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Family Business Conflicts and The Survival of Family Owned Businesses in South-South, Nigeria

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ABSTRACT

This paper investigated family business conflicts and the survival of family owned business in South – South, Nigeria. South –South, Nigeria is the major crude oil belt of Nigeria comprising six states of Akwa – Ibom, Bayelsa, Cross River, Delta, Edo and Rivers States. The main objective of the study was to ascertain the extent to which conflicts among family members affect the survival of family owned businesses in South-South, Nigeria. A sample size of 288 FOBs was drawn from a population of 2056 using Taro Yamani formula. Pannerselvam (2007) formula for proportional stratified sampling was used to allocate the sample size to each of the six states of South-South, Nigeria studied. The sample of 288 FOBs studied concentrated on ten types of businesses common in South-South, Nigeria namely: food processing, construction and fabrication, manufacturing, arts and crafts and weaving, transport, catering services, wood processing and furniture, ICT and commercial farming. The study used survey research design as its methodology. The hypothesis of the study was tested using Pearson Correlation (SPSS ver. 22) while Cronbach Alfa test statistics was used to test the reliability and validity of the research instrument. The major finding in the study .was that conflicts among family members significantly affected the survival of family owned businesses in South-South, Nigeria (Correlation is significant at the 0.01 level, 2-tailed, p value < .05). The study concluded that unresolved family conflicts including sibling rivalries on succession, disagreements on family investment opportunities and issues of tenure of non family members in the firm if not properly addressed could accelerate the collapse of family businesses in South-South, Nigeria. The study recommends that founders of family owned businesses need to tackle the issue of family conflicts as they arise, resolve these conflicts to ensure the survival of the family businesses and transfer of the businesses to next generations of family members.

KEYWORDS : Family owned businesses (FOBs), Family business conflicts, Survival of FOBs.

1. Introduction – Conceptual Review

Literature research has confirmed that there is no universal definition of what a family business or family firm is at present. Some researchers define a family firm operationally by the components of the family's involvement in the business – ownership, management, or business succession (Chrisman, Chua and Sharma, 2003). Other researchers define family business on the basis of one hundred percent ownership or over the majority of shares or majority of control (Chua, Chrisman and Sharma, 1999:19-39).

Defined simply, a family business is any business in which a majority of the ownership or control lies within a family, and in which two or more family members are directly involved. It is also a complex dual system consisting of the family and the business; family members involved in the business are part of a task system (the business) and part of a family system (Bowman-Upton, 1991). Shankar and Astrachan (1996:107-123) differentiate between a narrow and a broad definition of family firms. They maintain that in the narrow definition of family firms, the family is involved in the daily business, whereas in the broad definition, the family only sets the strategic direction for the firm.

In the context of this research, the researcher aligns his views with that of Shankar and Astrachan (1996:107-123) in viewing family firms as those firms in which the family is involved in the daily business. Due to their dissatisfaction with existing definitions of family business, some authors have shifted their approach to identify the essence of a family firm through the question of the family influence in strategic decision making (Davis and Tagiuri, 1989:47-74; Handler, 1989:257-276; Shankar and Astrachan, 1996:107-123). Some authors argue that the idea behind the shift is that the family could be the critical variable in family firm research (Astrachan, 2003:567-572; Dyer Jr, 2003:401-406; Rogoff and Heck, 2003:559-566).

Litz (1995:71-78) maintains that the essence of a family firm is the family's purpose of retaining control over the company for more than the present generation. Habbershon, Willians and MacMillan (2003:451-465) introduce a new perspective called "familiness" which describes unique, inseparable and synergistic resources and capabilities emerging from family involvement and interactions. Some experts now advocate an integrated definition of a family firm to contain such variables as familiness, control over the business for current and next generations (Chrisman, Chua and Sharma, 2003; Habbershon, Williams and MacMillan, 2003:451-465).

0.1 Statement of the problem

A family owned business has two major components – the family and the business. Family members involved in the business are part of a task system (the business) and part of a family system (Bowman-Upton, 1991). The dual nature of a family business could be a potential source of conflict especially where the two systems overlap. Disagreement in the investment of family resources is a potential source of conflict in a family. Also favouritism in benefits sharing among family members and cases of unresolved family conflicts all result in major conflicts in family business.

These conflicts when not resolved amicably can lead to a collapse of a family business with the consequences of family members and non family members losing their jobs. Also the goods and services which the family firm provided would no more be available and a gap is created in the economy. The issue of who gets what from a collapsed family firm entails non survival and non transfer of the family firm to next generations of family members.

0.2 Objective of study

The main objective of the study is to ascertain the extent to which conflicts among family members affect the survival of family owned businesses in South-South, Nigeria.

0.3 Hypothesis

H_0: Conflicts among family members do not significantly affect the survival of family owned businesses in South-South, Nigeria.

H_1: Conflicts among family members significantly affect the survival of family owned businesses in South-South, Nigeria.

1.1 Theoretical Framework

This study is anchored on the competitive conflict model of Tjosvold (1993) as its theoretical framework. Tjosvold (1993:8) develops a model on conflict based on the assumption that conflict is based on opposing interest. The opposing interest leads to viewing conflict as a struggle to see whose strength and interests will dominate and whose will be subordinated.

This study investigated in two hundred and eighty eight family owned businesses in South-South, Nigeria how opposing views and interest (conflicts) among family members led to the collapse and non survival of family owned businesses in the region.

Figure 1: Competitive Conflict Model.
Source: Tjosvold, D. (1993). *Learning to Manage Conflict: Getting People to Work Together Productively*. Lanham: Lexington Books.

1.2 Conflict in Family Owned Businesses
Conflict results when there are incompatible goals, cognitions, or emotions within or between individuals or groups and that lead to opposition or antagonistic interaction (Hellriegel, Sloum, and Woodman, 1983:459).

Conflict involves a disagreement about the allocation of scare resources or a clash of goals, statuses, values, perceptions or personalities (Stoner, Freeman and Gilbert, 2007:565). Disagreement between individuals or groups forms the basis of any conflict situation. In the context of family owned business, the two systems involved, namely, the family and the business are potential cause of conflict in situations where the systems boundaries are not clearly defined and delineated. Family business conflicts arise because family and business have different (even opposite) goals. A family is protective and loyal with strong emotional ties that tend to resist or minimize change. A business must be productive, it values competency and candor in order to embrace change and create success. When goals clash, conflict between family and business arises (Janvatanavit, 2007).

When conflicts occur in family business, it is to the best interest of both the family and business that the conflict be resolved to ensure family cohesion and business viability. Janvatanavit (2007) has identified four conflict resolution procedures in family owned businesses. These are:

(i) Family councils
(ii) Shareholder agreements
(iii) Family constitutions and
(iv) Third party mediation.

Third party mediation can take many forms. It might for example, entail calling in an independent consultant to provide a completely objective perspective and develop the best solution for the business. Alternatively, it might involve delegating a decision to non family members of the management team or even nominating a specific individual to resolve the conflict for the contending parties. It is advisable that family firm develop formal rules for the management of the family business. These rules would clarify the expectations of different family members, depersonalize sensitive issues and avert many disagreements before they emerge.

3. Methodology
A descriptive survey design was the methodology of study. The research instrument of study was designed using Likert's five scale model.

3.1 Area of Study
Area of study covered six states comprising South-South region of Nigeria. The six states are: Akwa-Ibom State, Bayelsa, Cross River, Delta, Edo and Rivers States.

2.2 Population of Study
A population of 2,056 family owned businesses in South-South, Nigeria was used for the study. The population of study for each state in the region was obtained from the current register of registered micro, small and medium enterprises which are mainly family owned in the State's Ministry of Commerce and Industry at each state capital as follows:

Akwa Ibom State (Uyo)	–	398
Bayelsa State (Yenegua)	–	187
Cross River State (Calabar)	–	285
Delta State (Asaba)	–	394
Edo State (Benin City)	–	289
Rivers State (Port Harcourt	–	503

2056 family owned businesses (FOBs)

3.3 Sample Size
To derive the sample of study from the population of 2056 family owned businesses in the six States of South-South, Nigeria. Taro Yamani (1964) formula was applied. According to Taro Yamani (1964) to determine a sample from a population the formula below is employed:

$$n = \frac{N}{1+N(e)^2}$$

Where n = sample

N = Population size

e = error limit.

Using the population of 2056 family owned businesses in South South Nigeria,

$$\text{sample size} = \frac{2056}{1+2056\,(0.05)^2}$$

= 334.85(335) family owned businesses.

Using Panneerselvam (2007) formula for proportional stratified sampling thus:

$$n_h = \frac{n}{N} \times Ni$$

Where n_h = proportional sample for each sector

n = sample size from the finite population

N = finite population figure

Ni = size of each sector

For Akwa Ibom state, sample size is = $\frac{335}{2056} \times 398 = 64.85 = 65$ FOBs

From above, Bayelsa state sample size	= 31 FOBs
Cross River state sample size	= 46 FOBs
Delta state sample size	= 64 FOBs
Edo state sample size	= 47 FOBs
River state sample size	= 82 FOBs
Total	= 335 FOBs

The study recorded a recovery rate of 86 percent of the research instrument resulting in sample size of 288 found suitable for use in the study.

3.4 Test for Validity and Reliability of Research Instrument
A pilot study was carried out with 30 copies of the research instrument being administered to 30 respondents selected on convenience. The responses obtained were tested for reliability and validity using Cronbach's Alpha with the aid of the SPSS 17.0 statistical software.

An Alpha of 0.93 and inter-item (standardized) coefficient of 0.973 was obtained. These being greater than 0.7 indicate that the reliability of the test instrument is very strong.

4. Test of Hypothesis
The hypothesis proposed for the study was:
H_0: Conflicts among family members do not significantly affect the survival of family owned businesses in South-South, Nigeria.

H_1: Conflicts among family members significantly affect the survival of family owned businesses in South-South, Nigeria.

Test Statistics: Pearson Correlation (SPSS ver. 22)

H_1: Conflicts among family members significantly affect the survival of family owned businesses in South-South, Nigeria.

Correlations

		RCFM	BS
RCFM	Pearson Correlation Sig. (2-tailed) N	1 288	.273** .000 288
BS	Pearson Correlation Sig. (2-tailed) N	.273** .000 288	1 288

**. Correlation is significant at the 0.01 level (2 – tailed).

Source: SPSS Ver. 22

Where: RCFM = Role of Conflict among Family Members

BS = Business Survival

The table above shows that a positive relationship exists between RCFM and BS (p value < .05), and as such 'conflicts among family members significantly affect the survival of family owned businesses in South-South, Nigeria.

5. Findings, Conclusion and Recommendations

The major finding of this research is that conflicts among family members significantly affect the survival of family owned businesses in South-South, Nigeria. The hypothesis test confirmed this finding (Correlation is significant at the 0.01 level, 2-tailed, p value < .05).

Discussion of findings

Table 1: Frequency Distribution (Role of conflicts among family members)

Question Item	SA	A	ID	D	SD
Disagreement in the investment of family resources can cause conflicts in our family firm	4 1.4%	194 67.4%	90 31.3%	-	-
Favoritism in benefits sharing among family members can cause conflicts in our family firm	1 .3%	163 56.6%	124 43.1%	-	-
Unresolved family conflicts can lead to collapse of our family firm	56 19.4%	164 56.9%	68 23.6%	-	-

Sources: Field Survey (2012)

Table 2: Descriptive Statistics (Role of conflicts among family members)

	N	Minimum	Maximum	Mean	Std.
Disagreement in the investment of family resources can cause conflicts in our family firm	288	3.00	5.00	3.7014	.48790
Favoritism in benefits sharing among family members can cause conflicts in our family firm	288	3.00	5.00	3.5729	.50250
Unresolved family conflicts can lead to collapse of our family firm	288	3.00	5.00	3.9583	.65598
Valid N (listwise)	288				

Sources: SPSS Ver. 22

69 percent of respondents in our survey affirmed that disagreement in the investment of family resources could cause conflicts (Table 1). This result supports the findings in numerous researches on family firms conflicts oriented around the competing demands of the family and business. One such conflict arises when situations such as assessment of a potential opportunity trigger a conflict between the role expectations associated with the identity of being a family and that of being a business (Harvey and Evans, 1994: 331 – 348, Daily and Dollinger, 1993: 79 – 80, Kellermanns and Eddleston, 2004: 209 – 228).

Also 76 percent of sample study were affirmative that unresolved family conflicts could lead to a collapse of a family firm. This unresolved conflicts among family members are more prevalent in polygamous families. A common occurrence in polygamous families is to distribute business assets when the business owners want to retire or die. Consequently, the business dosen't transfer over to the next generation (Bewayo, 1997, Kiggundu 2002: 129 – 258).

The study concludes that unresolved family conflicts including sibling rivalries on succession, disagreements on family investment opportunities and issues of tenure of non family members in the firm can accelerate the collapse of family businesses if not properly addressed.

From the study, it is recommended that founders of family owned businesses in South-South, Nigeria need to tackle the issue of family conflicts as they arise, resolve the conflicts to ensure the survival of the family businesses and transfer of these businesses to next generations of family members.

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