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Entrepreneurship and Family Business as Tool for National Development

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Abstract
The role of entrepreneurship to national development cannot be over emphasized, hence the growing popularity of entrepreneurship education in our high schools, colleges and universities today. For entrepreneurship education to fully achieve its objectives, emphasis should be laid more on establishing family businesses due to their advantages over non family business. This paper therefore discusses the meaning, uniqueness, effective management, prevalence and importance of family firms to national development. It is recommended that more emphasis should be laid on family business management and succession planning in order to reduce the problem of unemployment and its attendant consequences in the society.

Keywords: Entrepreneurship, Family, Family business, National development

Introduction
Three decades ago, the teaching of courses in entrepreneurship was unheard of unlike now when such courses are offered at our secondary and tertiary institutions today in Nigeria. This is due to the fact that the development of small businesses in Nigeria and other parts of the world has become an amazing story as a result of the value of goods and services they produce and the new jobs they create, thereby becoming one of the greatest economic powers in the world.

Entrepreneurship according to Ferreira (2018) is the "capacity and willingness to develop, organize and manage a business venture along with any of its risk in order to make a profit. It is the act of creating a business or businesses while building and scaling it to generate a profit." Trammel (2015) quoting Professor Howard Stevenson (of Harvard University) definition of entrepreneurship since 1980s entrepreneurship is the pursuit of opportunity beyond resources controlled while Oxford dictionaries .com (2018) define it as "the activity of setting up a business or businesses, taking on financial risk in the hope of profit."

Entrepreneurship is hugely relevant to family businesses as most start-ups begin as a family business and are faced with questions as to whether they want to continue the business beyond the founders. Therefore, promoting entrepreneurship is directly linked to promoting family businesses. If a nation wants to reap the full benefits of entrepreneurship education, it should aim at fostering new family entrepreneurs that can establish businesses which can survive generations. Since the family is the basic unit of any society consisting of two parents rearing their children. Every member of the society comes from a family and if every family has a business that can be passed from one generation to the next, rapid national development would be achieved and sustained. This paper therefore discusses the role of entrepreneurship and family business as tool for national development.

Meaning of Family Business

A family business is defined as a firm that is dominantly owned, managed, governed/controlled by a family, with the intention to retain the ownership and control of the business within family across generations with the presence of family employees and a dominant family culture guiding the behavior of members of the organization (Wale-Oshinowo, Ahamefula, Lawal, Kamaldeen and Ishola, 2017). Longenecker, Petty, Palisch and Moore (2010 :122) also define a family business as an "organization in which either the individuals who established or acquired the firm or their descendants significantly influence the strategic decisions and the course of the firm. Two key elements of defining a family business are:

(a) Dominant control in the hands of the family and
(b) Trans-generational perspective (long-term value creation and emphasizes the relevant of succession)". According to Wikipedia

(2018), a family business is a commercial organization in which decision making is influenced by multiple generations of a family (related by blood, or marriage or adoption) who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. They are closely identified with the firm through leadership or ownership.Owner manager entrepreneurial firms are not considered to be family businesses because they lack the multi-generational dimension and family influence that create the unique dynamics and relationships of family businesses.

Concept of Family

Family is the basic unit in the society traditionally consisting of two parents rearing their children or a group of individuals living under one roof and usually under one head i.e household (Webster, 2018).

Lumpkin, Cogliser and Schneider (2008 cited in)Wale-Oshinowo et al (2017) define a family as "a permanent body consisting of individuals who are bound together by obligation rather than by contract as it exists in corporate organizations. Historically, the family was traditionally made up of father, mother and children. In some rural and typical rural and ethnic societies, extended family members made up of brothers, sisters, cousins, uncles, aunties, grandparents are important when defining a family. According to Longenecker, Palisch, & Moore (2010: 121) a family refers to "a group of people bound by a shared history and a commitment to share a future together, while supporting the development and well-being of individual members. This definition also acknowledges that there can be considerable differences in the composition of families. Among other things they can vary according to blood relationships, generational representation and legal status. A family was also defined as a group of persons (two or more) related by birth, marriage or adoption and residing together (U.S. Bureau of the Census, 1998 cited in Wale- Osinowo et al, 2017).

Uniqueness of Family Business (Family and Business Overlap)

A family business is composed of both a family and a business. Although the family and the business are separate institutions – each with its own members, goals, and values; they overlap in the family firm.

Families and businesses exist for different reasons. The family's primary function is the care and nurturing of family members, while the business is concerned with the production and distribution of goods and or services. The family's goals include the personal development of each member and creation of equal opportunities and rewards for each member, while the business's goal is to create value for the customer and wealth for the firm's owners.

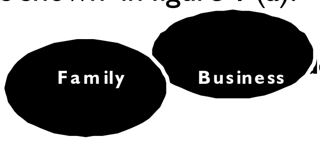
Individuals involved directly or indirectly in a family business have interests and perspectives that differ according to their particular situations. This makes family businesses distinct from other types of enterprises termed as "non-family businesses" in their behavior, operations, institutional requirements, decision making, composition, strategic orientation and most importantly, their contributions to the economy and society at large.

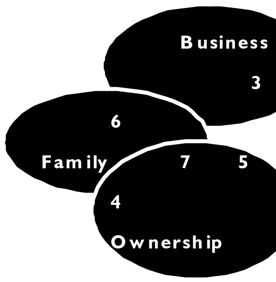
Identifying the distinctiveness of Family Businesses

The process of differentiating family business from other forms of business organization was one of the approaches used by early family business researchers to define family business.

One of the models used by early family business scholars like Tagiuiri and Davis(1982) is the dual circle model as shown in figure 1 (a).

(1a) Two – Circle model **el**





Source: Adapted from Wale-Oshinowo, B., Ahamefula, E.G., Lawal Kamaldeen, A.A. & Ishola, T. (2017). Family Business and Succession Planning, Abuja, National Open University of Nigeria (2017), Page 35.

The dual circle model describes the involvement of a family in the business system. The underlying conceptual model then held that the family firm is made up of two overlapping subsystems: the family and the business, with each system having norms, rules, values, and structures peculiar to it. The business sub-system is expected to operate and be guided by sound business practices and principles while simultaneously meeting family needs for employment, identity and income. The dual circle model clearly shows the challenges facing all family enterprises which is trying to harness any conflicting goal of the two subsystems and also finding the right strategies that satisfy both.

The three – circle model in figure (1b) was introduced in 1997 by Gersick, Davis, Hampton and Lansberg; incorporating family ownership of the business into the equation. The Three – circle model sheds more light on the relevant attributes, peculiarities, distinctiveness as well as possible conflicts that may exist between these two systems. The model describes the family business system as three independent but overlapping subsystems: business, ownership and family. The underlying idea behind the concept suggests that any individual in the family firm can be placed in one of the seven sectors formed by the overlapping circles of the subsystems. In the event that an individual has more than one connection to the firm, he/she will be in one of the overlapping sectors which fall in two or three of the circles at the same time. The three circle model delineates accurately the roles of different individuals within the two overlapping systems.

Sector 1: Contains individual family members
Sector 2: Contains all owners (and owners only)
Sector 3: Contains all employees (employees only)
Sector 4: Contains Family members who are also owners of the business (but not employees)
Sector 5: Contains owners who are also employees (but not family members)
Sector 6: Contains family members who are also employees within the business (at any level but not owners or shareholders)

Sector 7: Contains individuals that have interest in all three areas, that is, they are owners or shareholders in the business; a member of the family; and an employee within the enterprise.

The three circle model provides a clear descriptive picture of the degree of overlap between the family and the business. These two complex social systems on interaction, differentiates family businesses from non-family business.

Advantages of a Family Business

The benefits associated with family involvement in business include the following:

1. The primary benefit derives from the strength of family relationships. Family members have a unique motivation because the firm is a family firm. Business success is also family success.
2. Family members are drawn to the business because of family ties and they tend to stick with the business through thick and thin. Non family employees can seek greener pastures elsewhere during a downturn in business fortunes but a son or daughter may be reluctant to leave because the family name, its welfare and possibly its fortune are at stake or the person's reputation in the family and in the business community may hinge on whether he or she can continue the business that dad or mum or grandfather built.
3. Family members may also sacrifice income to keep a business going. Rather than draw large salaries or high dividends, they are likely to permit resources to remain in the business in order to meet current needs.

Some other features of family involvement in a firm can contribute to superior business performance. According to business professors Sirmon and Hitt cited in Longenecker et al (2010:124) the following features of family businesses offer unique advantages.

(a) Firm – specific knowledge: Family businesses often compete using firm – specific knowledge that is best shared and further developed by individuals who care deeply about the business and who trust one another. These companies are in a unique position to pass this knowledge along from generation to generation. Sharpening the edge of that advantage over time.

(b) Shared social networks: Family members bring valuable social capital to the business when they share their networks with younger members of the family and thus help to ensure the firm's future performance.

(c) A focus on the long run - Most family managers tend to take a long – range perspective of the business in part because they view it as an asset that must be maintained for the sake of future generations.

(d) Preservation of the firm's reputation. Because they have a stake in preserving the family's reputation, members of the family are likely to maintain high standards when it comes to honesty in business dealings, such as offering quality and value to the consumer

(e) Reduced cost of control. Because key employees in a family business are related and trust one another, the firm can spend less on systems designed to reduce theft and to monitor employees work habits.

Disadvantages of a Family Business

In a family, conflict may arise even before a venture is created; and as the business grows, inherent differences in family and business values and commitment emerge:

1. A family is a unit that balances relationships; a business must innovate to prosper.
2. The family seeks to perpetuate traditions, while the business must innovate to prosper.
3. A family is characterized by unity and cooperation; but a business grows through diversity and competition.
4. Families tend to be stable, while businesses especially those competing in the global economy often face instability.
5. For families, loyalty usually trumps opportunity, but businesses are regularly challenged by opportunities that arise for both the company and its employees.

Nepotism is a characteristic of the family firm; employees and executives may show favouritism toward their relatives regardless of competence or performance. Many family businesses provide employment to relatives regardless of their qualifications and may even keep on the payroll after their poor performance has become obvious to everyone. This diminishes the effectiveness of the company and also demoralizes competent employee. These disadvantages can be overcome as family firms that have survived generational transitions have proven.

Management practices that enable a family business function effectively

The complex relationship in family firms require the oversight of competent and professional management whether from inside or outside the family. Because of global competition and rapidly changing market , family business have to look carefully at family members who want a leadership position in the enterprise and determine whether they are up to the task.

A number of management "best practices" for family enterprises as proposed by family business experts and practitioners according to Longeneckeret al (2010:134) include:

1. Promote learning to stimulate new thinking and fresh strategic insights.
2. Solicit ample input from outsiders to keep things in perspective.
3. Establish channels for constructive communication and use them often.
4. Build a culture that accepts continuous change.
5. Promote family members only according to skill levels.
6. Attract and retain excellent non-family managers.
7. Ensure fair compensation for all employees, including those outside the family.
8. Establish a solid leadership succession plans.
9. Exploit the unique advantages of family ownership.

If these and other practices of good management are observed, the family business will thrive and the family relationship will equally function well.

Some strategies that have helped family businesses succeed across the globe over time according to Longenecker et al (2010) include:

Non family employees in a family firm

Bringing a non family member as an executive with the firm may be necessary at times to:

- Bridge the gap between generations
- Set directions for the firm
- Deal with change
- Provide new skills and expertise

In doing this, certain traits, like maturity, facilitation skills, mentoring skills, emotional sensitivity, trustworthiness and the ability to understand and share the values of the family should be considered by the owner.

Family Retreats

A family retreat is a gathering of family members usually at a remote location to discuss family business matters. Holding family retreat is one of the first steps in formalizing processes for building a healthy family to business relationship. In most cases, the atmosphere is informal to encourage family members communicate freely and discuss concerns about the business in an environment that does not feel adversarial. The retreat is the beginning of a process of connecting family members. It presents an opportunity to celebrate the founders and their securities, as well as highlight the legacy they wanted to pass down to future generations of the family.

Family Councils

Family retreats could be used to pave way for creation of a family council, in which family members meet to discuss values policies and direction for the future. A family council formalizes the participation of the family in the business to a greater extent than the family retreat, and can be used for planning the future of individual family members, the family as a whole and the business as well as how each relates to the others.

Family businesses that have such councils find them useful for developing family harmony.

Family Business Constitutions

Writing a family business constitution is one of the responsibilities of family councils. A family business constitution which is a statement of principles meant to guide a family firm through times of crisis and change is not a legally binding document but helps to preserve the intentions of the founder and ensure that the business survives periods of change largely intact. Family business constitutions are sometimes called family protocols, but more comprehensive than protocols. Topics in family constitution include: ownership agreement, governance and personnel policies, policies and procedures for the use of resources by family members, conflicts of interest and noncompetition agreements, and codes of conduct. It is a breathing document that can be amended when necessary.

Process of leadership succession

Succession is the generational transition from a founder to a successor. Succession is a challenging issue faced by all family leaders at some point of time. It involves personal, family and business issues as well as legal, financial and taxation issues (Oshinowo et al 2017). The leadership succession must be well planned over a period of time as it is not an event but a process.

Four common features to successful succession according to Ward (1997) cited in Wale-Oshinowo et al (2017) are:

1. A founder needs to be ready and enthusiastic about passing on the business.
2. A successor should be instilled with positive attitudes toward business challenges by a mentor.
3. Trust between founder and successor.
4. Commitment to cooperation with the family and sharing decisions with them.

Prevalence and Economic Importance of Family Firms

Accordng to Oshinowo et al (2017), family businesses are the primary source of wealth and economic growth of free economies all over the world. Literature has recorded family businesses as the most prevalent form of business enterprise in the world. Family firms are found in almost every sector of the world's economies and they continue to serve as growth engines for these countries. For example there are interesting records of family businesses that have been in existence for over a century in three leading economies: Japan has 25,321, the United States of America has 1,273 and Germany has 7,632.There are also 3146 and 837 companies that are older than 200 years in Japan and Germany respectively according to Wikipedia (2018). Summaries of statistics on family businesses from around the world are found below.

World Statistics

a. Family firms account for 80 -90% of all businesses in the world; Global Data Points from Family Firm Institute (2018) puts it as two thirds of all businesses in the world.
b. Family firms create an estimate of between 75 to 90 % of the world's Gross Domestic Product.
c. Family firms employ between 50 to 80% of the world's working population.
d. 85% of startups from around the world were created with family money.
e. In most countries of the world, family business are between 70 to 95% of all business entities.

Source: Global Data Points, Family Firm Institute (2018)

Examples of family firms across the globe are: The Toyota Corporation (Japan), Tata Group (India), Trump organization (USA), Walmart (USA), Samsung (South Korea) Heineken (The Netherlands) to mention a few.

From the list of just a few family firms in Nigeria and across the globe it is evident that family businesses play a major role in economic development of any nation.

Family Businesses in Nigeria

Although there are relatively little to no formal records of family business research in terms of size, prevalence or economic significance in Nigeria, there are many known family businesses that are contributing significantly to the economy of Nigeria. A few of these family firms are:

- Nigerian Tribune (Late Obafemi Awolowo family)
- The Punch Newspaper (Aboderin family)
- Honeywell Group, Nigeria (Otudeko family)
- Henry Stephen's Group (Fajemirokun family)

- First City Group (Balogun family)
- Folawiyo Group of Companies (Folawiyos)
- Eleganza Group (Okoya family)
- Elizade Group (Ade Ojo family)
- Diamond Bank (The Dozie family)
- Lead City Group (Owoeye family)
- Dangote, Dantata and many others

Importance of studying Family business

At this time of high unemployment rate in Nigeria and many other countries, the focus of our education is tilted towards entrepreneurship and self-employment after leaving school; the entrepreneurship education in our schools should emphasize family business establishment and management because of the important roles played by family firms which include:

1. Employment creation
2. Income generation
3. Wealth accumulation
4. Commitment to development of local communities
5. Early industrialization
6. Economic growth

Family firms are able to play these roles due to their advantages of trust, control, employee motivation, strong values of founders which focus on strong relationships with family, employees business partners and the community; and long-term orientation for leaders of family owned businesses that see the future and success of the business as personal success.

Conclusion

Family businesses are widely seen as the backbone of the economy – they create wealth, they provide jobs, they are locally rooted and connected to their communities and they seem to be around for a long period of time. Although they also face some challenges which include family conflicts incompetent members of the next generation and succession crisis etcetera; if the entrepreneurship education curriculum of our schools should emphasize family business and succession planning, it would go a long way in training graduates that can establish and manage business enterprises that can survive generations.

Way Forward

All students in our secondary and tertiary Institutions should undergo entrepreneurship course emphasizing family business management so that they would be oriented towards having a family business when they graduate. If most graduates from our educational institutions can establish family businesses that can provide jobs and income for family members, at least the crisis of unemployment and its attendant effects on the society would be reduced. There is need to emulate some leading economies of the world like Japan, Germany, Netherlands etcetera; that have family businesses which have survived for more than two centuries as the successes of these economies cannot be separated from the longevity of their family firms.

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