The Human Factor Approach to Development in Africa

Edited by G. Chivaura and Claude G. Mararike
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Introduction

The thesis that African companies die with their founders has been a point of most African entrepreneurial studies (Kilby, 1988: 224; Kennedy, 198: 174f; Iliffe, 1983: 74f; Forrest, 1994: 237f). It has been controversially discussed but rarely supported by empirical evidence. The life span of African companies is therefore, an important area of inquiry in relation to economic development in African countries. Industrialization may depend, to a great extent, on the impulses provided by a large number of new and, therefore, often dynamic and innovative enterprises. Such companies are limited in their possibilities to expand to keep up with technological development because of their lack of capital. An economy that has to constantly restart, misses out on certain growth potential. Where long-established, large private companies are lacking, the gap may be filled by parastatals or foreign multinational companies. But, as the recent history of a number of African countries has shown, this possibility is not always the best economical or political solution.

The progress of self-supporting industrialization in African countries, therefore, depends on the continuation and expansion of older, well established and successful enterprises, combined with a rise in the technological level. In terms of persons involved, this means that an elderly owner-manager of a private company has to find a suitable person to succeed him or her and prepare him or her well to take charge of the business in future. The Human Factor (HF) plays an important role in this context, because several persons are actively involved in the succession process. A well prepared succession is important also from the human resources point of view, in the sense that highly motivated and successful owner-managers pass on their experience and knowledge to the next generation.

As in many African countries, the process of industrialization is still very young in Nigeria. A large number of existing small and medium scale industries was founded during the oil boom of the seventies. Many of the founders of these companies have now reached an age where the question of succession arises.

The question of whether and in which form Nigerian entrepreneurs plan their succession, and of which problems would arise in the process of the implementation of the succession, is what we need to focus on. The empirical basis would be provided by a follow up study of indigenous, owner-managed, small and medium scale industries. These industries were investigated for the first time in 1984 and 1990, in
some of the large industrial cities in different parts of Nigeria: Lagos, Ibadan, Kano, Aba and Benin. The longitudinal study provided insights into the companies’ development over 6 or 12 years. The quantitative analysis of the research is still in progress, but the field study was completed by the end of June 1996. Here, we present only first impressions, observations and a preliminary analysis resulting from nearly 50 non-standardized interviews that accompanied the questionnaires and interviews held with company founders aged 56 and over, and with second generation owner-managers.

**Was there a succession problem in Nigerian industries?**

Tom Forrest concluded, in his recently published study on Nigerian entrepreneurship, that:

> in the past, owner-managed, family firms in Nigeria have very often died with their founders. Our studies suggest that this situation is changing, but only very slowly (1994: 237).

Our study supported this observation. It provides empirical evidence of the problems which Nigerian companies face in relation to succession.

Of the 220 companies visited, 45 (21 per cent) had closed down after six years. The share of companies closed down grew with the founder’s age. For example, only eight per cent of the companies whose founders were presently 55 years old or younger had closed down. Amongst those companies owned by 61-70 year old founders, approximately one third had closed down. This proportion rose to 44 per cent for companies whose founder was then older than 70.

Of the 18 companies in the second generation, or with the strong influence of the second generation which were investigated via the additional, non-standardized interviews, 12 or two-thirds were either seriously endangered or planning to close down soon.

**Some approaches to the problem of succession in the European context**

Not only in Nigeria or Africa, could one observe problems in the handing over of companies to the next generation. Many researchers have undertaken empirical studies of succession within of companies in Europe and searched for explanations of the recurring problems of hand over from generation to generation. There are two major approaches to explanations:

The first approach is known as the Buddenbrook thesis. It focuses on the successor and his shortcomings and weaknesses. He often lacks the power and ‘drive’ of his predecessor. He may be interested in the paternal company and willing to perform well, but tends to preserve the existing structure, while the predecessor was creative and formative. Boswell (1973: 128ff) observed a high level of social sensibility amongst the company heirs he studied in England in the sixties. They tended to reflect more and often questioned themselves more severely than the founders did. This led
from the first to the second generation. Other studies comment on a similar crisis in the third generation of entrepreneurs:

The first generation accumulates wealth, the second preserves it, and the third enjoys it; this pattern, which sums up the history of the Fugger family, was as common in the sixteenth century as in other periods (Pierre Jeanin, in Savage, 1979: 106).

In this context, the decline and fall of many English family companies in the late 19th century can be explained by the reorientation of the successor away from the company and towards gentrification (a noble life in the countryside).

The second approach criticizes this concentration on the role of the successor as lopsided and prefers to consider the role of the founder in the succession process "beyond Buddenbrooks". According to Mary Rose (1993: 129), a successful generation change can be interpreted as the founder's creative management. Thus, the closure of a company can be explained by the founder's insufficient planning of the succession process.

In this study, both points of view were considered and also their relevance or lack of it, to Nigerian companies. However, the focus was on the founder, not only because many Nigerian companies were currently still managed by the founder, but also because it was usually the founder who chose the successor and prepared him for his future position and, therefore, clearly influenced the future success or failure of the enterprise.

Ideally, the following points were considered in the process of planning the actual take over of a company:

The selection of the successor should take into consideration first, his or her personality and abilities; and should, therefore, not be restricted to the 'dynastic principle'. Ideally, the change in management should be accompanied by early planning, including a clear programme and time-table for the succession process. It should be implemented at the latest when the founder feels his or her energies diminishing. A prudent policy of succession would acquaint the successor with the existing situation, whilst also permitting him or her to bring his or her own new ideas into the company.

One could imagine that many difficulties were hidden along the path to a smooth succession within a company. The following are some of the difficulties prevalent in Nigerian companies.

**Typical succession problems ensuing from the founder**

Let us first concentrate on the typical problems by persons looking for a successor. In our Nigerian sample, the person looking for a successor was usually the founder of the company. For easier comprehension I differentiated the planning of a succession process from its implementation.

**Insufficient succession planning**

The prime question concerning succession planning was whether or not Nigerian entrepreneurs were interested in the continuation and development of the company
after their own active involvement had finished. This led to the question of how the enterprises were perceived. If a company was regarded as the provider of income for the family, and the entrepreneurial activities were seen merely as means to achieve this, then the importance of these activities diminished as the goal was reached. On the other hand, if the enterprise was seen as an organism initiated by the founder, but now independent, then there existed an enduring interest in sustaining and further developing the company.^

Those Nigerian entrepreneurs interviewed appeared to lie between these two extremes. Only a minority stated no interest in the future of the company after their own retirement. The majority, however, wished that the company remained within the family and that the children, usually sons, took over and continue the work.

The question of selling the company was not seriously considered. A company sale was seen as a serious form of entrepreneurial failure. The businessmen would rather consider employing an external manager or going public. However, even these considerations were merely worst case scenarios, should no child be suitable or motivated enough to take over as manager. In spite of these clear views, the actual planning of the succession procedures was usually unstructured and undertaken too late.^

Out of the 31 open interviews with entrepreneurs aged 56 to 80, 60 per cent had either not started even thinking about a plan of succession or voiced only vague ideas. This percentage did not diminish with the age of the founder. Five of the nine companies with owner-managers aged 66-70 years were included in this group. Only amongst those aged over 70 did the rate decline to 1 out of 5. This businessman voiced only vague and, in his case, unrealistic plans about a successor.

In case of a sudden death, a successor would then not have been appointed or trained. This situation introduced a crisis in the enterprise, especially if the company was closely entwined with the person of the founder. Disorientation and desertion of employees and customers would be the result. As questions concerning inheritance were not allowed to be dealt with during the period of mourning, the period of disorientation was prolonged. Amongst the Yoruba in south-western Nigeria, the grief period would last one year. It would be followed by law suits which, very often, resulted in the complete deterioration of business.

What were the reasons for the late consideration of a suitable successor amongst the Nigerian entrepreneurs? The majority considered their own children first as potential successors. Some of these children could not have yet completed their education. They were, therefore, not yet ‘available’. This was the case with about half of the younger entrepreneurs aged 56 to 65 years. The other founders had only very few children still in education. The older children had, usually, already established their own careers — many founding independent enterprises — and therefore, no longer in the position to take over their father’s companies. Nevertheless, the majority of those interviewed named one or more children they would consider as suitable successors for their enterprises. Surprisingly, the same businessmen often mentioned that they were not sure whether the children they had in mind were actually interested. Thus, discussions on the subject with the individual candidate or with the whole family occurred only seldomly, and at very late stages.
In child-blessed Nigerian entrepreneurial families, the problem lay not in the lack of potential candidates. It was rather a problem of communication between the founder and his children. In this context, it was interesting to note, that in contrast to the male founders, the three female interviewed industrialists had implemented clear succession strategies. They had included their sons in the management of their enterprises at the early stages and named them as their heirs. In comparison to the mothers, the Nigerian fathers had far more distanced relationships with their children. It was marked by a strict hierarchy and power — even if the children resulted from a monogamous marriage. In some cases, to the children were forced to work in the father’s company and to take over eventually. Another variety of this relationship was the evasion of the loss of face in front of the children and, therefore preferring to wait until one of them voiced interest in working in the company. This might not occur. Additionally, polygamous families were characterised by permanent competition amongst the co­wives and their children. The head of the family, therefore, often did not want to worsen this unstable situation by actively selecting one child and frustrating other children and/or their mothers.

Another important reason for this inconsistency of wishing, on the one hand, to ensure the continuation of the enterprise and, on the other, delaying with the actual planning until such a late stage was, probably, to be found in the close personal entwinement of the founder with the company. This was explained by the fact that the founder planned a long active business life, thereby, wishing not to be separated from his company even if this were economically possible and, perhaps, even sensible.

The age of 70 was often mentioned as the age at which one began to consider retirement. In fact, all 66-70 year old founders of the operating companies were still actively involved in the enterprise, either in co-operation with the successor or on their own. The oldest founder stated that she had retired two years ago, at the age of 78.

However, the older owners no longer undertook business with the same energy as in the past. New companies were no longer founded and the established ones were slightly neglected. Whether the succession question had been dealt with or not, the founder would take up time-intensive hobbies or slide into a kind of partial retirement, without considering himself retired. One of those interviewed had, for example, furnished a comfortable living room next to his office, so that friends could regularly visit him for hour-long chats.

Such a founder did not consider the company as an individual organism but part of him. The conception of himself was closely entwined with his work within the enterprise and the ensuing important, powerful position. Giving this up for the benefit of one or more sons with whom there existed only a distanced, potentially competitive relationship, was a difficult step for many and they, therefore, hesitated to make or implement final decisions.

The thought that they might stop being actively involved in the enterprise one day was strongly denied, especially by the young entrepreneurs aged 56 to 65 years. They spontaneously associated such retirement with death. Long involvement in the management, often without an appointed successor or written will, was a means of "evading old age and death."
These close ties were expressed in the organisational structure which was centred around the owner-manager and, therefore, resulted in the paralysis of the company as soon as he was absent. Such an organisational structure was existent in all those enterprises with owners aged over 70, in half of those managed by 61-70 year olds and amongst a third of the 56-60 year old interviewed founders. Especially, such one-man or one-woman companies required long training periods for the successors during which they were not only introduced to the customers but also confronted with the complete depth of the daily business of the enterprise.

How did Nigerian entrepreneurs prepare their potential successors for their future role and how was the actual changeover implemented?

**Problems in the implementation of succession**

There were different approaches concerning the preparation. About half of the 31 questioned on this offered their children an education that aimed at training them for the management of the enterprise. Of those founders, eight put pressure on their children which ranged from intense persuasion to actually forcing the child to do as planned by the father. Ten of those questioned involved the potential successor in the company during their spare time, that is to say, on weekends and during school holidays. Half of the sample could, therefore, be considered as prepared.

However, the founder did not place much value on external job experience. In those few cases where the successor was employed before entering the parental company, the employment was only for a short period and in lower positions. So, no management qualities were gained. Especially in Kano, northern Nigeria, sons were called into the father’s enterprise straight after completing their education. In general, this decreased the chance of new ideas being brought into the business. In Kano, this did not apply because the difference in education between first and second generations was very large.

When asked on their ideas about an ideal regulation on the question of succession, those who had no concrete plans for their enterprise answered that the successor should take over full responsibility for the business after having first gained a few years work experience elsewhere and then receive a short period of training for the father’s enterprise. The founder would then retire, and be available merely in a consultative role. However, this was actually implemented only once in the sample.

Usually, the founder and his successor worked together for many years and only sickness or death of the founder would bring about a change of ownership. It was always settled at the beginning of the cooperation who would actually be the successor. This usually developed during the time spent working together. In such cases, the most serious and cooperative candidate was named as the future owner-manager.

Two types of cooperation with respectively different results for the enterprise could be observed. In two thirds of those cases interviewed closely, the founder dominated up to the last moment. He gave his children the directorship very early, sometimes whilst they were still at school, but in 10 out of 13 cases, the potential successor did not act even as a mere assistant of the owner-manager. They had no strongly restricted area of competence and responsibility; and they received daily instructions. They were, therefore, not well incorporated into the daily business. The
dependency on the father was further proven by the fact that they were not paid a set salary, but given allowances as needed. These could be very generous. In some cases they ranged as far as a blank cheque or a Mercedes Benz, as a first car. As the successor did not, however, know the company figures, he could not see the relationship between the income and expenditure of the enterprise.

This resulted in the dangerous mixture of, on the one hand, high expectations and, on the other, lack of competent knowledge. This was all the more difficult when missing competence was not replaced by external management, as was often the case, and the organisation of the enterprise would require intensive training, which was especially related to the company. In addition, the permanent dependence led to the demotivation of the potential successor.

Of the seven second-generation companies managed in this way, six fell into serious crises after the actual change over of the managers. The successor was overwhelmed by the job of leading the whole company all at once; important customers would stay away due to the loss of personal contact with the predecessor. In two cases, the organisational structure had to be completely changed over a longer period of time, due to unclear plans for succession.

There were some exceptions in which the father was wise to keep the son from central business management. One such father reasoned that he wished to wait and see whether his sons would become more serious. In the majority of cases, however, the reason for the ambivalent attitude of the founder concerning the question of succession was the relationship with the children characterized by power and distance.

In the second type of cooperation between generations there was no such dominating relationship. This was true in one third of the cases studied. At least one factor seemed in examining important for a less authoritative behaviour from by the founder. This was education. In nearly all those companies where the founder and his successor cooperated on equal terms, or where the successor was allowed greater influence in the management, the sons were far better educated than their fathers. Such differences in education could be clearly noticed in the north, where the fathers were educated in Koran schools but could offer their sons university education, often abroad, as a result of their successful businesses.

These well educated sons, who rarely had work experience, were given wide areas of responsibility and competence. In three out of seven cases, this led to a division of labour so that the father dealt with questions of finance, while the son took over the general management. Three companies managed the change from trade to production due to the sons' influences. In one case, the son persuaded the founder to produce those commodities with which he had dealt so successfully for many years. Such a company, therefore, could actually be considered as founded to match the ideas of the second generation.

Since only few such companies had actually been fully passed onto the successors after such a cooperation, no final conclusions concerning the effects for the company could be drawn. However, the first problems could be seen especially amongst those companies where the second generation had been given nearly unlimited powers, including freedom in the diversification policy.
On the whole, the tendency of Nigerian companies to diversify excessively (i.e. to manage many companies at the same time) had been observed widely and often considered critically (see, for example e.g. Harris, 1971: 351f., Forrest, 1994: 233f.; Wiler, in print). This tendency appeared to be especially strong among the prospective second generation. Nearly all the future managers asked stated plans to establish further companies upon inheritance, including in different lines and sectors. The realisation of such wishes was, however, questionable, since the financial resources available were limited. For those successors, however, who had a financially well situated father who they could easily influence due to the differences in education, such plans were easily implemented. Numerous companies, therefore, had been founded and shares bought within a few years with high debts amounting. In one case, this had already resulted in the collapse of the whole group of companies.

The problem was, therefore, either that the second generation attempted to do too much too quickly without being deterred by the founder generation, or that the founder dominated too strongly and thereby demotivated his heir. The perfect middle way was a difficult balance act which only few of those interviewed seemed capable of undertaking.

Let us sum up the typical problems of founders discovered in Nigeria. The question of succession was dealt with only at a later stage and then with an unclear time table. Not enough emphasis was placed on external work and management training of the potential successor, who was usually called into the father’s enterprise too quickly. During the period of cooperation of the founder and successor, the latter was not given the opportunity to gain the knowledge he lacked. He was not well well trained by his father in the running of the company. Often, he was given too little personal responsibilities and sometimes too much too early. The founders permitted their children a luxurious life which resulted in high material expectations and demands.

The problems of the companies managed by the second generation mirrored these founders’ mistakes concerning the regulation of succession. Only in few cases could statements be made as to whether and how quickly the second generation learned from these problems and whether they were willing and able to bring about a positive turn.

Specific successor problems

The following section deals with those specific problems that go above and beyond those created by the founder. These would appear to be primarily motivational problems of the heir, ensuing for one, from the extreme financial burden and, for the other, from problems of cooperation with the siblings, usually brothers.

If — as was usual in Nigeria — one single person established a company, then this person carried the major part of the burden and also dealt with the resulting income, deciding relatively autonomously, who he or she would give how much. The successor’s position would never be that strong, even if he were clearly and undisputedly considered the best candidate by the whole family. Especially in polygamous families which predominant amongst the older founders, the successor would be closely watched by the other family members in case he tried to embezzle
their appropriate portion of the company earnings. The burden for the successor was, therefore, large as shown by the following example of a car body construction enterprise:

The eldest son of the company's founder was considered the successor from the beginning and worked with him for the 6 years preceding his death. Now, aged 30, he is responsible for two mothers, 18 brothers and sisters, most of whom are still in education, as well as further relatives. The company is to care for them and some of the relatives suspect him of embezzlement. The owner-manager is therefore under constant pressure from his family. As a result he aims to relieve himself at least of a part of the burden by founding his own company as quickly as possible and then merely supervising the paternal enterprise, leaving the daily business to his young brother. The parental company is therefore for the family and only his own company would permit him to work for himself (Wilier, in print).

It was, therefore, most likely that he would retire completely from the paternal enterprise in the long run, and that his younger brother would do the same at a later date. The demotivation of the successor resulting from the described situation, could be a reason for the observed problems of companies in the second generation.

A further difficulty was presented by the cooperation of the brothers in the inherited enterprise. Not only in polygamous families was the relationship between brothers tense as they competed for the approval of the father. If one of these sons was favoured by being considered the future main shareholder or given greater freedom within the company because he had proven himself to be trustworthy, the remaining brothers might build up a coalition against him. These disputes, which could be hidden, would increase after the death and, therefore, missing protection of the father. Some of the 'victims' mentioned their loneliness in such a situation. They considered themselves as fighting a lone battle against a group of free-riders and, therefore, were unable to trust anyone. The problem of the successor was long drawn out and would lead to the restructuring of the enterprise likely to harm the business and lead to the removal of some of the brothers from the company, as indeed, happened in one case.

Conclusion
The majority of the Nigerian small and medium scale enterprises were managed by one person — the founder. To model him as a simple homo economics would have been wrong in any cultural context, as his personality, aims, values and attitudes were included in his entrepreneurial behaviour and decision making. In order, therefore, to describe the management of companies in this size category, one had to include the economical environment as well as the personality of the entrepreneur — the HF which gave the enterprise its identity.

The importance of this factor became evident when the problems involved in the question of succession in the enterprise were considered. The decision of an entrepreneur as to whether, when and how he or she would plan and organise the succession within his company, could be compared only to the decisions the same
person had to face when founding the company. The question of succession was, therefore, not only a sophisticated management procedure but, also closely entwined with the wishes and further aims in the life of the entrepreneur. It was seen that the attitudes of the entrepreneurs to their company's future were somewhat ambivalent and demonstrated a split between ideas and their implementation. The result was that many enterprises started by the true pioneers in the industrial history of Nigeria, would fail in the end due to the problems of succession.

The possibility of finding a way out of this dilemma and enabling the second generation to continue the enterprise successfully was dependent also on the motivation of the entrepreneur. As long as, for example, the retention of power or the personal identification with an active or seemingly active role was centrally tied up with the company, well meant suggestions such as going public, were useless. Substitution would be a more suitable solution in such cases. One of those interviewed was, for example, involved in establishing a cooperative bank in his home town. A position there as a member of the board of directors, guaranteed power and possibilities for creative acting. Alternative offers of this kind could facilitate retirement from the company.

The central problem concerning the question of succession currently in Nigeria would appear to be the close entwinement of the companies' structure and organisation with the personality of the entrepreneurs. A new person at the head of the company would only successfully manage it if he had been thoroughly acquainted with all aspects of the business in intensive training. As was observed, the founders were often not prepared to do this, or could not, due to sickness or death. There were, however, indications within the sample, that the younger entrepreneurs were creating a more professional structure in their companies with clearly marked areas of competence. If these entrepreneurs could also succeed in considering the company not as a part of themselves, but as an independent organism, their separation from it could be easier, making inheritance by the second generation a much smaller risk than was observed in this research.

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