THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

Causative Explanation of the Causes of Family Business Failure in Nigeria

Animashaun Bashir Olalekan
Associate Professor, Department of History and International Studies,
Lagos State University, Ojo, Lagos, Nigeria
Lawal Olawale
Professor, Department of History and International Studies,
Lagos State University, Ojo, Lagos, Nigeria

Abstract:
The failure or collapse of businesses is a common occurrence in Nigeria. Though business opportunities do not cease to spring up, but their prospects of survival continue to hinge on the conditions obtainable within the volatile Nigerian operational environment and the specific strategies put in place by the respective business owners. This is most especially true of the operations of family businesses, which have for several decades, occupied prime position in the economic and social landscape of Nigeria. This paper using the historical narrative and analytical method provides a historical perspective to the factors that often lead to the failure and disappearance of many family industries and enterprises in Nigeria. With a conclusion that efforts are geared towards engendering conducive structural and cultural practices that would facilitate the viability and sustainability of family businesses for the overall economic prosperity of the country.

Keywords: *Family business, Nigerian economy, failures*

1. Introduction

The failure or collapse of businesses is a common occurrence in Nigeria. Though business opportunities do not cease to spring up, their prospects of survival continue to hinge on the conditions obtainable within the volatile Nigerian operational environment and the specific strategies put in place by the respective business owners. This is most especially true of the operations of family businesses, which have for several decades, occupied prime position in the economic and social landscape of Nigeria.

Nigeria, in the past, had the fortune of being at the epicentre of industrial and commercial activities in the West African sub-region and the African continent as a whole. Many factors that combined to see Nigeria rise to that level of economic prosperity include deliberate government policies (such as the indigenization decree of 1976) which wrestled economic control from the hands of expatriates and gave preference to local control - to a degree; the provision of a conducive environment which allowed the development of business initiatives without fear of disruptions as well as policy incentives that facilitated entrepreneurship, such as the flourishing of family businesses and industries. Though these factors were responsible for the rise and frontline role of family businesses as the pillars and drivers of the Nigerian economy in the 1970s and 80s, and conversely, the absence or inadequacy of these factors coupled with the prevailing management culture can be largely attributed to the failure and collapse of family businesses in the country.

This paper is concerned with providing a historical perspective to the factors that often lead to the failure and disappearance of many family industries and enterprises in Nigeria. The paper disaggregates this discourse into five major parts. The first part is the introduction. The conceptual framework is the focus of the second part. The third part examines the features of family businesses in Nigeria. The fourth discusses the central theme of the paper by identifying -with specific examples- the factors responsible for the decline/demise of family businesses in Nigeria. Lastly, the final part concludes the paper.

2. Conceptual Clarification

A family-owned business simply refers to any business venture owned wholly or majorly by family members who also make major decisions that shape the operations and values of the business. A leading definition of the concept is the one offered by the family by Chua et al. (1999), in which it refers to "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families." This definition is important as it features the category of family ownership in the management and direction of business ventures, which is clearly distinguished from non-family business ownership. More explicitly, family business differs from other forms of business based on the characteristics identified by Naomi Birdthistle and Roy Hales, R (2023) to include: active family involvement in the business, significant family ownership, a long-term orientation with a focus on legacy and continuity and the influence of family values and culture.

3. Family Business and the Nigerian Economy

In terms of historical existence, persistence, resilience, and prevalence, the family business takes precedence over other forms of enterprise in the world. Thus, according to Collins & O'Regan (2011), family businesses precede other forms of market structures in the history of the world economy. It is regarded as one of the major drivers of economic growth and development in the world as it accounts for 80% of all businesses around the world, 70-90% of global GDP, 50-80% of jobs in the majority of countries worldwide and 85% of start-up companies (Wale-Oshinowo, 2023).

Specifically in Nigeria, where it is reported that 50% of businesses in the country are family-owned, it is disclosed that there were approximately 23.8 million family businesses in the country, responsible for millions of jobs and collectively contributing around $200bn annually to the nation's economy. Furthermore, it is believed that as family businesses evolve, they will continue to be at the heart of Nigeria's economic and cultural identity, powering the nation's economy and shaping its future for future generations while ushering in a new era of growth, sustainability, and global competitiveness (The Guardian, October 13, 2023).

Given the dominant role of family businesses and their importance to the economic development of Nigeria, it is therefore essential to pay attention to factors that aid them in flourishing and those that hinder their survival. More so, despite their pivotal role in the economic fortune of Nigeria, it is reckoned that only about 30 per cent of Nigerian family businesses survive past the first generation (The Punch, April 13, 2024). Beyond the statistical position, it is commonplace in Nigeria to see many previously functional warehouses and manufacturing powerhouses filled with church activities while others are inhabited by miscreants. Once flourishing companies are now shadows of their glorious past or totally non-existent. Family enterprises, in which families owning or controlling a sizeable percentage of all businesses were part of the backbone of the Nigerian economy, have mostly disappeared. Efforts that have been made to present some of the dire situations have largely been prescriptive; a review of notable family businesses, as featured in the next section, would suffice to provide historical insights into the phenomenon.

4. Factors Responsible for the Collapse of Family Business

Certain factors can be attributed to the collapse of the family business. They include poor succession plans, family conflicts, generational differences, poor strategic planning, and the non-application of fundamental principles of business.

4.1. Poor Succession Planning

A major reason for the failure of family businesses is due to poor or lack of succession plans. A survey of many family businesses in Nigeria that have gone moribund shows that many of them did not have a succession plan in place, and only half of those that did had designated a specific person to take the reins (Egbomeade, 2023). The above factor played a very important role in the collapse of most family investment in Nigeria in the last three decades. The case of Hotel De James in Badagry and Hotel Bobby on Ikorodu Road is a painful reminder of the difference between having a credible offspring as a successor to take over the business and having a feasible succession plan. While Hotel De James was the biggest privately owned leisure and lodging resort in the Badagry division, Hotel Bobby was one of the major leisure areas and a high-flying lodging facility for Lagos socialites. The death of the owners of the Hotel facilities, however, left them in a total state of squalor, leaving the facilities at the mercy of rodents and reptiles who lodge there for free. The owners of the hotel facilities, like most primordial entrepreneurs, became too caught up in the day-to-day challenges of the business but did not map out training to equip those who would take over the hospitality business. Succession, however, requires a multi-stage process of growing involvement, and it is crucial for predecessors to dedicate time to creating a business roadmap. Planning cannot be done in isolation of the family, or you are planning to fail. Advisers typically make the mistake of promoting planning only with the controlling generation. This experience is replicated in many family-owned businesses and enterprises in Nigeria.

Another cognate example of this is the popular Okoko Nail Company, which produced nails for Nigeria and even states in the West African region. The major contour of this company was the fact that many hands were left behind to succeed the owner without any of them adequately crystalized to understand the nitty-gritty of the manufacturing company. Today, the company manages to produce a few nails and focuses more on hiring trucks to designated points in Nigeria and beyond. The new focus of the Nail manufacturing company totally negates the vision and mission of the Founding Fathers.

4.2. Family Conflict

Related to the above is family conflict. Many family businesses fold up as a result of a lack of mutual support among relatives, which is key for instilling loyalty towards the family business. The African society and culture of layers of families within a family create squabbles that kill the business initiatives of the family patriarch. The case of Odus Bakery in the confectionary industry is a classic example of the demise of a laudable business venture due to family squabbles. The death of the major stakeholder and the differences among other family members played a vital role in the collapse of the bakery. In the Newspaper industry, family rancour led to the demise of many of its staples. Today, **Concorde Newspaper,** established by Chief MKO Abiola, among others, is a good example of this. Many of these rancours are not the direct reason why these businesses die. Even when a business is not owned by a family, the rancour sometimes rears its head. Instead, there is a lack of procedures that help manage conflict in an objective and productive manner. This lack of objectivity in seeking resolution is often responsible for the closed and combative consciousness in business-related family conflicts. So, seeking outside help is often necessary to help the family out of seemingly unresolvable issues.

4.3. Generational Difference

One major lesson from the popular CNN programme, the 100 Club, which celebrates companies that are 100 years old or older, is the blending of generational techniques to grow a business. Most businesses die in Nigeria when new-generation handlers treat old business ideas as shibboleths. Generational conflict can hinder the growth of the business, especially if there is a disagreement in Core values and missions. In the confectionery industry in Nigeria, for instance, the cases of Wilson Bread and Kass Chickens seem to have suffered from generational differences in business methods. The case of Wilson bread is the story of the two Wilsons – the father and the son. The Wilson bread is very popular in the eastern part of Nigeria, effectively starting from Asaba before crossing the Niger Bridge to the Igbo hinterland. Daniel Wilson was a household name and a pop musician. However, when the music industry lost steam for him, he ventured into the family business- baking the Wilson Bread at Sabo Lagos (see Wilson, 2009). The case of Kass Chickens is also closely related to that of the Wilsons. It was a case of father and son, and the generational difference played a vital role in the eventual demise of the business. Soon, many new generational ideas crept into the business, and the business collapsed. The next generation should be careful not to reject established work methods and entrepreneurial vision, just as predecessors should demonstrate flexibility in exploring new management strategies and ideas for innovation.

4.4. Poor Strategic Planning

The Nigerian textile, paper mill, confectionery, manufacturing, and stores have all had a profound impact on the growth of commerce and industry in Nigeria, and many of them belong to prominent business families in Nigeria. Many of them indeed flourished because there was no time-tested challenge to their strategic planning. However, the Bretton Woods intervention in Nigeria's economy through the introduction of the Structural Adjustment Policy (SAP) in the 1980s had a profound negative effect on the business initiatives of many Nigerians. The programme, which was first introduced in Nigeria in July 1986, was a short-term economic reform programme and was expected to end in June 1988. The programme was aimed at altering and realigning aggregate domestic expenditure and production patterns to reduce import dependence, improve the non-oil export base, and ensure economic recovery and steady growth, especially with the decline and crisis the Nigerian economy experienced after the oil boom of the 1970s (Obadan, 1993, 20). The major misgiving about SAP has been its poor implementation and feasibility in the Nigerian business environment.

The need for good planning to create motivation that can sustain the family and business through various trials arose, and many businesses capitulated. In Lagos, Oredola Okeiya was famous for its shoes, which competed favourably with foreign shoe companies in Nigeria. The two friends who owned this company, however, lacked the strategy to meet up with the competition posed by other shoe giants such as Bata Shoes, Lernards and Limson Shoes. Oredola Okeiya relied solely on importation but could also have availed itself of contract manufacturing shoes like Lennards Shoes did with the Bata Factory at Ojota. The consequence is that in the mid-1980s, when Nigeria started to face the forex challenge, the importation of shoes became extremely difficult, and the few ones that were imported were too expensive for the company's customers. Thus, the absence of strategic planning and policies largely informed the collapse of most family business initiatives during this period. Moreover, most of them collapsed because they failed to balance the needs of family with business needs. In most cases, family considerations restrict the strategic aggressiveness within the business.

5. Fundamental Principles of Business Are Not Applicable

Many family businesses have gone to oblivion because of the overt belief in traditional business education and failure to innovate. This traditional business education might have worked for the primordial, but it proved grossly inadequate in later generations of entrepreneurs who took over these businesses. Central issues such as family dynamics, family governance and communication are often overlooked in MBA programmes, business degrees and continuing education courses. A number of businesses die because successive family members fail to identify new dynamics that traditional business ethics are ill-equipped to tackle. In music production history, many wonder what happened to Tabansi Records, Take Your Choice (TYC), Decca Records, PolyGram and even Sony Music. Many wonder further about the whereabouts of many companies that were making waves in Nigeria from the 60s to 1990s, especially in the footwear Companies like Bata Shoes, Lennards, Limson Shoes and Copperfield’s owned by Jide Okunnu amongst others. These companies lost their steam because of a lack of specialized business education. Thus, families who wish to ensure successful succession of their businesses should seek out specialized education in the business family field.

5.1. The Social Circle and Family Business Growth

Although attempts have been made to deny the link between the socially prominent presence of many business owners and the demise of their businesses, extant observation reveals that many businesses die when their owners are not able to strike a balance between social networking for business growth and pure social partying with accompanying heavy spending, such as parting with sizeable sums on musicians who sang their praises. Chief Ebenezer Obey, a foremost juju musician, once exonerated praise singing from the demise of business empires. However, later, it was shown that most of the partygoers who spent stupendously were not able to grow their businesses (Oludare, 2017). Although some of them are still alive and live quite comfortably, they are not able to bequeath a flourishing business to any successor. The major point here is that the display of opulence was often unnecessary when it did not serve any business purpose. Money meant for business growth, including bank loans, was squandered in such ways.

5.2. The Double Sides of Importation and Nigeria's Economy

The importation of goods to a country's economy is like what cholesterol is to the human body. There is good and bad cholesterol, as importation can be both useful and harmful to a nation's economy. Beneficial importation occurs when goods imported are used for manufacturing purposes - that is, they are not ends in themselves; rather, they are used for the production of goods. Many businesses in Nigeria benefitted from the importation of raw materials that were used in many of our local industries. Many companies opened factories where goods were manufactured. Mr. Thomas J. Bata, a Scandinavian, opened his shoe company named Bata at No.78 Broad Street, and that was to be the company's administrative headquarters. The manufacturing wing of Bata was at Ojota, where raw materials were processed to be used for finished goods. Bata is a major footwear manufacturing industry that once dominated the Nigerian footwear market. Bata shoes were indeed a household name in Nigeria. Bata was established as a trading company known as British Bata Shoe Company in 1932. By 1964, the company had become a manufacturing group that produced exquisite footwear, such as Cortina sandals for schoolchildren. The Cortina brand was indeed a sturdy sandal that enjoyed the patronage of a very large section of Nigerians, especially school children. In the Nigerian footwear market, especially in the 1970s and 1980s, it is either "Cortina sandals or nothing." And the patronage of the Cortina sandals cuts across all cadres and made the Bata brand a household name. It was such that for every household with primary and secondary school children, there must be at least a pair of Cortina shoes for each of the children. Despite the company's success story, the Bata shoe company's fortune began to dwindle due to internal politics, which became manifest in the mid-1990s, as well as the harsh economic policies of successive Nigerian governments (Muhammed, 2022). Bata shoes no doubt remain only in the minds of the generation who, in reality, experienced it. Both Limson Shoes, owned by Alhaji Alimi and Lennards Shoes, gave Bata a run for its money. However, the major contour to the development of all these shoe-making companies was the challenge they faced in the importation of raw materials (Muhammed, 2022).

By the early 1990s, only Bata was in minor operation. Bata also faced stiff competition with inferior locally made shoes from Aba and later from importing fairly used shoes from abroad. So, the management of Bata had to choose between folding up and making sub-standard shoes. Harsh economic realities chose the former for them.

5.3. The Culture of Inheritance and the Non-Transferable Nature of Skills

The challenges associated with the culture of inheritance, lack of a succession plan as well as the problems associated with the non-transferable nature of some specialized skills also contributed to the demise of a number of private entrepreneurial outfits, especially in the health, confectionary, textiles and sports sectors of the economy. The above factor is also compounded by disunity among family members. In addition, some service sectors that require highly specialized technical skills, such as the medical field, have the propensity to collapse after the death of the founder of such outfits. This is a result of the non-transferable nature of such skills. Private entrepreneurship in the health care sector is one of the major practices that has been driving activity in health care delivery in Nigeria. The burgeoning of this practice has been recorded in Nigerian societies for a very long time, and in spite of the existence of public health facilities, there was still a remarkable surge in private entrepreneurial efforts in the healthcare sector. However, there has been an observable trend of failure of continuity and survival of some of these private ventures, usually due to old age, as was the case with West-End Specialist Hospital or the death of the proprietor, as was the case with Ajayi Specialist Hospital. The collapse of most the facility is usually a result of a volatile business environment, structural challenges, policy inconsistency, and political and economic instability of the country, aside from the problems associated with the culture of inheritance and the non –non-transferable nature of skills. The demise of most of the health facilities was largely due to the above factors, although there are some exceptions. For instance, the demise of the West-End Hospital, a foremost private specialist Hospital that specializes in Orthopaedic and General Surgery, started with a vision to attain a high level of functionality in health care delivery in Lagos, especially on orthopaedic-related matters. The West-End Hospital, founded by Dr. Olaitan Atunrase, a consultant Orthopaedic Surgeon, was indeed a major reference centre for Orthopaedic cases. The facility indeed maintained a high level of professionalism in the discharge of its duties as a major reference medical facility however, the facility went into oblivion due to the old age of the founder. The death of the founder consequently led to the demise of the health facility. The case of Ajayi Specialist Hospital is another major reference point. The Hospital was one of the leading specialist Hospitals in Lagos. The sudden death of the founder and the absence of a clearly defined succession plan led to the collapse of the health facility.

The above factor also played a very important role in the demise of some Indigenous confectionery companies, such as Okin Biscuits. The story of Okin Biscuits reflects a common development about Indigenous enterprises that flourished and later went into oblivion. Okin Biscuit Factory was founded as a major Indigenous confectionary company by Chief Adesoye, a legendary Nigerian Patriarch. The company indeed competed with other foreign confectionary companies operating in Nigeria. The death of the proprietor, however, led to the collapse of the venture.

5.4. Politics and Business: The Bitter Side Pie

Many businessmen are politicians, and virtually all politicians in Nigeria are businessmen. Simply put, many businessmen make huge amounts of wealth from government patronage. And when they make enough money, some try their hands in politics. Going into politics for established businessmen has checkered effects on such individuals who take the plunge. The furore to politics could have immense benefits for businessmen. However, it also has its bitter taste, especially when the tide turns against the businessman, either when his camp loses general elections or when he takes steps to make him end up in the vortex of politics.

The case of the late MKO Abiola is a perfect illustration of how politics can kill business empires. MKO Abiola was a successful businessman during his days. However, so much turned against him after his great financial fame and political ambition went down the drain when, in 1993, he was denied the right to the presidential seat of Nigeria by the then military head of state, General Sani Abacha. Abiola's investments cut across major sectors of Nigeria's economy, such as banking, telecommunication, education, aviation, oil and gas. Most of these were, at best, drastically affected and, at worst, put to an end with the supposedly ill-fated June 12 presidential election. Almost all his businesses collapsed 25 years after his death (See Vanguard, June 12, 1998).

Summit Oil was an oil and gas firm formed by the late business tycoon in 1990. The company obtained Oil Prospecting Lease (OPL 205) and was located in the Anambra basin, north of the Niger Delta. Summit Oil was a top contributor to Nigeria's oil and gas industry at the time. However, after Abiola's death, not much came out from the OPL 205 in terms of actual production, even today. Economic experts report that its license would have expired by now, with little or no activity going on at the firm. Concord Airlines, with so much expectation and funfair in the Nigerian aviation industry, Concord Airline came into existence in 1990. The airline, which had close to four Fokker 27 aircraft and Abiola's private jet in its fleet, flew high with the popularity of its owner. Regrettably, before it could be counted among the serious players in the sector, it flew into the crisis that came after the 1993 presidential election and met its doom. Abiola Bookshop, located at No. 362 Herbert Macaulay Way in the Yaba area of Lagos, is a building which, according to many, has not felt the stroke of paint brush for many years. Visitors to the bookshop reported that the premises are unkempt and look like a place left neglected. Banuso Fisheries, Berec Batteries and ITT company, the above-named investments, which dealt in animal husbandry, energy and communications, respectively, were also hugely affected after the presidential election in 1993 went against late MKO Abiola (Vanguard, January 27, 2014).

The Abiola case was just an instance of common drives by the government to take deliberate steps to ruin the business interests of their opponents, while many believed that the death of Abiola, and not politics, actually ruined his business empire, there were targeted government policies which were taken even when Abiola was alive, to destroy his business interest (Vanguard, June 12, 1998). One instance was the closure of the Concorde Press in 1992 for six months when the tabloid was critical of the Babangida Junta. A number of politicians have had to lose their business interests to government policies that sometimes target them and create a buffer of collateral damages to many innocent individuals who are not primary targets. Ayo Fayose and Orji Uzor Kalu, amongst others, at some point were victims of unfavourable government policies which killed their businesses. Other views uphold the fact that many businessmen in politics are beneficiaries of corrupt and sharp practices. However, the table only turned against them when their cronies were no longer in government.

6. Conclusion

The vitality of family businesses in the economic progress of every country is undeniably tremendous, and Nigeria is no exception to this universal phenomenon. Indeed, the prospect for Nigeria's economic development is inextricably linked to the flourishing and survival of the family businesses that operate within its territory. However, the country's volatile business environment does not provide sufficient incentives for the survival of this primordial form of business. This is a result of the poor management culture of people that venture into the family business as well as the hostile structural and policy terrains that perennially retard the business and economic progress of the country, in general. In view of the lessons learnt from the foregoing, it is imperative that efforts are geared towards engendering conducive structural and cultural practices that would facilitate the viability and sustainability of family businesses for the overall economic prosperity of the country.

7. References

i. Chua, J.H., Chrisman, J.J., & Sharma, P. (1999). Defining the Family Business by Behaviour. Entrepreneurship Theory & Practice, 23(4): 19–35.
ii. Egbomeade, C. (2023). Navigating the Future: Challenges and Opportunities for Family-Owned Businesses in Nigeria, *Business Day*, May 4.
iii. "70% of family businesses die after the first generation", The Punch, Friday, April 13, 2024.
iv. Muhammed Abimbola, (2022). Throwback Thursday departmental stores in the 50s, 70s and 80s in Nigeria, www.marketingedge.com.ng
v. Obadan Mike I. (1993). *Whither Structural Adjustment in Nigeria*? Ibadan: National Centre for Economic Management and Administration, p.19–34.
vi. "23.8m Family Business Contribute $200bn to Nigeria's Economy, Yearly" The Guardian, October 13, 2023.
vii. Oludare, O. (2017). "Preserving History through Popular Music: A Study of Ebenezer Obey's Juju Music," *West Africa Journal of Musical Arts Education*, Vol. 4, No.1, pp. 51–65.
viii. Collins, L., & O "Regan, N. (2011). Editorial: The Evolving Field of Family Business. Journal of Family Business Management, 1(1): 5–13.
ix. Wislson D. (2009). "My Music was my Rebellious Trick" http//nigeriafilms.comSuper Stores
x. "How June 12 ruined Abiola, others' Businesses." *The Vanguard*, June 12, 2018.
xi. "The inheritors: Why Nigerian One-Man Companies Never Last (2) Chief MKO Abiola, *The Vanguard*, January 27, 2014.
xii. Wale-Oshinowo, B. (2023). Family Businesses and the Nigerian Economy: A Critical Review. *Nigerian Academy of Management Journal*, *11*(1), 32–41. Retrieved from: https://namj.tamn-ng.org/index.php/home/article/view/31

xiii. Birdthistle, N. and Hales, R. (2023). "The Family Business – Meaning and Contribution to Global Economies," Birdthistle, N. and Hales, R. (Ed.) *Attaining the 2030 Sustainable Development Goal of Good Health and Well-Being* (*Family Businesses on a Mission*), Emerald Publishing Limited, Leeds, pp. 13–25.