



Factors determining the long-term sustainability of family businesses

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Abstract

Although family-owned companies support progress in society and the economy, their long-term viability is influenced by a variety of circumstances. The elements that decide a family business's long-term viability present challenges for proprietors of family firms. Effectively recognizing the elements that impact family-owned company sustainability and devising strategies to address them throughout an extended business existence are the concerns of management. This qualitative multiple-case study set out to investigate the variables that affect family companies in Abidjan, Ivory Coast, in terms of their long-term viability. The study included four Ivorian family business leaders who are struggling to maintain their family industry's long-term viability inside their respective companies. Five interview questions that were semi-structured were used to gather data. Three themes that were important to the researcher came to light using Yin's five-step analysis approach: nurturing the heir, the necessary abilities for the heir, and interaction with the potential heir. A crucial suggestion for family business executives is to create succession plans that include defined benchmarks, responsibilities for the next generation of managers, and connections to other partners' businesses. It was suggested that in order to ensure the long-term sustainability of the family businesses, leaders of Abidjan, Ivory Coast, keep tight ties with partner enterprises with the heirs.

Keywords: Family, business, long term, sustainability

Introduction

Globally, family companies support social and economic advancement (Škare, M., *et al.*, 2022) ^[25]. However, family businesses frequently experience a decrease and rupture as an outcome of cross-generational managerial transfer (Pipatanantakurn, K., & Ractham, V. V. 2022) ^[23]. Consequently, family company leaders can promote the survival and expansion of their companies by knowing the elements that affect the long-term viability of their companies (Kiwia, R. H. 2021) ^[9].

Even though family-run enterprises contribute significantly to national economies across the globe, they face particular difficulties that threaten their ability to survive and pass down through generations. According to Chahal and Sharma (2020) ^[3], the likelihood of family businesses surviving declines with each succeeding relative's leadership transition.

Long-term family company stability and preservation are facilitated by strategic planning. Creating an organizational plan to enable profitable business expansion entails building both inside and outside operations (Arcese *et al.*, 2020) ^[1]. According to empirical research, family firms that strategically plan improve their chances of surviving by clearly defining the scope of their business and their long-term goals (Baggio, R., & Valeri, M. 2022) ^[2, 28]. According to Valeri, M. (2022) ^[28], family company executives can allocate assets and abilities through strategic planning in order to achieve the required scope along with goals in dynamic situations. However, because family requirements and aspects must be taken into consideration, strategy development in family enterprises is different from those of non-family organizations (Veloso, C. M., *et al.*, 2021) ^[29]. Moreover, Arcese *et al.* (2020) ^[1] suggested that a family's dedication to the business's long-term survival should be the first step in the development of strategies for family enterprises. Therefore, a family's commitment to continuity as well as family elements and aspirations are considerations in strategic planning.

Scholars studying the long-term viability strategies of family businesses have shown a significant interest in the governance of companies. Effective governance is necessary for family enterprises to ensure the life of both the family and the company as a whole (Tanjung, 2020) ^[27]. The corporate management of family-owned businesses differs from that of non-family-owned enterprises due to the family's long-standing association with the company, which is reflected in its cultural standards and beliefs in the operations of the company and the subsequent generations that follow, as well as the family relationships among investors and company executives (Filipović, 2021) ^[7]. Thus, organized governance could help the family and the business to protect their interests over the long term (Melović, M., Baynazoğlu, M. E., & Šerić, N. 2023) ^[15].

The contribution of family enterprise ideals on the continuation and longevity of family businesses has also been extensively studied by academics. According to Debellis, F., *et al.* (2021) ^[4], family business principles contribute to the survival of a company by defining work ethics and creating a common vision. Furthermore, values make it possible to create goals that are both family- and career-oriented. Values establish an understanding between a company and relatives, as conflicting aims sometimes fuel disputes among parties in family-run business situations (Short & Payne, 2020) ^[22, 26]. As a result, values lessen conflicts between expectations and conventions in the workplace and family and aid in the process of making strategic decisions (Krueger, *et al.*, 2021) ^[11].

Family entrepreneurial principles have benefits that go beyond company owners and executives (Short & Payne, 2020) ^[22, 26]. Centered around value workers are the cornerstone of sustainability for an organization, even though values become increasingly ingrained with every generation (Payne, G. T. 2020) ^[22, 26]. According to Neubaum, D. O. (2018) ^[19], the core business principles that enable family

businesses to endure over generations are quality, diligence, and sincerity. Family commercial principles therefore support the longevity of businesses.

Although a lot of family executives and entrepreneurs are adept at leveraging their strengths to promote company viability and long-term viability outside assistance can also serve as a spark to unleash the potential of their companies.

According to Nordqvist, M., & Gartner, W. B. (2020)^[20], a few family-owned companies enlist the assistance of consultants to aid with tasks such as creating the entire family's monetary sequence, individual, and plan of action; coordinating family objectives and company aims; and managing conflicts. Research that has already been conducted has demonstrated the value of family business consultants for businesses that are family-owned. Nevertheless, due to complicated sensitivities and potential for personal and professional conflicts, family-run company advisers must take distinctive approaches when taking family, business, and ownership into consideration (Miller, D., & Le Breton-Miller, I. 2021)^[17].

Various variables work together to support the survival, viability, and continuation of family businesses. In order to stay viable in demanding and unclear business settings, family executives and entrepreneurs must continue to be aware of both inside and outside capabilities that should be targeted (Memili, E., *et al.*, 2020)^[16]. Using longevity-focused tactics becomes useful for companies and national budgets as family enterprises' chances for survival decline due to each multigenerational management shift.

The long-term viability of a corporation is greatly impacted by the tactical and operational achievement of its original owners and heirs. Family enterprise directors use integrity and principles in how they conduct themselves to look out for the organization, family members, and the next generation (Iaia *et al.*, 2019)^[8]. As a result, founders frequently have to choose between two opposing paradigms during their time as company leaders: both stability and evolution (Vlasic, G. 2022)^[30]. Family-owned business creators eventually have to decide whether to liquidate the organization or carry out a hereditary leadership handover (Faraoni, M., *et al.*, 2020)^[6]. Initial owners of family businesses begin a transfer of principles, expertise, administration, and finally responsibility if they decide that succession is the best course of action (Leonidou, L. C., *et al.*, 2023)^[13]. The most important parties involved in the multigenerational management transfer are the initial owners and heirs of family businesses (WIDAGDO, A. K. 2019)^[31]. The technique's long-term efficacy is determined by their collaboration and involvement in passing along subsequent succession aspects (Rumanko, B., *et al.*, 2021)^[24].

The procedure for succession must be viewed from the point of view of both the pioneers and their heirs since it has significant effects on both the long-term survival as well as expansion of the company in question.

The reasons behind incumbents' opposition to establishing a succession strategy for the family's long-term survival have been found by administration experts. According to Chang *et al.* (2020), there exists an inherent barrier to change that may cause incumbents who are in good health and have personal identities associated with their enterprises to reject succession planning. According to Nandi *et al.* (2019), holders' opposition to secession preparation may be exacerbated by their heirs' lack of involvement in the family firm and their lack of readiness or willingness for business control.

Background of the Problem

The vast majority of economies are built on the backs of family-owned businesses. In a majority of nations, they contribute for 50–80% of employment, about two thirds of enterprises globally, and 70–90% of the global gross domestic product (GDP) (Miroshnychenko *et al.*, 2021)^[18]. Consequently, family company expansion and continuity have an impact on world progress in the surroundings, community, and economic spheres (de las Heras-Rosas, C., & Herrera, J. 2020)^[5].

However, issues that affect the family company's durability over the long run continue to be a major source of difficulty for researchers and marketers (Le Breton-Miller, *et al.*, 2006). According to Porfirio *et al.* (2020), just 30% of family-run firms make it past the first cycle and less than 15% make it to the third. In addition, just 3 percent of family businesses continue to run after the fourth subsequent generations (Mariotti *et al.*, 2021)^[14]. Therefore, factors influencing the long-term viability of family businesses continue to be a problem for family-owned enterprises globally, and specifically in Africa and the Ivory Coast.

Aim.

This study aims to pinpoint the variables that affect family companies' long-term viability in Abidjan, Ivory Coast, specifically.

Research Question.

What elements influence family enterprises in Abidjan, Ivory Coast, to be sustainable over the long run?

Research Method.

In this study, a qualitative research methodology was applied. Scholars employ the qualitative approach to gather and examine a variety of data, and it can be utilized to investigate obscure occurrences (Kohler *et al.*, 2022).

Population and Sampling.

Four carefully chosen business executives from four family businesses in Abidjan provided the data. These businesses were chosen for the study because the researcher was close to them, they were available, and they were willing to participate. Scholars endeavor to choose a representative sample because it is frequently impractical to investigate the research subject in the full population (Pandey & Pandey, 2021)^[21]. Researchers can cut down on the time and resources required to complete a study by selecting an adequate number of samples from all potential instances (Saunders *et al.*, 2019). As Kabir *et al.* (2021) pointed out, selecting a suitable sampling strategy is crucial to achieving data saturation and producing conclusions that are useful. The participants were given labels from P1 to P4 to preserve their identity.

Data Collection Tools and Methods

The main method of data collection used in this study on the variables influencing the long-term viability of family companies in Abidjan, Ivory Coast, was semi-structured interviews with five questions. According to Yin (2018)^[32], questioning strategies are employed by qualitative scholars to ascertain the how, what, and why of a phenomenon.

Google Meet was the platform used to get the data. Regarding their diverse programs, the participants received different appointment times and date states. They received the

questions one day before the interview so they could get ready and provide pertinent information. On the scheduled appointment day, the researcher gave them an explanation of the purpose of the study and gave them the assurance that their identity would not be revealed in accordance with research ethics. Permission to record the session for analysis was requested by the researcher. Each interview lasted between 24 and 31 minutes..

Data Analysis

Yin's five-step qualitative analysis technique (Yin, R. K. 2018)^[32] was used to analyze the data. Three main themes emerged from the examination. nurturing the heir, the necessary abilities for the heir, and interaction with the potential heir.

Presentation of the Findings and Discussion.

From the responses of the participants, three themes were developed; nurturing the heir, the necessary abilities for the heir, and interaction with the potential heir. The themes are presented below.

1. Nurturing the Heir

"It requires willpower and determination, but your succession plan must be centered toward selecting the greatest candidate or candidates. Whichever choice you make, be sure it's the best one for the company." P2

Developing a more profound appreciation of culture and history within the family is the goal for establishing a shared purpose that goes beyond the financial history of the family-owned company. Essentially, this goal is to provide answers to the following queries:

A sense of belonging and of purpose allows one to feel a part of something much larger and more significant. a feeling of accomplishment at being a part of something amazing. Creating a feeling of legacy and culture is just as vital as deciding who will assume leadership roles or how ownership will be passed on in family business succession situations.

A family is held together by its purpose. Future generations should pay special attention to this since they frequently have no comprehension of how long those who founded it worked, what dangers they resulted in, or what hardships they endured in order to establish the company. When considering what it's all about, family members should really remember to have a feeling of goal. A family firm that loses focus of its mission is really merely one more companies, and it runs the risk of being reduced to the tired stereotype of a family-owned business that has multiple generations of collar tails.

2. The Necessary Abilities for the Heir

*"The heir should have some basic skills such as dignity, empathy, creativity, management skills, good relationship with family members and personnel, and be well educated for sure. From my point of view, these can permit him to move on with the family business smoothly."*P1.

The investigator discovered an extensive enumeration of character attributes deemed crucial for a successor. These are the qualities that allow one to take the lead: self-assurance, education, aggression, independence, intelligence, integrity, and inventiveness. According to agency theory, actions made by owners could be more in line with the success of the company than those adopted by non-owners. The degree and caliber of the successor's involvement within the organization

is thought to be crucial. The writers were listed in this category.

The study discovered that close relationships between relatives and family members frequently come first. Therefore, it is imperative that a prospective heir be respected and trusted by family members. Being capable of communicating effectively along with close relatives, confidence with family individuals, and respect for actively non-involved siblings were among the qualities that the participants recognized.

The researcher observed that power transitions in family companies had largely tracked birth order or family structure. This idea also incorporates these line aspects: birth order and gender.

3. Interaction with The Potential Heir

"The heir has to always be by the manager of company, attend meetings together, discuss the goals of the company together, settle disputes together, visit partners together, so as to understand the functioning of the business practically and will be faced with little issues"

The researcher discovered the significance of the interpersonal connection between the previous boss and the heir as a metric for evaluating a successor's abilities and included the pertinent ones in this group of indicators. This significantly increases a family business's long-term viability.

Recommendations

The study's findings may provide family company executives with knowledge about the elements that affect a company's capacity to survive over the long run. In order to foster long-term existence in family firm environments, the researcher recommends that family-owned business specialists, scholars, scholars, and regulators to pay consideration to the study results. The results of the study could be used by the many stakeholders to inform their evidence-based decisions on the long-term viability of family companies.

In order to preserve the legacy of their companies from successive generations, family business owners and managers should understand the significance of determining the factors pertaining to a family's long-term existence as provided in this study and working to improve on them. Family business executives should additionally comprehend the advantage of working in tandem with advisors during, particularly when handling legal, economical, or interpersonal obstacles.

Additionally, this research ought to be done in a different nation and perhaps with more individuals. To shed further light on the topic, the researcher also suggests using a different research methodology.

Conclusion

It is only natural that a long-term viewpoint be incorporated into strategy from a family standpoint. This long-term orientation gives family businesses a vital starting point for making critical decisions on strategic transformation that will safeguard the company for upcoming generations. In order to comply with the changes that legislators, customers, and governments are progressively demanding, some are already making investments in innovation, collaboration, and constructive disruption.

Among the numerous advantages that family enterprises can offer the larger business community as it starts to interact

with the sustainable development agenda in concrete, quantifiable ways are a more comprehensive understanding of stakeholders and a long-term strategic viewpoint. The desire to center transformation around purpose in order to position family-run enterprises for long-term sustainability is something we applaud and support.

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