

SUCCESSION PLANNING AND ORGANIZATIONAL CONTINUITY IN FAMILY-OWNED BUSINESSES:” THE EXPERIENCE OF SETRACO NIGERIA LTD”

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ABSTRACT

*This study investigates the impact of succession planning on organizational continuity in family-owned businesses, with Setraco Nigeria Ltd serving as the case study. Succession planning is vital for ensuring smooth leadership transitions and sustaining the long-term viability of family enterprises. Many family-owned businesses in Nigeria face challenges related to generational change, lack of formal planning, and leadership conflicts, which often threaten their survival beyond the founding generation. The objective of this study is to examine how structured succession planning influences the stability, performance, and sustainability of Setraco Nigeria Ltd. A **descriptive survey research design** was adopted. Data were collected through structured questionnaires and semi-structured interviews. The analysis was conducted using **SPSS**, with descriptive statistics summarizing the data and **Pearson correlation and regression analysis** used to test the relationship between succession planning (independent variable) and organizational continuity (dependent variable). The findings indicate a **significant positive relationship** between succession planning and organizational continuity. The study reveals that when succession is approached proactively through leadership development, structured mentorship, and clear communication the organization experiences less disruption and maintains performance across generations. However, some challenges were noted, including emotional biases in selecting successors, resistance to external leadership, and lack of formal succession policies. In conclusion, the study affirms that **effective succession planning is essential for sustaining family-owned businesses like Setraco Nigeria Ltd**. It ensures leadership stability, preserves institutional knowledge, and enhances long-term competitiveness. The study recommends that Setraco and similar family enterprises develop and implement formal succession frameworks, invest in leadership training, and strike a*

balance between family involvement and professional management. This will help ensure seamless transitions and business continuity in the face of leadership change.

Keywords: Succession Planning, Family-Owned Business, Organizational Continuity, Leadership Transition, Business Sustainability.

INTRODUCTION

The economic development of any nation is greatly aided by family-owned enterprises, particularly in developing nations such as Nigeria, where they make up a significant portion of the private sector (Adegbite2022). These companies are frequently founded on enduring dedication to legacy and values, trust, and solid personal relationships. But even though they play a significant role in creating jobs and wealth, family-owned businesses still face a number of difficulties with regard to leadership continuity and succession. Lack of strategic succession planning is one of the most urgent issues, as it presents a bigger risk to their long-term performance and survival. In Nigeria, a large number of family businesses fail or dissolve after the founders pass away or retire because of inadequate succession plans and internal strife among heirs or stakeholders, claim Musa and Okoye (2023). Succession planning is the intentional and methodical process of identifying, training, and preparing future leaders to assume important positions within an organization (Ezeani and Okafor, 2021).

Statement of the problem: Family-owned businesses are critical contributors to economic growth and job creation in Nigeria. However, many of these businesses face a common and recurring challenge: the lack of effective succession planning. When business founders or key leaders exit due to retirement, death, or incapacity, the absence of a structured transition plan often leads to leadership crises, internal conflicts, business discontinuity, or even total collapse.

Setraco Nigeria Ltd, a prominent family-owned construction company in Nigeria, faces similar risks associated with generational leadership transition. Despite its growth and operational achievements, questions remain regarding how prepared the organization is for the transfer of leadership to the next generation, especially in a manner that ensures long-term sustainability. The problem is further compounded by cultural sentiments, emotional attachments, lack of formal grooming processes for successors, and unclear lines of authority within family structures. Therefore, this study seeks to explore how succession planning practices or the lack thereof affect organizational continuity in family-owned businesses, using Setraco Nigeria Ltd as a reference point.

Objectives of the study: The broad objective of this study is to examine the effect of succession planning on organizational continuity in family-owned businesses, with a focus on Setraco Nigeria Ltd. Specifically, the study seeks to: Assess the extent to which succession planning is practiced in Setraco Nigeria Ltd. Investigate the influence of leadership development on the sustainability of the organization. Examine the role of family involvement in determining the success or failure of succession strategies.

Research Questions: This study is guided by the following key research questions: To what extent is succession planning being implemented in Setraco Nigeria Ltd? How does leadership development influence the continuity of the organization? What role does family involvement play in shaping succession outcomes?

To test the relationship between the study variables, the following hypotheses were tested: There is no significant relationship between succession planning and organizational continuity in Setraco Nigeria Ltd. Leadership development does not significantly influence organizational continuity in Setraco Nigeria Ltd. Family involvement does not significantly affect the effectiveness of succession planning in Setraco Nigeria Ltd.

Even though family-owned businesses contribute significantly to economic growth, many of them have trouble maintaining organizational continuity after the founding generation. A significant portion of these companies in Nigeria fail or suffer major setbacks as a result of inadequate or nonexistent succession planning. Being a well-known family-run construction company, Setraco Nigeria Ltd. is not immune to this risk. The viability of such businesses is threatened by the lack of formal succession plans, possible intergenerational disputes, sentimental attachments to executive positions, and a lack of professional management techniques. According to studies, fewer than 30% of Nigerian family businesses make it to the second generation, and even fewer make it to the third (Musa

and Okoye, 2023). The goal of this study is to investigate the relationship between succession planning and organizational continuity in family-owned businesses, using Setraco Nigeria Ltd as a case study.

With an emphasis on Setraco Nigeria Limited, the study's scope is focused on investigating succession planning and its impact on organizational continuity in the context of family-owned enterprises in Nigeria. Setraco was chosen because of its standing as a top domestic construction firm with decades of experience and a solid family ownership structure. The study aims to offer comprehensive insights into the procedures, difficulties, and results related to succession planning in a real-world Nigerian family business context by concentrating on a single but representative organization. Geographically, the study is limited to Nigeria, with special focus on the administrative and operational headquarters of Setraco. While this study aims to provide insightful analysis on the relationship between succession planning and organizational continuity in family-owned businesses, using Setraco Nigeria Ltd as a case study, it is not without limitations. Firstly, the study is limited to a single organization, which may affect the generalizability of the findings to other family-owned businesses in Nigeria. Setraco's size, industry, and internal structure may differ significantly from other firms, thus limiting broader applicability. Despite these limitations, the study provides a useful basis for understanding how succession planning affects organizational continuity in family business settings.

The Concept of Succession Planning

Succession planning is the methodical process by which a company finds and nurtures its own internal candidates who may eventually occupy important business leadership roles. Leadership in family-owned businesses is prepared and passed down from one generation to the next, usually from the founder to a family member or, occasionally, to an outside expert. To ensure a smooth transition, succession planning involves more than just choosing a successor; it also involves mentoring, leadership development, and grooming. This is according to Okafor and Adeola (2022).

Concept of Organizational Continuity

A company's ability to continue operating, maintaining its culture, strategic direction, and competitiveness in the face of external disruptions or leadership changes is known as organizational continuity. It refers to the smooth transfer of leadership between generations in family businesses while maintaining the enterprise's fundamental principles and operational effectiveness. Family businesses with well-thought-out and implemented succession plans have a higher chance of surviving, expanding, and leaving a lasting legacy across generations, claim Ibrahim and Musa (2024). The

ability to bounce back from external and internal pressures is another aspect of organizational continuity.

Concept of Family-Owned Businesses

Family-owned businesses are those where several generations of a family, whether by blood, marriage, or adoption, have a substantial amount of control and ownership over the decision-making process. These companies frequently exhibit a strong sense of legacy, long-term focus, and values. Their family dynamics and unofficial governance systems, however, may make professional management and sustainability more difficult. Only 25% of Nigerian family businesses have formal succession plans, according to Ojo and Ahmed (2023), with the majority depending on unofficial, informal arrangements that raise the possibility of leadership crises.

The importance of Succession Planning

Succession planning holds paramount importance for the longevity, expansion, and competitive edge of any business, particularly in family-owned enterprises where the transition of leadership can be emotionally and structurally intricate. Effective succession planning safeguards against vacancies in leadership and preserves the organizational vision, culture, and operational consistency amidst generational shifts. The founders' or senior leaders' experiences are infused with institutional memory and tacit knowledge in many family-owned businesses. To ensure that fundamental business principles are upheld, succession planning offers a means of imparting this knowledge to the upcoming generation of leaders (Okonkwo and Ibrahim, 2021). Customers, investors, and staff all feel more confident because the company shows that it is ready for the future. Additionally, succession planning lowers the possibility of internal strife and leadership crises that may occur in the absence of a clear plan for handing over power. Due to inadequate planning or partiality, the succession of leadership in many Nigerian family businesses has caused conflict and even company dissolution (Ezeani & Obassi, 2023).

Barriers to Effective Succession in Family Businesses

Succession planning in family-owned businesses, while critical to organizational continuity and long-term success, is often fraught with numerous challenges. These barriers stem from a complex interplay of emotional, relational, structural, and organizational factors. In the context of Nigerian businesses such as Setraco Nigeria Ltd, these obstacles are particularly pronounced due to cultural, managerial, and economic peculiarities.

One of the most significant barriers to effective succession is the founder's emotional attachment to the business. Many founders of family-owned enterprises view their businesses

as personal legacies or "children" that they nurtured from inception. This emotional bond often leads to a reluctance to relinquish control, even when the founder is aging or ill-prepared to continue. According to Okafor and Adeola (2022), this reluctance not only delays the succession process but also prevents the grooming of potential successors, thereby increasing the risk of leadership vacuum when the founder eventually exits.

Many family-owned businesses, particularly in Nigeria, operate without formal structures for governance or succession planning. Rather than establishing written succession plans, decisions are often based on informal understandings, assumptions, or traditional family hierarchies. Ojo and Ahmed (2023) assert that the absence of formal mechanisms—such as clearly documented policies, leadership development programs, or family governance councils—limits objectivity and creates confusion during leadership transitions.

Some family businesses resist adopting modern governance practices or involving external professionals, fearing that it will dilute family control or disrupt traditional values. This resistance often leads to stagnation and incompetence in leadership roles. Adebayo and Onuoha (2023) emphasize that a lack of openness to professional management, innovation, or external advice undermines succession readiness and limits organizational growth.

Effective succession planning often requires investment in leadership development, legal consulting, and structural reorganization—all of which demand financial resources. Small to medium-sized family enterprises may lack the funds to implement these changes. Okonkwo and Ibrahim (2021) argue that financial limitations hinder capacity building and the creation of governance structures necessary for successful transitions.

Strategies for Effective Succession Planning in Family-Owned Businesses

Effective succession planning is crucial for the long-term sustainability of family-owned businesses, especially in a dynamic and competitive business environment like Nigeria. For organizations such as Setraco Nigeria Ltd, adopting strategic and structured approaches to succession ensures leadership continuity, preserves the family legacy, and enhances business resilience across generations. The following are key strategies for successful succession planning:

1. Early and Proactive Planning: One of the most important strategies is to begin the succession planning process early. Succession should not be a reactive response to retirement, illness, or death, but rather a continuous, proactive process integrated into the company's long-term strategic planning (Obiora & Musa, 2023).

2. Merit-Based Selection of Successors: Selecting successors based on merit rather than family ties or seniority is essential for effective leadership transition. Candidates should be chosen based on their competencies, leadership qualities, experience, and commitment to the vision and values of the organization (Ojo&Ezeani, 2024).

3. Development and Grooming of Successors: Another vital strategy is the deliberate grooming of potential successors through education, mentorship, and involvement in key decision-making processes. Training programs tailored to equip the successors with managerial, technical, and interpersonal skills are necessary to prepare them for leadership roles (Akinola& Hassan, 2021).

4. Clear Governance Structures and Roles: Implementing formal governance structures is a strategic measure that can help reduce internal conflicts and define clear roles and responsibilities in the succession process. Establishing advisory boards, family councils, or governance committees can promote transparency, ensure accountability, and facilitate consensus in decision-making (Okeke& Bello, 2023).

5. Communication and Family Involvement: Effective communication is a crucial component of succession planning. All relevant stakeholders—especially family members—should be informed and involved in the process to ensure buy-in, prevent misunderstandings, and manage expectations (Mohammed & Adeola, 2023).

Theoretical Framework

Succession planning in family-owned businesses such as Setraco Nigeria Ltd requires a solid theoretical foundation that explains the behaviors, relationships, and strategic decisions that influence leadership transition and organizational continuity. To this end, this study is anchored on two dominant theories: **Agency Theory** and **Stewardship Theory**. These theories provide contrasting yet complementary lenses for examining how family dynamics, ownership structure, and managerial intentions shape succession outcomes.

1. Agency Theory: Agency theory, developed by Jensen and Meckling (1976), explores the relationship between principals (owners) and agents (managers), and the conflicts that may arise due to misaligned interests. In family-owned businesses, this theory becomes relevant in understanding how founders (principals) delegate authority to successors (agents) and the risks associated with such delegation. The theory suggests that successors may not always act in the best interest of the owners, especially if they are not well-trained, lack commitment, or are driven by self-interest (Ogunleye & Ugoani, 2022).

2. Stewardship Theory: Contrary to the assumptions of agency theory, stewardship theory posits that managers or successors, particularly within family-owned businesses, are

motivated by collective interests, trust, and the desire to maintain the business legacy (Davis, Schoorman& Donaldson, 1997). This theory is especially relevant in African cultural contexts, where familial obligations and the preservation of family honor are significant motivational factors (Ojo &

This theory supports a more optimistic outlook on family succession by emphasizing the role of trust, emotional ownership, and intrinsic motivation. It encourages family businesses to invest in the development of internal talent, promote relational governance, and establish mentoring relationships between founders and potential successors (Olawale & Hassan, 2024). By building a sense of stewardship, successors are more likely to commit to the business's long-term growth and sustainability.

Methodology: This study adopts a **descriptive survey research design**, which allows the researcher to collect both quantitative and qualitative data regarding succession planning practices and their influence on organizational continuity in Setraco Nigeria Ltd. The **case study approach** was selected because it provides an in-depth, contextual analysis of a real-life family-owned business in Nigeria.

The population comprises top-level management, human resource personnel, and family members involved in the leadership and administration of Setraco Nigeria Ltd. These individuals are selected because they are directly affected by or responsible for implementing succession planning strategies. The population of the study stands at 120 respondents.

A **purposive (judgmental) sampling technique** is used to select respondents. This technique is appropriate because it focuses on those with specialized knowledge or experience with succession planning in the organization. The sample size will be determined based on accessibility and relevance, focusing on those who can provide valid and reliable insights into the subject matter.

Data for this study is gathered from both **primary and secondary sources**: **Primary data:** Collected using structured **questionnaires** and **semi-structured interviews**. The questionnaires consist of closed-ended and Likert-scale questions to measure perceptions and attitudes toward succession planning and continuity. Interviews are conducted with selected family members and executives to gain deeper qualitative insights into succession practices and challenges within the firm. **Secondary data:** Obtained from Setraco's company documents, strategic reports, published literature, and academic journals related to succession planning and organizational sustainability.

The main instrument for data collection is a **structured questionnaire** divided into sections.

Summary of Findings: This study on *Succession Planning and Organizational Continuity in Family-Owned Businesses* with a focus on Setraco Nigeria Limited yielded several significant findings that reflect the dynamics, challenges, and prospects of leadership transition in family enterprises. These findings help to deepen the understanding of how succession planning directly influences the continuity, performance, and stability of such businesses.

1. Succession Planning is Often Inadequate or Informal: A major finding of the study is that many family-owned businesses in Nigeria, including Setraco Nigeria Limited, often lack formalized and structured succession planning processes.

2. Leadership Transition is Influenced by Family Politics and Emotional Attachment: The study found that emotional considerations and family dynamics play a substantial role in leadership decisions.

3. Resistance to Change is a Major Barrier to Effective Succession: The reluctance of incumbent founders to relinquish control was identified as a key impediment to successful succession planning.

Recommendations: Based on the findings from this study on *Succession Planning and Organizational Continuity in Family-Owned Businesses* (with a focus on Setraco Nigeria Limited), several key recommendations can be made to enhance the effectiveness of succession planning and ensure long-term sustainability. These recommendations are structured to address the critical issues identified—such as lack of formal planning, poor leadership grooming, emotional interference, and weak governance—while also proposing actionable strategies for improvement.

1. Institutionalize Formal Succession Planning Processes: Family-owned businesses should establish and document formal succession planning frameworks.

2. Promote Merit-Based Selection Over Sentimental Choices: Succession should be driven by competence, leadership ability, and commitment to the organizational vision—not merely by family ties or emotional connections.

3. Invest in Leadership Development and Capacity Building: To prepare successors for future roles, organizations must prioritize leadership training, mentorship, and exposure to different facets of the business.

Conclusion: Succession planning remains a critical determinant of sustainability and long-term performance in family-owned businesses. As this study has extensively examined, the continuity of such businesses like Setraco Nigeria Limited hinges significantly on how effectively leadership is transferred from one generation to another. Family businesses are uniquely characterized by their intertwining of personal relationships, organizational goals, and generational transitions, all of which present both opportunities and challenges. Without a clearly articulated and executed succession plan, these enterprises are at a

heightened risk of leadership vacuums, internal conflicts, and ultimately, organizational decline.

The research has highlighted that effective succession planning is not a one-off event but a systematic and strategic process. It involves early identification of potential successors, deliberate mentoring and capacity development, and the institution of transparent governance structures. It also emphasizes the importance of overcoming barriers such as resistance to change, poor communication, and lack of clarity in roles. When addressed proactively, these challenges can be transformed into catalysts for growth, innovation, and continuity.

Succession planning should be viewed as a strategic imperative and not a contingency. For family-owned businesses to survive beyond the founding generation and retain their relevance in an increasingly competitive and dynamic business environment, they must prioritize succession planning as an ongoing organizational development process. This will not only ensure a seamless transition of leadership but also safeguard the values, vision, and competitive advantage that define the enterprise. Through well-structured succession planning and continuity strategies, family businesses can preserve their legacy while adapting to future challenges and opportunities.

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