

# EMPIRICAL ANALYSIS OF BUSINESS PRACTICES AND ENTERPRISE SURVIVAL IN FAMILY BUSINESSES

AKPOR-ROBARO Masoje Mamuzo (Ph.D.)  
Department of Business Administration & Marketing,  
Redeemer's University, Ede, Osun State, Nigeria.  
E-mail: [sojerobaro@gmail.com](mailto:sojerobaro@gmail.com)

## ABSTRACT

*The study examined the relationship between business practices in micro and small-scale family enterprises and their business survival using a survey research design, with a sample of 150 family enterprises drawn from Lagos and Ogun States of Nigeria. The research instrument was questionnaire with items measured on a five-point Likert scale. Both factor analysis and regression analysis were employed for the data analysis. The model validity was established using both Bartlett's test of sphericity and Kaiser-Meyer Olkin (KMO) with the outcome that the items were factorable. The result of the factor analysis using the Principal Component Analysis (PCA) after orthogonal rotation extracted three components of business practices. The reliability test showed a Cronbach's alpha coefficient above 0.7, indicating reliability of the data sets. The result of the test of hypothesis from the regression analysis showed significant relationship between enterprise overall business practices and enterprise business survival at  $t = 9.547$  and  $p = .000$ . The study, therefore, rejected the Null hypothesis ( $H_0$ ), to conclude that business survival in micro and small-scale family enterprises is significantly influenced by the adopted business practices.*

**Keywords:** *Post succession, Business Practices, Family Business, Survival, Micro and Small scale*

## INTRODUCTION

The survival of business is often a function of the character of management and leadership of the enterprise. An enterprise would survive where the manager as the vision bearer, is committed to the vision through the right attitude and behaviour, and works very hard to cope with the challenges of the business environment through appropriate business practices, to ensure that his vision stays alive. However, such business practices may not be sustained and continued by successive incumbent managers. Successive managers of the enterprise would come with their own practices that may be radically different from the practices they inherited, and in the new scenario the enterprise may begin to experience changes in performance level and survival.

The experience over time is that some enterprises have performed better under new leadership while others have had their fortunes dwindled under new leadership, or that a given enterprise have performed better under one set of business practices than under another set of business practices. The disparity in the level of performance by enterprises under different leadership suggests that the business practices adopted by a leader has impact on the performance of his enterprise. The relative performance of enterprises under different leadership makes an enterprise business practices a critical consideration in the evaluation of the determinants of enterprises' business survival. Family business has emerged as a focus in entrepreneurship research on business practices in relation to business survival in the global agenda for entrepreneurial development for the simple reason that there is a high rate of "post-founder mortality" of family businesses in all societies, most of which have been attributed to business practices of successors.

Research evidence suggests that there is a serious problem of post succession mortality of family businesses. Evidence of this problem is provided in a number of studies in family businesses. For instance, Kets de Vries, (1993); Beckhard & Dyer (1983); and Dyer (1986) reported that only three out of ten family

businesses survive into a second generation and more significantly only 12% of all family businesses according to Ward (1987), Lansberg, (1988) and Ibrahim, Soufani & Lam (2009) made it to a third generation while Applegate, (1994) and Van der Merwe (2011) stated that between 10% and 15% only lived beyond third generation. Evidently, these failed businesses are businesses which had done well under their founders or some other predecessor managers. This gives rise to the question about why an enterprise that had hitherto performed well would collapse or have its fortunes dwindled under a new leadership. The argument is that if the successor operates in the same environment as his predecessor, and with the same level of resources, then what could make the difference between them in performance and success may well be the business practices that the successor adopts. This argument is logical but it still requires scientific verification. It is against this background that this study examines the relationship between business practices in micro and small family enterprise and enterprise survival. The objective is to determine whether or not a significant relationship exists between a family business practices and the enterprise survival. In furtherance of this, the study makes the following propositions:

- i. There is a relationship between a family business practices and the enterprise survival
- ii. The survival an enterprise in family business is a function of the business practices adopted
- iii. The non-survival of an enterprise in family business is a function of the business practices adopted
- iv. There are different business practices in family business which impact on the enterprise survival

The study focuses on family businesses, particularly, the Micro and Small enterprises (MSEs) category, for the reason that, they are the engine of growth in today's economies (Adeniji, 2015), therefore, their survival is of paramount interest to stakeholders.

## LITERATURE REVIEW

### The Concept of Family Business Survival

The concept of business survival is not far removed from the general concept of survival. Literarily, survival is the state of continuing to exist, not to fail or be destroyed particularly when faced with difficult situations or hard time. It is about overcoming challenges and life-threatening circumstances, to remain alive. In the same manner, business survival is being able to operate as a business outfit overtime in the midst of problems and challenges which confront the business outfit as an entity. It is simply the firm's prospect for continuous existence. Going from this simplified concept, a diverse array of criteria has been used to assess business survival, all of which have been largely subsumed under four primary dimensions of durability, continuity, longevity and sustainability (Coli, 2011; Ukaegbu 2003; Ogundele, Idris & Ahmed-Ogundipe, 2012; Casson, 1999). In other words, business survival can be interpreted in a number of ways ranging from the use of term, durability, continuity, longevity to sustainability. In many of the studies relating to survival, these terms have been used as synonyms and interchangeably with survival. Although, the terms are identical and closely related, they are nevertheless different contextually, and do not separately, wholly capture the essence of survival particularly with regards to family business. But they all deal with the life span of the enterprise in one way or the other. In the literature, different views have been expressed to distinguish these concepts in an attempt to capture family business survival in the proper perspective.

Enterprise durability means the prospects for an enterprise to exist for long time after its establishment without diminishing in value of its assets. Ukaegbu (2003) views enterprise durability from the perspective of post founder succession, and explains it is the prospects for an enterprise to exist for long after the exit of its founder without a significant decline in human material input, and organizational output. The important element in the concept of durability is the retention of enterprise value in both assets, input and output overtime, without depletion. Durability, therefore, means the ability for an enterprise to retain its value through time. In the case of family business this implies both socio-economic value and familiness.

Akpor-Robaro (2018) explains business continuity as "the ability of an enterprise to live in perpetuity. It implies persistence in operations, that is, the ability of an enterprise to remain in business undaunted. It is

about being able to stay on in business even when the value of the enterprise may be experiencing depletion or when the enterprise is faced with challenges. It is being able to resist and overcome the forces of business exit/closure. In this concept, the element of value retention is not overtly expressed or contained therein, unlike the durability concept. But it is implied in so far as the enterprise must maintain its assets to live in perpetuity. Continuity with reference to family business implies essentially the transmutation of the business from generation to generation of the founder(s)".

Enterprise longevity is used to mean the age of the enterprise in terms of the amount of time it has been in existence; meaning the number of years or periods that an enterprise operates as a going concern. It is a measure of the life span or duration of an enterprise as a functional business entity (Ogundele, *et. al*, 2012). Lastly, sustainability is the ability to maintain the tempo or level of activities/operations and performance over successive periods. It is the ability to achieve incremental performance or at-least maintain the existing level of performance in business operations and returns on investment. It includes maintaining the organizational structure of the enterprise at-least, if no improvement can be made (Akp-or-Rboaro, 2018; & Coli, 2011). An important observation from all the views is that survival is an embodiment of all the concepts. It is a composite construct derived from the association of these concepts.

Essentially, business survival is a component of business performance (Coli, 2011). In Coli's view, it is the most regarded non- financial indicator of business performance and undoubtedly more than returns, profits and other financial indicators. According to Coli, survival is beyond any doubt, the most significant manifestation of success for a firm, especially for a family firm. In other words, it reflects how well a business has performed overtime. Ogundele *et.al* (2012) view survival as the extent to which an enterprise's life can be stretched while fulfilling its purpose. It can also be viewed as the state of remaining in the business for which a firm was established and persistently pursuing the purposes and goals for which it was established. In his framework of family business performance, Chandler (1990) emphasized survival as the ultimate measure of business performance.

Survival in the view of Coli (2011) is the ability to persist in the long run. Coli explains that survival relates to longevity of a family enterprise as a viable entity, that is, whether the firm goes bankrupt or not. According to Coli, survival and longevity are in many cases synonymous and therefore can be used interchangeably. In family business, however, the concepts can be distinguished. Family business survival, according to Coli includes "the persistence of control by the same family over time, while longevity is measured only in terms of the age of the enterprise, independently of its ownership structure." He pointed out that notwithstanding the fact that it seems to be quite trivial, the difference between the two concepts is relevant, since longevity is an attribute that is independent of the nature of ownership. Critically, the issue of maintaining control across descending generations of the family is the distinguishing factor between family business survival and the traditional concept. Thus, the ability to transmute the firm's ownership and control inside the same family is a relevant indicator of family business survival.

In this study, family business survival is connotative of performance. It is used synonymously with performance and viewed as the extent of achievement of both market oriented and non-market oriented measures that enhance durability, continuity, longevity and sustainability of the business.

### **The Concept of Business Practices**

The concept of business practice is not widely discussed in the literature. So far, the few opinions expressed in the literature appear to link business practice with organizational/business culture, procedures and value system based on which decisions are made and business activities and functions are carried out, and which define enterprise relations with her external environment. From the views in the literature, business practices can simply be defined as the methods, processes and rules followed to help achieve business objectives. More broadly, business practices are the methods, processes, generally accepted techniques and standards used by a business enterprise to accomplish a set of outlined tasks in the pursuit of its objectives (Neneh & Van Zyl, 2012). Similarly, Preto and Guerreiro (2015) defined business practice as the

“implementation of new methods for organizing routines and procedures....” Business practices are aligned with values and are driven by ethical and customer-focused consideration. They are the essential features of processes needed to effect standard operating procedures in a consistent manner. According to Gamini de Alwis and Senathiraja (2003) business practices consist of ways of transforming business values into processes for achieving business objectives. As Lee (2005) defined it, Business practice is “a frequently repeated act, habit or custom performed to a recognized level of skill. It is often thought of as the uncodified “know-how” resulting from human experience, improvisation and innovation”

Business practices are directly associated with organizational innovation, and they can be defined as the implementation of a new organizational method in the firm external relations (Preto and Guerreiro, 2015). External relations refer to the implementation of new ways of organizing relationships with firms or public institutions (ibid). External relations practices include collaboration with researchers or customers, integration with suppliers or outsourcing materials. Essentially, business practice serves as the tool for implementing organizational innovation in the firm. Basically, business practices are an organization’s business strategies, or organizational strategies for business transactions, and both terms can be used interchangeably. Organizational strategy (policies and procedures) and the structure of its organization are usually seen as the choice of business practices of an enterprise (Fawcett & Myers, 2001).

Business practices refer to organizational/business culture, procedures and value system upon which decisions are made and business activities and functions are carried out, and which define enterprise relation with her external environment (Akpor-Robaro, 2018). They consist of rules for business firms to ensure that its employees are efficient in their work relationship with the external environment and act within applicable laws (ibid). Thus, business practices include all the major areas of running a business such as operations, finance, marketing and purchasing (Mandal, et.al., 2008). They are used to deal with such decision areas of business as, risk (investment) management procedures, marketing procedures, business planning & strategy procedures, financial & material resource procurement management procedures, public relations procedures, and family involvement initiatives where it is a family business (Neneh & van Zyl, 2012).

### **Theoretical Framework**

There is a paucity of theories on the determinants of enterprise survival. The available views on the determinants of enterprise’s survival relate survival to performance (Audretsch, 1991; Audretsch and Mahmood, 1995; Agarwal & Audretsch, 2001), and argue that performance or survival is the level of activeness in business purposes by the enterprise as a going concern. However, the analysis and explanation on business performance or survival has been subjected to the theory of survival by adaptation (environmental adaptation) which was espoused by Shah, (2009). In Shah’s contemplation of the theory, only enterprises that have the ability to adapt to their environment perform well (survive), and those that cannot, do not. The theory, commonly referred to as “the survival of the most adaptive or best adapted theory, posits that, it is not the strongest of the businesses that survives, nor the most intelligent..... but those most adaptive to change” in their environment. The use of the term “strongest of businesses” and “most intelligent” implies businesses with biggest financial and human resources, and technology, technical know-how, innovation; and information bank. This means that the enterprise that is best fitted or adapted to its environment (its market, customers, competitors behaviour and business requirements) is most likely to perform well and enterprise not well fitted to its environment will underperform. This theory succinctly explains the determinant of the survival of an enterprise and provided the stem from which other theories have grown. Every other theory of survival of the firm, from whatever perspective, whether in terms of the influence of internal factors or external factors and their relative strength in business performance; or from the point of view of strategic approach to management including resources management; or as an opportunity related or driven phenomenon, is subsumed and accommodated in the theory of environmental

adaptation. This study is, consequently, pinned on the theory of survival by environmental adaptation, i.e. the theory of environmental adaptation by firms in the contemplation of Shah (2009). The argument is that if the enduring competitiveness of the enterprise is associated with good performance and value creation, then such achievement can only be possible to the extent that it is able to adapt to its environment, particularly, in situations where the environment is complex and dynamic, constantly throwing up new developments that severely affect the operations of the enterprise and challenge the operations and performance of the business. Adaptability requires making changes to policies and business procedures to accommodate changes and new developments in the business environment, to either take advantage of opportunities or overcome constraints and limitations or threats.

Good business practices enhance an enterprise's adaptation to its environment and competitiveness in the industry. An enterprise 'business practices' serves as a strategic tool for positioning the enterprise effectively in its market, and consequently, it serves to ensure the optimal business performance of the enterprise. The survival by adaptation theory adopted in this study, summarizes the determinants of family business performance and survival in the enterprise's capability to couple the process of achieving the dual goals of family enterprise simultaneously with a spectrum of effective strategic business practices.

### **Empirical Review**

There are a number of studies (e.g. Lau, Zhao & Xiao, 2004; Prajogo & Sohal, 2003; Rahman & Sohal, 2001; Pushpakumari & Wijewickrama, 2008; Mandal, Venta & El-Houb, 2008) which have identified that a relationship exists between business practices and business performance. In their study, Lau, *et.al.*, (2004) found that there is a positive relationship between good business practices and business performance. This was corroborated by Prajogo and Sohal (2003); Rahman and Sohal (2001), which in separate studies found correlation between firms' performance and strategies and procedures adopted by them. Mandal, *et.al.*, (2008) specifically noted that good business practices produce good performance. Neneh and van Zyl (2012) based on the positive result from their studies on the relationship between enterprise performance and business methods, argued that establishing business practices in specific areas of the firm's business organic functions can result in outstanding business performance. They found that "the implementation of business practices based on the use of quality management principles and tools in business management would lead to a systematic improvement in business performance, especially where key practices in business excellence are applicable to all functional areas in an enterprise."

### **METHODOLOGY**

This study was an explanatory research, ascertaining a cause-and-effect relationship between family business practices and enterprise survival, it therefore, employed a cross-sectional survey, particularly as the relationship that was measured was not longitudinal, suggesting that the events that were studied were cross-sectional events.

The sample size for the study was 150 family owned Micro and Small-scale enterprises ((MSEs) which fall under the Nigerian definition of MSEs as given by the Nigerian National policy on MSMEs which defined micro enterprises as those with less than 10 employees and less than ₦5m asset base (excluding Land and Building); and small enterprises as those with 10-49 employees, and asset base of between ₦5m and less than ₦50m (SMEDAN National Policy on MSMEs, 2007). The sample was drawn from Lagos and Ogun States in South West of Nigeria.

Because of lack of database of family businesses in Nigeria due to the unorganized data for family businesses, and since the data base on the performance/survival of family enterprises in Nigeria is scarce (Eshu, Mohd & Adebayo, 2011), the study relied on information generated from the research instrument to

determine the enterprises within the micro and small enterprises (MSEs) definition that satisfied the characteristics of family ownership/business and which had either survived or not survived after succession to constitute the sample for the study. Due to inability to reach enterprises that have closed operations to solicit relevant information, enterprises with a performance level below overall average evaluation score in operations/profit level after succession were used as proxy for non-surviving enterprises, while the enterprises with performance level of average and above were used as proxy for surviving enterprises.

The data for the study were collected using a questionnaire instrument, with structured (closed-end) questions. The instrument was applied using the 'self-administration' approach. The analysis of the data was carried out using quantitative technique, involving inferential analysis which consisted of factor analytic methods and regression analysis. Factor analysis was employed to identify those items that actually measure the variable constructs in the study and hence reduce the data to manageable size. Essentially, it was used to extract the relevant groups of Business practices as materials procurement & product marketing practices, customer care & business external relationship practices, and financial management & accounting practices; and enterprise survival measures which included number of employees, profitability, value of assets, number of branches, retention of family values, ownership control, market share, and sales turnover.

Regression analysis was employed to measure the relationships between the business practices and survival. A combination of multiple regression and bi-variate (simple) regression estimation methods was used. The multiple regression was used to deal with the multiple predictor models which basically characterized the study, while the simple regression was used to analyze a single predictor model where the multiple predictors or response variables were merged as omnibus predictor (independent) or response (dependent) variable to assess their combined relationship with the dependent or independent variable(s) respectively. Specifically, the standard (entry or enter) method was employed in the estimation process.

Staff evaluation response scores on business practices adopted by the enterprises and their scores on survival measures under successor CEOs were used for the analysis. The data were generated from the responses of staff members of the 150 enterprises on questions measured on a five-point Likert scale. Each value is an average of the scores on responses from five staff members in each of the enterprises on an item. The use of average scores was to reduce the level of response biasness that could occur from responses of individuals. Enterprise business practices were grouped into 3 variables (materials procurement & product marketing practices; customer care & business external relationship practices; and financial management & accounting practices) based on the result of the factor analysis of 22 business practice variables (see, Table 1), while 8 survival indicator variables (number of employees, profitability, value of assets, number of branches, retention of family values, ownership control, market share, and sales turnover) were used to specify enterprise survival.

A composite average score was computed for each enterprise from the 8 survival variables and from these, an overall average performance score of 4.20 for all enterprises was computed. Based on an overall average score criteria, two sets of enterprises were defined as surviving enterprises and non-surviving enterprises. Surviving enterprises refer to those with an average performance score equal or above the overall average performance score of 4.20, while non-surviving are the enterprises with an average performance score below the overall average performance score of 4.20.

### **The Study Analytic Model Statement**

$$FBS = F(BP)$$

Where: FBS = Family Business Survival                      BP = Business Practices

### **Model Specification**

The extracted factors were used as the regression variables and to reflect these variables, the analytical model was specified as follows:

$$ENT_{SV} = \beta_1 + \beta_{11}ENT_{BP} + \mu_1 \dots \dots \dots (1)$$

$$ENT_{SV} = \beta_2 + \beta_{21}MPPM_P + \beta_{22}CCBER_P + \beta_{23}FMA_P + \mu_2 \dots \dots (2)$$

$$ENT_{NSV} = \beta_3 + \beta_{31}ENT_{BP} + \mu_3 \dots \dots \dots (3)$$

$$ENT_{NSV} = \beta_4 + \beta_{41}MPPM_P + \beta_{42}CCBER_P + \beta_{43}FMA_P + \mu_4 \dots \dots (4)$$

$$FB_{SVL} = \beta_5 + \beta_{51}ENT_{BP} + \mu_5 \dots \dots \dots (5)$$

$$FB_{SVL} = \beta_6 + \beta_{61}MPPM_P + \beta_{62}CCBER_P + \beta_{63}FMA_P + \mu_6 \dots \dots (6)$$

Where:

MPPM<sub>P</sub> = Materials Procurement & Product Marketing Practice

CCBER<sub>P</sub> = Customer care & Business external relationship practice

FMA<sub>P</sub> = Financial Management & Accounting practice

ENT<sub>BP</sub> = Enterprise overall Business Practices

ENT<sub>SV</sub> = Enterprise surviving (i.e. enterprise with average performance score equal or above overall average score of 4.20 under successor CEO)

ENT<sub>NSV</sub> = Enterprise not surviving (i.e. enterprise with average performance score less than overall average score of 4.20 under successor CEO)

FB<sub>SVL</sub> = Family Business Survival

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  &  $\beta_6$  = the intercept coefficient which represents a constant i.e. business survival level not dependent on or influenced by the independent/predictor variable (business practice) in the equations respectively.

$\beta_{11}$ , and  $\beta_{21}, \beta_{22}, \beta_{23}$  in equations 1 & 2;  $\beta_{31}$ , and  $\beta_{41}, \beta_{42}, \beta_{43}$  in equations 3 & 4;  $\beta_{51}$ , and  $\beta_{61}, \beta_{62}, \beta_{63}$  in equations 5 & 6 respectively = Regression Coefficients of the predictor variables for the linear regression analysis; each indicating the relative influence of the particular set of business practice variable on business survival (outcome) variable

$\mu_1 \dots \mu_6$  = an additive random error term, representing unexplained residual values of the outcome variable in the equations respectively

## DATA ANALYSIS, RESULTS AND DISCUSSION

### Factor Analysis and Results

The business practices data set was analyzed using Confirmatory Factor Analysis (CFA). The screening tests showed there was no univariate outlier (out- of - range values) in the data set. The minimum amount of data for factor analysis was satisfied with a sample size of 150 cases per variable. The factorability of the data set was assured with a correlation coefficient of above 0.3 among the variables in the data set. The dataset also satisfied the sampling adequacy criterion using the Kaiser-Meyer-Olkin (KMO) Measure with a value of 0.847. The Bartlett's Test of Sphericity was also significant with  $p < .05$  at  $p = .000$ . The diagonals of the anti-image correlation matrix were also generally above 0.5 for the dataset. Finally, the communalities were in general well above the 0.3 bench mark (Field, 2009).

The principal components among the business practices variables were extracted using the principal component analysis (PCA) technique. The extracted set of variables (principal components) was rotated using varimax (orthogonal) technique to maximize the variances among the extracted variables. Kaiser's Eigen value greater than one ( $p > 1$ ) was used as criterion for retention of extracted factors.

The orthogonal rotation of the dataset result is shown in Table 1. Three-factors were extracted with eigen values of 6.396, 5.245 and 4.768 explaining 29.07%, 23.84% and 21.67% of the total variance for factor 1, 2 and 3 respectively. The rotated results showed that 10, 7 and 5 variables loaded onto factor 1, 2 and 3 respectively. Factor 1 is named financial management & accounting, Factor 2 is named Customer care & Business external relationship, and Factor 3 is named Material procurement and Product marketing.

**Table 1:** Rotated Factor Matrix for Enterprise Business Practices

	Factor		
	1	2	3
1. Keeping credit sales marginal, and based on customer's credibility and being well guaranteed.	.850	.025	.263
2. Keeping average collection period for accounts receivable within one month.	.834	.330	.232
3. Keeping good records over cash-flow, receivables and payables, costs of materials, and customers' orders.	.765	.171	.377
4. Enforcing pricing policy that ensures market penetration and consumer patronage.	.746	.506	.227
5. Evaluating the industry regularly to determine the trend, why the products/ services are preferred or not preferred and ascertain who the competitors are.	.671	.534	.185
6. Budgets are based on forecasts of sales volume.	.630	.086	.578
7. Being flexible and adaptive to changes in the market place and industry.	.572	.559	.385
8. Systematic innovation	.569	.297	.513
9. Networking and entering into profitable negotiations in possible areas of collaboration with potential partners.	.563	.354	.223
10. Acting with honesty, transparency & integrity in business dealings.	.521	.396	.424
11. Dealing with customers and suppliers with respect and dignity.	.047	.855	.248
12. Emphasis on result based on due Process.	.263	.758	.396
13. Preventing family sentiments from beclouding business decisions and procedures.	.367	.731	.427
14. Keeping and timely fulfilment of obligations to customers and suppliers.	.566	.586	.243
15. Business resources are distinctly and clearly separated from family resources.	.567	.581	.345
16. Emphasis on good quality product/ service offer to consumers.	.504	.570	.238
17. Compliance with legal requirements & government regulations.	.462	.560	.493
18. Maintaining regular supply contact and good relationship with suppliers.	.246	.226	.822
19. Maintaining direct personal contact and good relationship with customers and distributors.	.191	.508	.739
20. Keeping average period of accounts payable as 3 times the period for accounts receivables.	.274	.268	.720
21. Satisfaction of public interest before profit	.318	.346	.684
22. Commitment to customers' needs and wants	.399	.464	.597

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

*Source:* Field work

Factor 1 expressly relates to financial management and accounting practices; Factor 2 presents practices which majorly have to do with the pattern of interaction with various stakeholders in order to satisfy them while achieving the goals and objectives of the enterprise; and Factor 3 encompasses practices which majorly relate to supply and marketing activities, i.e. activities relating to the procurement of raw materials and distribution of finished products for sale.

### Reliability Test

The Cronbach's alpha coefficient was indicated as 0.971 for the overall items and 0.947, 0.935 and 0.907 for items in factor 1, 2 and 3 respectively as shown in Table 2. Essentially, the alpha coefficients for all sets of variables are above the recommended minimum of 0.7 (Nunnally, 1978), confirming the reliability of the results of the factor analysis, and the factors generated.

**Table 2:** Reliability Statistics for Enterprise Business Practices

	Cronbach's Alpha	No. of Items
All variables	.971	22
Factor 1 variables	.947	10
Factor 2 variables	.935	7
Factor 3 variables	.907	5

**Source:** Field Work

The results in Table 3 indicate that for all enterprises the enterprise overall business practices were a significant predictor of business survival in family business, as t-value is 7.524 and  $p = .000$ . For surviving enterprises, the t-value and p-value of the predictor variable is 1.197 and .235 respectively, indicating that the enterprise overall business practices were not a significant predictor of surviving enterprises' business survival. The contrast is the case for non-surviving enterprises, with a t-value = 6.857 and  $p = .000$ , which indicate that the enterprise overall business practices were a significant predictor of business survival (non-survival).

**Table 3:** Regression Results on Enterprise Overall Business Practices and Family Business Survival

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		$\beta$	Std. Error	B			Lower Bound	Upper Bound
All Enterprises	(Constant)	1.314	.385		3.412	.001	.553	2.075
	Enterprise overall Business Practices (ENT <sub>BP</sub> )	.691	.092	.526	7.524	.000	.510	.873
Surviving Enterprises (ENT <sub>SV</sub> )	(Constant)	4.029	.385		10.457	.000	3.261	4.797
	Enterprise overall Business Practices (ENT <sub>BP</sub> )	.108	.090	.139	1.197	.235	-.072	.287
Non-Surviving Enterprises (ENT <sub>NSV</sub> )	(Constant)	1.540	.348		4.426	.000	.846	2.233
	Enterprise overall Business Practices (ENT <sub>BP</sub> )	.582	.085	.626	6.857	.000	.413	.751

a. Dependent Variable: Family Business Survival

b. Predictors: (Constant), Financial Management and Accounting Practice, Customer care and Business external relations Practice, Materials Procurement and Product Marketing Practice

**Source:** Field Work

The regression results of the multiple linear combination of MPPM, CCBER and FMA business practices on family business survival are shown in Table 4.

**Table 4:** Coefficients of Regression of MPPM, CCBER & FMA and Family Business Survival

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
All Enterprises	(Constant)	1.332	.371		3.595	.000	.600	2.065
	Materials Procurement & Product Marketing Practice. (MPPM)	.186	.085	.181	2.194	.030	.018	.353
	Customer care & Business external relations Practice. (CCBER)	.426	.063	.476	6.769	.000	.301	.550
	Financial Management & Accounting Practice. (FMA)	.075	.081	.074	.929	.335	-.085	.235
Surviving Enterprises (ENT <sub>SV</sub> )	(Constant)	3.896	.382		10.185	.000	3.133	4.658
	Materials Procurement & Product Marketing Practice. (MPPM)	.001	.068	.002	.011	.991	-.134	.136
	Customer care & Business external relations Practice. (CCBER)	.162	.059	.313	2.771	.007	.046	.279
	Financial Management & Accounting Practice. (FMA)	-.026	.078	-.045	-.335	.738	-.182	.130
Non-Surviving Enterprises (ENT <sub>NSV</sub> )	(Constant)	1.558	.339		4.594	.000	.882	2.234
	Materials Procurement & Product Marketing Practice. (MPPM)	.183	.090	.229	2.037	.045	.004	.361
	Customer care & Business external relations Practice. (CCBER)	.308	.061	.484	5.016	.000	.186	.431
	Financial Management & Accounting Practice. (FMA)	.088	.071	.130	1.243	.218	-.053	.229

a. Dependent Variable: Family Business Survival

b. Predictors: (Constant), Financial Management and Accounting Practice, Customer care and Business external relations Practice, Materials Procurement and Product Marketing Practice

Source: Field work

Table 4 indicates a significant t-value for MPPM and CCBER practices in relation to family business survival at  $t = 2.194$ ,  $p = .030$ ; and  $t = 6.769$ ,  $p = .000$  respectively, in all enterprises group. But FMA was not significant, having  $t = .929$  with a p-value of .335. For the surviving enterprises, only CCBER had a significant t-value with  $t = 2.771$ ,  $p = .007$ . Both MPPM and FMA had insignificant t-value, with  $t = .011$ ,

$p = .991$ ; and  $t = -.335$ ,  $p = .738$  respectively. The negative  $t$ -value for FMA indicates that there was no relationship at all between FMA practices and family business survival, and aside from the fact that they did not contribute to the survival of the enterprises, the enterprises would have done better if they did not engage these practices. For non-surviving enterprises, both MPPM and CCBER practices had significant  $t$ -values, with  $t = 2.037$ ,  $p = .045$  for MPPM; and  $t = 5.016$ ,  $p = .000$  for CCBER. FMA had an insignificant  $t$ -value of 1.243 with a  $p = .218$ . The non-significance of FMA was consistent for all three groups of enterprises. This implies that FMA practices did not account for family business survival status whether as surviving or non-surviving enterprise.

### **Test of the Hypothesis and Interpretation of Result**

The hypothesis that there is no relationship between business practices and business survival in family enterprises was tested using overall business practices, as well as the individual set of business practices. The test of hypothesis was carried out for all enterprises combined and to surviving and non-surviving enterprises as separate cases. The results showed that there was significant relationship between overall business practices of the enterprises and their business survival at  $t = 7.524$ ,  $p = .000$  for all enterprises (see Table 3). Therefore, the Null hypothesis ( $H_0$ ) was not accepted with respect to all enterprises combined.

The result indicated that there was no significant relationship between overall business practices of the surviving enterprises and their survival at  $t = 1.197$  and  $p = .235$ , while for non-surviving enterprises it indicated a significant relationship between their overall business practices and their survival at  $t = 6.857$  and  $p = .000$ . The Null hypothesis was therefore accepted for surviving enterprises but rejected for non-surviving enterprises. Practically, this means that for surviving enterprises, their survival was not due to their business practices but other factors which might have been favourable to them. But for non-surviving enterprises, their non-survival was due to their total business practices. That is, the poor performance of these enterprises was a result of their business practices.

For all enterprises put together, the test of the hypothesis indicated a significant  $p$ -value for both MPPM and CCBER and an insignificant  $p$ -value for FMA at  $t = 2.194$ ,  $6.769$  and  $.929$  respectively. This result implies that there was significant relationship between business survival of the enterprises and their MPPM and CCBER practices but no significant relationship between their survival and their FMA practices. The Null hypothesis was therefore not accepted with respect to MPPM and CCBER, and accepted with respect to FMA. In practical interpretation, the results imply that the performance and survival of all the enterprises as surviving and non-surviving enterprises was due mainly to both MPPM and CCBER practices of the enterprises while FMA played little or no role in their survival status.

The  $t$ -test of the hypothesis using the separate group of enterprises showed that for surviving enterprises the  $p$ -values for MPPM and FMA were not significant at  $t = .011$ ,  $p = .991$ ; and  $t = -.335$ ,  $p = .738$  respectively. This implies that there was no significant relationship between any of these group of business practices and survival of the enterprises. The negative  $t$ -value for FMA means that there was no relationship at all between FMA practices and the survival of the enterprises and indeed they would have done better save for their FMA practices. Therefore, the Null hypothesis was accepted for surviving enterprises with respect to MPPM and FMA. The practical interpretation of the result is that neither the MPPM nor FMA practices of the enterprises were responsible for their survival in any significant measure. But for CCBER, the  $t$ -test indicated significant relationship with a  $t = 2.771$ ,  $p = .007$ . Thus, the Null hypothesis was rejected with respect to CCBER practices in surviving enterprises. The interpretation of the result is that for surviving enterprises their performance and survival was due mainly to their CCBER practices

The result of the  $t$ -test of hypothesis for non-surviving enterprises indicated that there was significant relationship between their survival status and their MPPM and CCBER practices, and no significant relationship between their survival status and their FMA. The result showed that  $t = 2.037$ ,  $p = .045$  for

MPPM;  $t = 5.016$ ,  $P = .000$  for CCBER; and  $t = 1.243$ ,  $p = .218$  for FMA. Thus, the Null hypothesis was rejected with respect to MPPM and CCBER practices, and accepted with respect to FMA practices. The practical interpretation of the result is that both the MPPM and CCBER practices of the enterprises were responsible for their non-survival position. In other words, their poor performance was due mainly to their MPPM and CCBER practices, while their FMA practices had little or no effect on their poor survival status.

### **Discussion of Findings**

The study finds that business survival of micro and small scale family enterprises is significantly related to their business practices. However, there are other factors apparently, which can influence their survival as well. This is evident from the cases of the two sets of enterprises evaluated with respect to their business practices. It was found that the surviving enterprises' survival was not related to their business practices, that is, they are surviving not necessarily due to their business practices but other factors may have been favourable to them. But it was also found that their survival was not entirely due to favourable external factors but also due to their CCBER practices which had to do with customer management and retention, and their public image within their environment. CCBER practice is a strong tool for marketing competition, market share expansion and retention. Thus, the business practices of these enterprises are not ruled out in their performance/survival. In non-surviving enterprises their poor performance had significant relationship with their business practices, which implies that their poor performance is because of their business practices. However, one general fact is that business survival in MSFEs is not dependent on their financial and accounting practice as the nature and volume of business transactions do not require sophisticated FMA practices without which the business would lose bearing.

The essential point is that although other factors other than business practices could be responsible for business survival as the study's findings suggest in the case of surviving enterprises but in general there is sufficient evidence to conclude that business survival of MSFEs is determined largely by their business practices as both cases of surviving and non-surviving enterprises have shown.

The results of the study in general are in consonance with the findings in previous studies (e.g. Lau, Zhao & Xiao 2004; Prajogo & Sohal 2003; Rahman & Sohal 2001; Pushpakumari & Wijewickrama, 2008; Mandal, Venta & El-Houb, 2008) which have identified that a relationship exists between business practices and business performance. In the study Lau, *et. al.*, (2004) it was found that there is a positive relationship between business practices and business performance. Prajogo & Sohal (2003); and Rahman & Sohal (2001), also in separate studies found correlation between firms' performance and strategies and procedures adopted by them. Neneh and van Zyl (2012) also found a positive relationship between enterprise performance and business methods, based on which they argued that establishing business practices in specific areas of the firm's business organic functions can result in outstanding business performance. Mandal, *et.al.*, (2008) specifically noted from the results of their study, that good business practices produce good performance.

### **CONCLUSION AND RECOMMENDATIONS**

The study provided reliable information to conclude that business practices of an enterprise have significant influence on business survival, and therefore the need to be cautious as to what business practices to be adopted by managers of family enterprises, particularly in the micro and small scale category. The findings of the study suggest two major sets of business practices which significantly affect the survival of micro and small family enterprises and these are Material Procurement and Product Marketing practices (MPPM) and Customer Care and Business External Relations practices (CCBER) of the enterprise. It was found that Financial Management and Accounting (FMA) practices of micro and small family enterprises do not significantly affect their survival.

The study recommends that MSFEs must craft their business practices to suit the demands of their business environment. Emphasis must be given to material sourcing methods and marketing practices. Again they must adopt best practices in relating with their customers in terms of real time delivery and the quality of deliverables. They must be innovative and competitive in their customer care services; and to carry out their daily activities with the good of the external environment at heart. Ethical business principles must guide their behaviour and actions in relating and dealing with external stakeholders.

There is also need for MSFEs to begin to pay greater attention to their Financial Management and Accounting practices. Financial Record keeping is a critical factor for success in every system that utilizes resources for its everyday activities, to track incoming and outgoing resources in order to avoid misappropriation of scarce resources and ensure efficiency. Misapplication of funds will result in inadequate funds for business purposes in critical areas of the business, which would have huge impact on the sustainability and survival of the enterprise. Without proper and effective accounting methods and procedures, there would be high likelihood that the enterprise would be unable to pursue its mission and achieve its goals. Essentially, there must be clear separation between business fund and personal funds of owners.

Though current study was able to fulfill its mission, there are still a lot of openings for further studies on the subject matter. It is therefore suggested that future research should expand the contextual scope of the study to include medium and large size enterprises to give an opportunity for a more inclusive generalization of the relationship between business practices and enterprise survival and the impact of business practices on enterprise survival, which is a limitation in this study.

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