

Succession Planning and Survival of Small Scale Businesses in Benue State

Prof. Patrick L. Akpan, KaluAgwuUkpai

Department of Business Administration, NnamdiAzikiwe University Awka, Anambra State, Nigeri

Abstract- It is an established fact that small businesses are adjudged critical to the development of any nation's economy. They remain excellent sources of wealth creation, poverty reduction and development of indigenous entrepreneurs. Unfortunately, small scale businesses in Nigeria, particularly in Makurdi metropolis have high rate of collapse. In recognition of the increasing failure of small businesses in Nigeria, the study sets to examine the influence of succession planning on survival of Small Scale Businesses in Makurdi metropolis. Descriptive survey design was adopted in the study with a sample size of 120 persons drawn from the population of 560 small business owners. A structured questionnaire was used for data collection. Data collected were analyzed using mean and standard deviation and hypothesis was tested using Analysis of Variance. The study revealed that manpower training influences longevity of small scale businesses and there was no significant difference in the mean responses of male and female entrepreneurs on influence of manpower training on the longevity of small scale businesses in Makurdi metropolis. The implication is that business owners should have a succession plan in place to ensure continuity and sustainability. On the strength of the above, it was recommended among others that owners of companies should propose successors for their business in good time so as to allow enough time for training that could see their business survive through several generations.

Index Terms- Succession Planning, Small Scale Business, Business Survival, Manpower Training

I. INTRODUCTION

One of the major problems confronting small scale businesses in Nigeria has been the transfer of ownership and management to the next generation. It is widely accepted that the possession of a succession plan is crucial for the success and by extension the longevity of a business (Fahed-Sreih&Djoundourian, 2008). Rothwell (2007) explained that succession planning is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement.

In essence, succession planning is a proactive attempt to ensure smooth transition of business from owner to a successor through effective manpower training. It involves formulating a forward looking plan to ensure the necessary human effort to make it possible for the survival and growth of the organization. Thus Basil (2005) maintained that lack of proper succession planning can have the direct effect of causing the collapse of

these businesses especially when owners leave the business upon retirement or by death. As Seymour (2008) puts it, the future performance of any company is reliant on the thoroughness and vigour of today's succession planning.

Ayyagari et al (2007) opined that the small scale enterprises that continue to succeed despite the departure of strategic leaders are those that prepare in advance. They have key players in place and they have implemented well-defined, comprehensive development programs, formal management training programs, and succession plans. Developing a comprehensive, long-term succession plan is a critical element for survival of the small scale enterprises. Having the best people in pivotal leadership roles, prepared to step in at any time, is essential for future success.

Unfortunately, many business owners have founded and built their businesses without giving much thought to what will happen when it is time to retire or when they are incapacitated. They fail in the long run because they allow themselves to be destroyed slower by the inaction of their owners. Study carried out by Grote (2003), revealed that about 30% of businesses fail due to matters related to succession planning and about 50% of small scale businesses do not have adequate succession plans in place, hence, small businesses are exposed to significant risk in sustainability due to insufficient succession planning.

For a developing economy like Nigeria, planning for the survival of enterprises is of paramount importance since they contribute greatly to the economic development of the nation. Considering the proven economic and social benefits of small scale businesses to our country, Aremu (2004) suggests that every organization should see survival as an absolute prerequisite for its serving any interest whatsoever. Thus Gorgievski et al (2011) define longevity as having to continue in business for an indefinite period. Longevity is related to the survival and continuity of an enterprise and is one of the measures of firm success other than profit, growth, innovation, social and environmental performance. William and Jones (2009) describe business longevity as the duration (age) of the business, that is, time elapsed since the firm started operation. According to Lubinski et al (2011) longevity can be interpreted as a measure of success and can be used synonymously with business survival. Business longevity is a measure of organization's ability to sustain its continuity. Business longevity is associated with a firm's life cycle. For a business to be in existence for a long time, it must have passed through the initial stages of the firm's life cycle. The longer a business can survive and prevent involuntary exit, the more successful the business is.

Furthermore, a fundamental factor influencing succession planning is the role of human resource development, which includes organisational development, career development and

training of potential successors. Givannoni et al (2011) explained that strategy and transfer of vision of small scale business to the successor is central to effective succession planning. Developing the successor in the planning of the strategy of the business has the potential to improve tacit knowledge and skill of the business thereby further enhancing the realisation of succession. Generally, the major purpose of manpower training is to ensure that the right person is available for the right job at the right time. This involves formulating a forward looking plan that ensures the necessary human effort that makes it possible for the survival and growth of the organization. It becomes imperative to develop the successor for smooth transition to next generation.

David and Terence (2003) identified the need for manpower planning to include:

- It helps to identify the available talents in a concern and accordingly training programmes can be organized to develop them.
- It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.
- It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.
- It provides smooth working even after expansion of the organization.
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II. SUCCESSION PLANNING AND SURVIVAL OF SMALL SCALE BUSINESSES

Succession planning in small scale business is associated with the transfer of ownership and management to the next generation. This has been found to contribute to firm growth, survival and to organizational success in general (Kellermanns&Eddleston, 2006). Ellis and Ibrahim (2006) noted that succession planning is important to an effective succession of small businesses. The practice of succession planning includes the quality of the successor, the gradual transfer of power and leadership to the next generation as well as the participation of family and non-family members in the succession process are critical to an effective succession process and to the continuity and survival of the small scale businesses from generation to generation (Ellis & Ibrahim, 2006).

However, (Kellermanns&Eddleston (2006) cited lack of succession planning as a major cause of the high mortality rate in small scale businesses and noted that succession planning does not take place in most small scale businesses. It is against this background that this study was conducted to determine the influence of manpower training on longevity of small scale businesses in Makurdi Metropolis.

III. OBJECTIVE OF THE STUDY

The main objective of this study is to determine the influence of succession planning on survival of small scale businesses in Makurdi metropolis. The specific objective is to determine the influence of manpower training on longevity of small scale businesses in Makurdi metropolis.

IV. RESEARCH QUESTION

What is the influence of manpower training on longevity of small scale businesses in MakurdiMetropolis?

V. HYPOTHESIS

There is no significant difference in the mean responses of male and female entrepreneurs on influence of manpower training on longevity of small scale businesses in Makurdi metropolis.

VI. METHODOLOGY

In the methodology, the study adopted survey design and the study was carried out in MakurdiMetropolis of Benue State Nigeria. Simple random technique was used for selecting sample of 120 business owners registered with Corporate Affairs Commission from a target population of 560. A structured validated 10-item questionnaire developed by the researcher called: Manpower Training of Successors Ensures Survival of Small Scale Business (MTSESSSB) questionnaire was used for data collection. The validated instrument was tested for reliability using Cronbach Coefficient alpha method which yielded a reliability index of 0.71. The MTSESSSB is a five-point Likert type questionnaire consisting of 10 items with Strongly Agreed (SA) rated 5, Agreed (A) rated 4, Undecided (UD) rated 3, Disagreed (D) rated 2 and Strongly Disagreed (SD) rated 1. This rating stands for positive statements while for negative statements the rating is reversed as 1, 2, 3, 4 and 5 for Strongly Agreed, Agreed, Undecided, Disagreed and Strongly Disagreed respectively. The respondents were asked to tick the options that apply to them (✓) and any mean weight above 3.0 is agreement while mean weight of 3.0 and above is disagreement.

VII. RESULTS

The research question was answered using mean and standard deviation while the hypothesis was tested at 0.05 level of significant using analysis of variance.

Research Question

What is the influence of manpower training on longevity of small scale businesses in Makurdi metropolis?

The result of the data analysis to answer this research question is presented in Table 1

Table 1 Mean Scores of Male and Female Entrepreneurs on Manpower Training of Successors Ensuring Survival of Small Scale Business

S/N	Items	MenStd.	Female Std.	Mean	Dev.	Mean	Dev.	Decision
1	Formal education broadens the successors' skills and knowledge for effective control of business	3.85	3.73	3.85	0.73	3.63	0.62788	Agreed
2	Entrepreneurial mentoring improves successors' innovation/creativity for survival of business	3.70	3.70	3.70	0.71863	3.55	0.63851	Agreed
3	Training and developing ensures smooth transition and survival of small business	3.75	3.70	3.75	0.70263	3.60	0.63246	Agreed
4	On the job training increases the intellectual ability of successor for sustainable performance	3.75	3.75	3.75	0.62643	3.73	0.59861	Agreed
5	Small businesses thrive when successors are trained on effective resource management	3.70	3.70	3.70	0.71863	3.62	0.66747	Agreed
6	Involvement of would-be successors in decision making does not enhance their ability for positive results	4.00	4.00	4.00	0.77943	3.82	0.74722	Agreed
7	Acquisition of technical skills enhances successors' operational ability to manage small business	3.75	3.75	3.75	0.77133	3.65	0.69982	Agreed
8	Workshops and business conferences do not equip successors for challenging tasks	3.95	3.95	3.95	0.59323	3.82	0.63599	Agreed
9	Business owners must be educated to take proactive steps to plan for the future leadership needs of their business	3.75	3.75	3.75	0.77133	3.78	0.76753	Agreed
10	A well-developed successor is proactive and plans ahead for sustainable results	3.95	3.95	3.95	0.59323	3.85	0.62224	Agreed
Cluster Mean				3.823	0.71			

Source: Statistical Package for the Social Sciences (SPSS)

Results in table 1 showed that all the items have mean rating greater than the criterion mean of 3.0 indicating that manpower training ensures survival of small scale business in Makurdi metropolis.

To ascertain if the difference in mean response was significant, hypothesis was tested at 0.05 level of significance.

Testing of Hypothesis

There is no significant difference in the mean scores of male and female entrepreneurs on influence of manpower training on the longevity of small scale businesses in MakurdiMetropolis.

Table 2: ANOVA Test on Influence of Manpower Training on the Longevity of Small Scale Businesses

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.323	1	.323	2.775	.098
Within Groups	13.721	118	.116		
Total	14.044	119			

Source: Statistical Package for the Social Sciences (SPSS)

Table 2 shows that calculated F value 2.775 was not significant at 1 and 118 degrees of freedom. Since P value (0.098) as provided in SPSS output, is greater than alpha value of 0.05 (P=0.098 > 0.05), the result is not statistically significant. The null hypothesis was therefore not rejected. This implies that there is no significant difference in the mean responses of male and female entrepreneurs on influence of manpower training on the longevity of small scale businesses in Makurdi metropolis.

VIII. DISCUSSION OF FINDINGS

The research work focused on Succession Planning and Survival of Small Scale Businesses in Benue State with the aim of finding out influence of manpower training of successors on longevity of small scale businesses.

From the analysis of data collected in the course of the study, the following findings were made:

The study revealed that succession planning with regard to manpower training of successors ensures the longevity of small scale businesses. In other words, if prospective successors are properly trained, small businesses will transit beyond the generation of first entrepreneurs.

This finding is consistent with the view of Seymour (2008) who states that company that does not have a formal succession plan can invite detrimental effects to the business, if the necessary skills are not nurtured and developed.

The result of hypothesis tested showed that there was no significant difference in the perception of male and female entrepreneurs as evidenced by analysis of variance result.

All the respondents agreed that manpower training of successors ensures survival of small scales businesses. The finding here agreed with the view of Rothwell (2007) that deliberate and systematic efforts should be made by organizations to develop intellectual and knowledge capital to ensure continuity beyond the first generation of the owners.

IX. CONCLUSION

The study concludes that manpower training of successors influences the survival and growth of small scale businesses. When prospective successors are properly trained, small businesses will survive after retirement or death of first generation entrepreneurs. Since all human beings are mortal, it is imperative for any organization's long term stability, growth and survival, to always look beyond the incumbent leader and develop strategies and policies that will create conditions for smooth succession.

X. RECOMMENDATIONS

Based on the findings of this research work, the following recommendations are given:

1. The study recommends that since training and development affect the survival of small scale business after retirement or death of first generation entrepreneur, the owners of the companies should propose successors for their business in good time so as to allow enough time for training that could see their business survive through several generations.

2. There should be a government policy on frequent training for businessmen in such areas as financial management, strategic management and human resource management that are paramount in the survival of any business.

3. Since capability of successor affects the survival of small scale business after retirement/death of first generation entrepreneur, formal education should be emphasized that would broaden the successor's level of knowledge and skills. The successors should also be allowed to run the businesses some times to enable them acquire the required skills hands on.

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AUTHORS

First Author – Prof. Patrick L. Akpan, Department of Business Administration, NnamdiAzikiwe University Awka, Anambra State, Nigeria, Email:nsek3882@gmail.com, Tel: +2348033373788

Second Author – KaluAgwuUkpai, Department of Business Administration, NnamdiAzikiwe University Awka, Anambra State, Nigeria, Email:emmaukpai@gmail.com, Tel: +2348029820490