The Impact of Family Business Values on Longevity of Small and Medium Sized Family Businesses In Nigeria

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Abstract: This study highlighted the influence of family business values on the longevity of small and medium family businesses. The goals of this study is to identify the potential effect of family business values on the longevity of family businesses. Also to make theoretical and practical recommendations on actions that practitioners and owners of family businesses can take to ensure the future longevity of the businesses. The target population of this study was small and medium family businesses in Lagos State, Nigeria, and a total of 150 questionnaires were return from 165 family businesses of various sectors. Data from the questionnaire were analyzed using various statistics techniques, including Partial Least Square Structural Equation Modeling (PLS SEM). The finding of this study showed that family business values (Trust, Commitment, Fairness, Openness and Harmony) have a positive influence on longevity of family businesses. This study has added to the empirical body of family business research, and provides some insights into family values that affect the functionality of family businesses.

Keywords: Longevity, Harmony, Fairness, Trust, Commitment, Openness.

INTRODUCTION

Many previous studies have documented several factors as antecedents of family business longevity (FBL). One of the major factors of FBL is quite related to family values. Family business values (FBV) have been an important consideration in moderating family behaviors within the business, guided family firm survival and family cohesion as well as inspirations (Zapatero & Jiménez, 2013; Aronoff, 2004). Family has significant influence on family business which makes it a special business activity (Nordqvist & Hall, 2008). family businesses dominate business environment in which 70% to 98% of all companies, are family businesses, making thus two-third, and almost 35% of the fortune 500 businesses are family firms (Cucculelli, & Bettinelli, 2016; Farrington, 2016; Family business survey, 2014; Gagliardi-Main, et al., 2013; Poza & Daugherty, 2013; European family business, 2012; Bertrand, & Schoar, 2006; Zahra & Sharma, 2004; Venter, 2003;
Family businesses contribute 70% to 90% of the world GDP and created 50% to 80% of employment (Birsyada, & Wasino, W., & Suyahmo & Joebagio, 2017; Farrington, 2016; Family Firm Institute, 2015; Poza & Daugherty, 2013). Despite these contributions and importance of family businesses around the globe, such businesses faced with the challenge of longevity as 95% of family businesses do not survive the 3rd generation of ownership (Franklin & William, 2013; Alli & Jimoh, 2013; Akingbolu 2010; Abouzaid, 2008; Aakinfe, 2003) and 60% - 80% of SMEs which family business inclusive fail in Nigeria. 70% of family firms fail or are sold before 2nd generation leaving only 10% actively to the 3rd generation of owners (Laforet, 2016; George & Henry, 2012).

Several studies have shown that the major threat to the family firm survival, growth, success, performance and longevity is quite related to family values and relationships (ward 2004, Venter, 2003; Koiranen, 2002; ward 1997; Goldberg 1996). It is right that, many family issues emanated from conflict-laden of family relationship (Molly, Laveren, & Deloof, 2010), and managing both business issues and family issues seems to be a stable and continued challenge (Schuman, Stutz, & Ward, 2010). In sub-Saharan Africa, family businesses play a major role in the economy (Van der Merwer, 1012). Despite its significance, only the minority among them enjoys longevity as their survival rate of many African family businesses beyond the owner generation is very low (Nsehe, 2014). For instance previous studies report higher failure rate of family businesses to the extent that only few will last for 10 years (Niels, Zoltan, Erkko, Alicia, Jonathan, 2008; Nieman, 2006; Moodie, 2003; Ryan 2003; Hugo, 1996). Nigeria is not exceptional as many family businesses face with major issue of longevity as few enjoy permanence while many are failing or winding up some years after (Nsehe, 2014; Ukoko, 2014; Utor 2014; Nnodim & Oketola, 2011). The negative effects of the higher rate of family business failure include social and economic growth, winding up of family businesses takes loss not only to the named family, but also to the workers of the business and immediate communities (Nieman, 2006).

Majority of family business scholars therefore emphasize that family values and strong family relationships are critical to the longevity of family businesses (Venter & Boshoff, 2006; Koiranen, 2002; Santiago, 2000; Sharma, 1997; Malone, 1989), thus issues concerning family values have been identified as the main threat influencing the success, survival, growth and longevity of the businesses as it is from conflict-laden family ties that majority of the issues emanated (Venter, Merwe & Farrington, 2012; Molly, Laveren & Strydom 2010). Despite the challenges and issues pertaining to longevity of family businesses it is well-known that its achieved extraordinary outcomes, often to a greater extent than other forms of business (Venter, Merwe & Farrington, 2012; Schuman et al, 2010; Gordon & Necholson, 2010), which stresses the need for further study into what can be done to ensure the survival and longevity of such businesses. Family values have an important influence on the longevity of family businesses, and this article attempts to obtain greater insights into this influence.

Due to high mortality rate or failure of family businesses as a result of issues highlighted above, family business researchers and practitioners have identified the importance of family business values to the longevity of the businesses — which comprises trust among all the stake holders of family business, fairness in dealing with the compensation among the family members, openness in acceptance of other opinion and ideas, harmony within the family members for the continuity of the business as well as commitment of them for the longevity of the family business. (Merwe, 2013; Venter, Merwe & Farrington, 2012; Merwe & Farrington, 2012; Farrington & Venter, 2010; Ibrahim, McGuire & Soufani 2009; Venter & Boshoff 2006).
Research questions for the purpose of this study is that, is there any significant and positive relationships between family business values and longevity of family business? Some of the dimensions of family business values considered are trust, commitment, fairness, openness and harmony among family members to ensure the longevity of family business and the main objectives of the study are: firstly to empirically test the effect of family business values on the longevity of family businesses and secondly, to suggest recommendations that could assist owners and managers of family businesses on measures to reduce discontinuity and ensure longevity of their businesses. Small and medium family businesses are the focus of this study and its means a business where a single family owns at least 51% of the equity share capital of the business; where a single family is able to exercise considerable influence in the business; where at least two family members are concerned with the senior management of the business; and where the business employs less than 200 full-time employees.

**Figure 1: Proposed Conceptual Framework**

### LITERATURE REVIEW

#### Longevity of Family Business

Although the longevity construct has obtained a lot of momentum for several decades (Bird, et. al, 2002), it is essential in the notion of the organization as a “financial institution able to continue” (Zappa, 1956). Literatures established lack of agreement concerning not only the terminology used, but also the definition presented of what is deliberated to be a similar construct (Baigoric, & Moon, 2009; Justin et al, 2014). Scholars have also assigned different names to longevity construct such as “family business continuity”, “family business sustainability” and family business survival among others. According to Sharma and Salvato’s (2013 p. 34) “Longevity refers to the continuity of a family firm beyond the career span of its founders(s)”. While in some other studies it is define as a business that has survived for more than a century while maintaining its main field of business and not selling ownership of the company to outside stakeholders. (Sasaki & Sone, 2015).

Business longevity is connected with a firm life cycle, therefore for a firm to be in existence for long time, it must have gone through the normal initial stages of business life cycle (Bianchi, 2012; Montuori 2000). The more enterprise can survive and preclude unintentional exit from business, the more successful enterprise is (Van Praag, 2003). Therefore, future continuity of the firm refers to the firm capability to ensure its sustainability and support other generations with employment and wealth from the business.
(Chrisman, Kellermanns, Chan, & Liano, 2010; Short, Payne, Brigham, Lumpkin, & Broberg, 2009; Cater & Justis, 2009; Miller & Le Breton-Miller, 2005). The longevity perception of a business is linked to the ability of the management to ensure careful allocation of resources and show the company financial soundness (Pufal, Zawislak, Alves, & Gamarra, 2014). Also longevity of the enterprise relied on the ability of the management to pinpoint and manage risk and threats, also plan the future of the enterprise through succession planning and long-term strategy (Mignon, 2013; Bonn, 2000). In this regards, family firms are more often concerned with the longevity of the business than non-family enterprises (Short, Payne, Brigham, Lumpkin, & Broberg, 2009; Miller, Le Breton-Miller, & Scholnick, 2008). Family firms place more emphasis on it survival, because the firms serve as long-term resource for multiple generations to benefit (Distelberg & Sorenson, 2009; Short Short, Payne, Brigham, Lumpkin, & Broberg, 2009; Miller, Le Breton-Miller, & Scholnick, 2008; Castillo & Wakefield, 2007). Therefore, the longevity of a family business is particularly important where it relates to the possibility to transfer the business to upcoming generations (Rosenblatt et al. 1990; Wheelock, & Baines 1997; Mariussen, Mitra 2002; Littunen & Tohmo 2003; Wang et al. 2004).

Scientific evidence proves that existence and continuity of family business are studied among scholars and are vital to the world global economy (Ibrahim et al., 2009; Barnett, 1990) and its existence longer than expected determine its longevity (Cho & Ahn, 2009). The longevity generally indicates “long life”, “continuance” something lasting longer than expected (Montuori, 2000; Alchian, 1950). However, business longevity is intricate in that the actual computation of average life span of businesses is not easy. It is difficult firstly because death of a business is complicated to define, as it can survive partially, die momentarily by legal agreements (e.g., spin-offs, mergers, workout, etc.) or perpetually. Secondly, life expectancy of businesses varies so widely that it is subject to how one defines “business”. The continuity of family business means the existence of business name, family ownership or brand (Cho & Ahn, 2009).

Family Business Values (FBV)

In the last decade, FBV as a field of study has endured significantly and recorded a remarkable growth in global academic context (Josep Tàpies María Fernández Moya, 2012), “FBV are widely discussed in previous writings, but often without sufficient empirical evidence,” as indicated by (Koiranen, 2002, p.176). Family business members possess common values and are also guided in their decision making by same values (Dumas & Blodgett, 1999). Therefore for the purpose of this study we focus on selected family business values as follows.

Harmony

Family owned business is deliberated to be successful not only by making profit from the business but also the family is happy, and there exist family harmonious relationships (Maas, Van der Merwe & Venter, 2005; Sharma, 2004). Therefore, substantial value is placed on maintenance of family harmony and commitment of members to each other in family businesses (Bai, Fong, Lok, & Tarrant, 2016; Santiago, 2000; Lansberg, 1999; Aronoff, Astrachan, Mendosa & Ward, 1997). A family business identified with high level of harmony among members of the family is considered as the most valued environments to work with (Malone, 1989). However, harmonious relationship between family members rely on the quality of their good relationships (De Almeida, Goulart, & Ituassu, 2016; Aronoff et al, 1997) amicability, healthy family relationships are requirements for success and FBL (Fahed-Sreih & Djoundourian, 2006).
In the same vein, Barach and Gantisky (1995) believe that for a family business to succeed, there must be good and healthy family relationships. Family harmony is considered by many family businesses as a non-financial goal which cannot be assessed financially (Zellweger & Nason, 2009). Anecdotal (Sharma, 2004; Ward, 2004; Flören, 2002) and empirical proof (Venter, 2003; Santiago, 2000; Malone, 1989) propose that harmonious ties among members of the family are significant evidence of successful family businesses.

Moreover, Rivers (2005) stated that relationships are the main factor to the success of family business and sound relationships do not occur by themselves. According to Ibrahim, Dumas, and McGuire (2015), the degree of balance between the business and family needs to be monitored and managed on the basis of continuity in order to ensure that the correct balance is maintained. If the accurate degree of balance can be sustained, it will be possible that the business can be efficiently managed while family harmony is being realized. If members of a family work together in a perfectly balanced overlap of business and family atmosphere, it will create an environment that is harmonious and you will find a family that live and work in almost perfect harmony (Ibrahim, Dumas, & McGuire, 2015). Rivers (2005) states that the need to keep harmony in the family causes most families to go to deeper lengths to avoid discoursing potentially or controversial hurtful issues. Evading controversial issues do not make them go away; it means that members engage in hopeful thinking and in this way, hope that the traumatic issues will vanish (Rivers, 2005). Competition and conflict between family members is not a bad thing always and the business depends on these determinants to be able to develop and be maintainable, but only if it is correctly managed (Cater, & Young, 2016).

Family harmony can be promoted by members of a family from amongst each other by spending time together to reinforce family bond by these social gatherings away from office work. These social interactions will go a long way in helping the family to comprehend each other and creates trust mutually. There will be trust mutually once the bond was formed and care between family members on each other’s well-being and also acknowledgement of each other’s achievements willingly (Rivers, 2005; Neubauer & Lank, 1998; Handler, 1989). By using these fundamentals for family harmony, long-term family business sustainability is guaranteed unknowingly (Heerden, 2009). Neubauer and Lank (1998) argued that with considerable amount of harmony within family members, it is much easier for the discoursing of handing over of family business to next generations and to implement the mechanisms necessary for successful business transition (Astrachan & McMillan, 2003). However, in a study conducted in USA by Malone, (1989), reveals that family harmony significantly influences family business continuity. In another study conducted by Venter, Merwa and Farrington, (2012) also reveals that family harmony significantly influences the future family business continuity. Fahed Sreih, & Djoundourian, (2008), the result indicates that healthy family relations (harmony) have significant influences on Lebanese family firm longevity. Thus, hypothesis developed to be tested below;

H1: There is significant positive relationship between harmony and longevity of family business.

Trust
Many researchers have defined trust and commitment as essential components for business relationships (Brencic and Zabkar, 2010). Relationships within businesses, where outcomes relied on the conduct and partner’s intention, trust is extremely important (Johnson and Cullen, 2002). Trust is a concept that has
been widely employed and researched within the organizational context (Kramer, 1999; McAllister, 1995; Butler, 1983; Driscoll, 1978) explaining a variety of phenomena including family values (Van der Merwe, Venter, & Farrington, 2012), work relationships (Lewicki and Bunker, 1996), employee satisfaction (Driscoll, 1978), learning, knowledge transfer (Levin and Cross, 2004; Edmondson and Moingeon, 1999), interpersonal cooperation (McAllister, 1995), and many more. Trust means willingness of an individual to open up to another person and the anticipation that the partner in exchange will not take advantage even when such conduct remains undetected (Mayer et al., 1995). It seems that there is concurrence in the literature that trust is an instinct state that is connected to person affects (Baron, 2008; Weick, 2008; Dunn & Schweitzer, 2005).

Moreover, trust of other parties in any kind of business serves as a basis for assessing the prediction of the behavior of future based on previous interaction and promises (Boersma, Buckley, & Ghauri, 2003), reducing the risk associated with opportunistic behavior (Singh, & Teng, 2016; Hsu, & Chang, 2014), reducing uncertainty (Hsu, & Chang, 2014), and destabilization decision making formalization (Fang, Palmatier, Scheer, & Li, 2008). In family business, flexible structures development is allowed as a result of trust and for positive expectations (He, Lai, Sun, & Chenk, 2014). The parties’ tendency to stay in a positive relationship was initiated by trust (Yen, & Abosag, 2016; Abosag, & Lee, 2013), it also increases satisfaction (Yen, & Abosag, 2016), promoting cooperative intention (Keh & Xie, 2009), influencing long-term orientation (Lai, Pai, Yang & Lin, 2009), and building relationship commitment (Lewicki, & Tomlinson, 2003). Generally, trust acts as a relationship driver as long as it emphasises the intention of cooperating and increases expectation of continuity of the parties (Paulssen, Roulet, & Wilke, 2014). Trust is a development accumulated from various sources that drive the correlation along the process of relationship development.

Scholars as well as practitioners see trust potentially to be more effective in teamwork and managerial coordination in business (Steier, 2001). Family ties that are not built on trust are precarious, will damage family relationships, and consequently destroy the family firm at large (Haynes, 2005). Trust is what makes family business to look distinctive and also has competitive advantages within businesses (Carlock & Ward, 2001). If members of a family trust one another, it creates the basis for everlasting perspectives, commitment, governance and loyalty which bring on enormous competitive advantage to the firm as well as harmony to the family (Aronoff et al., 2002; Shanker, 2000; Cohn, 1992). In fact, research suggests that, family firms have an advantage over non-family businesses as far as trust in business is concerned (Merwe et al., 2012). According to Venter and Boshoff (2006), it has been established that trust has the prospective to make members of a family more open, informed and secure than any group of unconnected individuals.

Furthermore, trust has been identified in the literature as crucial to family business success and longevity (Kimberly & Eddleston, Morgan, 2014). According to the study conducted by Merwe, Venter and Farrington (2012) the result reveals that trust has positive significant effect on family business continuity. Also in a study by Martos, and Jiménez, (2015), the result of the study reveals that trust has significantly and positively influenced on family firms’ longevity. In another study by Fatoki (2013) on the determinant of longevity of the enterprises also reveals that trust is one of the determinants of business longevity. Therefore, the empirical evidences presented above lead to the hypothesis below:-

H2: There is significant positive relationship between trust and longevity of family business.
Commitment

Many researchers have described the concept of commitment that include strong preference for present party (Eddleston, & Morgan, 2014; Teas & Sibley, 1980), one's job (Sieger, Bernhard, & Frey, 2011; Carmon, Miller, Raile, & Roers, 2010), intimate relationships in family firm (Astrachan, 2010) and family business longevity (Miller & Le Breton-Miller, 2005), advanced cooperative sentiments (Childers & Ruekert, 1986), and tendency for relation continuity (Anderson & Weitz, 1989). On the similar path, commitment according to Morgan and Hunt (1994) can be seen as the exchanging partner confidence, on the relationship with others which is important as it deserves much efforts in maintaining it indefinitely. On the side of seller buyer relationship, commitment value can be defined “as a total value perception from a buyer who repetitively purchases certain products and repetitively uses those products” (Lee et al., 2003 P. 41).

Commitment is one of the essential pillars from which most of the approach positively towards family business study is built (Eddleston, & Morgan, 2014; Corbetta & Salvato, 2004). The concepts are frequently used to describe discrete attributes of family firms like social capital, (Pearson, Carr, & Shaw, 2008; Arregle, Hitt, Sirmon, & Very, 2007; Sirmon & Hitt, 2003), familiness (Irava & Moores, 2010; Frank, Lueger, Nosé, & Suchy, 2010; Zellweger, Eddleston, & Kellermanns, 2010), reciprocal altruism (Eddleston, Kellermanns, & Sarathy, 2008; Lubatkin, Durand, & Ling, 2007), stewardship (Dibrell & Moeller, 2011; Davis, Allen, & Hayes, 2010; Eddleston & Kellermanns, 2007) and family firm identity (Zellweger, Kellermanns, Eddleston, & Memili, 2012). Research on commitment tend to stress more on non-rational domains such as commitment to one’s job (Sieger, Bernhard, & Frey, 2011; Carmon, Miller, Raile, & Roers, 2010) and others on rational domains for instance, commitment to family, a partner or other group (Corbetta & Salvato, 2004).

Family member’s commitment to the business and commitment to each other is what makes a firm to be called family firm (Balshaw, 2003). The questions of who among the members is committed to retain the enterprise within the family circle and also ready to put most effort in making the business successful are possibly significant issues confronting individual family members thereafter (Carlock & Ward, 2001). Commitment of the family is the sources for making unity of purpose and maintain family harmony (Carlock & Ward, 2001). The priority of a family is the commitment to continue the business as it promotes the shared vision of the future and the plan of family business continuity (Miller & Le Breton-Miller, 2005; Carlock & Ward, 2001). The future continuity part requires the family’s commitment to foster the business and supporting succeeding generations with employment opportunities and financial assistance (Miller & Le Breton-Miller, 2005). Members commitment expect them to keep all resources for future need and therefore, crucial to the survival and continuity of the family firms (Ibrahim et al., 2009).

The commitment to business continuity is the precedence of a family as it supports the vision of the future and the continuity of family business plan (Miller & Le Breton-Miller, 2005; Carlock & Ward, 2001). The component of future continuity requires the commitment of family to foster business and support succeeding future generations financially and create employment opportunities (Miller & Le Breton-Miller, 2005). In an empirical research on factors contributing to longevity of family firms by Ibrahim, McGuire and Soufani, (2009), the result of the study indicates that commitment positively affect survival and longevity of family businesses. Also in a similar study on community social responsibility and its effects on performance of family business by Niehm, Swinney and Miller, (2008) shows that commitment significantly affects the family firm ability to deliver and receive from the community its sustainability. Moreover, a recent study
conducted by De Falco, and Vollero, (2015) reveals that family members’ commitment is a significant driver of business growth. The hypothesis below is formulated in this regard as:-

H3: There is significant positive relationship between commitment and longevity of family business.

Fairness

No family relationship will forever be perfect, because of the presence of the feelings of being treated unjustly among family members (Avloniti, Iatridou, Kaloupsis, & Vozikis, 2014; Kets de Vries, 1996). It is a common assumption that in every family there is the need for equality among children and parents work tirelessly to prevent the entrance of favoritism among their children. However, treating the offspring’s equally in business becomes difficult or impossible as a result of their individual differences such as strengths, talents, ambitions and life stages (Rivers, 2005). Attaining a balance system of compensation among family employees is the main point concerning fairness in the family firm (Block, Millán, Roman, & Zhou, 2015; Chrisman, Memili, & Misra, 2014; Spector, 2001; Aronoff & Ward, 1993). Family firm’s compensation practices frequently create problems when members of a family are compensated based on gender or age (Buchholz, Crane & Nager, 2000) rather than on merit (Loeb, 2001; Jaffe, 1991). According to Aronoff, Astrachan and Ward (2002) there is no basis for compensation policy except job descriptions which specify the work responsibilities and roles which have been organized in detail to serve as a way of structuring salary categorizations and performance rating. Voeller et al. (2002) and Rawls (1999) emphasize on all family businesses the importance of having system of performance management system to guarantee fair employment for all workers, including all family members that are employees. A competitive related wages should be paid to all workers for their efforts, family members employees included (Barrett, 2001).

Market related and fair compensation of employees is a sensitive issue in any business and even more on family-owned businesses, since most families have no rational compensation system (Deysel, & Kruger, 2015; Aronoff et al., 2002; Spector, 2001). Preferably a writing existing compensation policy could save a lot of trouble for the business (Van der merwer, 2009). Fair and good compensation policy will lead to involvement of all family employees in the family firms, working for the best for all (Milgo, Kanali, & Makokha, 2014; Adeoye, & Fields, 2014) and result to the achievement of the owners’ primary goals business continuity (Milgo, Kanali, & Makokha, 2014; Wekesa, & Nyaroo, 2013). Literature reports a significant relationship between satisfaction with work, fairness and relationship within families between sibling partnerships (Farrington, 2009). This relationship was supported by quite a number of anecdotal evidence (Ward, 2004; Lansberg, 1999; Aronoff et al., 1997; Gersick et al., 1997; Ward, 1996; Ward, 1968; Ward, 1967) that propose the significance of fairness between members of a family in family businesses. Furthermore, Danes, Zuiker, Kean and Arbuthnot (1999) detected that unfair workloads are negatively affecting family businesses as it creates intense pressure in family relationships. More so, Cowie (2007) added that there is a positive connection between fair workload among management team and perceived success.

Additionally, Literature highlights a significant link between satisfaction with work, fairness and relationship within families and between sibling partnerships (Farrington, 2009). This relationship was supported by quite a number of anecdotal evidences (Ward, 2004; Lansberg, 1999; Aronoff et al., 1997; Gersick et al., 1997; Ward, 1996; Ward, 1968; Ward, 1967) that proposed the significance of fairness
between members of a family in family businesses. In a study conducted by Merwe, Venter and Farrington (2012) the result reveals that fairness has positive significant effects on family business continuity. Another study by Anahtar Kelimeler, (2014) also reveals that fairness affects the sustainability of family business. Again in Venter, Farrington and Boshoff, (2009) study the result reveals that fairness in business significantly influences the success of copreneurial businesses. Following the above evidences lead to the hypothesis below;-

H4: There is significant positive relationship between fairness and longevity of family business.

Openness

Openness is a fundamental value and defined as a person’s understanding of what is going on around him, as well as his magnitude to explore and tolerate odd situations (Piedmont, 2013; Wiley & Hilton, 2009; Piedmont, 1998). Openness is an individual ability to accommodate others view and values, while correlate with the business long-term growth and survival (Lubinski et al. 2011; Bird, 1989). It also has a significant effect on pressure response (Chu et al, 2015; Schneider, 2011; Williams, 2009). Openness in communication is a key for promoting effective teamwork and increases the chances of a successful team result (Brigham, 2004; Ward, 2004; Aronoff et al., 1997). The readiness to exchange personal or sensitive information is crucially important for the success of family business (Ward, 2004; Aronoff et al., 1997). Effective communication, categorized by honesty, openness, and consistency, is the basis of conflicts resolution and promoting family harmony as well as the business (Brigham, 2004; Gersick et al, 1997). Openness is defined in various ways by different authors (Dahlander & Gann, 2010). According to the Merriam-Webster dictionary, it can be defining as the degree in which there is no enfolding or confining barrier: the extent of accessibility. In an interpretation from the definitions of openness from Chesbrought and Appleyard (2007) and Dahlander and Gann (2010) as well as Webster dictionary, openness can be defined in business as the extent in which information from and among members of a business is accessible to the third parties (Koekoek, 2011).

Previous studies confirmed that openness in family business influence the longevity of the business, as in a study conducted on old family Finnish firms, by Koiranen (2002), the result of the study reveals that value of openness moderately affects the survival of family businesses. In another study in South Africa by Merwe, Venter and Farrington (2012) the result reveals that openness has positive significant effects on family business continuity. Additionally, a study conducted in Germany and Spain by Lubinski et al, (2011) on factors affecting family firms’ longevity, reveals that openness affects positively the survival and growth of family businesses. Fahed Sreih, & Djoundourian, (2006) conducted an exploratory study in Lebanon on the contributing factors of longevity and success of family businesses and also revealed that openness has significant influence on Lebanese family firm longevity. Again in Venter, Farrington, & Boshoff, (2009) the result of the study revealed that openness in communication significantly correlates with the success of copreneurial businesses. Also in a reviewed study conducted in Lebanon by Fahed Sreih, & Djoundourian, (2008) the result of the study indicates that family openness to others has significant influence on Lebanese family firm longevity. For the above empirical evidence, the hypothesis below is formulated;- 

H5: There is significant positive relationship between openness and longevity of family business.
Research Framework and Underpining Theory

This paper suggests that family business values of trust, commitment, fairness, openness and harmony are the independent variables influencing the longevity of family business. These relationships are shown in Figure 1 below.

The framework is underpinned by Resources Based View Theory. The theory is one of the most widely accepted academic perspectives in the field of strategic management is the resource-based view of the firm (RBV) (Bromiley, & Rau, 2016; Rau, 2014; Rouse & Daellenbach, 2002; Priem & Butler, 2001; Powell, 2001). Since the introduction of the theory (RBV) into the literature of strategic management (Barney, 2001; Peteraf, 1993; Conner, 1991; Barney, 1991; Barney, 1986; Wernerfelt, 1984) has gained large attention between researchers as a framework for elucidating the conditions under which business may gain a sustained competitive advantage. The principal tenets of the theory is that firms should be scrutinized from the resource side at the level of the company, not from the product side of the industry (Wernerfelt, 1984). Longevity of the business is connected to the values of the family business as it is the resources of the business that are rare, valuable, inimitable, and non-substitutable, distinctive resources that provide a viable firm competitive advantage which cannot be replicated by other firms. In this paper, RBV is theoretically applied to underpin the direct relationships between family business values (Trust, Commitment, Fairness, Openness and Harmony) and longevity of family business.

RESEARCH METHODOLOGY

Sample and Data Collection

The target population of the study was some selected sector of the entire small and medium family businesses in Lagos State of Nigeria. The sectors are Hotel and Accommodations, Agriculture, Retail and Service as well as manufacturing sectors. Numerous attempts were made to secure and access a database of the sectors of family businesses of Lagos State, but to no avail. Therefore, it was decided to rely on local family business directorate which was accessible from Lagos State ministry of commerce to sort out and identify the family businesses that participate in the study. As a result of the effort made by the researcher, a number of 170 family business within the sectors were listed for the study. Having known the sampling frame, we used simple random sampling for this study. Using Krejcie and Morgan Table, 118 respondents were selected (Krejcie & Morgan, 1973), but for fear of none response, 40% of 47 were added (Salkind, 2012) and therefore, 165 respondents is selected and used in this study to represent the family businesses operating in Lagos State, Nigeria. Questionnaire was sent to them with the covering letter assuring the respondents that anonymity was guaranteed. The data was collected by the researcher with the assistance of three research assistants.

Data Analysis Technique

The study used Partial Least Square Structural Equation Modeling (PLS SEM) SmartPLS 3.0 software (Ringle et al., 2015) to calculate both the measurement and structural models (Batcha, Jan, Nasir & Subramani, & Julie, 2017; Anderson & Gerbing, 1988). The justifications for using PLS are: PLS path models are estimate with a small sample and with non-normal data (Haenlein & Kaplan, 2004). PLS has the probability of providing accurate calculations of variable relationships as it accounts for error (Helm, Eggert &
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Garnefeld, 2010). The two-step technique as recommended by Anderson and Gerbing (1988) and suggestion of Hair, Hult, Ringle, & Sarstedt, (2014), the bootstrapping technique (5000 resample) was also used to ascertain the significance levels for the path coefficient.

Measurements

Six items were adopted from (Van der Merwe et al., 2012) and were used to measure trust as a family business value. Internal consistency and reliability of the items were 0.92. Sample items include: “Our family members trust each other’s ability to manage our family business”. Several measures exist for commitment but in this study six items were also used from (Van der Merwe et al., 2012). The items have consistency reliability of 0.92 and the sample of the items include: “Family members involved in our family business are deeply committed to continuing the business.” This study used instruments adopted from three different sources to measure harmony construct, one item from Kidwell et al., 2012, seven items from Van der Merwe et al., (2012) and four items from Alpay et al., (2008). These instrument were used in various researches in family business and they are found to have good reliability and validity in measuring the construct in question. Sample of the items include: “Our family members prefer to cooperate with each other rather than compete with one another”.

Seven items were used from (Van der Merwe et al., 2012) to measure openness as a value of family business. Internal consistency reliability of the items was 0.92. Sample items included: “Family members have the ability to communicate effectively”. Eight items were adopted from (Van der Merwe et al., 2012) to measure fairness as family value. The internet consistency reliability of the items was 0.83. Sample of the items included: “Family members are compensated according to their contribution to our business and not according to age and/or gender”. Lastly, the measurement of dependent variable longevity of the family business was measured from the instrument developed in South Africa by (Van der Merwe et al., 2012). Sample of the items include: “I see our family business as a legacy to be handed over to future generations”. All the items in this section were measured using seven-point Likert Scale ranging from 1 = strongly disagree to 7 = strongly agree.

DATA ANALYSIS

Respondents’ Profile

Based on the demographical characteristics of the respondents, majority of the managers are male 69% (n = 101) and female respondents 31% (n = 49). Majority of the respondents 29.8% (n = 52) were of Yoruba ethnic group, 22.3% (n = 31) of the participants were from Igbo ethnic group, while 16.6% (n = 41) among the respondents were from Hausa ethnic group and the remaining 33.6% (26) were from other minority ethnic groups of Nigeria. The mean age of the respondents was 40 years and the respondents’ mean years of experience as working with family business was 18 years.

Descriptive Statistics

Table 1 shows the descriptive statistics which include the constructs means and standard deviations and the reliability of the variables for descriptive purposes. As presented in Table 1 the mean value of all the constructs ranged between 5.5068 and 5.4106.
Table 1
Mean, Standard deviation and Reliability of the Study Variables

<table>
<thead>
<tr>
<th>Constructs</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business Longevity</td>
<td>150</td>
<td>5.5068</td>
<td>1.2161</td>
</tr>
<tr>
<td>Trust</td>
<td>150</td>
<td>5.3476</td>
<td>1.2765</td>
</tr>
<tr>
<td>Commitment</td>
<td>150</td>
<td>5.3556</td>
<td>1.1851</td>
</tr>
<tr>
<td>Openness</td>
<td>150</td>
<td>5.3624</td>
<td>1.2708</td>
</tr>
<tr>
<td>Fairness</td>
<td>150</td>
<td>5.2476</td>
<td>1.3388</td>
</tr>
<tr>
<td>Harmony</td>
<td>150</td>
<td>5.4106</td>
<td>1.1485</td>
</tr>
</tbody>
</table>

Common Method Variance

In a given research, the problem of Common Method Variance (CMV) occurs when all the study data were collected at a point of time and from a single source which might influence the validity of the study negatively (Podsakoff et al., 2003). To reduce the effects of CMV in this study, numerous procedural remedies were used based on the recommendation of Podsakoff et al. (2003).

Table 2
Convergent Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business Longevity</td>
<td>FBL1</td>
<td>0.7101</td>
<td>0.5387</td>
<td>0.8508</td>
</tr>
<tr>
<td></td>
<td>FBL3</td>
<td>0.7957</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FBL4</td>
<td>0.8048</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FBL5</td>
<td>0.8040</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FBL6</td>
<td>0.6119</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>COMM3</td>
<td>0.8775</td>
<td>0.6906</td>
<td>0.8697</td>
</tr>
<tr>
<td></td>
<td>COMM4</td>
<td>0.8448</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>COMM5</td>
<td>0.7669</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairness</td>
<td>FAIR6</td>
<td>0.8716</td>
<td>0.7032</td>
<td>0.8763</td>
</tr>
<tr>
<td></td>
<td>FAIR7</td>
<td>0.8673</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FAIR8</td>
<td>0.7731</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmony</td>
<td>HARM10</td>
<td>0.8353</td>
<td>0.5753</td>
<td>0.8434</td>
</tr>
<tr>
<td></td>
<td>HARM12</td>
<td>0.7288</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HARM5</td>
<td>0.7850</td>
<td></td>
<td></td>
</tr>
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<td></td>
<td>HARM7</td>
<td>0.6754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Openness</td>
<td>OPEN2</td>
<td>0.7762</td>
<td>0.6079</td>
<td>0.8225</td>
</tr>
<tr>
<td></td>
<td>OPEN6</td>
<td>0.7242</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OPEN7</td>
<td>0.8347</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>TRUST3</td>
<td>0.7957</td>
<td>0.6540</td>
<td>0.8498</td>
</tr>
<tr>
<td></td>
<td>TRUST4</td>
<td>0.7645</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TRUST6</td>
<td>0.8628</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
informed that there was no right or wrong answer and also they were guaranteed confidentiality of their answers. Secondly, the study avoided vague concepts in the questionnaire. Finally, reversed coded questions were used (Podsakoff et al., 2003). In addition to the procedural remedies in this study, CMV was assessed using Harman’s single factor test. The rotation showed that CMV is not an issue in this study. The analysis from the SPSS showed that all the items could be grouped into eight factors with a cumulative of 78% and no single factor accounted for more than 50% of the variance (Podsakoff et al., 2003). The first factor accounted for 11.5 percent of the variance.

**Measurement Model Evaluation**

To assess the measurement model we evaluated the convergent validity and discriminant validity. Convergent validity was determined by examining the composite reliability, loadings and average variance extracted (AVE) (Hair et al., 2014). As reported from Table 2 below, each construct has achieved the loadings above 0.7, Composite Reliability (CR) of all the constructs were all higher than 0.8 and AVE is above 0.5 as suggested by Hair et al. (2014).

The discriminant validity (the extent to which items measure distinct concepts) was assessed following the Fornell and Larcker (1981) criterion by comparing the square root of the AVE with the correlations among constructs. As shown from Table 3, the square root of the AVEs (values in bolded) on the diagonals were greater than the corresponding row and column values indicating the measures were discriminant.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>COMM</td>
<td>0.8310</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>FBL</td>
<td>0.5422</td>
<td>0.7340</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>FAIR</td>
<td>0.3924</td>
<td>0.4509</td>
<td>0.8386</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>HARM</td>
<td>0.5296</td>
<td>0.5382</td>
<td>0.4229</td>
<td>0.7585</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>OPEN</td>
<td>0.4732</td>
<td>0.5046</td>
<td>0.4411</td>
<td>0.4217</td>
<td>0.7797</td>
</tr>
<tr>
<td>6</td>
<td>TRUST</td>
<td>0.6388</td>
<td>0.5663</td>
<td>0.3938</td>
<td>0.4907</td>
<td>0.4199</td>
</tr>
</tbody>
</table>

Therefore, both the two types of validity in this study were achieved

**Structural Model Evaluation**

Since the measurement model is achieved in terms of reliability and validity, we evaluated the structural model to assess the hypothesized relationships among the variable in this study (Hair et al., 2014). As presented in Table 4 and Figure 2 below, we evaluated the standardize beta values and the t-values (Hair et al., 2014). The t-values were obtained using bootstrapping procedure with 5000 replications. In addition, we also calculated the predictive relevance (Q2) of the model and effect sizes of each predictor on the dependent variables (f2) (Hair et al., 2014) as reported from Table 3. All relationships in this study are represented by standardized beta values. Additionally, in testing the relationships of the structural model, the significance levels were set at p<.001 and p<0.05 (1-tailed) (Hair et al., 2014).
Table 3
Predictive Relevance (Q²)

<table>
<thead>
<tr>
<th></th>
<th>$SSO$</th>
<th>$SSE$</th>
<th>$t$-$SSE/SSO$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>450</td>
<td>139.5654</td>
<td>0.6899</td>
</tr>
<tr>
<td>Family Business Longevity</td>
<td>750</td>
<td>350.2091</td>
<td>0.5331</td>
</tr>
<tr>
<td>Fairness</td>
<td>450</td>
<td>134.0694</td>
<td>0.7021</td>
</tr>
<tr>
<td>Harmony</td>
<td>600</td>
<td>255.733</td>
<td>0.5738</td>
</tr>
<tr>
<td>Openness</td>
<td>450</td>
<td>177.5725</td>
<td>0.6054</td>
</tr>
<tr>
<td>Trust</td>
<td>450</td>
<td>155.622</td>
<td>0.6542</td>
</tr>
</tbody>
</table>

Result of the Direct Effect

The findings from Table 4 indicated that a positive relationship exists between Harmony as family business value and family business longevity ($\beta = 0.2125; t = 0.0613; p < 0.01$), supporting H1. The study found a significant positive relationship between Trust as value and family business longevity ($\beta = 0.2476; t = 0.0575; p < 0.01$) revealing H2 is also supported. The findings also revealed a positive relationship between Commitment as a value and Family business longevity ($\beta = 0.1301; t = 0.0644; p < 0.01$). Hence, H3 is also supported. The finding further indicated another positive relationship exists between Fairness as a value and Family business longevity ($\beta = 0.1272; t = 0.1409; p > 0.01$), resulting in H4 also supported. Lastly, looking at the result of the study indicated a positive relationship that exists between Openness as a value and Family business longevity ($\beta = 0.1933; t = 0.0461; p > 0.01$), supporting H5.

Furthermore, significantly the findings from Table 4 proved that among the two predictors of the longevity of family businesses, Trust and Harmony values have the highest significant standardized beta coefficient ($\beta = 0.2476$) and ($\beta = 0.2125$) which indicates that Trust and Harmony within the family business are the most significant constructs in predicting the longevity of Family Businesses in Lagos State, Nigeria.

Table 4
Result of Structural Model Analysis

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Std Beta</th>
<th>Std Error</th>
<th>t-value</th>
<th>p-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm -&gt; FBL</td>
<td>0.1301</td>
<td>0.0644</td>
<td>2.0197</td>
<td>0.024*</td>
<td>Supported</td>
</tr>
<tr>
<td>Fair -&gt; FBL</td>
<td>0.1272</td>
<td>0.0409</td>
<td>3.1055</td>
<td>0.002**</td>
<td>Supported</td>
</tr>
<tr>
<td>Harm -&gt; FBL</td>
<td>0.2125</td>
<td>0.0613</td>
<td>3.4654</td>
<td>0.001**</td>
<td>Supported</td>
</tr>
<tr>
<td>Open -&gt; FBL</td>
<td>0.1933</td>
<td>0.0461</td>
<td>4.1966</td>
<td>0.000**</td>
<td>Supported</td>
</tr>
<tr>
<td>Trust -&gt; FBL</td>
<td>0.2476</td>
<td>0.0575</td>
<td>4.3042</td>
<td>0.000**</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: **p<0.01, *p<0.05

DISCUSSION

The paper examined the effect of family values on longevity of family businesses in Nigeria. As presented in Table 4 above, the finding indicated that a positive relationship exists between commitment of family members and longevity of the businesses in Lagos States Nigeria ($\beta = 0.1301; t = 0.0644; p < 0.01$), thereby supporting H1. This finding is consistent with previous research (Ibrahim, McGuire & Soufani, 2009;
Dana, Smyrnios and Bi, 2015; De Falco, & Vollero, 2015). Additionally, the study found a significant positive relationship exists between fairness and family business longevity ($\beta=0.1272; t=0.0409; p<0.01$) revealing H2 is also supported. The finding is in line with prior studies (Merwe, Venter and Farrington, 2012; Anahtar Kelimeler, 2014). These findings show that management of family businesses is giving fairness among all stakeholders priority for continuity of family business in Nigeria. The finding also reveal significant relationship exists between Harmony and longevity of family businesses in Nigeria ($\beta=0.2125; t=0.0613; p<0.01$), indicating H3 is equally supported and congruent with prior research (Malone (2002; Fahed Sreih, & Djoundourian, 2008). Therefore, family businesses depend on their resources for competitive edge over other form of businesses for its continuity which is congruent with Resources Based View theory (RBV) (Wernerfelt, 1984). The study also shows another positive relationship exists between openness and longevity of family businesses in Nigeria ($\beta=0.1933; t=0.0461; p < 0.01$), thereby H4 also supported which is compatible with other previous studies (Merwe, Venter and Farrington (2012; Lubinski et al, 2011). Moreover, the study reveals positive significant relationship exists between trust and longevity of family business ($\beta=0.2476; t=0.0575; p < 0.01$), hence H5 is also accepted. The result is in line with other prior studies (Fatoki, 2013; Tàpies & Fernández Moya (2012).

**Theoretical and Practical Implications**

The findings in this study are significant to both theory and practice. Theoretically, our findings established the facts under which the longevity of family business can be improved. To our knowledge this study is the first in the family business literature to test the effects of family business values on longevity of family businesses in Lagos State Nigeria. Additionally, understanding family business values might provide evidence-based promotion on continuity of the business and its impact on economy. Our study also tested the Resources Based Theory (RBV) (Barney, 2001), in the context of strategic management. To our knowledge this study is not a pioneering study using (RBV) theory in strategic management context. Thus, there is the need to further explore these models and or with the different values in different context.
From practical perspectives, since findings suggest that, family values play an important role in longevity of small and medium sized family businesses, therefore, one can believe that values of commitment, fairness, openness, trust and harmony ensure the continuity of family businesses. This possibly will present a benefit for country by ensuring the survival, growth and continuity of small and medium family businesses thereby maintaining a healthier economic stability. In addition, the study adds to family firms, professionals, policy makers and other stakeholders awareness on how crucial small and medium family businesses are to any economy of the world and thereby providing directions and guidelines for policy makers in policy formations and economic planners as a guide to them for resource allocations and economic focus. As in every empirical study, the findings of this paper are not without limitations. Therefore, while interpreting the results, the following limitations can be taken into account. Family businesses that participated in the study are from all the Zones of the States, owing to the use of non-probability quota sampling, the sample cannot be considered to be representative of all small and medium sized family businesses in Nigeria. As such the finding reports cannot be generalized to all family business populations. Again the focus of the hypothesized model is wholly on some of the family business values influencing longevity of family businesses. Future studies could incorporate other values into a more comprehensive model that describes them impacting on the longevity of family business. It is also acknowledged that common method bias could have influenced the results of this study. Though, the use of common assessment methods hardly requires large and problematic common method bias (Meade, Watson and Kroustalis, 2007), in many cases, common method bias may be smaller and does not necessarily jeopardize the validity of the study results.

CONCLUSION

The paper examined the direct effect of family business values (Commitment, Trust, Harmony, Fairness and Openness) on the longevity of small and medium sized family businesses in Nigeria. The findings revealed that family business values (Commitment, Trust, Harmony, Fairness and Openness) are significantly and positively related to the longevity of Small and Medium Family Businesses. Therefore, the study recommends future research to explore either of the values as a mediator or moderator in other contexts. The findings in the present study offer strong empirical evidences for the proposed antecedents of family business longevity in Lagos State, Nigeria. These findings offer significant guidance for family business researchers and practitioners on how to improve longevity of Family Business.

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The Impact of Family Business Values on Longevity of Small and Medium Sized Family Businesses In Nigeria


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The Impact of Family Business Values on Longevity of Small and Medium Sized Family Businesses In Nigeria


