Fapohunda (2015), for succession in the family firm to occur, there must be three components: a leader who hands over the leadership role which is often referred to as the incumbent or antecedent; a successor who takes over the role, and a mechanism by which the transition takes place. It is also important to have agreement among other family members to continue the business. The successor must have a strong desire to manage the family business, and find it exciting and rewarding to work in the firm.

Owolabi and Adeosun (2021) posited that SMEs in Nigeria consist business organizations whose total capital employed is above N1.5 million, but not more than N200 million including the cost of land and workforce capacity of between 11-300. Available statistics show that 95% of establishments in the organized manufacturing sector fall into SME category. NESG (2002) defined SMEs based on nature and magnitude of business. For instance, roadside artisans, petty traders, bottled water producers, bakers, local fabricators should constitute part of SMEs.

EMPIRICAL REVIEW

An organization's imminent performance depends on the rigor of succession planning and management commitment to it (Owolabi & Adeosun, 2021). With increased employee turnover rate, organizations risk losing a wealth of knowledge, which new employees cannot learn from reading manuals or hand over notes. One way employee retention can be guaranteed in any organization is the employee's perception towards the possibility of taking up higher roles that are more challenging in the future. Ineffective succession planning increases employee turnover; while effective succession planning reduces employee turnover.

Onwuka et al. (2017) found that mentoring (an approach to succession planning) has positive relationship with business continuity; and posits that mentoring gives opportunities to develop competent, capable and productive employees that grow organisations. Ebitu et al. (2016)

revealed that SMEs contribute significantly to economic development in the provision of goods and services, creation of employment and contribute to a high standard of living; and makes a case for government policies that supports the establishment, nurturing and growth of SMEs by curtailing the importation of certain products.

METHODOLOGY

A cross sectional survey research design was adopted to measure the effect of succession planning on sustainability of SMEs in Nigeria. This is justified by issues of succession planning are attitudinal in nature which are measured base on perceptions. As a result the study approach shall be descriptive to enable the study make inferences on the subject matter to support further research. A descriptive research design was appropriate because to help in describing current practices regarding the subject matter. Data collection was done by use of in-depth interview. The population of the study consist Block making SMEs in Kwara State. The State has a relatively high concentration of Block making businesses with different practices due to different cultural and ethnic background of businesses owners. Kwara State is also adjudged one of the fastest developing area in recent time with Ilorin being the epicenter of development. Kwara State also has the advantage of different communities living together, with different cultural differences and this allows for generalization of the study. Brockhaus (2004) recommends that studies intending to focus on succession planning in family businesses should consider demographic descriptors such as size and age of the firm. The researcher considered samples of licensed family businesses that have been on for more than five years and have five or more employees. The family business SMEs where identified as being 7,301, this number is considered the total SMEs block businesses.

DATA ANALYSIS

In attempt to define the variables for the quantitative study, an interview was conducted to describe succession planning in the block making industry. The interview was conducted to saturation. Consequently, 8 respondents were identified and interviewed based on convenience. The responses borders on the description of succession planning. The interview was anchored on four themes which formed the bases for the variables as indicated in figure .1.

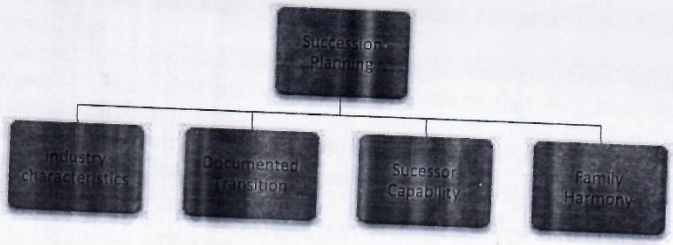


Fig. 1: Thematic analysis of succession planning.

Respondents were asked on various ways in which succession planning can be attained in the block making industry in Kwara State and the responses were highlighted below;

Theme 1: Industry characteristics

According to respondent 1,

> *If you look at the block industry as a whole, the type of labour does not really attract skilled labours. This makes it difficult to recruit professionals.*

To corroborate the above, respondent 4 alluded to the fact that " across the block industry, the profit, turnover, and the production is highly predictable, block makers are like nomads, which usually shift their businesses with the tides of contraction sights around. So therefore the succession usually depends on the industry, when there is the need for succession when the business is within visible area, successor could be the wife or even the children.

In another dimension, the respondent 8 submitted as thus;

> The peculiarity of the small and medium enterprises, the stakeholders are not really defined unlike in corporate organizations. The stakeholders are usually, the neighbors, acquaintances, family, customers and well-wishers; because in most cases the business is not even registered.

Theme 2: Documented transitions

In the submission of respondent 2, he said;

> In rare cases the business owners would have willed the properties and businesses to the successor.

He further stated that the successor interest does not really matter, whether he is interested or not. In another dimension, respondents 3 suggested that most business owners these days have documents to support who succeeds them. The position of respondent 7 equally affirms the fact that businesses should be subjected to the will of the founder.

Theme 3: Successor capability

Respondent 4 said "the tacit knowledge transferred by the founder to the successor is important but it is not correct to say that it can directly improve the innovation ability of the successor"

Respondent 5 also suggest that

> Successors are candidates who are prepared to fill positions within the company in the future with the aim of ensuring the sustainability of key positions in the business This is because successors will later play a major role in determining business prospects through their ability to make strategic decisions

Theme4 : Family harmony

Respondent 6 suggested that family harmony is a critical component to a strong block business. He further stated that

> Alignment in vision and values and strong commitment from family members helps business to make decision in terms of successor that will steer the company in an appropriate direction.

The responses above, provided the study the basis for constructing and validating the questionnaires for the purpose of the quantitative study.

DISCUSSION OF FINDINGS

Firstly, the study revealed that the succession planning of block makers has significant effect on market value. Succession planning was tested by industry characteristics successor capability, documented transition, family harmony. To achieve the objective the study, hypothesis was formulated and tested. Regression analysis was conducted to determine the strength and direction of the effect of dimensions of succession planning and market value of block businesses. The

results of the regression analysis indicated that there was a good relationship between the successions planning on the market value of block businesses. The relationship was positive and statistically significant. The study also carried out a regression analysis to determine the magnitude of the relationship between successions planning on market value of block businesses. The study established that there was a positive and significant relationship between successions planning on the market value of block businesses in Kwara State. It was observed that improved succession planning would lead to an improvement in firm market value. This outcome conforms to the views posited by Cummings (2022) who studied modern succession planning. The study affirm that the market value of a business is essentially a function of sucesstion planning. These views support Karaki (2022) views that organization executives lack strategies for effective succession planning. Executives who implement succession planning strategies can improve human talent, transition executive successors, and retain leadership continuity to preserve organizational market value.

The study also sought to examine the effect of successor capacity on business survival of SMEs in Nigeria. There exists, a strong effect of succession planning components and business survival in Kwara State. Moderating effect of entrepreneurial orientation on the relationship between succession planning, and performance of family businesses Entrepreneurial orientation was tested by innovativeness, risk taking and proactiveness. Correlation analysis was conducted to determine the strength and direction of relationship between the dimensions of entrepreneurial orientation and performance of family businesses. The results of the regression analysis indicated that there was a good relationship between succession planning and sustainability of block businesses. The relationship was positive and statistically significant.

The study also carried out a regression analysis to determine the magnitude of relationship between entrepreneurial orientation and performance of family businesses. The study established that there was a positive significant relationship between succession planning and performance when moderated by entrepreneurial orientation. Mans-Kemp and Flanegan (2022) observed that there is an evident need for proactive succession planning that accounts for prudent Board renewal and director development to ensure business continuity. These results were supported by Salau and Nurudeen (2022) who found that SMEs Development Association of Nigeria report in 2017 indicate that over 2.783m SMEs were temporarily closed down due to the death/sickness of the owners. According to Wangombe and Assumptah (2015) reviewed extant literature that INGOs have low succession planning initiatives which are alarming for the survival of the respective organizations.

The third objective of the study was to evaluate the impact of documented transition have impact on profitability of small and medium scale enterprises in Nigeria. To achieve this objective, hypothesis was formulated and tested. Regression analysis was conducted to determine the strength and direction of the relationship between the dimensions of business development services on relationship between succession planning and profitability of small and medium scale enterprises in Nigeria. These outcomes are same views posited by Azhari (2021) who found that the variables financial technology, financial self-efficacy, and personality system have a significant positive effect. In contrast, the variable succession planning has a significant negative effect. The study of Rotich, and Kiiru (2021) equally affirm that formal succession planning framework to retain and acquire new talents and skills that would help the organization performance. This will get rid of the current laxity in providing framework for replacement of key employees in future.

Objective Four of the study was to determine impact of family harmony on enterprise growth of small and medium scale enterprises in Nigeria. To achieve this objective, the hypothesis was formulated and tested. There effect of succession planning, on enterprise growth of small businesses It was observed that the regression model showed a high correlation coefficient, hence showing a relationship among the variables. The coefficient of determination was positive meaning that a greater and positive relationship exists between the variables. Also the coefficient of determination in this relationship was considered highest. The p-value was less than 0.05 indicating that the regression model is statistically significant in influencing the firm. This outcome confirms that the ability of succession planning, entrepreneurial orientation and business development services to influence firm performance. Therefore, the study confirms that succession planning, have an impact on the enterprise growth of small and medium scale enterprises in Nigeria. Similar views were recorded Umans et al. (2021).

CONCLUSION AND RECOMMENDATIONS

The study concludes that industry characteristics, successor capability, documented transition and family harmony are essential ingredient of succession planning as they ensure market value of the business, profitability, business survival and growth of industry. Succession planning provides a block maker with market value by enabling the firm to define itself in a unique way. Therefore, firms should prepare their successors for better performance. The study concludes that family firms that are seeking to improve their performance, in the long run, should ensure that they train and mentor the business successor. The study found that succession planning are some of the key determinants of firm performance in block making industry. However, succession planning was applied in very few block making industry owned by family businesses. The study therefore recommends that the key stakeholders in block making industry should evaluate the industry characteristics to ascertain the market value of the business to attract a worthy successor. The businesses should also consider involvement of family members with unique capability to get involved in various activities of the business. Given that block making businesses are important to economic development, a documented transition programme should be encouraged. It is essential for government agencies and other stakeholders to create an enabling environment in terms of policies that supports documented transition so that the efforts of the founder continue to bear fruits even for generations to come. By understanding the documented transition, block making is taken as pure business and in line with the submission of stakeholder theory; this would enhance the profitability level of the business even in the firsa generation. The study found that documented transition is rarely applied within the block industry despite the high value of the business.

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