

An Investigation into the Core Values That Drive Successful Family-Owned Businesses: A Case of Lagos State, Nigeria

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Abstract

Family-owned businesses are a common business model and constitute more than 70 percent of the overall businesses of many countries. They contribute to the economic values of nations in terms of growth in GDP and employment creation. However, family-owned businesses in Nigeria are faced with some challenges such as corruption, lack of trust, fear on the part of the founder in losing control, and the lack of antitrust laws and implementation to protect small firms from unethical practices of big firms. Consequently, this study examined ethical values that drive success in family-owned businesses in Lagos, Nigeria. A survey was conducted through questionnaires and it was found that integrity, among other values, is the most important values that accounts for successful family-owned businesses.

Keywords: Ethical Values, Family-Owned Businesses, Success, Lagos, Nigeria

1 Introduction

Family-owned businesses are the oldest and the most common form of business organisation in the world (Abouzaid, 2008). For instance, the percentage of which family-owned enterprises constitute in some countries include Brazil – 90%, USA – 96%, Belgium – 70%, Finland – 80%, France – 60%, Germany – 60%, Netherlands – 74%, Poland – 80%, Portugal – 70%, Spain – 79%, UK – 70%, Australia – 75%, and Nigeria – 80% (Timmons & Spinelli, 2009, p.596; Yusuf & Dansu, 2013).

Family enterprises play significant roles in economic growth and development through the creation of employment opportunities, maintenance of competition, stimulation of indigenous entrepreneurship, wealth creation, innovations and creativity, foreign exchange earnings, mobilization of savings, and contribution to the GDP (Ogbechie & Anetor, 2015). Despite these tremendous roles, family businesses are faced with the challenge of sustainability. Research has shown that less than one-third of family businesses continue to the second generation and less than half of a second generation firms makes it to the third generation when the owner retires or dies (Le Breton-Miller et al., 2004). A similar study also revealed that most family-owned businesses are confronted with the challenge of continuity as 95% of them do not survive the third generation of ownership (Abouzaid, 2008).

In developing countries like Nigeria, the challenges facing family-owned businesses include the difficulty in raising capital, corruption and poor law enforcement, multiple taxation by different government agencies, lack of power and infrastructure, fear on the part of the founder in losing control, lack of trust, and the lack of antitrust laws and implementation to protect small firms from unethical practices of big firms. In addition, the failure of founders to instill the principle of rewarding merit, hardworking, and loyal staff have seriously affected the success of family-owned businesses in Nigeria. Most founder/managers of family-owned businesses fail to recognize the fact that an employee also has a need for self-actualization, yet, expect the employees to be hard-working.

The foregoing, therefore, signals the fact that values is significant to the success of family enterprises in Nigeria. “Values refer to the inherent worth and quality of a thing or an idea” (Gentile, 2010, p.28). It is important to note that values in this context imply ethical or moral values, which are much the same as virtues (Gentile, 2010). Studies have shown that ethical values are essential ingredients in building successful family businesses (Garcia-Marza, 2005; Knight & O’Leary, 2006; Molyneaux, 2003; Morrison, 2001; Van Marrewijk, 2004). However, there is no unanimity among researchers with respect to the list of core values, as well as their relative priorities (Gentile, 2010). For instance, Gatrel et al. (2001) stated respect; honesty and integrity; loyalty and commitment; and risk avoidance, smoothing, and resistance to change, as the four main values in family business. Dumas & Blodgett (1999) in their studied found quality, commitment, social responsibility, fairness, and respect as the five most important values in family businesses. Gallo & Cappuyns (2004) identified excellence, labouriousness, initiative, simplicity, and austerity as the five most important values. In a nutshell, researchers are yet to arrive at a compromise on the core values that drive success in family-owned businesses. Furthermore, there is a lack of study that specifically examines the core values that determine the success of family-owned businesses in Nigeria. “Core values are deep-seated pervasive standards that influence almost every aspect of our lives: our moral, our judgement, our responses to others, our commitments to personal and organisational goals” (Dumas & Blodgett, 1999, p.210).

The aim of this study is to examine core values that help in achieving success in family-owned businesses in Lagos, Nigeria. In addressing this objective, the paper is structured into six sections; the first section is this part that introduced the topic. The second section is the literature review, which examines past studies on values in relation to success in family enterprises. The third part explains the methodology adopted for the study while the fourth section presents the results, as well as discussions. The fifth section is the implications of the study, and the last section is the conclusions.

2. Literature Review

Many studies have attempted to examine the values that drive the success of family-owned businesses. A successful family business is the one that does not destroy or weaken family harmony (Venter et al., 2013). The enterprise's success according to (Van Marrewijk, 2004) greatly depends on four set of values: order, success, community, and synergy, which are considered as the enterprise core values. These core values according to him strongly correlate with the enterprise culture and climate. According to Dyer (2006) values are one of the factors that constitute the family effect, a term used in referring to the impact of the family on firm performance. Dyer explicitly underlined values as a family factor contributing to high performance in terms of facilitating lower agency costs due to deep trust and shared values among family members. Ceja & Tàpies (2011) studies on corporate values guiding the world's largest family-owned businesses found that the most mentioned values are integrity, respect, and customer. In the same vein, Blombäck et al. (2010) in their studies of 175 Swedish family and non-family enterprises found that the values of ethical behaviour, integrity, and working climate were ranked as core values.

Extant literatures have also shown that values have played significant roles in the longevity of family businesses. Aronoff & Ward (2000) postulated that values affect performance and support longevity, via configuring a vision that transcends quarterly profits. Furthermore, Miller & Le Breton (2005) identified value-driven employees as being a necessary condition of the prolonged existence of family businesses. According to Tàpies & Fernández (2012) values are perceived as the foundation of family cohesion, which in turn result in the sustainability of family businesses. They stated the values contributing to family cohesion to include respect, loyalty, honesty, and reputation. The premise of their studies was based on the fact that values enhance family cohesion, and family cohesion influences communication and cooperation, which in turn result in family business success.

It is also pertinent to state that stakeholders influence the successful functioning of family businesses. According to Martinez & Norman (2004), the long-term survival and success of a business is determined by its ability to establish and maintain relationships within its entire network of stakeholders. Harmonious stakeholder relationships according to Tse (2011) are distinctive to the individual organisation, thereby making it difficult for rivals to imitate them in the short-term and effectively boosting their competitiveness. The effective management of key stakeholders also plays a pivotal role in attracting, retaining and motivating employees, thereby increasing productivity, enhancing profitability (Moura-Leite et al., 2014) and reducing stakeholder-inflicted costs such as employee turnover costs (Mishra & Suar, 2010).

In view of the diverse perceptions of researchers of what constitute core ethical values, the main objective of this study, therefore, is to corroborate the core values that enhance the success of family-owned enterprises in Nigeria. The propositions of this study are stated as follows:

- P1. Integrity drives the success of family-owned businesses
- P2. Commitment drives the success of family-owned businesses
- P3. Courage drives the success of family-owned businesses
- P4. Prudence drives the success of family-owned businesses
- P5. Respect drives the success of family-owned businesses
- P6. Justice drives the success of family-owned businesses
- P7. Industriousness drives the success of family-owned businesses
- P8. Transparency drives the success of family-owned businesses

3 Methodology

3.1 Population

The population of the study comprises all family-owned businesses situated in Lagos, Nigeria. The study was conducted in Lagos state because Lagos is the commercial centre of Nigeria as 60% to 70% of businesses, and industrial activities are performed in Lagos (Lucky et al., 2011). In addition, the problem of unorganized association of family-owned businesses and the lack of access to information in Nigeria has made this study to focus on Lagos state.

3.2 Sample

This study used a purposive sampling technique to select 80 participants (owners/founders of family enterprises) from the population. A total of 20 usable questionnaires were completed and returned, providing a final return rate of 25%. Purposive sampling is also known as judgemental, selective or subjective sampling. It is a type of non-probabilistic sampling that relies on the judgement of the researcher when it comes to selecting the units that are to be studied. The rationale for using purpose sampling technique is because it is suitable for qualitative or mixed methods (both qualitative and quantitative) research design and it is also popular in qualitative research. The sample covered family-owned enterprises that cut across different industries such as commercial, manufacturing, construction, and service. It is pertinent to note that some criteria were used in selecting the participating family firms. These criteria include the following: (i) Family-owned businesses existing for over three years; (ii) Family-owned enterprises run by the family member (s); and (iii) Family enterprises evidence to pass the business to the next generation.

3.3 Data Collection Method

The study used primary data, which were collected through the administration of questionnaires to founders/owners of family-owned enterprises in Lagos. The questionnaires consist of a combination of both closed-ended and open-ended questions. A seven-point Likert scale, which ranges from strongly disagree and strongly agree, was used to rate the responses from respondents.

3.4 Data Analysis Techniques

The data analyses techniques employed in this study include descriptive, factor analysis and correlation analysis. Descriptive analysis was used, to summarise, the profile of participants. Factor analysis was equally employed to reduce the data and choose those items that actually measure the constructs in this study. The Spearman rank correlation analysis was employed to analyse the propositions of this study. Spearman rank correlation coefficient is a non-parametric measure of correlation, using ranks to calculate the correlation. It is also important to state that the Statistical Package for Social Sciences (SPSS) software was used to running the analysis.

3.5 Research Quality

The research quality entails examining the reliability and validity of the study. Validity refers to the extent to which an instrument measures what is supposed to measure. High validity implies the absence of systematic errors in the measuring instrument. Reliability on the other hand looks at the degree of consistency with which it measures the attribute it is supposed to measure. For the purpose of reliability test, the Cronbach's alpha test was employed to determine if the items in the questionnaires were adequately and appropriately measured. The alpha result ranges between 0 and 1. An alpha result of 0.7 and above indicates a high level of validity.

3.6 Ethical Considerations

The study took into consideration some ethical issues in the course of administering questionnaires, as respondents were appropriately informed about the research topic and the purpose of conducting the research. Respondents were also assured that all the information supplied will not be divulged to other party and will be used solely for the purpose of the study. The privacy of respondents was also protected and was made anonymous to even the researcher as no provision was made to disclose their names or the names of their firms.

4 Results and Discussions

4.1 Reliability Test

Table 4.1 Reliability Statistics

<i>Ethical Values</i>	<i>Cronbach's Alpha</i>	<i>Cronbach's Alpha Based on Standardized Items</i>	<i>Number of Items</i>
Integrity	.630	.595	5
Justice	.745	.854	5
Respect	.952	.958	5
Commitment	.944	.947	5
Transparency	.907	.910	5
Courage	.783	.788	5
Prudence	.705	.679	4
Industriousness	.784	.781	5

Source: Authors' computation using SPSS 20

Table 4.1 shows that, respect has a Cronbach's alpha of .952; commitment, .944; and transparency, .907; Justice

.745; courage .783; prudence .705; and industriousness .784. These are indications that the reliability tests are very good. The alpha value for integrity is 0.63, and this is good and also reliable.

4.2 Biographic Data

4.2.1 Founder of the Family Business

Table 4.2.1 Founder of the Family Business

<i>Founder of the Business</i>	<i>Frequency</i>	<i>Percentage</i>
Great-Grandfather	0	0
Grandfather	1	5%
Father	7	35%
Self-Established	11	55%
Others	1	5%
Total	20	100%

Source: Authors' Field Work

Table 4.2.1 indicates that 55% of the family businesses sampled are self-established, 35% are inherited from parent (father), and 5% are inherited from grand-parent (grandfather). This implies that most of the family-owned enterprises sampled have transited beyond the first generation and are run by family members.

4.2.2 Age of the Family Business

Table 4.2.2: Age of the Family Business

<i>Age of the Business</i>	<i>Frequency</i>	<i>Percentage</i>
5 -10 years ago	8	40%
11-15 years ago	4	20%
16-20 years ago	2	10%
20 years ago	3	15%
Over 20 years	3	15%
Total	20	100%

Source: Authors' Field Work

Table 4.2.2 shows that 60% of the family-owned businesses sampled have been in existence for more than a decade. This indicates the viability and robustness of the family businesses surveyed for the study.

4.2.3 Nature of the Business

Table 4.2.3: Nature of the Family Business

<i>Nature of Business Activities</i>	<i>Frequency</i>	<i>Percentage</i>
Commercial	3	15%
Manufacturing	4	20%
Construction	1	5%
Service	10	50%
Others	2	10%
Total	20	100%

Source: Authors' Field Work

Table 4.2.3 depicts that most of the family-owned enterprises in Lagos state are service-oriented followed by manufacturing firms. A possible explanation for this is the high cost of setting up manufacturing firms in Nigeria coupled with the unfavourable business environment.

4.2.4 Geographical Origin of Managing Director

Table 4.2.4: Geographical Origin

<i>Geographical Origin</i>	<i>Frequency</i>	<i>Percentage</i>
South-West	5	25%
South-South	6	30%
South-East	6	30%
North-East	3	15%
North-Central	0	0
North-West	0	0
Total	20	100%

Source: Authors' Field Work

Table 4.2.4 indicates that most family-owned businesses in Nigeria are centred in Lagos state as virtually all the

six (6) geo-political zones (except for North-Central and the North-West regions) are represented. This, however, lend credence to the assertion by Lucky et al. (2011) that 60-70% of family-owned businesses in Nigeria are centred in Lagos state.

4.2.5 Number of Employees

Table 4.2.5: Number of Employees

<i>Number of Employees</i>	<i>Frequency</i>	<i>Percentage</i>
None	0	0
1-9 (Micro)	2	10%
10-49 (Small)	7	35%
50-100 (Medium)	5	25%
101-249 (Large)	2	10%
250 or more (Large)	4	20%
Total	20	100%

Source: Authors' Field Work

Table 4.2.5 reveals that about 55% of the family-owned businesses are medium and large businesses that employ an average of 50 employees (medium) and 125 employees (large). This result suggests that, family-owned firms absorb a large proportion of persons thereby creating employment.

4.3 Core Values

Table 4.3: Respondents' Perceptions of Core Values

<i>Ethical Values</i>	<i>South-West (SW)</i>	<i>South-South (SS)</i>	<i>South-East (SE)</i>	<i>North-East (NE)</i>	<i>North-Central (NC)</i>	<i>North-West (NW)</i>
<i>Integrity</i>	100%	83%	67%	0%	100%	0%
<i>Respect</i>	40%	67%	50%	0%	33%	0%
<i>Transparency</i>	20%	50%	50%	0%	67%	0%
<i>Commitment</i>	20%	50%	50%	0%	33%	0%
<i>Prudence</i>	40%	33%	33%	0%	33%	0%
<i>Justice</i>	20%	33%	50%	0%	33%	0%
<i>Industriousness</i>	20%	17%	17%	0%	100%	0%
<i>Courage</i>	0%	0%	17%	0%	33%	0%

Source: Authors' Field Work

Table 4.3 shows that a majority of the respondents perceived integrity as the core values followed by respect, transparency, and commitment. However, the North-Central (NC) and North-West (NW) depicted by zero percent (s) indicate that, they were not represented in the survey. This implies that family-owned businesses in Lagos are dominated by the four geographical zones (SW, SS, SE, and NC).

4.4 Ranking of Values

Table 4.4: Ranking of Values in Order of Importance

<i>Ranking</i>	<i>RES</i>	<i>COM</i>	<i>COU</i>	<i>PRU</i>	<i>IND</i>	<i>INT</i>	<i>JUS</i>	<i>TRA</i>
1	3	1	-	-	3	12	1	-
2	2	3	5	2	1	3	1	3
3	1	5	4	3	-	1	1	5
4	3	2	1	-	4	2	5	3
5	2	4	-	4	6	2	2	-
6	2	3	5	5	1	-	1	3
7	6	-	3	3	3	-	5	-
8	1	2	2	3	2	-	4	6
Weighted Mean	4.65	4.8	4.35	3.6	4.3	7.05	3.35	4.05

Source: Authors' Field Work

On the basis of the weighted mean, the **INT**- Integrity was ranked as the most important value to the success of family-owned businesses, followed by **COM**-Commitment. The third is **RES**-Respect, followed by **COU**-Courage, **IND**- Industriousness, **TRA**- Transparency, **PRU**-Prudence and the lowest ranked ethical value is **JUS**-Justice.

4.5 Correlation Matrix

Table 4.5: Correlation Matrix

		<i>RES</i>	<i>COM</i>	<i>COU</i>	<i>PRU</i>	<i>IND</i>	<i>INT</i>	<i>JUS</i>	<i>TRA</i>
Spearman's rho	<i>RES</i>	.021	1.000						
	<i>COM</i>	.201	-.361	1.000					
	<i>COU</i>	-.536*	-.404	-.386	1.000				
	<i>PRU</i>	.076	-.695**	.183	.215	1.000			
	<i>IND</i>	-.242	-.337	-.324	.636**	.282	1.000		
	<i>INT</i>	.445*	-.119	.396	-.388	-.008	-.491*	1.000	
	<i>JUS</i>	.137	.279	.063	-.337	-.562**	-.364	.018	1.000
	<i>TRA</i>	.145	.282	-.224	-.343	-.141	-.518*	.153	-.198

Note: correlation is significant at *0.05 level (2-tailed), ** 0.01 level (2-tailed)

Source: Authors' Computation using SPSS 20

Table 4.5 indicates that there exist a positive and significant relationship between integrity and the success of family businesses. This implies that a family-owned enterprise that practices integrity is most likely to be successful compared with a family firm that does not uphold integrity.

The results also show that there is an existence of a positive relationship between the success of family enterprises and the values of respect, commitment, prudence, justice, and transparency. However, these relationships are not statistically significant. The results further show that a negative and significant relationship exists between success of family-owned businesses and courage.

It is pertinent to assert that the overall results conform to stated propositions, except for courage. However, it is important to state that among the core values proposed, integrity is the only core values that drive the success of family-owned businesses.

5 Implications

The results have clearly shown that ethical values, particularly integrity, are necessary to increase the performance of family-owned businesses in Nigeria. It has a great implication for a country like Nigeria where the level of corruption is high and there is a general perception that businesses cannot succeed if they are ethical. This study has shown that integrity is highly valued and fundamental to improved business performance. It is, therefore, a contribution to the understanding of ethical values in family businesses in an emerging market like Nigeria.

The study will also add to better management and governance of family businesses as it will ensure that managers in family businesses that hope to stay in business for the long haul would build a culture of integrity in their businesses. This culture can only be built if family business owners believe in it and lead by example.

The lack of ethical practices has been attributed to the failure of many companies in Nigeria, hence if integrity is taken seriously; it is likely that fewer businesses will fail.

6 Conclusions

The study revealed that values such as integrity, respect for human dignity, commitment, prudence, justice, industriousness and transparency positively influence the success of family-owned enterprises in Lagos, Nigeria. It is, however, pertinent to assert that of all these values, integrity is the core values that drive success in family-owned enterprises. We can, therefore, infer that family-owned businesses that practice integrity are more likely to remain in business and thrive than those that do not.

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