

# Loss and Post-founder Business Discontinuity among selected Indigenous Private Enterprises in South-West Nigeria

Oluyomi Awofeso

A.A. Obemeata

Department of Sociology  
University of Ibadan, Ibadan, Nigeria

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## **Abstract**

*The survival of indigenous private enterprises is usually threatened by the demise of their founders. While previous studies on enterprise (dis)continuity have focused largely on business failure before founders' death, little attention is paid to why indigenous private businesses do not outlive their founders in Nigeria. This study, therefore, examined the factors accounting for post-founder business discontinuity among selected indigenous private enterprises in the South-West, Nigeria. Theory of Loss and continuity in the family firm provided the framework. The research design was exploratory, using qualitative methods of data collection. Three states (Lagos, Ogun and Oyo) were purposively selected on the basis of being home to many defunct indigenous enterprises. Case studies were done on 16 purposively selected indigenous private enterprises (eight discontinued and eight surviving) whose founders had died. The qualitative data were analysed with Nvivo 8. Findings show that disharmony in the deceased founders' family, ineffective implementation of succession plans as well as inheritance crises emerged as the most prevalent factors that accounted for post-founder enterprise discontinuity. The study recommended that indigenous enterprise founders should make efforts to foster harmonious relationships among members of their families in order to increase enterprise survival after their death.*

**Keywords:** Indigenous enterprises, post-founder business discontinuity, family feud, Nigeria

## **Introduction and Statement of the Problem**

Private enterprises are the key drivers of economic growth, prosperity and progress in countries around the world (African Development Report, 2011; Satope and Akanbi, 2014; Obi, J.N., 2015; O.E.C.D., 2017). For this reason, government of developing countries usually encourage indigenous entrepreneurship in order to facilitate industrialisation. While the Nigerian government has succeeded in spurring indigenes towards setting up business ventures, the continuous survival and profitability of these indigenous private ventures are threatened by the death of their founders. The loss of an enterprise founder is usually followed by diverse internal and external reactions which could affect the survival of the enterprise afterwards.

In Nigeria, History abounds with the stories of many great businesses that shut down after the death of their founders. For instance, Olympic Drinks, the

factory producing Gina drinks in Anambra State as well as a machine construction company and a maize milling company all folded up after the death of the founder, Sir Joe Nwankwu in 2004. Also, the G.M.O. Group of Companies noted for the production of household utensils and industrial spare parts collapsed soon after the death of its chairman, late Chief Godwin Chikeluba (Arogundade, 2011). In the northern region, Hajj Air owned by Alhaji Haruna Kassim, and many tannery factories for processing hide and skin, owned by deceased indigenous entrepreneurs collapsed after their death. Chief Moshood Abiola and Chief Henry Fajemirokun's stories are well known. Chief Abiola's business empire gradually phased out after his death in 1998. The same could be said of Chief Fajemirokun's business empire, as well as De-facto Bakery Works Limited which was a confectionary company that had four branches and produced 115 products during the life time of its owner (Time Magazine, 1965) but ceased to exist after the founder's death. However, the reasons most of these firms stopped operating after the demise of the owners have not been the focus of many empirical inquiries in South-West, Nigeria.

The discontinuation of indigenous Nigerian enterprises after the death of their founders is a major threat to the industrialisation and development of the Nigerian economy. This is because industrialisation is not achieved by merely starting businesses; the businesses so created must remain viable and sustainable over a long period of time. Although extant empirical studies have focused on factors accounting for business failure or survival when enterprise founders are still alive, studies on the factors accounting for the discontinuity of business ventures, soon after the death of enterprise founders, are scarce in Nigeria. Considering the gap in knowledge, this study investigated the factors accounting for post-founder enterprise (dis)continuity in South-West Nigeria.

### **Research Question**

The research question driving this study is: why do business ventures discontinue after the death of the founders in South-West, Nigeria?

### **General Objectives of the Study**

The general objective of the study is to investigate the factors accounting for enterprise discontinuity after founders' death.

### **Specific objectives of the Study**

The specific objectives of this study are to:

1. Examine the effect of the context of the family of deceased enterprise founders on post-founder enterprise outcomes in South-West, Nigeria.
2. Explore how the leadership position of the deceased enterprise founder impacts on post-founder enterprise outcomes in South-West, Nigeria.

### **Justification for the Study**

Successful profitable indigenous private businesses are the main drivers of economic development in a country. Ensuring the continual survival these ventures, after the departure of their founders, is crucial to economic development. Nigeria, being a developing country, needs as many viable business ventures as possible to remain in operation in order to become industrialised, which is her ultimate aim. Britain, today, is industrialised because she was able to sustain industries that sparked off the industrialisation process in the country in the 1800s. Furthermore, the economic transformation experienced by some Asian economies, notably China, Indonesia, Malaysia and Singapore, which faced similar economic challenges as Nigeria five decades ago, calls to mind the importance of focusing on achieving industrialisation through the promotion of, not only business formation, but also on the sustainability of those businesses. Although several studies have been conducted to find out causes of business failures, most of these studies dwell on start up business failures as well as business failures during the lifetime of the business owners. Studies focusing on post-founder enterprise discontinuity are scanty. Answers to the research question of this study provided information on the observed knowledge gap.

### **Brief Literature Review**

Private indigenous enterprises are a very important part of the economy of most Nations. In virtually every country of the world, private indigenous enterprises are seen as an engine of growth and are among the most important contributors to wealth and employment creation (Teriba and Kayode, 1992; Chikodili, 2012; Satope and Akanbi, 2014; Obi, J.N., 2015; O.E.C.D., 2017). In Nigeria, part of the colonial and postcolonial industrial development experiences were the emergence of Nigerian entrepreneurs (Mohammed, 1985; African Development Report, 2011). Due to the high priority accorded the industrial sector, the 1962-1968 First National Development Plan placed increasing emphasis on industrial research (Olayide, 1981). With respect to specific sectors, the 1962-1968 Plan accorded the highest priority to industry as well as agriculture and trade. The major aim of the Federal Government during this period was to mobilize Nigerian capital and to encourage a shift from commerce into processing and manufacturing industries. To this end, the Plan favoured control of increasing portion of the Nigerian economy by Nigerian businessmen (Teriba and Kayode, 1992). Besides, The Indigenisation decree (of 1972 and 1977) played a dominant role in enterprise development in the country (Ndongko, 1980). The indigenisation of industry took two forms: the first was the indigenisation of ownership of industrial assets, which fell under public or private ownership, while the second was the indigenisation of management of foreign owned or foreign controlled industries. Apart from the indigenisation decree, Nigerian government has set up different agencies and formulated many policies towards encouraging indigenous participation in the private sector.

Over the years, the size of private indigenous enterprises in Nigeria has grown. Although there are no detailed statistical information on the number of indigenous private enterprises in Nigeria, the size is significantly high considering the fact that the Corporate Affairs Commission in Nigeria, reports that it has registered a total of 896,095 companies; 1,917,670 business names and 47,421 incorporated trustees as at December, 2011 (Guardian Newspapers, 14/2/2012). As an update to the figure provided by the Corporate Affairs Commission, the collaborative survey by Small And Medium Enterprise Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics affirmed that the total number of Micro, Small and Medium Enterprises in Nigeria (excluding large enterprises) as at 2013 stood at 37,067,416 (Micro - 36,994,578, Small - 68,168, and Medium-4,670). Despite these laudable policies and formation of agencies to facilitate indigenous entrepreneurship, industries that have been established are usually faced with the challenge of outliving their founders. Studies show that many of the enterprises disappear from the business scene or experience significant decline following the death or incapacitation of their founders (Monibo, 1998; Ukaegbu, 2003; CFAR, 2009; Ogundele, Idris and Ahmed-Ogundipe, 2012; Chikodili, 2012; Kaunda and Nkhoma, 2013; Joseph, 2014). Several of the business organizations that were spurred to be established through the various national developments plans have gone into extinction.

The importance of studying enterprise failure cannot be overemphasised. The dearth of productive and flourishing ventures, which are supposed to complement the job creation drive of the various governments, has worsened the unemployment situation in Nigeria, and invariably, economic development. An understanding of why firms fail, after the death of their founder, is crucial to the stability and health of the economy and it is of great interest to public policy makers concerned with economic development in many countries (Lussier and Pfeifer, 2000). According to Pretorius (2008), the general causes of business failure can be classified under five broad groups, which are the human causes; the internal causes; the external causes, the financial causes and the structural causes of business failure. The human causes of business failure comprise factors such as leadership and management; the internal causes of business failure relate to internal environmental factors that contribute to the failure of an enterprise; the external causes of business failure relate to external environmental factors that contribute to the failure of an enterprise such as economic instability and recession; structural causes of business failure which include increased centralisation, lack of long-term planning; curtailed innovation, the departure of competent staff, age of the venture, the size of the venture, the life cycle stage of the venture and the organisational culture (Fapohunda, 2012).

For ventures of deceased founders, conventional wisdom holds that the vast majority of businesses fail to continue into a second generation- at least two-thirds are thought to be sold or go out of business at the demise of the founder, while fewer make it as independent entities to the third generation

(CFAR, 2009). Empirical studies (Backman, 1999; Kiong, 2005) carried out in China indicate that the centrality of decision making, nepotism, paternalism and cronyism or *guanxi* relations (that is, valuing the informal over the formal) create succession problems among Chinese family businesses. For Bareither's (n.d), the reason ventures do not survive past their founder's generation is because founders do not invite their children (and spouses) to participate in running the enterprise. Besides, Murray, Toth and Clinkinbeard (2005) and Venter, van der Merwe and Farrington (2012) submit that the death of the enterprise founder generates different reactions from family members. The commitment of the family members of an enterprise owner to the future continuity of the enterprise contributes to its sustainability after the founder's death.

Monibo (1998) discovers that the customary systems of property transfer are inimical to the persistence of the business enterprise. Similarly, Ukaegbu (2003) finds out that family squabbles and acrimonies, from offspring and wives of polygynous enterprise founders, over inheritance of deceased founders' properties are common reasons for business closure after the demise of enterprise founders. However, his submission that business enterprises owned by entrepreneurs in polygynous marriages are very likely to collapse upon the death of their founders while enterprises owned by monogamous businessmen have a greater chance of surviving their founders or owners were not empirically tested. Furthermore, Kaunda and Nkhoma's (2013) study on fourteen Malawian family owned businesses reveals that lack of succession planning, financial illiteracy and indiscipline, cultural values and lack of business networking are factors influencing the closure of businesses after founders' death. In addition, Joseph's (2014) study on 'Culture Determinants and Family Business Succession in Jos Metropolis, Plateau State Nigeria' which obtained data from 372 SMEs in various sectors in Jos metropolis, found that extended family system, followed by inheritance law, has the highest magnitude effect on successful succession of family business.

Additionally, examining the effects of founders' death on firms performance, Becker And Hvide (2015, 2017) compared the survivorship rates of firms where the owner dies with survivorship rates of those where the entrepreneur does not die in Norway. They discovered that founders' death had significant effects on firm performance, growth and survival. According to the scholars, the main reason for the negative effects on firm performance is the turbulence created by the death of business founder. Also, findings show that sales went down in ventures of deceased business owners with about 53 % after founders' death and employment at the firms of deceased enterprise founders went down by 19%. Furthermore, findings revealed that the survival rate of firms where the owner died two years afterward was 20% lower than at similar firms where the owner was living. Similarly, the likelihood of bankruptcy rose at firms where the owner passed away.

Although these findings are informative, they cannot be generalised as reasons why enterprises do not outlive their founders. Succession planning, in

particular, cannot guarantee that an enterprise will outlive its founder. If a founder plans for the continuity of his/her business but there is no proper implementation of the plans, the enterprise is bound to discontinue after his/her death.

Some of the findings of previous studies corroborate one another regarding some of the factors responsible for enterprise discontinuity after founders' death. However, none of the studies explores the impact of the state of the enterprise as well as the level of founders' involvement in the enterprise before founders' death on the statuses of the ventures after the founders' death. Although Cooperrider, Whitney and Stavros's (2008) plausible research on 'Appreciative Inquiry' emphasised how organisations can harness their strengths in order to always remain viable, their work basically addressed how companies can leverage on their strengths and do away with their weaknesses in order to achieve business success. The foregoing are the identified gaps that the current study fills.

### **Theoretical Framework**

For this study, Herz Brown's (1993) theory of loss and continuity in the family firm was used as the theoretical guide.

Theory of loss and continuity in the family firm explains that the succession process in a business venture can be disrupted by the death of the key player in a business. Herz Brown (1993) indicates that the loss of a founder can create particular difficulties in the business and ownership spheres (Handler, 1994; 137). This theory explains that the founder's family reaction to the death of the founder largely affects enterprise outcomes after founder's death. There are a number of factors that affect the way in which a deceased enterprise founder's family will respond to the loss of the enterprise founder. These includes *the context of the family, the type of loss, legacies of loss business, timing of the loss and the position of the deceased* (Herz-Brown, 1993). The theory explains that business continuity is affected by the social context of the deceased enterprise founder with regards to his family and cultural affiliations. Herz Brown (1993: 297) puts it succinctly:

We are all part of a social context formed by the particulars of our past and current lives. The context has an impact on different levels of ...business systems...the ethnic and geographical culture in which we grow up tend to influence the way we view...life and death....Each ethnic group has its own way of dealing with death (and) dying...when taken to the extreme...any cultural style (practices) can hinder (enterprise continuity).

In addition, the theory talks about *the legacies of loss*, which simply denotes that enterprise founders sometimes deliberately do not plan for the continuity of their firms. This may be because the founder wants to avoid causing disunity among potential successors in the business. Herz-Brown (1993: 300) stated concisely that:

[F]irm founders hesitate to work on their... plans, perhaps hoping that others will resolve the issues when they are dead and therefore out of the ruckus... relationship dilemmas, rather than the fear of death, prevents the founders from preparing for their deaths (*and invariably, the continuity of the enterprise*) (Emphasis added).

Furthermore, the theory also presupposes that being able to fill the position of the deceased founder is very crucial. There is no firm that has made a success without very strong leadership and management skill of the founding entrepreneur. The overdependence of the organisation on the founder as the leader and the one in control of business activities may jeopardise the continuity of the business. Herz Brown (1993: 301) opines that:

[d]eath... is often a sudden occurrence and is experienced in particularly adverse ways if plans have not been made to deal with it.... For the firm's management, there may be leadership disruption, heightened anxiety, loss of skills, and changes in strategy or operations...

From this theory, one can deduce that the context of the family, legacies of loss and the ease of being able to replace the departed founder, are factors that could determine enterprise outcomes after founders' death. An enterprise founder's death has a great social implication. An enterprise founder's death is a form of stressor on the business and his family (Walsh and McGoldrick, 1991). If the response to his/her death is shredded in negativity and inability to quickly get over the loss, this can disrupt the continuity of the business. Furthermore, the position of the deceased founder, as a leader and initiator of business activities is a very crucial one. The vacancy of this position causes disruption in the business equilibrium. The venture will have a chance to outlive the founder if a replacement is found early. However, if it takes a longer period to get a successor for the enterprise, the venture may not survive the death of the founder (Behn, Dawley, Riley and Yang, 2006).

## **Methods**

### ***Research Design***

The study is an exploratory research and employs a case study format. Case studies are useful in studying actual cases and exploring causation in order to find underlying principles.

### **Study Area**

The study was carried out in South-West Nigeria in three selected states which are Lagos, Oyo and Ogun. The choice of the South-West zone is premised on the fact that the South-West geo-political zone is the commercial hub of Nigeria and is home to many defunct indigenous private enterprises. Although

the South-West region of Nigeria is populated by the Yoruba people, the region plays host to almost all tribes in Nigeria.



### **Study Population**

The population for this research comprised indigenous private enterprises owned by deceased Nigerian founders whose firms have either discontinued or are surviving in three selected states; Ogun, Oyo and Lagos; in south-west Nigeria.

### **Methods of data collection**

The researcher employed a combination of qualitative methods of data collection to collect information from respondents. The reason for using qualitative research methods is because they provide the researcher with an opportunity to obtain a richer understanding of the phenomenon compared to quantitative researchers (Musengi, 2006).

**Table 1: Number of case studies done**

<b>Enterprise Description</b>	<b>Founder's Status</b>	<b>Business Status</b>	<b>Number</b>
Indigenous Private Firms	Dead	Discontinued	Eight
Indigenous Private Firms	Dead	Surviving	Eight

### **Instruments of Data collection**

The researcher employed a combination of instruments for data collection. The researcher designed two types of interview guides – one for the discontinued enterprises, while the other was for the surviving enterprises. The guides were very similar in format and questioning. However, the difference was in the section for factors responsible for discontinuity (or continuity) and what the surviving ventures did to remain in business. The construction of interview guides allowed for ample discussion between the researcher (interviewer) and the interviewees. Data were also collected through archival and library materials.

### **Data Analysis Technique**

The data generated from the IDIs and KIIs were transcribed by the researcher and a trained field assistant. Also, all hard copies of secondary data generated from library and archival methods were typed. After these have been done, both the transcribed IDI and KII data as well as the typed hard copy data were imported into Nvivo Version 8, qualitative software and were analysed.

### ***Ethical Considerations***

Ethical approval was obtained from the Department of Sociology, The Faculty of The Social Sciences, University of Ibadan, Oyo State before embarking on the study. The researcher upheld the rights and confidentiality of all informants and interviewees. In line with ethical procedures, respondents were well informed about the purpose and intentions of the study. They were given

informed consent forms which they read and signed before interviews commenced. Identity of respondents were protected and they were not exposed to any harm. The researcher always agreed to keep some discussion off record at the request of the respondents.

## **Results**

### ***Organisational profiles of the sixteen cases studied***

Findings revealed that all the business ventures studied were established more than 20 years ago and their years of existence before their founders' death ranged from eight years to fifty-seven years. For the eight post-founder surviving ventures, the oldest was established in 1918, while the youngest was established in 1987. Three of the enterprises were within the food industry, two from petro-chemical industry; three from transportation industry; two, from stationeries and publishing sector; two from the media; two from textile industry; one from the pharmaceutical industry and one from the hospitality sector. Table 2 shows the summary of the basic details of the enterprises included in the study.

**Table 2: Demographic profiles of organisations studied**

<b>Industry/Sector</b>	Food manufacturing	3
	Petro.- Chemical	2
	Transportation	3
	Stationeries and publishing	2
	Media	2
	Textile	2
	Pharmaceutical	1
	Hospitality	1
	<b>Total</b>	<b>16</b>
<b>Year of establishment</b>	Before 1960	9
	1960s	1
	1970s	2
	1980s	3
	1990s	1
	<b>Total</b>	<b>16</b>
<b>Age of founder at death</b>	41 -50 years old	2
	51 - 60 years old	4
	61 - 70 years old	2
	70 and above	8
	<b>Total</b>	<b>16</b>
<b>Business structure</b>	Sole proprietorship	11
	Private Limited Liability Company	3
	Partnership	1
	Limited Liability Company (Transited)	1
	<b>Total</b>	<b>16</b>
<b>Years of operation before founder's death</b>	Below 10 years	1
	11-20 years	5
	21 - 30 years	5
	31 - 40 years	0
	41 - 50 years	2
	50 and above	3
	<b>Total</b>	<b>16</b>
<b>Current status of enterprise</b>	Discontinued	8
	Surviving	8
	<b>Total</b>	<b>16</b>

***Deceased founder family context and post-founder enterprise (dis)continuity***

Findings revealed that 13 of the deceased enterprise founders had polygynous families while three had monogamous families. Data show that the enterprises of seven out of 13 polygynous enterprise founders discontinued after they died while the ventures of the remaining six polygynous founders continued. One, out three ventures whose founders had monogamous families discontinued. Table 3 explains this further.

**Table 3: Founders' family type and enterprise outcome**

Enterprise status	Family type		
	Monogamy	Polygynous	
Discontinued	1	7	8
Survived	2	6	8
Total	3	13	16

The findings of the study show that the enterprise founders' family types either promote harmony or disharmony among family members which later led to the (dis)continuity of the business ventures. It is not the family types in themselves that led to either the discontinuity or continuity of the ventures after the demise of their founders. The discontinuity or continuity of the ventures was tied to the level of unity in the deceased founders' families. Of the 13 enterprises with polygynous founders, five had harmonious family relationships before founders' death and this aided their continuity. One of the surviving ventures was ridden with family rifts even before the founder died. It, however, survived because of the law of primogeniture that operated in the founder's ethnic group. Table 4 explains this further.

**Table 4: Founders' family disharmony and enterprise outcome**

Family types	Level of family harmony		Enterprise outcome	
	Harmonious	Disharmonious	Discontinued	Survived
Monogamous	3	0	1	2
Polygynous	5	8	7	6
<b>Total</b>	8	8	8	8
<b>Grand Total</b>	16		16	

Some excerpts from the KIIs and IDIs, which supports this findings:

He was a polygamist. So many wives. Married to seven wives...and had 18 children. The moment everything happened, the wives... rose up.... there was crisis within the family through one of the wives ... That... was a major setback. (*Key Informant Interview, Male, 47 years old, Foodmanu2, Discontinued food manufacturing company*)

Another respondent explained that:

Baba had many wives...and many children.... Before baba died, everything was going on ... smoothly, but, immediately baba died... and we buried him..., the other children and their mothers.... were grumbling... that they are no longer interested in joint ownership of the business.... (*Key Informant Interview, Male, 74 years old, Transport1, Discontinued transportation enterprise*)

However, the findings of this study do not support Monibo's (1998) and Kaunda and Nkhoma's (2013) position that the multiplicity of wives is a factor militating against enterprise continuity after founder's death. This is because based on the findings of this study, six business ventures of polygynous deceased founders outlived them. It has been established that disunity among the family members of deceased polygynous enterprise owners, and not multiplicity of spouses, that accounted for the discontinuity of their enterprises. The interviewees from two business ventures commented, respectively, that:

(His wives) are ... four in number...(the children) running about 16 in all... one of the factors that ensure the survival of the business is good family relationship... (*Key Informant Interview, Male, 45 years old, NonFoodManu2, Surviving petro-chemical enterprise*)

He got married to (four) wives... and the wives ... contributed a lot to the success of the business ... it was the agreement of the family that I should take over the business... (*Key Informant Interview, Male, 61 years old, Stationery2, Surviving Book and stationery store*)

Moreover, findings show that monogamy does not insure a business venture against discontinuity after the death of the founder. One enterprise whose founder had monogamous family did not continue. The informant stated that:

(when the owner died), the elder brother (of the deceased)... and .. the whole family tried to supported her so that the business will not collapse but ... she's too adamant ...she's too dogmatic. ... she stand on her... (on her words) that "this is what I want to do."... that's how something (went) wrong. (*Key Informant Interview, Male, Textile1, 39 years old, Discontinued wholesale Textile business*)

Similarly, data revealed that the level of harmony in the deceased founders' family impacts on the response towards the continuity of the enterprise. Business ventures rely on intergenerational transfers to continue. The way family members of the deceased founder reacts to enterprise continuity affects enterprise transition success. The way family members of the deceased founder responded to the continuity of the enterprise after the death of the owner played a role in continuity issues. Results reveal that founder's family response to enterprise continuity was either positive or negative. The negative response can be further subdivided into four categories namely (i) family members were unwilling to continue the venture after owner's death; (ii) family members initially agreed to continue the venture but later advocated for its discontinuation; (iii) founder's family aligned themselves with the emerged successor but successor discontinued the venture and (iv) no unanimous agreement on continuity; enterprise discontinued. For the positive response,

there are two categories. These are (i) founder's family agreed on enterprise continuity but economic issues made enterprise to discontinue and (ii) family members aligned themselves with successor and enterprise continued till date. Table 5 shows deceased enterprise founders' family reactions to the continuity of their ventures.

**Table 5: Founders' family response to continuity**

Categories	Cases	Total
Family members unwilling to continue the venture/not in support of successor; enterprise (dis)continued	Transport2, Transport3	2
Family members initially agreed to continue the venture but later advocated for its discontinuity	Foodmanu1, Foodmanu2, Transport1 and Stationery 1	4
Founder's family agreed on continuity but successor discontinued the venture	Textile1	1
No unanimous agreement on continuity (and political issues), enterprise discontinued	Newspaper1	1
Founder's family agreed on continuity but economic issues made enterprise discontinue	NonFoodManu1	1
Family members aligned themselves with successor and enterprise continued till date.	Foodmanu3, NonFoodManu2, Hospitality, Pharm2, Textile2, Stationery2 and Newspaper2	7
<b>Total</b>		16

For the negative response, first category, the family of one of the founders did not agree on a successor. They sold the buses the founder left and shared the money. Respondent for Transport2 explained that:

We wanted to be doing it but at the end of the day, due to the family problem, we sold them, then, we shared the money. (*Key Informant Interview, Male, 48 years old, Transport2, Discontinued Transportation enterprise*)

For the negative response, second category, family response was positive towards emerged successors. However, along the line, family clashes and vested family interests culminated into the discontinuation of the ventured. A respondent said:

... after he died... everything continued as usual. It was like, he was gone, the other brothers ... could just continue... It's just a matter of the chairman died, one of them should ... now be chairman... and every other thing should just fall in place which unfortunately did not work out that way....The brothers actually succeeded him but when they also died in quick

succession...there was crisis... (*Key Informant Interview, Male, 47 years old, Foodmanu2, Discontinued Food manufacturing company, 2013*)

For the negative response, third category, family agreed on the continuity of the venture but due to the managerial incompetence of the successors, the ventures did not survive the founder's death. The following response is representative of this view:

"...they continued the business but... the woman now had to change the person (the founder) employed...meanwhile, she does not have knowledge about some aspects of the business... So, it's one of the factors that affected the business". (*Key Informant Interview, Male, Textile1, 39 years old, Discontinued enterprise, whole sale business, 2014*)

For the fourth category of the negative response, there was no unanimous agreement on enterprise continuity because some of the founder's wives and children were claiming equal right to the leadership of the enterprise. This leadership tussle lingered and eventually, the enterprise shut down. It was gathered for Stationery1 and Newspaper1, respectively, that:

...a long-festering ownership dispute involving two of the ... siblings (each of whom was a director (of the venture) culminated in an injunctive order issued by a Lagos High Court restraining (the venture from continuing) pending the resolution of a lawsuit filed before the court ...

... infightings among family members contributed largely to the misfortunes of his business... The problem of who controls what has been a major problem within the family...". Ego problems between (one of the deceased's wives). The managing director of (the) press and (the deceased) first son, virtually killed (the) press.

For Transport 3, though family response to enterprise continuity was negative, that is, family members of the deceased founder did not agree on the successor, the enterprise is still surviving because of the tradition of primogenitor. The enterprise is still being affected by family rifts and court cases.

*NonFoodManu1* falls under the first category of the positive response. Family members agreed on enterprise continuity but economic issues made it discontinue. Already, the founder had converted the enterprise into a public liability company before he died. However, the influx of substandard products from around the world competing with the products of the enterprise, forced the enterprise out of business.

For the second category of the positive response, enterprises whose founders' family members unanimously agreed on a successor transitioned easily to new leadership. A respondent explained:

...the Memorandum of Association and the Article of Association have not given room for a single individual, be it his wife or director to determine the dissolution of the company except for collective agreement... (*Key Informant Interview, Male, 45 years old, NonFoodManu2, Surviving Petro-chemical enterprise*)

From the foregoing, the level of the harmony within deceased enterprise founders' family, rather than family types, contributes to post-founder enterprise (dis)continuity and survival to a large extent since the study revealed that ventures of some polygynous founders survived and that the ventures of some monogamous founders discontinued. Hence, positive or negative response towards enterprise continuity, from the founders' family, is integral to post-founder enterprise (dis)continuity.

#### ***Inheritance practices and post-founder enterprise (dis)continuity***

Findings from the study show that inheritance practices contributed to the closure of some of the enterprises studied. Besides, most of the enterprise founders died *intestate*, that is, without leaving a written Will. Only Hospitality, Pharm2, Transport1, Newspaper1 and Newspaper2 stated that the founders left a Will and the contents of the Will were adhered to. Although the founder of Transport1 also left a written Will because it was not yet updated as at the time he died, there were adjustments to the sharing of the deceased founder's properties including his venture. Table 6 illustrates this further.

**Table 6: Inheritance practices and post-founder enterprise (dis)continuity**

Enterprise Status	Inheritance issues		
	Consensus	Conflictual	Total
Discontinued	2	6	8
Survived	7	1	8
Total	9	7	16

Data revealed that out of the eight enterprises that discontinued, 2 (two) had consensus on inheritance issues but discontinued, while 6 (six) had conflictual inheritance issues and discontinued. For one of the two enterprises that did not have inheritance crises but discontinued, its discontinuity was due to the economic situation in the country, while the discontinuity of the second one was tied to the managerial incompetence of the successor. Seven (7) of surviving enterprises had consensus on inheritance issues and they survived, while only one enterprise had conflicts in its inheritance issues but survived. The enterprise that survived despite inheritance crises has witnessed several



lawsuits against the current successor. However, there is no ruling from the court that business operation should cease.

***The ease of filling founder's position and enterprise (dis)continuity***

The position of the deceased founder in the venture, which could be viewed in terms of whether the enterprise founder had a strong leadership grip on the venture thereby making the enterprise over dependent him or self-sustaining is found to be one of the factors responsible for post-founder enterprise discontinuance. It was discovered that the level of founders' involvement in running the enterprise when they were alive had some impacts on the enterprises that discontinued after their founders' death. For all the 16 cases, level of founders' involvement contributed to enterprise growth and success during the lifetime of the founders.

Data revealed that all the enterprises had active founders' involvement. However, 8 discontinued, while the other 8 survived. The discontinuity of some of the business ventures was not due to their over dependence on their founders but on family related issues. It was found that though enterprise founders had capable hands to run the businesses in their lifetime, these employees were not seen as fit enough to succeed the deceased founder. Though Herz-Brown (1993) opines that being able to find a worthy and capable replacement to fill the position of the founder is essential for enterprise continuity after founders' death, which is true, however, findings from the study revealed that, even when such person is present within the business venture, such a person might not ascend to leadership position or succeed the deceased founder, if he or she is not a member of the deceased founder's family. Herz-Brown's submission is that if the enterprise is highly dependent on the founder, it will be difficult for enterprise to keep on running after the demise of the founder because the enterprise is tied to his personality. However, as can be seen from the finding of this study, though the founders were actively involved in running their business ventures, they had helping hands from family members and numerous employees. In their lifetime, the enterprises were running whether they were there or not.

**Discussion of Findings**

As has been started earlier, the family context of a deceased enterprise founder (in terms harmonious or disharmonious relationships) as well as the type of response to enterprise continuity after founders' death (either positive or negative) contribute to enterprise (dis)continuity after founders' death. While polygynous family is characterised by the presence of matricentric or matrifocal units and the structure of such families suggests segmentation and inherent conflict situations among members of the matricentric units (Otite, 1991), this structure is not entirely responsible for post-founder enterprise continuity for those founders who has such structures and family types. Herz-Brown (1993) opines that the social context of the founder of a firm impacts on enterprise continuity. These social issues create multi-dimensional problems which jeopardise the durability of such ventures when the founder is no more (Ogundele, Idris and Ahmed-Ogundipe, 2012). Furthermore, Chikodili (2012) maintains that positive family relationship contributes to successful

successions of businesses. According to him, the nature of family relationship during the succession process contributes to enterprise outcomes after the death of the founder. The finding aligns with Ukaegbu's (2003) submission that intra-family conflicts pose obstacles to the continuity of enterprises. Furthermore, the finding support empirical studies (like De Massis, Chua and Chrisman, 2008; Venter, van der Merwe and Farrington, 2012) which emphasise the relationship between enterprise continuity and founder family harmony. This implies that the greater the level of family harmony, the greater the possibility that business continuity will occur. This fact is also buttressed by the fact that not all enterprises with polygynous founder family structures discontinued. Six (6) out of the 13 that had polygynous family structures survived. Moreover, one of those with monogamous family structures also discontinued.

Data clearly show that family (dis)harmony, not family structures of the venture owners, impacts on the post-founder outcome of enterprises. When there is a relational stress among members of a deceased enterprise founder's family, this will affect the continuity of the enterprise. As De Massis, Chua, and Chrisman (2008) opines, relational factors such as conflicts or rivalries or competition among family members to be the successor will prevent enterprise succession from taking place.

The death of the enterprise founder generates different reactions from family members (Murray, Toth and Clinkinbeard, 2005) towards the continuity of the venture he/she owns. The commitment of the family members of an enterprise owner to the future continuity of the enterprise is of priority (Venter van der Merwe and Farrington, 2012) to the post-founder survival of the venture. This result corresponds with De Massis, Chua and Chrisman's (2008) study that relational and context factors within the founder's family, amongst others, impact on enterprise succession. Also, the findings of this study validate Herz-Brown's (1993) submission that founder's family reaction to the loss of the founder affects enterprise outcomes. The study reveals that the major determinant of family response to enterprise continuity is the quality of family relationships. This implies that the greater the level of family harmony, the greater the possibility that business continuity will occur.

Furthermore, the findings of this study aligns with that of Monibo (1998), Chikodili (2012) and Joseph (2014). Monibo asserts that customary inheritance practice inhibits business continuity on the death of the owner. Furthermore, this study affirms that the inheritance struggle is intense in polygynous contexts where such a struggle provides an avenue for venting long suppressed feelings of rivalry, suspicion and jealousy among co-heirs. Such struggles will not only spell the death of the business enterprise, but also severely damage family ties. In addition, Chikodili's (2012) study lend credence to the fact that inheritance culture affect management succession process in private indigenous enterprises. His study also affirms that the rule of inheritance has effect on enterprise continuity and/or longevity. For some of the surviving enterprises, inheritance issues did not affect them because the founders had already stated

their intentions about the continuity of the enterprises and these were adhered to by the family. This finding further supports Herz-Brown's (1993) position that the *legacies of loss* of a deceased enterprise owner impacts on enterprise (dis)continuity.

In addition, for Herz-Brown (1993), getting a good replacement to fill the deceased founder's position is necessary for enterprise continuity after founder's death but it is very difficult to get such replacement if the venture was totally dependent on its founder during his lifetime. Besides, even when a capable employee can fit into the leadership position and role of the deceased founder, such a person might not ascend to leadership position or succeed the deceased founder, if he or she is not a member of the deceased founder's family.

### **Conclusion**

The study's findings revealed that disharmony in deceased founders' family, reactions to enterprise continuity by the deceased founders' family and inheritance crises are the most prevalent factors accounting for post-founder enterprise discontinuity in south-west, Nigeria. On the surface, polygyny appears to contribute to enterprise outcomes after founders' death but a closer look show that it is actually the disunity among founders' family members that accounts for enterprise discontinuity. Family disunity is manifested through clamour for the distribution of the deceased founders' properties (including their business ventures). Though polygyny breeds conflicts before and after enterprise founders' death, polygynous founders can resolve the sources of these conflicts before they die. This is apparently possible because there were enterprises of polygynous founders that transited successfully to a new generation and are still in existence till date. While the theory of loss and continuity in the family firm provides some explanations for why business ventures do not outlive their founders, it does not cover possible business internal and the external factors that could impact on enterprise (dis)continuity after founder's death. Based on this study's findings, factors such as business adaptability to the environment and the quality of management team, amongst others, impact on enterprise continuity after enterprise founders' death.

### **Recommendations**

It is recommended that enterprise founders should work towards fostering family unity before they die. Also, founders should put concrete plans in place for the continuity of their enterprise. Moreover, enterprises of deceased founders, like all other enterprises, should not rely on finding a successor to the departed from within the family alone. Professional managers could be hired in order to keep the enterprise running.

### **Contributions to knowledge**

The study made contribution to the body of empirical knowledge and literature in a number of ways. The researcher has been able to empirically discover and

document the reasons for the discontinuity of indigenous private enterprises soon after the demise of their founders. Also, the study has been able to empirically test the variables in the theory of loss and continuity in the family firm and confirmed that the context of the family, legacies of loss and the position of the enterprise founder before death impact on post-founder enterprise (dis)continuity. Moreover, the study has expanded the literature on post-founder enterprise failure and survival.

### **Suggestions for future studies**

The study presents findings on 16 post-founder enterprises in South-West, Nigeria. Other studies could build on this. The possibility exists to do in-depth studies of other enterprises that were not included in this research, especially enterprises owned by deceased female founders and other industry-specific businesses. Also, future studies could include a wider pool of cases. In addition, similar or entirely different methodology and theoretical approaches could be employed in future studies. This research was carried out in the South-West of Nigeria. Future studies could consider looking at enterprises of deceased founders from other geo-political zones and specific industries.

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