BARRIERS TO SUCCESSION PLANNING IN FAMILY BUSINESSES IN PROFESSIONAL PRACTICE

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Abstract
Professional firms play significant economic and social roles in Nigeria. However, their performance of these roles is often constrained by succession difficulties resulting from inadequate attention to succession planning. This study investigated barriers to succession planning in family professional firms in Nigeria through in-depth interviews of firm founders. The objective was to ascertain the factors which constrain the firms from engaging in succession planning. Findings indicate that the barriers to succession planning

Keywords: Succession planning; Business succession; Family business; Professional firms

INTRODUCTION
The need to plan for transition of businesses to a next generation of leaders cannot be over-emphasised. The consequences of aging including retirement, death and sometimes ill-health, mean that business founders must leave their businesses someday. Founders usually desire that their businesses continue after their exit. To actualise this desire requires effective and purposeful succession planning. However, family businesses face significant challenges to planning for succession such that in many cases, it is avoided. There is quite a sizeable amount of literature on family business succession planning some of
operate at the levels of the founder, the potential successors, the firm, and customs and traditions. They include founders’ ignorance and unwillingness for succession planning, unavailability of a potential successor, the levels, firms will still engage in succession planning if there is a willing successor, the founder is desires succession and is willing to plan for it.

which studies have focused on barriers to succession and succession planning (Kaplan, Nussbaum, Becker, Fowler, & Pitts, 2009; Ogbechie & Anetor, 2015). These studies have identified barriers such as resistance by the various stakeholders, aversion by founders and absence or unwillingness of potential successors.

However, the bulk of the studies has focused on the developed countries. The extent to which the findings of the studies can be transferred to a developing country context like Nigeria is limited due to differences in the business and cultural environments. The implication is the existence of knowledge gaps in the contexts different from the focus of existing studies. Smallbone, Welter, and Ateljevic (2014) have argued that the extent of the contribution of entrepreneurship to economic development differs in terms of the context in which it occurs and so, investigations should be extended to different contexts.

Professional practices in Nigeria have been effective in providing employments and incomes for the middle class and opportunities for professionals. They provide self-employment for young professionals and paid employment to fresh graduates. The succession of these firms to subsequent generations is therefore important to the economy. Unfortunately, many of them do not survive their founders due to succession failures.

Accordingly, this study investigated barriers to succession planning in family professional firms in Nigeria through in-depth interviews of firm founders in four different professions, namely, estate surveying and valuation (hereafter, valuation), law, medicine, and accountancy. The objective was to ascertain the factors which constrain these firms from engaging in succession planning. The
literature in this area in the Nigerian context is scanty, resulting in knowledge gaps. Professional practice is used in this paper to refer to businesses in regulated professions which require some minimum level of education and professional qualification as well as registration or licensing to practice. These professions are controlled and regulated by the respective regulatory agencies established by law and professional associations.

Literature Review
Researchers have recognised the significant place of succession planning in family business succession (Bruce & Picard, 2005). However, the literature has shown that small businesses in Nigeria face succession constraints and most do not engage in succession planning (Akukwe, 2006; Dauda 2013; Obadan & Ohiorenayo, 2013; Oloyede & Mayowa Ajibola, 2016). In view of the socio-economic role of these professional practices, it is necessary to ascertain the barriers they face in succession planning. The first part of this section discussed the key terminologies used in the paper while the second part dealt with the review of the literature on barriers to succession planning.

Terminology
In the context of family business, succession planning is often seen as the planning of the process that leads to the transfer of ownership and/or leadership of firm to a subsequent generation of family members. Dye and Handler (1994) defined succession as transferring ownership and leadership of business to the succeeding generation of family members. Brun de Pontet, Wrosch, and Gagne (2007) support this view. Other researchers have however focused exclusively on the transfer of management control while maintaining that the transfer should be to a family member (Sharma, et al, 2003). Conversely, some studies have applied succession to a wider context indicating that succession may involve transfer of management control to a family member or non-family member (Lee, Lim, & Lim, 2003; Roya, et al, 2008).

Succession planning manages the succession process. The purpose is to bring about successful succession. Sharma, Chua and Chrisman (2000) defined succession planning as the explicit process by which management control is transferred from one family member to another.
We followed researchers who focused on succession as transfer of management control and those who viewed transfer beyond family members. Thus, in this paper, succession is the transfer of management control of a family business to a next generation leader who might be a family member or non-family member to ensure continuity of the business. Similarly, we defined succession planning as a deliberate process undertaken by a firm to facilitate business succession in an organised and predetermined manner.

A family business can be characterised as a business in which a family holds a stake in the equity capital and has overall influence in terms of management and control greater than that of other interested parties (Neubauer, 2003). Astrachan, Klein, & Smyrnios, 2002; Shanker & Astrachan (1996) classified family business by degree of family involvement comprising the broad which has low family involvement and includes all sole proprietorships, and the narrow which requires high family involvement where more than one family member must have significant managerial responsibility. Between these two is the middle definition which requires some family involvement. The authors stated that definitions will differ between contexts because families and culture differ, especially in the international context (Astrachan at al, 2002). Family business as used in this paper follows the middle classification. It refers to a business owned by a family unit, the head of a nuclear family or jointly by the head and member(s) of a nuclear family.

**Barriers to Succession Planning**

Barriers to succession in family businesses can be viewed at personal, firm, or other levels. Through a review of the literature, De Massis, Chua, and Chrisman (2008) developed a model which they used to classify the factors into five, namely, individual, relation, financial, context, and process. Thus, succession barriers can relate to persons, the firm, the environment or the process. The personal barriers relate to the individual family members. Firm level barriers relate to the business whereas environmental factors will include the cultural and business environments and customary practices. On the other hand, the process barriers include failing to train successors and not clearly defining the roles of the incumbent and potential successor(s). We have reviewed the barriers to succession planning at three levels, namely, personal, firm, and environment.
Personal barriers

*Barriers related to the business founder/owner*

Barriers at personal level relate to the incumbent, potential successors, and family relationships. There is strong resistance to succession by founders (Howorth & Ali, 2001). Factors responsible for this resistance include personal sense of attachment with the business, which results in the inability to let go, fear of aging which could accelerate with retirement, and loss of respect and status that comes with retirement (De Massis, et al, 2008; Neubbauer, 2003).

Moreover, business owners are averse to succession planning (Kets de Vries, 1993). Reasons for this include failure of owners to accept their mortality, the reluctance to let go of their power to influence the running of the business, fear of aging, retirement, and death, and the fear of losing the business which is an important part of their identity (Ibrahim et al, 2001; Kets de Vries, 1993). Indeed, ‘succession planning is in direct conflict with the entrepreneurs’ need for control, power, and meaning. Retirement is clearly not something that is eagerly anticipated by the vast majority of entrepreneurs’ (Dyer & Handler, 1994, p76). Similarly, Kets de Vries (1993) noted that for many firm founders, the business eventually becomes part of their core identity and they largely depend on it as a measure of their self-esteem. They avoid succession planning due to the fear that succession would rob them of these powers, respect, and identity.

In Nigeria, findings show that the major barriers to succession planning on the part of firm owner are ignorance, the fear of comfort and of losing grip or ownership of the business after disengagement, and the fear of ‘determining one’s date of death’ (Obadan & Ohiorenoya 2013). In Ghana, lack of trust and failure to provide potential successors with the necessary training are major factors that affect succession planning in SMEs (Mensah, 2012).

Thus, at the centre of founders’ aversion to succession planning is the interest of the founders themselves rather than that of the firm. They will naturally avoid measures like succession planning which will work against this interest. Consequently, barriers to succession planning on the part of the founder are difficult to handle.

*Barriers related to the potential successors*

Factors such as low ability, unexpected loss of potential successor(s), dissatisfaction or lack of motivation of potential successor(s) (De Massis, et al,
2008), and lack of management experience (Neubbauer, 2003) constrain succession on the part of the potential successor. Similarly, lack (or absence) of heirs, children’s lack of interest in taking over the business, and career choices of the owner’s children constitute barriers to succession planning (Ip & Jacobs, 2006; Kaplan, et al, 2009; Oloyede & Mayowa Ajibola, 2016).

Perhaps one of the most critical personal constraints to succession planning is the absence of a successor. Findings from Sharma, et al (2003) demonstrated that the availability of a successor is the primary motivation for succession planning. They found that the stimulus for succession planning in family businesses was the presence of a trusted successor rather than the need to preserve the family firm. Their findings showed that the feasibility of succession as evidenced by the propensity of a trusted successor to take over was the primary driver of succession planning activities rather than the incumbent’s desire to keep the business in the family.

Having a willing and trusted potential successor is vital to succession planning. Succession cannot occur when there is no successor.

**Barriers related to family relationships**

At this level, succession barriers include conflicts and rivalries among family members and lack of trust in potential successor by family members (De Massis, et al, 2008). Handler (1992) found that the relationship between the next generation family member and the founder or owner on one hand, and between the next generation family members on the other hand are key factors affecting succession. Other findings however indicate that conflict between family generations and sibling rivalries did not constrain succession due to the influence of culture and family values (Howorth & Ali, 2001; Ogbechie & Anetor, 2015).

Nevertheless, research among the Igbo of south-east Nigeria revealed that factors associated with multiple heirship involved in polygamous marriages have negative effect on succession in family businesses (Nwadukwe, 2012). Also in Zimbabwe, traditional practices associated with polygamy and inheritance interfere with smooth business succession (Maphosa, 1999). Where these constraints exist, there will be little motivation for succession planning.

**Firm-related barriers**

The firm level barriers to succession include the problem of acceptance of the successor by employees and business partners, inability to raise financial resources to liquidate possible exit of heirs, decreased business scale and

**Environmental barriers**

Succession laws, customs and traditions are important factors in business succession and might therefore constitute barriers to succession planning. Research has revealed that culture reflected in inheritance laws, extended family system, and formal education, training and development significantly influence the success of family business succession in Nigeria (Aderonke, 2014). In a literature review, Ogundele, Idris, and Ahmed-Ogundipe (2012) concluded that succession laws comprising native laws and customs, Islamic law, intestacy rules and the Will of an entrepreneur create succession problems in Nigeria's family businesses. Additionally, Nwadukwe (2012) found that Igbo inheritance culture has a negative effect on succession process and business continuity. In particular, the findings indicated that the gender-restrictive inheritance culture has negative effect on business succession. The study concluded that Igbo inheritance culture influences business succession and that the principles and practices undergirding customary inheritance culture in Igbo society constitute inappropriate mechanism for intergenerational transfer of business ownership.

Incumbents apply primogeniture in choosing successors (Ibrahim, et al, 2001). There are evidences of gender-bias in family business succession in that sons are favoured while daughters are discriminated against and sometimes excluded (Howorth & Ali, 2001; Ip & Jacobs, 2006; Stavrou, 1998). Findings indicate that the situation is similar in the customary practices of many Nigerian communities (Nwadukwe, 2012; Obadan & Ohiorenaya, 2013). Evidence also suggest that similar traditional practices in Zimbabwe influence the selection of successors with the older male heirs being the most preferred (Maphosa, 1999). These practices constitute hindrances to succession planning.
A wide range of factors constitutes barriers to succession planning at various levels in family businesses. However, the perception that planning can wait has been considered as the largest barrier to successful small business succession as lack of adequate time to plan and implement succession is an important contributor to failed succession (Bruce & Picard, 2005).

Research Methodology
The study employed in-depth interviews to investigate the subject among professional practices in four different professions in the southern city of Lagos and the northern city of Kaduna. The study was exploratory and so a qualitative approach was necessary for an in-depth examination of the research issue. The sample comprised 12 consulting firms, six from each city. Founders of these firms were interviewed. Among them were two medical doctors, two accountants, four state surveyors and valuers and four lawyers. Nine of the firms were sole proprietorships. In the other three firms, the founders have admitted their wives as partners. In addition, three of the firms have transited to the second generation while the rest were in the first generation.

To be selected, the firm founder must have expressed desire for the continuity of the firm with ownership remaining in the family. In addition, the founder must have attained the age of 50. The respondents were chosen by purposive sampling based on the researchers’ assessment of their suitability for the study.

An interview guide was first prepared and used in a pilot interview with two founders. The guide was modified in accordance with the observations from the pilot and the final guide prepared. The interviews were one-on-one. The participants were assured of the confidentiality of their identity and any information they supplied. The interviews were recorded with electronic devices with the consents of the respondents.

Data analysis employed the thematic content analysis. The interview records were transcribed and each transcript went through in-depth analysis to identify the recurring themes. The data were then coded. The themes were then reviewed and the coding refined to ensure that the themes fit into the data. Thereafter, the themes were defined. The results were arranged and presented according to the themes and then analysed in narrative form.

Results and Discussion
From the main themes that emerged from the interviews, we have categorised the barriers to succession planning at four levels: firm founder, potential successors, the firm and customs and traditions.
The founder
At this level are barriers arising from the founder’s succession willingness and succession planning awareness. The interview outcomes showed that firm founders are generally averse to succession planning, a situation that imposes significant barriers to succession planning. The finding supports Ibrahim et al (2001) and Kets de Vries (1993). The barriers can be summed up as ignorance and unwillingness to plan. Most of the founders were either unaware of the need to plan for succession or were simply unwilling to plan.
Factors responsible for the founders’ unwillingness to engage in succession planning included not being ready or willing for succession, the belief that things would naturally sort themselves out once they were gone, the fear of death, and the belief that there is still time.
A lawyer in his mid-fifties said, “It is too early to talk about succession now. Talking about it seems as if one is about to die. I still have much time”. An accountant in the same age range spoke in the same vain, “I am not thinking about succession yet, talk less planning for it. It is not an issue I want to discuss. It will be as if it is time for me to die”. On the other hand, a valuer said, “Succession is an issue for my survivors. They will sort it out when I am gone. So, it is not necessary for me to plan for succession”.
Another lawyer pointed out that the succession wish of the firm founder could constitute a barrier to succession planning. He cited a case of a late prominent lawyer who did not wish that any of his children would succeed him and he expressed it in his will that his law firm should be liquidated after his death. The will was implemented and so none of his children, even though some were lawyers, had the opportunity to succeed him. A wish like this will naturally prevent the founder from embarking on succession planning.
In addition, two valuers identified the failure of founders to communicate the vision of the firm to employees and potential successors as possible barriers to succession planning. They said the failure often makes it difficult for the two sides to reason along the same line. They also said that the vision of the potential successor could differ from that of the founder, a situation that creates friction in the succession process.
Any decision to set up a succession plan, the nature of the plan, and how it will be implemented, lie with the founder. Accordingly, barriers related to founders are difficult to overcome.

Potential Successors
These are issues relating to availability of potential successors, potential successors’ career choices, and readiness and willingness for succession
One of the most significant barriers to succession planning as shown from the interviews was the lack of a potential successor who is willing and ready to take over the business. The founders said that they preferred that their children succeed them. Some however said that they could look to their employees for successors only if they could not get from among their children. Nevertheless, the complaint of not having somebody to succeed them was a recurring issue for founders whose firms did not have succession plans. The key challenge was the career choices of the children.

In the firms that have experienced succession and those doing some form of planning, the founders said it was so because their children showed interest in their profession and practice. On the other hand, in the firms that did not engage in succession planning, the founders’ children who had made career choices were in professions other than those of their fathers’. One medical doctor said:

“My child that I wanted to succeed me chose to study architecture in the university and so far none of my children have chosen to study medicine. Accordingly, I have no succession plan because there is no willing successor”.

Another respondent, a lawyer, said:

“I desire that one of my children will take over my law firm and succeed me. But I have not considered succession planning because none of my children has developed interest in the law profession. I do not see any need for succession planning if none of my children is ready to succeed me”.

From the responses of the founders, the children had freedom of career choices. The founders allowed the children to choose courses of their interest in the universities. Some of the founders said that there was no need making any plans for succession unless their children showed interest in taking over the practices.

Another important factor was unwillingness by the potential successors to take over the firm. Two founders pointed out that beyond the children studying the same course or being in the same profession as their fathers, the question of willingness to take the mantle of leadership of the firm was important. They said some heirs may not be interested in private practice.

The findings suggest that the availability of a willing successor is the primary motivation for succession plan. This supports Sharma, et al, (2003). Overall, the findings are consistent with some existing studies (Ip & Jacobs, 2006; Kaplan, et al, 2009; Oloyede & Mayowa Ajibola, 2016).
The firm
The interview results further indicated that the firm itself could pose barrier to succession planning in terms of its ownership structure, size and business relationships. As one the respondents said:
“Succession planning is a challenge to professional practices because most firms are sole proprietorships. In sole proprietorship the practice is tied to the owner around who also key business decisions revolve. The situation results in high turnover of professional staff such that it is difficult to get a willing and trusted successor among employees when the need arises. Also, most firms are small. This limits the ability of the firms to get successors among the employees because they can only have a small number of professional staff at any time”.
In the area of business relationships, the problems were trust and communication. The respondents pointed to lack of trust and inadequate communication between firm owners and staff as constraining factors. As one stated:
“There is often lack of trust between the owners and their staff. The owners do not have adequate communications from their staff. They hide many things from their staff. This kind of situation makes professional staff not to stay long in private firms. So, it is difficult to get a trusted person to hand over to. Lack of trust is a major cause of succession failures”.

The findings suggest that succession planning will continue to be a challenge to professional practices in the near future because of the prevalence of sole proprietorships and small firms across professions. Nonetheless, as some of the firms have either experienced succession or preparing to do so, we can conclude that so long as the founder is willing to hand over and is prepared to implement a plan for it and there is a potential successor willing to take over, succession planning can be implemented.

Customs and traditions
Surprisingly, the role of customs and traditions, including gender issue, was not definitive. All the respondents who were not engaged in succession planning said that neither their customs and traditions nor the question of female gender as a successor posed a constraint to them. They said that any
of their children could succeed them whether male or female, notwithstanding the custom or tradition. Nonetheless, they all had their first sons as their first consideration as the customs demand. 

Ironically, however, all the founders that have implemented succession and those that have instituted succession planning had their first sons as their successors and potential successors. The founders agreed that their decisions to hand over to their first sons were based on customary practices. This finding is consistent with Nwedukwe (2012) and Maphosa (1999). The finding suggests that customs and traditions can be a constraint to succession planning especially in the selection of successors.

It can be argued that customary practices including gender issues influence succession planning and the succession process in professional practices but they do not prevent the activities from taking place. Notwithstanding customary practices, a founder who is desirous of implementing succession planning will do so and effect succession if there is a willing successor. Modernisation appears to have been instrumental to modifying the role of customs and traditions in family business succession.

Overall, barriers to succession planning operate at different levels, namely, the founder, the potential successor, the firm, and customs and traditions. However, firms will still engage in succession planning if there is a willing successor, the founder is desires succession and is willing to plan for it, notwithstanding the barriers at the other levels. In effect, for a successful family professional firm, the only barriers that can effectively prevent succession planning are those relating to the founder and the potential successors. Thus, the most significant barriers to succession planning in family professional firms are those operating at the levels of the firm founder and the potential successors.

Conclusion

The study investigated barriers to succession planning in family professional firms in Nigeria through in-depth interviews of founders in four different professions. The findings demonstrated that the barriers operate at the levels
of the founder, the potential successors, the firm, and customs and traditions. The barriers run across professions. We argued that for a successful family professional firm, the barriers that can effectively prevent succession planning are those related to the founder and the potential successors. These barriers are therefore the most significant to succession planning.

The study has made important contribution to family business succession literature. It has provided a basis for understanding constraints to succession planning in family professional firms in a developing country context. There are some implications arising from the research. The research provides a framework for further research on succession planning in family professional firms. The research also revealed the need for programmes to enlighten entrepreneurs on business succession planning, which is essential to sustain wealth creation. Furthermore, the research can be used as teaching materials in the entrepreneurship and professional practice courses offered in Nigerian universities and colleges.

One important limitation of the research is that the findings were not based on statistical tests. Care should be taken in generalising them to a wider population. To advance knowledge on the general applicability of our findings, future research should consider testing the findings in a quantitative study. Future researchers should also investigate barriers to succession planning from the perspective of potential successors.

References


