Chapter 26
Developing Capabilities for Sustainability in Family Small Enterprises:
An Emerging Market Scenario

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ABSTRACT

Though literature in family perpetuity and sustainability is well documented from the advanced economies, there is scarcity of insights from emerging markets where this research relates. The study, therefore, sought to investigate, understand, and interpret the underlying drivers of sustainability in small family businesses using the stewardship theory paradigm in the Nigerian family business environment. A qualitative method with 41 in-depth interviews involving owners and managers of family-owned small and medium businesses was conducted. The study empirically shows that there is an interrelationship between family structure and business sustainability; hence, the practice of polygamy was found to be inimical to family business success and sustainability. Building on the stewardship theory, the paper develops a model of sustainability for small and medium family businesses. The study contributes to the theoretical literature on stewardship and family business sustainability.

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INTRODUCTION

Family businesses range in size from small owner-managed firms to large multinational corporations and are found across a variety of industries. In the case of emerging market economies, the small and medium family businesses remained dominant business organizations, as several business undertakings are run through family involvement, harnessing family resources for business endeavour (Alderson, 2011). These businesses leverage the entrepreneurial activities and add value to the economy of the countries where they exist (Wagner, 2010).

Often, in most of the family businesses, the founders' main concern is to perpetuate their legacy and ensure continued family control through an intergenerational succession (Miller; Steier; and Le Breton-Miller, 2003). Sustainability and long-term perspectives are, therefore, embedded objectives within most family businesses (Fletcher, Melin, and Gimeno, 2012; Miller and Le Breton-Miller 2005). However, the ability to actualize these long-term business objectives is an inherent obstacle for many family businesses. Schwass (2005) found that continuity over generations is the greatest threat to the survival of the family business. While the family business objective is to sustain survival beyond the current generation (Davis and Harveston 2001); studies by Smyrnios, Poutziouris, and Goel, (2013:508); Marshall et al. (2006); Ward (2004), cite survival rates of only 30% into the 2nd generation and about 15% into the 3rd generation. The evidence of this small percentage of family- owned Businesses being led by third generation family members highlights the seeming inherent difficulty of sustaining interest and capability in the family business across generations.

Since family businesses are not homogenous, its classification can be done in several ways. According to Melin and Nordqvist (2007) the most typical sources of diversity stems from the different owner structure, the presence of different generations in the management and among the owners, the various sizes of family businesses, ranging from small, which has the largest percentage, medium and the publicly quoted family businesses, the nature and extent of family participation and the structure of the owning family. To this end, studying its sustainability remains rather complex and daunting to have a template for sustainability that will be applicable to all the various typologies of family business. Hence this research focuses on the small and medium family businesses.

The concept of stewardship (Henssen, Voordeckers, Lambrechts, Koiranen, 2014; Eddleston et al., 2012; Davis et al., 2010 Zahra, et al., 2008) which signifies a collectivist orientation towards a business' success, growth and subsequently sustainability, materialize in numerous ways including the extent individuals express their loyalty and commitment to an organization which may be a consequence of the wages received or other extrinsic rewards and in the case of owning family members a feeling of psychological ownership (cf. Ramos, Man, and Ng, 2014). From the available literature (Caldwell, Hayes, and Long, 2010), however, family business owners have had to grapple with the challenge of gaining the trust and commitment of their staff as they work hard to entrench a long term orientation that is identifiable with the family business.

Sustaining the family business allows for harmony and well-being of the family and allows the family to continue working together and thereby strengthening family cohesion and connectivity. Efforts geared towards encouraging the sustainability of family businesses remains a means by which family relationships and diminishing family values are strengthened and improved (Tàpies, and Moya, 2012; Carsrud 2006). To this end, the question of how family businesses can develop the capabilities to survive across generations becomes clearly topical at practical and theoretical levels. The critical issue then is, identifying the underlying tenets necessary for sustainability in family businesses.