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Effect of Succession Planning on Profit Maximization of Family Owned Businesses in Onitsha Metropolis, Anambra State

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ABSTRACT: The study was designed to find out the effect of succession planning on the profit maximization of family owned businesses in Onitsha metropolis, Anambra state. Data were sourced through primary and secondary sources. The variables were on mentoring, coaching and succession planning management as independent variable, while performance as dependent variable. Questionnaire was used to collect data from owners of the selected firms. The population of this study was 196 small and medium scale enterprises. The research adopted purposive sampling method. Analysis of Variance (ANOVA) was employed for the test of hypotheses. Specifically, findings shows that Coaching and succession management has significant effect on performance of family businessess in Onitsha metropolis; Mentoring has no significant effect on performance of family businessess in Onitsha metropolis. It was recommended that the coach should therefore be very careful not to spend too much of the session(s) talking and leading the discussion; They should be consciously aware of slowing their thoughts and listening to the coachee to help reflect back to the individual their situation and possible solutions. The admission of new partners into entrepreneurial firms should be objectively done taking cognizance of succession implications.

Keywords: Succession planning, Profit maximization, Family owned business, Mentoring.

INTRODUCTION

In today's world, globalization has increased competition among the organizations and organizations are facing higher demands in a global market owing to widening talent gaps. Family businesses support the major population and during difficult economic times, put many of the unemployed back on the payroll, thus playing a significant role in the economy, (Mahrabani & Mohamad, 2011). In essence, planning helps organizations meet their objectives in uncertain business conditions proper placement of work by laying down a high level plan of action to act as a road-map. Planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it with a focus on the future (Ammad and Ghazal, 2020).

Small and medium scale enterprises are a greatly underutilized sector in most economies. Entrepreneurs who are mostly the initiators of medium and large enterprises are action-oriented individuals who enjoy challenges and act upon environmental feedback, making them ideal change agents. However, there is a lack of tools specifically targeted towards medium and large enterprises to help them act strategically towards family business sustainability (McElroy, 2018). Succession planning is an activity that most organizations, especially family businesses, would be quick to say is in place. Unfortunately, it is widely known that succession planning efforts are all too often woefully underdeveloped, unevenly executed, and sometimes simply ignored (Miles & Dysart, 2007).

Small and medium scale enterprises (SMEs) constitute 90 percent of world businesses (Knight, 2015). SMEs significantly contribute to employment generation, creation of wealth, international trade, innovation, foreign direct investment, and social-economic wealth. For instance, the USA documented that total registered businesses include 18,500 firms with more than 500 employees and 27.9 million small businesses. These small businesses generate 50 percent of existing private jobs and 65 percent of new jobs are expected by the SMEs registered in the USA (Firoozm and, Haxel, Jung, & Suominen, 2015). SMEs unfortunately, lack longevity; very few survive to second generation and consistently continue to third (Bareither &Reischl, 2017). A large number private enterprises fail because of succession failure (Ibrahim & Ellis, 2014) mainly as a result of the inability of small businesses to manage the complex process of transforming ownership and management to the next generation and lackof management to sustain a medium and large business (Bareither & Reischl, 2017).

Succession planning is one of the most often used catchwords in management meetings of various organizations, which have taken the globe by storm (Bruce, 2013). Succession planning can be defined as the process of identifying and preparing suitable employees through mentoring, training, job rotation, to replace key players within an organization as those key players leave their positions for whatever reasons such as retirement, advancement, and attrition (Redrigo 2013). Donnelly (2010) affirms that succession planning is the process of identifying and developing internal people with the potential to fill key leadership positions in the company. Succession planning is therefore an inevitable event in the company lifecycle. Very few organizations survive without proper succession planning (Chima, 2013). Succession planning plays a pivotal role in ensuring that business success will continue when the individuals currently involved in management are no longer there (Shatilwe & Amukugo, 2016).

Succession planning is quite important for the continuity and prosperity of business (Ward, 2014; Brockhaus, 2014). Succession planning is a means of identifying critical management positions starting at lower level management and extending up to the highest position in an organization (Rothwell, 2010). Dealing effectively with the issue of succession planning is the single lasting gift that one generation can bestow upon the next (Ayres, 1990). Succession planning is a prerequisite for success in all organizations regardless of their size; thus, failure to plan for succession may lead to an organization's downfall (Durst & Wilhelm, 2012). Understanding business succession can enhance the understanding of the growth and

expansion of family businesses (Maalu , McCorrmick , 2013).

The study has three specific objectives to examine the effect of coaching, mentoring and succession management on profit maximization of family business in Onitsha metropolis and has formulated three hypotheses in line with the specific objectives.

LITERATURE REVIEW

Leadership Development Model (Van Velsor & McCauley, 2004)

This framework highlights the emphasis on the aspect of developmental experiences which includes variety of assessment, challenge and support mechanism. The developmental process is one that shapes and is shaped by the ability and motivation to learn.

The relationships between developmental experiences, the ability and motivation to learn and leadership development all takes place in an organizational context. The aspect of organizational context includes its size mission, strategy and culture. No two organizational contexts are identical and therefore no two leadership developments system are the same.

The justification as to why leadership development model have impacted on succession planning is embedded on education, assessment, coaching and experimental leaning. This theory enhances learning motivation and also build broader skill base. Weiss & Malinaro (2015) states that a major way in which development parities differs in terms of how embedded each practices is in the ongoing work content.

Empirical Review

Joseph and John (2013) conducted a study to examine the process of succession planning in small business enterprises in the hotel industry in Benin City; Edo State Two hotels were sampled. Questionnaires were used to elicit information on Succession Planning and Sustainability. The findings in this study show that most of the small business enterprises have no succession plan in place and the ability and competence of the successors are not considered in succession planning. This study recommends that small business enterprises should develop a formal plan for succession, communicate the identity of successor, provide basic business management education, provide training/monitoring to the incumbent Chief Executive Officer (CEO) and all stakeholders to help him in planning succession and ensuring that owners are comfortable after disengagement.

Ezimma and Ifeanyi (2017) on Succession Planning and Sustainability of Selected Family Owned Businesses in Anambra State, Nigeria. The broad objective of the study was to examine the place of succession planning in the sustainability of selected Family Owned Businesses (FOB's) in Anambra State. Survey research design was adopted for the study. The population of the study consisted of 275 FOB's comprising of 50 incorporated FOB's and 225 unincorporated FOB. Complete enumeration was adopted. Data was collected through the use of questionnaire and analyzed using Pearson's Product Moment Correlation Coefficient to test for relationship and t-test to examine the mean difference. Findings revealed that mentorship has a high positive significant relationship with sustainability ($r = .858$ $p < .05$) and that there is no statistical difference between the perceptions of selected incorporated FOB's and

unincorporated FOB's on succession planning in Anambra State (t = -218 p > .05).The study concluded that mentorship is very germane in the quest to perpetuate the existence of family businesses and therefore recommended that FOB's should see mentorship as a process that is gradual and not rushed towards the end; the owner/managers of FOB's should ensure that they first of all ensure that they make the people who will take over to be genuinely interested in the business and that owner/founders should see succession as a process of sustaining their businesses for long rather than a process of relinquishing power and control.

Ijaz Armanurah and Nazlin (2020) did a study on succession planning, Strategic flexibility as predictors of business sustainability in Family Owned SMEs: Moderating Role of Organization Improvisation. The objective of the current study is to test the impact of succession planning (cognitive, structural, and relational ties), strategic flexibility, and organizational improvisation towards the business sustainability considering the triple bottom line as underpinning theory. The survey method was adopted for the data collection and structural modeling technique is used to test the hypotheses. The findings of the current study show that cognitive, structural, and relational ties indicate a positive and significant relationship with business sustainability. Furthermore, findings also indicate the positive and significant association between succession planning, strategic flexibility, organizational improvisation, and business sustainability. The result has shown that organizational improvisation moderates the relationship between succession planning, strategic flexibility, and sustainable business. However, the direction of the relationship between succession planning and sustainable business is positive while, in case of strategic flexibility and sustainable business are negative. Family-owned businesses need to consider succession planning particularly cognitive, structural, relational ties, and strategic flexibility to gain their business sustainability.

Olu and Chima (2020) did a study on succession planning and sustainability of family-owned private schools in rivers state . This study investigates the relationship succession planning and sustainability of family-owned schools, specifically in Rivers State. The target population is the entire family-owned school in Rivers State. However, the accessible population comprises of ten (10) family-owned registered/government approved schools in Rivers State, drawn from the three senatorial districts. The population and sample size is one hundred and nine (109) owing to the adoption of census study. The two null hypotheses were rejected and the alternate accepted, indicating a significant positive relationship between the dimensions of succession planning (successor selection and successor preparation) and sustainability. It was concluded that, family-owned school stand a better chance at optimizing economical and social sustainability level. Thus, the study recommends that: Successor selection increases commitment to firm goals, encourages individual development, and ensures business continuity towards high sustainability. Hence, successor selection should be encouraged. Successor preparation retains and develops intellectual capital better career development, and enhances on-the-job learning with focus on increased sustainability. Therefore, Successor preparation should be institutionalized.

Ajay and Erich (2012) did a study on succession planning and its impact on the performance of Small Micro Medium

Enterprises within the Manufacturing Sector in Johannesburg .This was therefore investigated by means of survey that was done in order to take up this study. The intent was to ascertain what the current status is within the manufacturing sector in the Johannesburg region. A combination of qualitative and quantitative methodology was applied to get responses from 15 companies out of a total of 30.The study found that there was a gap between perceived and actual status of succession planning in the SMMEs studied and there is major room for improvement in this area. Further these SMMEs did not put plans in place to groom, train and develop top managers. The study found that there was no preference to recruiting from outside versus developing inside talent in preparation for succession planning. The findings also suggest that most stakeholders agreed that good succession planning can add value to SMME's and they become more sustainable. It is evident from this study that the manufacturing sector has not changed from those recorded in earlier studies. The conclusion from this study served as a wakeup call to the SMMEs which took part.

Ammad and Ghazal (2020) conducted a study on effect of succession planning on organizational growth. The Study aims to analyze the impact of succession planning on organizational growth and association of gender variation with growth of organization. A survey of 300 persons doing an official task under the management, were interviewed through questionnaire based on five points Likert scale and developed through pilot study. Convenience sampling was used to draw the sample including 150 males and 150 females. Logistic regression was used to calculate impact of succession planning on organizational growth. Result of the study reveals effective succession plan can help the organization to meet desire objectives. It has significant positive impact of 2.5 times on growth of organization by increasing number employees through accurate hiring and by retaining key personnel on key position. Study also concludes, gender variation has no association with growth of organization.

Anshika and Nisha (2016) did a study on succession planning in MSMEs: Emergence, Importance & Process. This study examined the importance, emergence and process of succession planning in micro small business enterprises. The findings in this study show that most of the small business enterprises have no succession plan in place and the ability and competence of the successors are not considered in succession planning. This study recommends that small business enterprises should develop a formal plan for succession, communicate the identity of successor, provide basic business management education, provide training/monitoring to the incumbent Chief Executive Officer (CEO) and all stakeholders to help him in planning succession and ensuring that owners are comfortable after disengagement

Oludare and Ojo (2016) conducted a study on planning for succession and firm's sustainability: Evidence from family owned businesses in Lagos and Ogun States, Nigeria. This study investigated the factors that are responsible for ensuring planning for succession and firm's sustainability of family businesses in Lagos and Ogun States of Nigeria. The study adopted a survey design with a population of study limited to the family business owners who are members of the National Association of Small and Medium Scale Enterprises (NASME). A stratified sampling technique was used to select the family businesses, from where a random sample of 327 was selected. Pearson's Product Moment Correlation and

Multiple Regression were used to analyze the data. The results revealed that there was a strong positive correlation between planning for succession and firm's sustainability, with an r value of correlation coefficient at 0.93 and significant level of P <0.05 @ 0.000. The founder must act proactively by crafting succession plan earlier enough in the life of the business.

METHODOLOGY

For the purpose of this study, survey research design will be adopted. Primary and secondary sources of data will be used in this research. The population of this study comprise the chief executive officers (CEOs) of the selected medium and large scale Igbo family businesses in Onitsha Anambra State Nigeria. . Thus the population of this study is 196 SMEs, while the staff population is 1795. This population figure was derived from NBS/SMEDAN MSME collaborative survey for 2022. Sample size of this study is 327 through the use of Taro Yamane (1964). Stratified random sampling will be used because it permits each of the different respondents in the states to be selected without bias. The instruments for data collection will be structured questionnaire, and observation. In testing the hypotheses, the calculated value of the test statistic will be compared with critical or table value of the statistic. The critical or table value serves as a benchmark for rejecting or not rejecting the null hypothesis. Therefore, the decision rule applied in this research is to reject the null hypothesis if the calculated value at 5% significance level with respective degrees of freedom is greater than the table value, otherwise do not reject

RESULTS

Three hundred and twenty-seven (327) questionnaires were administered, However, Three hundred and eight (308) questionnaire were retrieved to which resulted to (97.2%) percentage rate of returned. Therefore the analysis and interpretation of data were based on the returned questionnaires. The method used for data presentation was frequency count and percentage tables. ANOVA regressions were used for the hypothesis testing.

4.1 Demographic Distribution

Table 4.1 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	145	33.4	47.1	45.0
	FEMALE	163	40.8	52.9	100.0
	Total	308	74.2	100.0	

Field survey, 2023

The above table reveals that the 47.1% of the respondents which represents one hundred and forty five (145) persons were male respondents, while one hundred and sixty-three (163) respondents which represent 52.9% were female respondents. By implication, female respondents were more in number than male respondents by

5.8% in our selected population sample for this study. The implication of this is to enable us to know the number of female and male that successfully returned their questionnaire.

Table 4.2 Statues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MARRIED	95	6.4	30.8	8.6
	SINGLE	121	8.3	39.3	19.9
	WIDOWED	36	28.5	11.7	58.4
	DIVORCED	30	16.7	9.7	80.9
	SEPARATE	26	13.4	8.4	99.0
	Total	308	74.2	100.0	

Field survey, 2023

In the table above, out of the three hundred and eight (308) respondents, ninety-five (95) of the respondents, representing 30.8% are married while one hundred and twenty-one (121) respondents which represent 39.3 percent are single. While Thirty-six respondents (36) which represents 11.7% were widowed, while divorced respondents were 30 in number, which represent 9.7%. Lastly, separated respondents were 26, which represents 8.4%. It is therefore glaring that the majority of the respondents are married as at the time of this study. Thus marital status table helps us to know the number of single, married, separated and divorce respondents that answered the distributed questionnaires.

Table 4.3 Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OND	99	32.1	38.9	20.2
	HND	81	26.3	29.8	35.6
	B.SC	64	20.8	21.2	46.6
	M.SC	36	11.7	7.1	78.0
	P.HD	28	9.1	3	100.0
	Total	308	74.2	100.0	

Field survey, 2023

The table above indicates that ninety-nine (99) respondents which representing 32.1% percent are OND holders while 26.3% percent of the respondents which represents eighty-one (81) have HND. However, sixty-four which represent 20.8 percent had BSc degrees. The respondents that have M.Sc are numbered Thirty-six which represent 11.7%. The respondents with Ph.D are Twenty-eight which is 9.1 percent. They are mainly from the owner's families.

Table 4.4 AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30--40 YEARS	123	.4	39.9	5
	41-50 YEARS	75	9.5	24.4	13.4
	51-60 YEARS	58	17.7	188.8	37.2
	61 - ABOVE	52	46.6	16.9	100.0
	Total	308	74.2	100.0	

Field survey, 2023

The table above shows that respondents whose age bracket falls between 30-40 years were one hundred and twenty-three (123) which represent 39.9 percent. This is followed by those in the age bracket of 41-50 years with seventy-five (75) which represents 24.4%. Also those within age bracket of 51-60 years were fifty-eight (58) which represents 18.8%. Lastly, those within 61 and above were fifty-two which represents 16.9 percent. The implication of this age distribution is to enable us to check if the questionnaire was directed to the right age group.

Hypotheses Testing

The results were shown in the ANOVA Table below;

Hypotheses one

Ho_1: Coaching has no significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state

Table 4.5: Coaching and profit maximization

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.374	3	2.458	14.027	.000
Within Groups	16.473	305	.175		
Total	23.847	308			

Source: **SPSS Version 20, 2023**

The test table reveal that small significance value (F. sig<.05) indicate group differences. Since the F- value of 14.027 which has a significant value of .000 is less than .05 (i.e .001<.05), there exist significant difference among the variables. Therefore, we reject the null hypothesis and accept alternative hypotheses which states that Coaching has significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state

Hypotheses Two

Ho_2: Mentoring has no significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state

Table 4.6: Mentoring and profit maximization

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	36.189	4	12.063	33.048	.000
Within Groups	34.311	304	.365		
Total	70.500	308			

Source: SPSS, Version, 20 2023

The small significance value (F.sig<.05) indicates that there is a group difference. Since the F-value of 33.048 which has a significance value of .000 is less greater .05 (i.e 000<.05). Alternative hypotheses is accepted which states that Succession management has significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state

Hypothesis Three

Ho_3. Succession management has no significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state

Table 4.7: Succession management has no significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	56.102	3	18.701	9.418	.000
Within Groups	186.643	305	1.986		
Total	242.745	308			

Source: SPSS, Version, 20 2023

The test conducted revealed that the large significance value (F.sig<.002) indicate no group differences. Since the F-value of 9.418 with a significance of .000 is less than .05 (i.e .002<.05), from the test conducted above it was discovered that alternative hypotheses is accepted which state that, Succession management has no significant effect on profit maximization of family owned business in Onitsha metropolis, Anambra state.

CONCLUSION

From the discussion of findings, the following conclusions are drawn: Nigerian family businesses suffer lack of sustainability beyond their founders because of their work-for-life attitude as their old age usually takes a toll on the fortunes of the businesses and often kills the businesses before their transference to their successors. This is true because the founders, struggling with retirement, often experience powerful feelings of rivalry and jealousy toward potential successors, and this attitude perpetually keeps the founders in the management of the businesses even at their unproductive old age where the businesses continue to decline and eventually collapse. Family business is very important to Nigeria's economy. The sustainability of this business will go a long way to preserve and increase employment opportunities in society. Both strategic and personal factors are considered in other to ensure the growth and sustainability of the business.

However, the study made the following recommendations:

i.The coach should therefore be very careful not to spend too much of the session talking and leading the discussion. They should be consciously aware of slowing their thoughts and listening to the coachee to help reflect back to the individual their situation and possible solutions.

i. The admission of new partners into entrepreneurial firms should be objectively done taking cognizance of succession implications.

iii. Organizational structure, strategy and culture should promote and support succession planning and management especially through experimental learning.

iv. Mentoring of potential successors should be encouraged by family business owners in Nigeria in order to ensure successful management transference in the event of retirement or death of their owners. This is important because family businesses are heavily dependent on their owners not only for their leadership and drive but also for their connections and technical know-how

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