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The Influence of Personal Characteristics of Founders of Failed and Prospered Generational Transition Family Businesses in Anambra State

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ABSTRACT: *Family businesses which are often adjudged very risky ventures as a result of rapid decision makings are quite different from other enterprises, as they contribute immensely in wealth creation, economic development, sustainability, employment and job opportunities, improved Gross Domestic Product, prospect from younger generations, as well as mentorship from experienced business leaders. However, despite their numerous contributions, they are often bedeviled by numerous challenges which often lead to their failures at the exit or death of their founders. This paper identified the rate of family businesses that have suffered generational transition failures in Anambra state, and also examined the differences in personal characteristics of founders of both failed and prospered Generational Transition (GT) family businesses in the state. The application of Taro Yamane formula gave a sample size of 327, a total of 327 questionnaires was therefore administered to Directors and Managers of Family businesses in the three main cities of Anambra state. The results of the study revealed that 72 percent of the family businesses fail after generational transition. Also, the analysis based on the mean of the individual questionnaire items, with the acceptance benchmark of 3 revealed that there are significant differences in the personal characteristics of the founders of the failed and successful generational transition family businesses. The regression analysis validated the results as indicated by the correlation coefficient (R = .868). It could also be observed from the coefficient of determination (R-Square = .792) that 79 percent differences exist in the relationship between the personal characteristics of founders of the failed and prospered GT family businesses in the state. The paper concluded that founders and Directors of FBs should adopt positive personal characteristics, in order to mitigate the high failure rates of family businesses.*

KEYWORDS: Anambra state, family businesses, generational transition, survival rate, personal characteristics, failure

INTRODUCTION

By playing important roles in the economic development, stability, sustainability, and facilitation of wealth creation, Family Businesses (FBs) symbolize one of the most crucial foundations of the Anambra state economy, and a fundamental structure in the private sector. They are started, owned and managed by the family itself, which may entail the father, the children and other relatives, and also offer the following important prospects to the younger generations: security and job opportunities, mentorship and learning from experienced business leaders, as well as character development.

Despite their great significance in making enormous contributions to economic and social welfare of societies, researchers have paid little attention to the role of FBs, as well as the various difficulties and challenges they encounter during the day to day running of their businesses. The major tactical problem that bedevils these establishments is the succession question which often happens when the founder willingly or unwillingly leaves the business, and is evident in their low rate of survival over time.

According to Ibrahim, Dumas, and McGuire (2001), only about thirty percent of family businesses survive the transition from the founders (first generation) to the second generation of owner-management, while only about one third of the businesses survive the transition from second to third generation of ownership. However, Walsh (2011), posited that while most of the family business owners would like to see their business successfully transferred to the next generation, it is estimated that about seventy percent will not survive into the second generation, while ninety percent will not make it to the third generation.

Some of the identified Generational Transition (GT) challenges which lead to the failure of FBS and can be adequately addressed with succession management include the inability of the family businesses to have the following: succession plan, written succession plan, a properly trained and mentored successor, proper management of family businesses by their founders, founders' partnership with the successors, adequate training period, and relevant training for successful running of family businesses.

These challenges are quite rampant in family businesses in Anambra State, and to ensure the success and total participation and contribution of FBs to economic growth and wealth creation in the state, it is quite pertinent to understudy succession management and generational transitory challenges of family businesses in the state.

In Anambra state, most of the teeming population is not in formal employment, thereby large numbers of the youths are constrained to learn various trades, after which they commence enterprises of various sizes and skill base. Unfortunately, when managed by the next generation of family offspring, most of these businesses which often thrive at the inception do not succeed or grow after the retirement or death of the originators or vision bearers.

In his study, Onuoha (2013), posited that succession management is a major malaise that adversely affect the sustainability of FBs in Nigeria, as 94.2% of them have no succession plan. This constitutes a major setback for FBs in Anambra State as no business will thrive in the next generation without succession.

Objectives of the Study

The study is designed to address the understated specific objectives:

1. To identify family businesses that have suffered generational transition failures in Anambra state.
2. To examine the differences in personal characteristics of founders of both failed and prospered generational transition family businesses in the state.

Research Questions

1. Which are the family businesses that have suffered generational transition failures in Anambra state?
2. Are there differences in personal characteristics of founders of both the failed and prospered generational transition FBs in the state?

Hypotheses

H_O: There is no significant difference in the personal characteristics of founders of both failed and prospered generational transition family businesses in Anambra state.

LITERATURE REVIEW

Colli (2003), opined that the phrase Family business "first appeared in manufacturing in the United States between the 1870s and the 1890s, and was stimulated by pervasive waves of technological innovation in transportation and production, which are usually labeled the second industrial revolution."

Considered among the earliest and most predominant institutions on earth, FB has no globally accepted definition, as researchers hinge their definitions on different criteria; like the number of family members that occupy management positions, the ability to transfer ownership to the offspring, as well as the percentage of family ownership of a business.

However, Chua et al. (1999), explained that FB is a vision developed by a leading coalition controlled by members of the same family, or a small number of families and sustainable across generations of the family or families. It is an autonomous and social unit enterprise that is managed by the family that exercises substantial control over the leadership and assets, based on ownership or use of resources of production.

Often regarded as the oldest economic system that still survived up till now, a family business is an enterprise that is actively owned, managed, and operated by either two or more members of one family. It has a remarkable influence on the economy, and also contributes immensely to a nation's Gross Domestic Product (GNP).

As a discrete enterprise with a distinct concern and issues, members of family businesses can either be related by blood, marriage, or adoption. Shanker and Astrachan (1996), explained that in "the broadest sense, a family business is an enterprise where family members have influence over strategy and major policies, maintain the intention of keeping the business in the family, own significant portions of stock, and sit on the board."

Basically, some of the attributes of a family business include the following: the family possesses voting control, higher percentage of ownership is domiciled in one family, it comprises of many generations of a family, top leadership of the business is recruited from a single family, and the family has control and power over crucial decisions.

According to Kavediya (2017), generational transitory challenges which often lead to the failure of family businesses is a major problems faced by FBs and in most cases the process of it is resisted, as it becomes a problem when the senior generation does not allow the junior ones adequate room to grow effectively. He noted that ideally a family business should begin the process of succession planning a decade or more earlier, and that selecting a successor must be based on qualification regardless of family dynamics.

As succession problem is unarguably the most difficult generational challenge that leads to the failure of family businesses, it is therefore quite pertinent for founders of businesses to map out adequate strategies and appropriate guidelines quite early in the life of the business in order to mitigate the unfortunate scenario. This can be achieved through a robust succession plan that is transparent and made known to all the family members. This is because succession is of utmost importance for the survival and prosperity of a family enterprise, particularly if there's an unforeseen incapacitation or death, or when the family members are embroiled in emotional dispute.

In his research, Stoilkovska (2011), listed the following as some of the generational challenges of FBs which often lead to their failures: institutional weaknesses (example: slow and complex administration, drawbacks of the administration of justice and the insufficient development in land and property registration), high taxes, difficult market approach, small business loans, inability to develop entrepreneurial culture among the people, lack of strategy for creating lobby groups of interest, as well as corruption.

Although the founders of FBs desire that their businesses will continue to thrive in the succeeding generations, researchers are of the opinion that only about one third of them will survive up to the second generation. Despite the fact that FBs are the beacon of sustainable economic development, their survival rate in the succeeding generations is quite low when compared to non-Family enterprises. According to Musango (2014), their low survival rate is attributed to financial management and poor succession planning techniques, as well as lack of adequate technical skills. In his research, Aronoff (2019), opined that 30 percent of family businesses make it to the second generation, 10 to 15 percent make it to the third, while paltry 3 to 5 percent make it to the fourth generation.

Influence of Personal Characteristics of Founders of Family Businesses

According to Frank, Lueger and Korunka (2007), the influence of the founder of a family business' personal characteristics and personality traits is revealed to be greatest in determining business start-up intentions by budding entrepreneurs, as personal characteristics and personality traits have been found to be a significant predictor. These characteristics that entrepreneurs that found family businesses have are obtained not just from their personalities but also on their positions as business owners.

According to Chalermwan (2000), the characteristics of successful founders of family businesses are the desired personal characteristics which enabled them to play the desired roles and succeed in their enterprises. Also, Leutner et al. (2014), pointed out that the personal characteristics of FB founders can be able to predict diverse results of businesses, which demonstrates the influence of personality on the performance of any business.

These personal characteristics which distinguish entrepreneurs and founders of family businesses from other people include the following: retaining of earnings in the business for growth, creativity, flexibility, hard work, thriftiness, risk taking, resilience, knowledge and experience, optimist, resourcefulness, self-motivated, keeping of high number of social contacts, as well as intelligence and smartness.

However, according to Ogundele and Ahmed-Ogundipe (2010), The personal characteristics for the founders of family businesses in Nigeria include "a high need for achievement, a need for independence as he desires to take responsibility for actions/results, preference for moderate risks, optimistic/confident of success, need for and stimulation by feedback, energetic and scrupulous time user, futuristic in orientation, highly skilled in organizing, and an attitude which value money as a proof of accomplishment, not an end."

Commenting on the need for the founders of family businesses to openly share their views and aspirations on the vision of their family businesses, Coffmann (2014), explained that personal characteristics that the founders should possess in order to achieve successful generational transition include: openness to new ideas, attitude of cooperation, and mentoring. While pointing out that the more the founder's level of inward locus of control, the more he will achieve a better succession planning, he observed that enhanced relationship between the FB founder and his successor will expedite knowledge transmission which is essential for successful generational transition of the enterprise. He also listed the following as the impeding personal characteristics which will hamper a successful generational transition to include the following: negative aggression, the desire to control everything, as well as lack of trust.

METHODS

According to Obaze (2004), all SMEs or private businesses cannot be grouped as family businesses, as only about 10 percent of the eighteen thousand businesses in the three major cities of Anambra state are actually family businesses. Therefore, a total of one thousand eight hundred (1,800) FBs in Anambra state which is 10 percent of eighteen thousand businesses formed the population of the study.

The population of the study comprise of six hundred family businesses each from Awka, Nnewi, and Onitsha which are the three main cities of the state.

The study adopted random sampling technique for the selection of 1800 respondents from the three major cities of Anambra state whose information were obtained with the use of questionnaire.
To determine the sample size of the study for the questionnaire distribution, the Taro Yamane formula was applied, which gave a sample size of 327 family owned businesses in Anambra state, as shown below:

$$n = \frac{N}{1+Ne^2}$$

Where:
n = sample size
N= finite population size (1,800)
And e = limit of tolerable error (5% = 0.05)
I = constant
Substituting in equation 1 gives:

$$n = \frac{1800}{1 + 1800(0.05)^2}$$

$$= \frac{1800}{5.5}$$

= 327

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Based on the calculated sample size, a total of 327 questionnaire was administered to Directors and Managers of Family businesses in the three main cities of Anambra state as follows: Awka 109, Onitsha 109, and Nnewi 109. The sample targeted and covered FBs from different industries like manufacturing, service, construction, and commercial. The adopted two criteria for the selection of the 327 participating firms include the evidence of being managed by family member(s), and willingness to pass the business to the oncoming generation.

Analysis of Data

Out of the total of 327 questionnaire that were distributed to the owners of family businesses in the three major cities in Anambra state, 278 valid responses were received back. The response rate is considered to be reasonable as it is 85 percent of the total questionnaire. In order to ensure that the confidentiality of the participating firms is adequately protected as they were promised on the questionnaire, their names were not mentioned in the analysis.

As shown in Chart 1, 13 of the 278 responses were blank, 7 respondents declined to participate in the survey, 133 could not complete the questionnaire as they explained that they have not undergone generational transition, while 125 or nearly 45% of the family businesses have actually undergone generational transition.

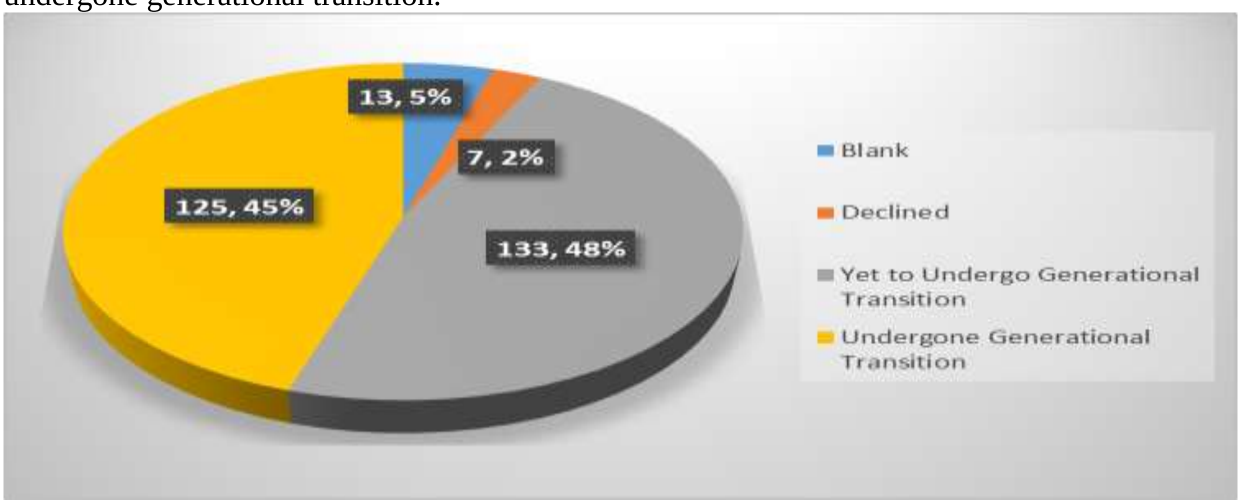

Chart 1: The Received Questionnaire

Table 1 provided the distribution of responses to determine generational transition failed FBs as provided by the 125 respondents from family businesses that have undergone generational transition. From the table it could be observed that 64 and 26 respondents strongly agreed and agreed respectively that their family business failed after generational change. This revealed that a total of 90 respondents or 72 percent of family businesses in the state fail after generational transition.

Table 1: Distribution of Responses for the Determination of Failed Generational Transition FBs

S/N	Questionnaire Items	SA (5)	A (4)	UD (3)	D (2)	SD (1)
	Generational Change Failures					
1	Our Family Business (FB) failed after the Generational Change (GT)	64 51.2%	26 20.8%	4 3.2%	12 9.6%	19 15.2%
2	Our FB's fortune has been in continuous decline since the GT	52 41.6%	40 32%	3 2.4%	14 11.2%	16 12.8%
3	Our FB will not recover from the generational transition challenges	20 16%	19 15.2%	20 16%	32 25.6%	34 27.2%
4	The future of our FB has been very bleak since after the GT	38 30.4%	21 16.8%	2 1,6%	36 28.8%	28 22.4%
5	Our FB's success was better before the generational change	66 52.8%	23 18.4%	9 7.2%	9 7.2%	18 14.4%

Table 2 provided the details of the distribution of responses for personal characteristics of both failed and prospered family businesses. The analysis of the questions which is based on the mean of the individual questionnaire items, with the acceptance benchmark of 3 revealed the personal characteristics of the founders of the failed and successful generational transition family businesses.

Table 2: Distribution of Responses for Personal Characteristics of Founders of Failed and Prospered Family Businesses in Anambra State

S/N	Questionnaire Items	SA (5)	A (4)	UD (3)	D (2)	SD (1)	Mean $\bar{x}$	Decision
	Personal Characteristics of Founders of Failed GT FBs							
11	The founder of our family business had self-discipline	24	21	14	11	20	3.20	Accept
12	He was creative	18	16	8	27	21	2.81	Reject
13	He was a man of integrity	27	29	4	18	12	3.46	Accept
14	He was hardworking	30	19	3	23	15	3.29	Accept
15	He was an optimist	20	15	12	22	21	2.9	Reject
16	He was resourceful and self-motivated	29	17	10	27	7	3.38	Accept
17	He was confident	23	26	2	19	20	2.57	Reject
18	He was a risk taker	26	10	5	29	20	2.92	Reject
19	He was resilient	31	16	9	29	5	3.43	Accept
20	He was flexible	21	17	1	21	30	2.76	Reject
21	He was self-motivated	25	30	0	20	15	3.33	Accept
22	He was resourceful	27	22	11	21	9	3.41	Accept
23	He was empathetic	28	12	3	21	16	2.83	Reject
24	He was an authoritative leader	25	19	13	18	15	3.23	Accept
25	He was a Laissez faire leader	15	15	17	19	24	2.76	Reject
26	He was a democratic leader	17	14	8	41	10	2.86	Reject
27	He was a transitory leader	19	19	1	30	21	2.83	Reject
28	He was intelligent and smart	24	24	8	6	28	3.11	Accept

29	He was properly trained in his area of business	23	19	10	21	17	3.11	Accept
	Grand Mean						**3.06**	**Accept**
	Personal Characteristics of Founders of Prospered GT FBs							
11	The founder of our family business had self-discipline	14	8	0	1	11	3.38	Accept
12	He was creative	14	10	4	3	3	3.85	Accept
13	He was a man of integrity	9	7	2	13	3	3.18	Accept
14	He was hardworking	15	9	5	5	0	4.0	Accept
15	He was an optimist	9	2	3	9	11	2.68	Reject
16	He was resourceful and self-motivated	8	9	6	7	4	3.29	Accept
17	He was confident	6	6	13	9	0	3.26	Accept
18	He was a risk taker	6	7	5	10	7	2.94	Reject
19	He was resilient	5	9	7	2	11	2.85	Reject
20	He was flexible	4	10	12	1	7	3.12	Accept
21	He was self-motivated	5	4	9	2	14	2.52	Reject
22	He was resourceful	13	8	3	4	6	3.53	Accept
23	He was empathetic	11	2	2	9	10	2.85	Reject
24	He was an authoritative leader	7	5	5	12	5	2.91	Reject
25	He was a Laissez faire leader	7	8	9	6	4	3.24	Accept
26	He was a democratic leader	8	8	8	4	5	3.21	Accept
27	He was a transitory leader	4	5	9	2	14	2.50	Reject
28	He was intelligent and smart	14	9	4	1	6	3.71	Accept
29	He was properly trained in his area of business	19	1	3	4	7	3.62	Accept
	Grand Mean						**3.19**	**Accept**

The mean of 3.20 and 3.38 for the failed and prospered GT FBs respectively revealed that cumulatively that their founders have self-discipline. However, the mean value of 2.81 revealed that the respondents of the GT failed FBs believed that their founders are not creative, while the value of 3.85 showed that that the founders of the prospered GT FBs are quite creative.
Cumulatively, the entire results showed that the personal characteristics of the founders of the failed and successful FBs have remarkable differences, as the grand means as well as the mean values of even where the respondents have similar decisions like in the founders' integrity, optimism etc. are also quite different.

Hypothesis One

H_{O1}: There is no significant difference in the personal characteristics of founders of both failed and prospered generational transition family businesses in Anambra state.

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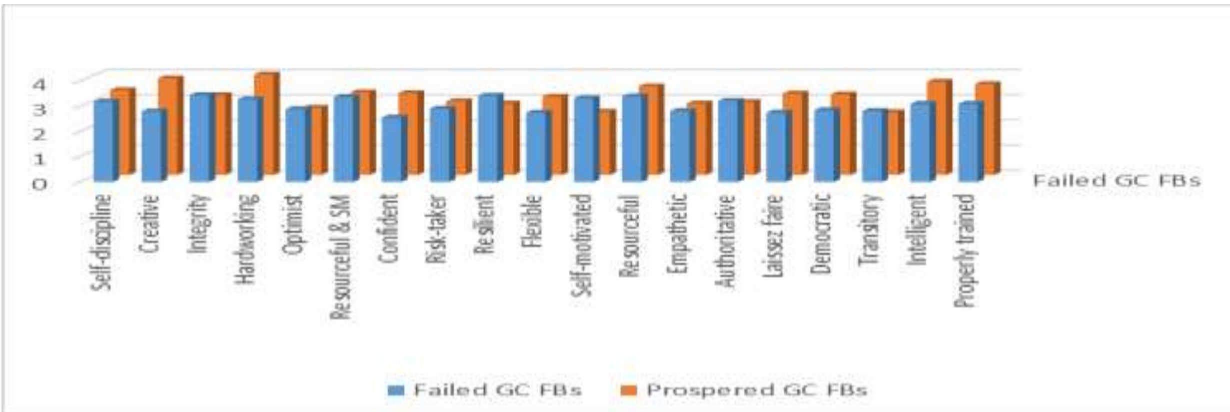

Chart 2: Distribution of responses of personal characteristics of failed and prospered family businesses

The analysis as clearly depicted in Chart 2 show that there are remarkable differences in personal characteristics of founders of both the failed and prospered generation transitional FBs in Anambra state.

Table 3: Regression Result for hypothesis one

Model Summary^b

Model	R	R Square	Adjustec	ror of the Estimate	Durbin-Watson
1	.868^a	.792	.906	2.152	1.933

From Table 3 which depicts the regression analysis result for hypothesis one, it could be observed that there are significant differences in the personal characteristics of founders of both failed and prospered GT family businesses in Anambra state, as indicated by the correlation coefficient (R = .868). It could also be observed from the coefficient of determination (R-Square = .792) that 79 percent differences exist in the relationship between the personal characteristics of founders of the failed and prospered GT family businesses in the state.

Table 4: Analysis of Variance (ANOVA) for Hypothesis one

ANOVA^a

Model		Sum of Squar		Iean Square	F	Sig.
	Regression	27241.326	1	27241.326	5921.324	.001^b
1	Residual	2344.493	486	4.865		
Total		29585.819	487			

Table 4 provides the Analysis of Variance result as produced in the regression analysis process for hypothesis one. It could be seen from the result that F statistics is [5921.324], while the sig (p-value) is [.001]. This indicates that the differences in personal characteristics of the founders of both the failed and prospered GT family businesses in Anambra state is statistically significant as the p-value is less than the level of significant used ($p - value\ < .05$).

Implication: Accept the alternate hypothesis. This means that there are significant differences in the personal characteristics of founders of both the failed and prospered GT family businesses in Anambra state.

CONCLUSION

The findings of the research are quite imperative as they revealed very important facts on family businesses in Anambra state. The value of the failed businesses after generational change (72 percent) in Anambra state is similar when compared with findings of Walsh (2011), who noted that while most of the family business owners would like to see their business successfully transferred to the next generation that about 70 percent of them will not make it.

The research also revealed that out of the 125 family businesses that have undergone generational transition, that 90 of them suffered generational change failures.

The results on the personal characteristics of the founders of the failed and successful FBs in Anambra state revealed remarkable differences, as the grand means as well as the mean values of even where the respondents have similar decisions like in the founders' creativity, integrity, optimism etc. are also quite different. Therefore, the findings showed that there are significant differences in personal characteristics of founders of the failed and prospered generational transition family businesses in the state.
Founders and Directors of family businesses should therefore adopt positive personal characteristics, in order to reduce the high failure rates of family businesses after generational transition.

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