International Business Management 5 (6): 408-414, 2011
ISSN: 1993-5250

Managing a Corporate Dynasty: Succession Management Strategies of Nigerian Companies

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Abstract: This study examines the various strategies corporations and family owned businesses employ in selecting and grooming successors as well as the forces that shape succession culture of Nigerian firms. Case Study Method was adopted and two firms were studied in detail. The study revealed that unlike family owned businesses, corporations have articulated and long term continuous succession culture. The succession cultures in the former are by accident and never by design as most managers do not retire voluntarily rather were forced into retirement by death or sickness. It is recommended that succession planning be made an integral part of firms' long term strategic plan. Also, every succession strategy adopted should be able to develop the total person, attract talent to the firms and maintain continuity while fostering a state of perpetual renewal.

Key words: Succession planning, Nigerian firms, family owned businesses, corporate successors, strategic plans, Nigeria

INTRODUCTION

Businesses both family-owned and corporations are expected to operate in perpetuity. The going concern concept in accounting confirms the assumption that all business should operate from year to year into the unforeseeable future without discontinuity. Most businesses start as micro-venture managed by their owners and founders and then some grow into very large business empires. As the business continue to grow their founders and managers also get older that though the desire to continue running the business may still be there, their bones may become weak for that to happen (Nnabuife and Nkamnebe, 2008). The need to handover to the next generation therefore becomes imperative.

Succession management is all about taking predetermined steps to make sure that business continues moving when the founders or generation of managers should exit the business. It involves the transition of managerial decision making in a firm from one generation to another so as to ensure successful continuation of the business. Research evidence according to Matt Paese revealed that the average life expectancy of a generation of managers is 24 years and this is also the average tenure for the founder of a business.

As can be seen from various Nigerian experiences to successfully pass a business down from one generation to another is an uphill task. A time span of 3-5 years may be required. To minimize the psychological and financial crisis which usually arise during transition, a good succession plan is required. Such plan must be proactive in the sense that it should include planning for both regular succession (retirement, planned promotion) and for eventualities such as illness, fatalities and resignation. This type of managerial action has to do with human resource management. The individual that has been identified with the potential or skill to occupy a top position will require mentoring by the incumbent. It is expected that every organization has a retirement age when the old hands retire to allow the fellow who may be referred to as the heir apparent to step in.

Business succession is a process and not an event and therefore takes a long stretch of time before leadership is transferred to the next generation. It is pertinent to note that it is not only assets and decision making powers that are being transferred. Rather, contacts, skills, business culture, goodwill and identity are other items to be transferred from one generation of ownership to the next.

This study is important, especially in the Nigerian context of today where the failure rate of family firms due to succession problem is very high succession challenges are critical issues in business sustainability that should not be given fire-brigade attention. The issues in succession management are complex and interwoven with many human elements. According to Parker (2007), the issues encountered in managing succession are generally human ones. In other words, they revolve around relationships, individual attitude and experience, business and family culture as well as the values involved. Succession not only in Africa is usually influenced by emotions, subjective criteria and family history factors. Towards this end, this study will attempt to:

- Identify various strategies which Nigerian firms adopt in succession management
- Investigate whether there is a continuous succession management culture or whether succession is done according to prevailing circumstance
- Determine main qualities needed in a successor as well as factors that shape a firm's succession culture
- Identify the major challenges facing both family owned businesses and corporations in succession management

LITERATURE REVIEW

The nature of succession management: Succession management is the process of ensuring that top-level management positions are filled with suitable and prepared managers through either identifying and developing management talent within the organization (career management) or through recruiting suitable candidates from other organization (Paese *et al*., 2005). In order to achieve this, replacement tables, development plans, list of names have to be developed along with a succession management strategy, executive profile and organizational process to identify potential, assess readiness, accelerate management development, assign management accountabilities and measure succession success. Succession management otherwise called succession planning can also be seen as the preparation for the replacement of one high ranking employee by another, usually prompted by retirement or resignation. Succession management involves preparing the new employee before the old one leaves, possibly with training or through work shadowing. A legal description of success entails passing of property to persons upon the death of the owner of the property (Animashaun and Oyeniyi, 2002). However in the business world, it is not compulsory that the owners/managers must die before the issue of succession can arise.

The owners/managers may choose to retire and enjoy the rest of his life after a hectic working life or he may be compelled to retire for health reasons. In the view of Ogundele and Idris (2008), Nigerian businessmen and entrepreneurs hardly retire voluntarily retire. They usually die in active service or are forced to retire by a health catastrophe such as stroke or hypertension. From the foregoing, it is clear that succession management has to do with taking pre-determined steps to make sure that a business continues moving when the founders or generation of managers should exit the business.

Why succession management: Succession management is critical in every firm, especially at the senior level positions in order to avoid organizational crisis caused by absent or inadequate top management. Especially in Nigeria, succession management ensures that external influences should not take over the business and that the control resides within the family or among some collection of existing related shareholders. In addition, succession management minimizes the psychological and financial crises which usually arise during transition.

In many instances, especially in family-owned businesses, there could be bloodshed, threat and conflict when business transition is not well conducted. That means that attempts should be made to make succession management a critical aspect of human resource unit. As the workforce ages and the competition for skilled employee became even tighter, the need to be proactive and implement a comprehensive succession plans in imperative to the future of both small scale and large business.

Benefits of a comprehensive succession management: Profits derived from putting in place a comprehensive succession culture can be summarized in the four ways as:

Smoother transition: A highly tuned succession process can help to ensure that incumbent leaders take significant responsibility for grooming their heir such efforts result in smoother transition.

Reduce managerial entrenchment: A well managed Succession Programme can reduce the problem of a situation whereby a chief executive officer or prominent manager refuses to step down even when he is performing badly or their retirement is long overdue.

Talent development: It is always better to guide business leaders through the business than recruit a stranger from the market. Through succession management, competent and respected leaders can contribute to staff commitment and talent attraction in a positive ways.

Appreciation by investors/potential buyers: A business reputation and ranking go high if the firm has a process that can provide a suitable successor within the employees easily or flexible and sophisticated enough to recruit from the outside if the right skills are not available within.

Key influences on a firm's succession process: Succession management strategies, especially in corporations need to consider the following elements since they impact significantly on a firm's plan:

- The long term goal/direction of the firm
- The key people/positions that need to be developed for the future
- The career paths which most talented people in the firm are following
- Firms' culture on whether to wait for positions to open up before promoting someone or make opportunities available for individuals as they mature to keep them challenged and avoid losing them to competitors
- The level of development of the firm and the market structure of the industry where the firm operates
- Legal and regulatory provisions

In most family owned businesses, major influences comes from the founders' reluctance to let go of power and control, feeling of jealousy and rivalry towards the successor, the founders' spouse reluctance to let go of role in the firm and favouring of one sibling over the other. In addition some employees may find it difficult to let go of personal relationship with the founder. Indeed some cultural values, especially in Africa such as the number of economic dependents on the founder influences succession. Founder's friends and associates who are still working cal also influence the succession strategies of a firm.

Causes of succession management failures: Many factors on their own or in conjunction with other factors contribute to failure of succession processes in many enterprises. Matt Pease suggested the following factors as the root causes of succession management failure.

Failure to focus on the development of the total person: When assessing individual capability, it is essential to know where the individual stands in the following areas, knowledge (what he knows), experience 9 what he has done), competencies (what he is capable of doing) and personal attributes (who he is). An effective succession management should capture all the areas especially the motivational and behavioral disposition which account for >60% of what makes a good leader. The best way to attain a complete picture of the total person is through assessment centers.

Absence of talent strategy: Most organizations lack a cohesive organizational strategy when it comes to talent. The consequence is that though the best tolls available are used the firm could not deliver in the area of succession management. A good succession management must provide clear position on the questions such as: Does the firm needs more leadership talent and why? What type of leadership are we looking for? Do we need some leaders to accelerate faster than others? etc.

Confusing identification and assessment: Identification of potential leaders and talents is the first step in growing talents and can not be considered synonymous with assessment.

Usually after senior leaders have developed a list of high potential candidates there is the need to move into the second stage which is accurate diagnosis of development needs, type of training needed and unique experience the candidates need in order to excel. A combination of simulations, inventories, multirater instrument and behaviour-based interviews offer an in-depth assessment of high potentials' development needs in competencies and derailers.

Failure to provide dynamic development: The development of high potentials should be strategically guided by leadership bench mark, clear learning process with specified objectives and measurable accomplishments. Most effective development strategies include a combination of:

- Job assignment (key responsibility in a position or taskforce of 6 months or a year)
- Short term experience such as working with people from different cultures, participating in a team project or observing a unique role model
- Targeted training and executive education in order to acquire or improve specific skill
- Professional executive coaching

Not setting clear accountabilities: In firms where senior team members are very clear on their talent management accountabilities, peer pressures among team members contribute significantly to developing new talents and vice versa.

Failure to measure accomplishment: Progress in succession processes must be tracked. Critical measurement falls into two categorie; measures related to the effectiveness of the initiative and measures related to each individual potential development progress. This is important study as to determine whether or not thee individual is developing as planned as well as when he will be ready to be promoted.

Steps in developing a succession strategy: In developing a succession strategy business researchers such as Fischelti (1997) and Nkamnebe suggested that it must include the following steps of understanding the context in which the succession is to take place, identifying successors qualities, controlling key succession influences and the final implementation of the succession plan.

Understanding the contextual aspect: A good succession strategy starts with understanding the context under which the succession is based. Time is of great essence in succession planning. Osborn and Groom suggested 5-10 years. However, the important thing to note is that succession management can be compared to raising children as responsible adults. Market condition, business owners' decisions and government regulatory provisions can also make replacement of one generation of managers imperative or swift.

Identifying successor qualities: Chrisman identified various attributes of a good successor to include good health of mind and body, maturity, high degree of resourcefulness, team work, excellent communication skill, planning and organizing abilities, alertness, enthusiasm about the firm thoroughness and a reasonable amount of aggressiveness. It is relevant that successors possess the qualities of being a quick learner possess talents that can be developed, fundamental honesty and an eye for detail.

Managing the key succession influencing factors: There are many influencing forces that help to shape a firm's succession culture. These factors have to be managed in the favour of the firm in the succession process. Apart from factors the family and business culture issues owners' personal motivation and education level of the candidates needs to be considered while designing succession strategies.

Implementation of succession plan: Lasberge (1993) suggested four steps in implementing a succession plan:

Identifying the successor: Many mechanisms could be used to identify the right choice. In some cases, experts and consultants are used.

Groom the heir: The successor needs to be trained and equipped with necessary skills and knowledge.

Develop a platform for transfer of power: There is the need to design a series of meetings and programmes to ensure an orderly transfer of power and smooth flow of operation.

Recruiting from the outside: This decision could be taken if it is clear that qualities needed are not within. The issue of ego which may prevent the owners/managers from letting go of the business and stepping aside should be dealt with.

Succession and exit strategies of most businesses: GlaxoSmith-Klin's decision to let three well-qualified internal candidates to compete to become the CEO has brought in new strategies for handling succession in business world. These three candidates were to take on yearlong CEO level project and at the same time rethink and develop new supply chain management, improve product safety and redefine sales and marketing. The firm also invented a parallel process of selecting the right heir; it consisted of a confidential outsider-led appraisal of the candidates from 14 executives who had directly worked with the three candidates. The 14 executives were asked the following questions about the candidates; What were the candidates' worst decisions? What are their weakest leadership qualities? Whose capabilities are the most suited to meet the company's strategic needs? Whose temperament, passion and work style best match the company's culture and strategy?

Another 450-degree assessment reviews which was later conducted on the three candidates yielded a comparable result with what was observed from the interview and the CEO-level project. This approach led to the selection of Andrew Witty, the unlikely winner in part because he was the youngest of the three candidates. However, the other contenders who were offered substantial shares in the firm and seats on the board but they left the company 1 year later (Carey *et al.*, 2009). From the foregoing, there is no hard and fast rule on the strategies to be adopted in managing succession. Every firm needs to determine its critical needs and work in that direction. Moreover, family-owned businesses which constitute >60% of business enterprises in Nigeria according to Ogundele and Idris (2008) employ the various under listed succession strategies.

Transfer to family members: Although, this is the most popular strategy for most Nigerian family-owned businesses, it is shaped by a host of factors some of which are the role of the owner in the transition stage which of the relatives should be given key position how loyal and long serving employees should be treated and whether the heir is well groomed to take over the business.

Transfer to non-family members: This approach is adopted due to absence of competent family members who is interested in the business or for some other personal reasons. Two available options in this strategy are to train an identified key employee and at the same time retain some equity in the business. The second is to hire a manager from the outside to manage the business.

Exit or harvesting strategies: In this approach, the owners/generation of managers chose to leave the business completely. Hisrich and Peters (2002) enumerated five ways of harvesting or exiting the business which include:

- Going public
- Leveraged recapitalization
- Direct sale of the business
- Management buy-out or management/employee buy-out
- Employee Stock Option Plan (ESOP)

Problems of succession management in Nigeria: Succession management in Nigerian businesses is facing a lot of challenges which could be externally or internally induced. Succession problems that are externally induced include:

- Governments' policy on recapitalization; a change in the capitalization requirements as seen recently in the financial sector could result in a merger (forced succession)
- Legal requirements and regulatory agencies provisions the legal requirements stipulated by regulatory agencies or industry practices may create sustainability problem for a firm
- Management misfit or a group of senior managers can deceitfully select an incompetent person because of one or two favours/stakes they need to protect in the firm

Internally induced problems include:

- Lack of succession planning. Most Nigerian businessmen never give a thought to the need to prepare an acceptable successor in the event of their exit
- Cultural belief that the first male child is the apparent heir to the business of the father is also a problem
- The rivalry between siblings and spouses especially in the demise of a polygamous business owner
- The usual assertion by the external family members that the assets of their dead relative belong to them
- Lack of adequate insurance cover

MATERIALS AND METHODS

Case study method of research design was adopted in the study. Two cases firstly succession management in a corporation and secondly succession management in family owned businesses were studied in depth. The two cases were Cadbury Nigeria Plc and Henry Stephens Group Nigeria Limited, respectively. Both primary and secondary data were used in the study. Secondary data were drawn from journals, books, records of theses firms and online articles while primary data were got from interviews.

RESULTS AND DISCUSSION

Two cases were studied in detail: Cadbury Nigeria Plc and Henry Stephens Group Nigeria Limited. The findings would be discussed under the headings; succession philosophy succession strategies, qualities needed in a successor and succession challenges.

Case 1; Cadbury Nigeria Plc: Cadbury Nigeria Plc is one of the biggest manufacturing firms in Nigeria and its stocks are traded in the stock exchange which means it is publicly owned.

Succession philosophy: Deputies are not necessarily the automatic successor since, that will breed complacency since they are guaranteed to enter the new position. In Cadbury, you have to justify every promotion you get. The succession philosophy of Cadbury is to maintain continuity while fostering a state of perpetual renewal. What is critical is the firm's ability to perform successfully across generations of management? That requires a culture that can be passed down from generation to generation.

Succession strategies: Cadbury Plc starts early to look for successor to a position and took time to develop and train him. It is a long process that span 8 years or more. There is no law against selecting outsiders but in Cadbury, the successor to be must have spent some time in the firm where he would be groomed. Ordinarily, transition from one chief executive officer to another takes 2-3 years. The dimension of Managing Director (MD) and Chief Executive Officer (CEO) are separate.

The dimension of CEO is added 3 years after one becomes an MD. Identifying a successor in Cadbury is the number one step in managing succession. A list of potential successors is developed by the search team which is made up of the CEO, executive and non executive directors. The search is not limited to the people at the top level alone; the search team looks further down the corporate line in order to locate exceptional people who will be developed and trained. In Cadbury, a position called controller is created specifically for training people who have shown potentials to become the MD. Controllers normally supervise 2 or 3 senior managers and were assign key strategic responsibilities such as head of task force in order to groom and study them. Controllers attend board meetings and participate in decision making. This is to enable the search team assess at a close range, the way they think and react to issues. Controllers are assessed periodically and ones whose performance is poor are asked to step down. In the same vain, other exceptional and promising leaders identified within the period are promoted to become controllers. After a successor is selected in Cadbury, he is usually given formal training on management and leadership in London Business School or other world class management training institutions. As has been noted already, transition from one CEO to the other takes between 2-3 years. However, if the next CEO is totally ready from all points of view then the transition will be done overnight.

Successor qualities: In Cadbury, a successor should not only be intelligent but must be an excellent communicator; someone that can take the firm to the outside world. A successor must have love for learning and learning well. His relationship with people is paramount to Cadbury. A successor should have respect for people. He should give people chance to succeed, believing that there is some elements of goodness in them. Anyone who counts people off or says this person is bad or untrustworthy does not qualify to be a successor in Cadbury. A successor must be competent basically in whatever he is doing now, able to accommodate other functions and learning new ways of handling things. From the foregoing, it is clear that Cadbury has a continuous succession management culture and that successor is by design not by accident.

Case 2; Henry group Nigeria Limited (father to son succession strategy): This firm, a family owned business typifies what is obtained in most family owned businesses which constitute >60% of businesses in Nigeria. Henry Stephens Group Nigeria Limited is perhaps the Nigerian largest conglomerates. It was established by Chief Henry Fajemirokun from nothing to 18 companies. Currently, there are >33 companies under the group. Like most Nigerian family-owned businesses. Henry Fajemiroku did not deliberately groom his son to succeed him. In fact, he vowed that none of his children would inherit property. He trained his children to be independent to survive without him; instead of giving them pocket money he made them work for it. Henry died, leaving his eldest son Dale to manage his business empire at young age of 27.

Succession philosophy: Like most Nigerians, Henry would prefer his children to be his successor. There is therefore, the need to groom them. The heir apparent should be given the best education available. They should attend the best schools and read courses relevant to business such as economics. The children should be taught to be independent and to survive without their family wealth, they must work for money they are given. Apparent heir should not while away time in laziness; they must work even during holidays. They should work in various companies, various departments and various positions especially in bank in order to garner much experience and skills.

The children should be made to work under supervision under strict boss. They should be exposed to working with people from different cultures, especially as manager-in-training. The children would imbibe corporate spirit if they grow up in cities that are business inclined so, they need to be exposed to such cities. The children would also be encouraged and allowed to establish their personal firms. T-Cass Nigeria Limited, a communication consultancy firm was established by Dale few years before stepping into his father's shoe.

Succession strategies: Henry before his death employed a reputable academic and administrator Professor Ayo Ogunsheye to coordinate the firm and give it stability while he provides the vision the leadership and entrepreneurial spirit. Dale did not step into his father's shoes immediately; rather he worked as second in command to the professor. Dale was meant to understudy the professor. His academic and social status provided a comfortable shade for Dale until he was ready to step into his father's shoes. In addition, proper documentation was another strategy which Henry used to groom his son. Henry was very good at keeping records.

He had a dairy where he recorded his thoughts, his management style, his actions and reactions to situations. This provided the son with an insight into his father's management and leadership style. It was also discovered that selecting a successor in a family owned business should not be a family affair. Top level managers, associates and investors should be part of the search team. In most cases, an investor could be a better successor.

Successor qualities: Strong determination to succeed, well focused, ability to separate family ties from business responsibilities, excellent negotiating skills, ambitious, ability to meet target and overlook faults as well as decisiveness.

Succession problems: Major succession problem observed were internal wangling and rivalry, especially in polygamous homes, anxiety and fear that the business may collapse, request of family members and so-called loyalists to be given one or two assets, sentimental issues withdrawal of key employees who may not be comfortable with working with new successor, rumours and mischievous reports from the media and members of the public.

The major challenge facing succession in family owned business is the inability of the owners to evolve a well thought out succession plan because most business owners do not want to retire voluntarily. They are forced into retirement either by death or sickness. That means that succession in most family owned businesses is by accident and never by design. In other words, there is absence of continuous succession culture.

CONCLUSION

This study has established that while corporations have articulated and continuous succession culture most family owned businesses do not have a deliberate succession arrangement. In fact, succession in these family owned businesses is by accident since most of them are forced into retirement by sickness or death. Little wonder there is high rate of business failure once the founder/owner dies. Succession problem prevalent in family businesses could be reduced if business owners and managers should see succession as integral part of management function and approach it strategically. Having established the various strategies for identifying and developing successors, efforts should be made to evaluate the effectiveness of these strategies as well as their relevance in achieving a firms long term goals. Indeed, firms are not expected to have the same succession culture since , they have different forces that shape their succession culture. However, any method adopted must be able to develop the total person, attract talents and easy to track and measure.

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