

Effect of Culture on Entrepreneur Successor

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Abstract

The study evaluates the effect of culture on succession planning of an entrepreneurship in John Wax Nig limited. A survey research design was adopted, questionnaire were administered to 160 pupils, comprising of top management staff and middle management staff and customers of John Wax Nigeria limited. Test retest was adopted to ascertain reliability of the instrument used; the data collected was analyzed using descriptive statistic and chi-square method. Among others it was recommended that, There is need for our culture to be modernized in order for our succession effort to thrive especially in indigenous businesses in Nigeria.

Keywords Culture, Entrepreneurian successor, Culture element of the people, Educational Attainment of entrepreneur.

Introduction

Every organization must experience leadership or managerial succession, the process by which key officials, especially the chief executive, are replaced by others. Leaders, like all human beings, are mortal. For an organization's long term stability, survival and growth, it is imperative that they always look beyond the incumbent leader, develop strategies and create conditions for a smooth succession. Gouldner (1954) found that succession crisis disrupt the operations of organizations, lead to an increase in tension, the lowering of worker morale, and the general decline in productivity - all culminating into a wild-cat strike. Following Gouldner (1954), Grusky (1961) argued that there are two reasons for the interest in the study of organizational succession. The first is that it is a universal phenomenon. The second reason is that it tends to promote organizational instability if not properly handled. The universality of succession in formal business organizations and the tendency of the process to promote instability combine to make this phenomenon of crucial importance to organizations.

Many entrepreneurs believe that their business encompasses both personal and professional life, their vision, and their passion- an extension of themselves, as such, especially in the infancy stages of business development these entrepreneurs honestly feel that they will nurture and grow their businesses until they are unable to do so. For the most part, they welcome their children into the business based on trust and a sense that their children have or will gain the same level of passion as themselves. They believe that the company will automatically transition to their children at an undetermined time in the future when they are unable to carry on the need to "pro-act" or plan this transitions required.

One of the greatest challenges facing multinational businesses today is the crisis of succession, that is, uncertainty about the future of the organization beyond the founder. The success of indigenization of African economies to a large extent depend on the organization, management practice and leadership styles of founders.

Conceptual framework/ Theoretical Framework

Most of the multinational enterprises here died with their founders because their founders have died and for founders who are still alive, they have reached an age where the question of succession arises. Therefore the leadership style, organization and management practice of multinational business will bring about a successful indigenization of African Countries.

Zacharakis (2000) say succession is the process of transferring managerial control from one leader or generation to the other (organizational theory and practice context).

Sit also includes the dynamics preceding the transition as well as the eventual outcome of the transition. Within the context of this study, succession involves the transfer of a commercial investment of any type from the owner — founder to his prospective supervisors which could be a wife and children or wives and children, in the case of a polygamous family, of course, members of the extended family are not left out.

As the case may be, the rule of succession is expected to follow the rule of inheritance of "Igbo Society" in which the owner transfer his enterprise to his offspring but where he is still alive his offspring(s) are assumed to be the controller of his assets and enterprise(s).

Collectivistic Vs Individualistic Culture

The environment in which the multinational organizations exist is very powerful and socially dense with strict norms and rules of behavior (Krackardt, 1995). Hence, loyalty to ones clan or family is considered very important because prevailing culture influences personal and this in turn affects the strategic decision made by the firm. (Andrews, 1971).

In a collectivistic society, peoples' identity is based on their group for the reason that relationship seems more important as mutual support system exist at both good and bad times.

Dependence on other family members support is made easier since it is accepted and those whose support is required feel honored by it. More pressure is felt by members of a collectivistic society when it comes to decision making as it is based on consensus among family members rather than individual.

Poza, (1995) affirms that once different family branches have been observed to be a part of a family group such as the 'groups in Latin America, they may manage different business unit.

Morck and Yeung, firms are often deliberately designed to keep the family together through complex cross holding links. Regardless of these shareholding, decision are based on family consensus instead of voting at the board of meeting and this usually takes time as shown in the Japanese system of ringi (Ouchi, 1981).

According to Taguiri and Davis (1992), in a collectivistic society, new business may have been created to provide an independent operation to be managed by a family member as result of different interests of family members especially with regards to divestment action, and if such business is ailing, in order to promote family harmony it would be preferred to be sold off and the resources put to more effect use (Sirmon and Hitt) but those family members responsible for managing these business may feel they are standing to lose by such divestment, these are more likely to engage in 'selective perception' thereby using different ways to delay decisions relating to divestment in order to retain their jobs.

Paleppu (1997) says where there is a sense of family obligation, this will encourage the direction of business keeping afloat businesses run by other family members, losses may be seen as temporary, with a hope that the business in question will show improvement

The collectivism in the culture extends not merely to family members but also further down the organization. Long serving senior managers become part of the 'upper echelons' of the business and have a significant influence on the leaders (Hambrick & Mason, 1984).

Lansberg (1988) has observed a significant influence of these members on decisions related to leadership succession. They were found to resist changes to the organization for the fear of modification in their roles and/or their job security. We expect these managers to influence the decision making process related to divestment decisions, thereby providing another stakeholder group that needs to be satisfied before such decisions can be made. This may cause further delays in making divestment related decisions. Junior employees in family firms are often seen as 'part of the family' and the owning family often prides itself in taking good care of its employees. Such feelings are more likely in collectivistic cultures as it promotes a sense of obligation on the part of top management to watch over those dependent on them. Decisions to close down or sell a business usually involve consequences that are none too pleasant for the involved staff, making leaders in collectivistic cultures reluctant to take such decisions. All these factors are likely to delay, or even make it impossible to make divestment decisions. The dynamics described above are less likely to prevail in individualistic cultures, since each person is expected to fend for him/herself. The sense of family obligation is not as dominant as in collectivistic cultures. Relationships with employees are more contractual in nature and not governed by obligations as in collectivistic cultures.

The role of family setting on the culture of multinational business succession

Similar to the absolute nuclear family, no cohabitation of married children with their parents is expected in the egalitarian nuclear families. However, the inheritance rules are based on equality as each child is regarded as a legitimate heir with an equal right to parental property (Todd, 1985). Parents are expected to give due consideration to the needs of each child. 'Fairness' becomes the guiding principle in these families. As each child is expected to lead a life independent from parents, she does not really have an active 'voice' in the decisions related to the family Business.

However, the basic orientation of these firms is likely to delay the process of divestment of under-performing business units, as the leader has to sort through the issue of ‘fairness’ for each child. The delay in related decision making may not be as severe as in the case of community families, where each child has a great deal of ‘voice’ and consensus needs to evolve. However, the decisions in egalitarian nuclear firms will be slower than in case of the absolute nuclear families.

The external environment and the egalitarian nuclear family structure is somewhat at odds both in individualistic and collectivistic cultures. In individualistic culture, the clash is along the equality dimension, whereas in collectivistic culture it is along the liberty dimension. However, from the point of view of a family leader who wants to divest the non-performing business unit, the decision will be faster in individualistic cultures than in collectivistic cultures. Hence: Characterized by inheritance rules that transfer unbroken patrimony to one of the sons, each member in an authoritarian family has a clear understanding of where she stands in terms of inheritance (Todd, 1985: 55). While the chosen married heir is expected to cohabit with parents, other children must leave the stem family after marriage. Generational succession runs from one controlling owner to another (Lansberg, 1999). Unless he falls out of favor with the patriarch, it is usually the eldest son who is the chosen heir. Even in the less prevalent cases where a younger sibling is chosen as the next leader, the inheritance rules are clearly understood. While the parents make an effort to develop the capabilities of each child, the relationship between generations is weak with all other children except the chosen heir. The relationship amongst siblings may range from being indifferent to hostile (Ling, 2002).

Methodology

The research study focused on the members of staff of Johnson Wax Nigeria Ltd located in Lagos using stratified sampling technique. 160 questionnaires were distributed among staffs and customers for effective gathering of information. Test retest was adopted to ascertain the reliability of the instrument used, the data collected was analyzed using descriptive statistic and chi-square method.

Research hypothesis 1

There is no significant relationship between culture of multinational organizations and their succession planning processes

Responses	Frequency		χ^2	χ^2	Sig.	df	Remark
SA	71	7.3	6.96	.13	.05		Sig
A	33	2					
D	32	1.3					

SD	14	.3					
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Sources: survey 2011

The frequency of responses to SA option was 71 (25.3%), agreed was 333 (22.7%) 32% (21.3) disagree while strongly disagreed was 14(9.3%). This further revealed a calculated X^2 value of 26.960 table x^2 values 1.76 at 0.05 level of significance and 3⁰ of freedom.

Since calculated value X^2 26.960 is greater than 1.76 from the table, this result reviewed that there is significant relationship between culture and succession in the multinational organization.

Research hypothesis 2

There is no significant relationship between the culture elements of the people and effective implementation of plans.

Responses	Frequency		cal X^2	tab X^2	.S	f	Remark
SA	56	7.3	6.96	.13	.05		Sig
A	38	5.3					
U	10	.7					
D	6	.0					
SA	40	6.7					

Sources: survey 2011

The frequency of responses to SA option was 56(37.3%), agreed was 38 (25.3%), undecided was 10 (6.7), disagreed was 6 (4%) while strong disagreed was 40 (26.7%). This further shows a calculated X^2 value of d60.533, table X^2 value of 176 at 0.05 level of significance and 3⁰ of freedom.

Since calculated value X^2 60.533 is greater than table value of 1.76, this implies that there is significant relationship between the culture elements of the people and effective implementation of plans.

Research hypothesis 3

There is no significant relationship between the entrepreneur's educational attainment and succession planning multinational businesses.

Responses	Frequency		Calculated X^2	Table X^2	.S	f	Remark
SA	82	4.7	6.88	.76	.05		Sig
A	32	1.3					
D	26	7.3					
SD	10	.7					

Sources: survey 2011

The frequency of responses agrees option was 82(54.7%), agreed was 32(21.3%), disagreed was 26 (17.3%) while strongly disagreed was 10(6.7%). This further shows a calculated X^2 value of 76.88, table value of 1.76 at 0.05 level of significance and 3⁰ of freedom.

Since the calculated value X^2 76.88 is greater than table value of 1.76 the result revealed that entrepreneurs educational attainment have significant effect on succession planning in multinational businesses.

Summary

One can get a good idea about entrepreneurship, its past and future, in a given country, by examining family businesses in that country. The volume of family businesses indicates how deep the roots of entrepreneurship are and how promising its future is. Family businesses tend to generate new family businesses.

This rate of entrepreneurs' parents owning businesses is the typical rate, having been found in many entrepreneurial societies. On the overall perceptions of culture on entrepreneurial succession processes in multinational organization, the findings revealed that the respondents were generally agreed that culture of the people is the major challenge facing multinational businesses in Nigeria.

The implication of the findings lies in the fact that these cultural beliefs are an impediment to the succession process in multinational organization. More so, chi-square was also run on the significant relationship between entrepreneur's educational attainment and succession planning in multinational business. It was revealed that educational attainment does not affect or bring about successful succession planning in multinational organizations. Also the result review that the cultures of the people have plays a significant role in good succession planning in any organization.

Conclusion

In this regard, countries can develop and modernize without compromising much of their culture, provided that their leaders take development seriously and are committed to achieving it. The latter is a very important parameter in the developmental stages of Nigeria. Their leaders have seen economic development as an urgent problem, pursued it with a nationalistic favour and seized every opportunity to attain national development. If we take the case of Islamic Northern Nigeria, it took the concern and commitment of Islamic leaders in the region to sensitize their followers to Western education. Upon the realization that other parts of the country accelerated in educational achievements, those leaders made policies and established infrastructures to provide Western education for their population. This was done without compromising Islamic culture. There are as many Christians as there are Moslems among the Yoruba people of Nigeria. But both groups can pride themselves on parity in the attainment of Western education. Come to think of it, the Asian values of harmony, group orientation, filial piety, respect for hierarchy and authority valuation of family, and emphasis of social equilibrium are embedded in African traditional cultural values. In East Asia, Asian values found expression in miracle economies while Africa reels in underdevelopment. Answers must be sought in circumstances other than culture. Perhaps their different histories of modern statehood are a good starting point. Cultural practice does have its problems, especially within the context of relations among co-wives, their children, and between the wives and their husband. Inheritance problems and conflicts exist in traditional polygamous and monogamous families in Nigeria. When considered within the context of enterprise succession and durability in a modern economic setting, polygamy cannot be successfully labeled as singularly problematic and anti-accumulative until its effects are thoroughly studied in conjunction with the effects of monogamy.

Recommendations

In the light of the in-depth research made in this study on the impact of culture on entrepreneurial succession process in multinational organizations in Lagos and the subsequent analysis of the succession planning in these organizations, it is pertinent at this juncture to make the following recommendations:

(1) The management of multinational organizations should recognize the importance of its succession planning in the overall management of the firm and in the effort towards attaining the organization's long-term goals.

(2) In recognition of the adverse effect of cultural beliefs in multinational organizations , founders should put in place sound succession plans to forestall any problem that may arise through cultural laws .Only through this can a proper functioning of the business operations be ensured.

(3) Qualified expertise should be employed in multinational companies in order to have good business succession.

(4) There is need for our culture to be modernized in order for our succession effort to thrive especially in indigenous businesses in Nigeria.

(5) Government should formulate good policy that will forestall the debilitating effects of culture on entrepreneurial succession planning in multinational organizations. This will invariably affect the economic development of Nigeria positively.

(6) The Monogamous form of family structure should be encouraged to minimize conflict over inheritances and succession which are common among polygamous family.

Suggestion for Further Studies

My study is not exhaustive of all that is included in the impact of culture on entrepreneurial succession processes in multinational organization. I therefore suggest the following area for future studies. “The Impact of polygamy on enterprise succession and durability”. In a nutshell, it is suggested that future studies should take care of limitations of this and loopholes that might be also covered in the study.

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