



## BUSINESS STRATEGIES FOR EFFECTIVE ENTREPRENEURSHIP: A PANACEA FOR SUSTAINABLE DEVELOPMENT AND LIVELIHOOD IN THE FAMILY

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### ABSTRACT

*This paper examines Business Strategies for Effective Entrepreneurship as a panacea for Sustainable Development and Livelihood in the Family. A strategy can generally be seen as a visionary plan of action aimed at attaining specific objectives. The paper observes that due to poor economic conditions in Nigeria, most families are threatened by poverty. The paper is anchored on the Discovery Theory/Individual Opportunity Nexus which is in tune with the fact that successful entrepreneurs can make innovations through exploring the environment so as to exploit viable opportunities. It is the position of this paper that effective entrepreneurship will enhance sustainable development and family livelihood. The implication of this is that most disadvantageous and impoverished families will benefit through the contributions of entrepreneurship with particular reference to Family Businesses. The family business thrives effectively when there is a harmony of interest. It is not in doubt that the family is a major institution for carrying out essential production, consumption, reproductions and accumulation functions that are associated with the social and economic empowerment of individuals and societies, all of which leads to sustainable development, improved standard of living and livelihood. Sustainable development connotes the development that will remain intact for an indefinite period possibly forever. Sustainable livelihood which is similar to sustainable development in Singh's view Singh (2014) is fortifying "access of both present and future generations to secure the necessities of life such as food, clothes, shelter, security, freedom, basic literacy and health care on a long run". If effective business strategies are imbibed, Entrepreneurship and Family businesses will thrive. The end result will be sustainable development and improved standard of living at the grassroots.*

**Keywords:** Business strategy, Entrepreneurship, Sustainable development, Family, Sustainable livelihood, Standard of living.

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### Contribution/ Originality

This study contributed significantly to knowledge by clearly identifying the major drawbacks or challenges of entrepreneurs. The study also fully explored the strategies that will lead to effective and efficient entrepreneurship which will optimize the gains of family businesses for sustainable livelihood and enhanced standard of living.

## 1. INTRODUCTION

The family is the oldest social union in the evolution of mankind. Its roles in the enhancement of an individual's standard of living cannot be underestimated. In some instances, family capital provides enabling resources and strengthens the capacity of individual family members to function and attain their current and future goals and objectives. The economic functions of a family are important for society because family units make up the institutions that run society. Most of production is geared towards families, for they need to be provided with everything. Families need food, clothes, a house, vehicles, raw materials, fuel, furniture, kitchen supplies, etc. The list continues to increase as the population of a nation rises.

Nigeria is the most populous black nation in the world, blessed with numerous resources ranging from crude oil, tin and uranium. With an estimated population of about 160 million, it ranks among the top ten nations in oil and natural gas reserve (Wumi and Rotimi, 2010; Oguonu, 2012). However with the oil boom of the early 1970s, which brought in an unimagined wealth from oil, agriculture was neglected. This wealth from oil created a false sense of prosperity that raised the level of conspicuous consumption among Nigerians. These led to overdependence on imports and focus of the manufacturing sector essentially on import substitution. It also contributed to the culture of inflated project costs, corrupt management, ill considered contracts and siphoning of Nigerian petro-dollar resources to private accounts in European and American banks (Obinna, 1997). The decline in the international oil prices in the early 1980s, led the Nigerian government to borrow heavily in order to sustain its high expenditure profile. This practice unfortunately persisted and led to a vicious cycle of external reserve depletion and debt servicing. All these led to Nigerian population becoming entirely disadvantaged, marginalized and impoverished due to mass outflow of skilled labour, falling industrial capacity utilization, unemployment and recession (Obinna, 1997). Nigeria still depends to a great extent on import sources for equipment, machinery, raw materials and food items.

The Nigerian families are worst hit. The economic situation has given a terrible blow on our families. The insecurity and poverty related problems in Nigeria are alarming. In our society today, organized kidnapping, selective armed robberies, sponsored and deadly armed militancy, political cum, religion-induced conflict (Boko-Haran), terrorism and other forms of crimes have unleashed mayhem and insecurity on the land. Nobody therefore is safe, the innocent, the sponsors and the sponsored (Okoli, 2012). Though Nigeria is among the topmost producer of crude oil, it is estimated that 70% of Nigerians live in poverty with a low life expectancy of 54 years, infant mortality of 77 per 1000 and maternal mortality of 704 per 100,000 (IFAD International Fund for Agricultural Development, 2011).

Most Nigerian families have a substantial number of frustrated individuals who are thrown out of jobs. There is a general hardship and fall in standard of living in Nigeria. The worst crimes in Nigeria today are those planned and executed by family members against their kit and kin. Our children from supposedly good families now prefer faceless friends through social media network such as “face book”, “to-go”, “you tube”, “net log”, “wiki-iki”, “whats-app”, “Skype”, “badoo”, etc to our close knit African virtues. Successive governments in Nigeria have tried in various ways to alleviate poverty through various development programmes. It is however sad to note that none of these programmes has yielded much fruit or significantly tackled the excruciating poverty. This paper x-rays the various strategies for effective entrepreneurship for sustainable family livelihood.

### 1.1. The Discovery Theory/Individual Opportunity Nexus

An entrepreneur is one who initiates a new business in the face of risk and uncertainty for the purpose of satisfying human needs and making profit. An entrepreneur carves out a niche for himself. He scans the environment, identifies opportunities, combines and utilizes the necessary resources to capitalize on such opportunities. He carries the burden of risk and his success or failure depends to a large extent on his managerial abilities. Entrepreneurship is the process of initiating a business venture, organizing the necessary resources and assuming the associated risks and reward (Kuratko and Hodgetts, 1998; Daft, 2003). To Zimmerer and Scarborough (2001), an entrepreneur is the one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them. This is in tune with the discovery theory/ individual opportunity nexus by Venkataraman (1997) and Shane (2003). This theory is based on the objectivity of opportunities, uniqueness of individuals and the risk bearing role of entrepreneurs and hence the focus is on the existence and discovery of opportunities and abilities to exploit opportunities (Madueme, 2014). The proponents of this theory identified two types of individuals as noted by Madueme (2014):

The unique ones and the ordinary ones. Those who are ordinary exist in changing societal phenomena and are oblivious of new opportunities while the unique ones who are entrepreneurs see, appreciate and act on the opportunities to achieve innovation...An entrepreneur should bear the risks of his action.

Successful entrepreneurs can make innovations through exploring the environment. Some scholars like William (2002) referred to this as making sense of the changing environments. Entrepreneurs can employ William’s three - step process to make sense of the changing environment so as to create a viable business. These three – step process entails the following:

- Environmental scanning
- Interpreting environmental facts
- Acting on threats and opportunities.

Environmental scanning is searching the environment for important events or issues that might lead to business innovation or development or maintenance of existing business venture/organization. Environmental scanning helps in the detection of environmental changes and problems that can be explored for future entrepreneurial opportunities. Through scanning too, already established entrepreneurship can stay alert to current events that affect their operations. Effective environmental scanning reduces uncertainty and reveals necessary areas to be explored for future opportunities. After scanning for information on environmental events and issues, they are interpreted. They may be interpreted as threats or opportunities. Based on the interpretation, decisions are taken on how to respond to them so as to explore the opportunities or avert the threats. Environmental scanning encourages creativity and performance.

Entrepreneurs have contributed greatly to Nigerian development and family livelihood through job creation and provision of goods and services. Entrepreneurs can make more notable impacts if they are prudently managed. There is no gainsaying the fact that the potentials of effective entrepreneurship in Nigeria have not been fully tapped so as to contribute maximally to the nation. Entrepreneurs also have some drawbacks.

### **1.2. Strategies for Effective Entrepreneurship**

One of the best strategies for effective entrepreneurship is the establishment of family business (Churchill and Hatten, 1987). Handler (1990) and a host of others have made frantic efforts to arrive at a unified definition of family owned business, particularly in the social sciences research domain, but have ended up offering different views on the definition of family business. A family business is a business owned by a family but run by non-family managers or a business owned by a large, multi-national corporation but run by a local family or a business jointly owned by two unrelated partners, each of whom has a son in the business (Hoy, 1994). Lorna (2011) defined family business as one that will be passed on for the family's next generation to manage and control. Handler (1990) defined it as a business run by at least one family member. Churchill and Hatten (1987) also described family business as a founder-operated business where there is anticipation that the business will be passed to the next generation. All these definitions give an impression and basic understanding of what family business mean. However, in a more directional and precise form, family business suggests solely businesses that are owned and managed by family either by the founder or any of his children in most cases the eldest or first son. More so, family businesses are the engine that drives socioeconomic development and wealth creation around the world, and entrepreneurship is a key driver of family businesses. In this paper, a family business is taken as a commercial organization in which decision-making is influenced by multiple generations of a family related by blood or marriage who are closely identified with the firm through leadership or ownership.

It is important to note however that family businesses can have owners who are not family members. Family businesses may also be managed by individuals who are not members of the family. The family plays a leading role in new venture formation, often serving as the primary source of start-

up capital, not to mention in expensive labour and know-how (Pistrui and Huang, 2008). The place of family firms in the world economic fabric is important, regardless of the criteria used to define them. For effective entrepreneurship in Nigeria, a lot needs to be done. Government should try to create an enabling environment for actual and potential entrepreneurs through effective planning (Akpala, 1990; Daft, 2003) and systematic organization (Hicks and Gullet, 1982). Effective entrepreneurship demands that the managerial functions of planning, organizing, directing and controlling should be carefully performed. Policies should also be made to encourage entrepreneurship. These policies should reflect on issues like soft loans for actual and potential entrepreneurs. Repressive government policies should be reversed. For Africa to meaningfully promote small businesses and entrepreneurial skills there must be reasonable political, financial, legal and administrative infrastructures put in place by government. This enabling environment entails improving on our security since no genuine business can thrive in a place which cannot guarantee security of life and property and respect of the rule of law. Enabling environment also includes improving our infrastructural amenities like good road network, regular power supply, etc.

For starting an effective entrepreneurship, an entrepreneur should have a business plan. A business plan gives a detailed description of the nature of the business, the target market, the resources and qualifications of the owners. A business plan will help the entrepreneur to fully understand what he wants to do. Financial assistance from either the government or financial institution is difficult in Nigeria. This discourages people from getting into entrepreneurship. In most instances, the financial institution will require anyone seeking financial assistance to present adequate collateral. No matter how experienced and skilled an entrepreneur may be, he needs an adequate capitalization to push on. Poor financial management can ruin good business. The entrepreneur must know how to find the needed finance for the business. Some of the potential sources of fund to entrepreneurs include help from friends and relations, personal savings, assistance from Banks and Finance institutions in form of loans, assistance from potential supporter and assistance from government. For long-run success of entrepreneurship, there is need for necessary changes to be made as the environment changes. This may involve replacing obsolete technology with viable technologies in a changing environment. It should however be noted that organizational changes is not desirable at all times. It should also be stressed at this point that the important attributes of a successful entrepreneur as shown on table 1 below should be imbibed. Goal setting is very important at the onset. In setting goals, measurable objectives should be clearly stated as well as standard or criteria for measurement. Survival strategies should also be developed.

An Entrepreneur should also have capacities for innovative ideas and should be a risk taker. He should also have some technical knowledge. It is also advisable to have a simple organizational structure. There should be frequent horizontal communication network. Control system should be informal and uncomplicated. Successful Entrepreneurship is needed in Nigeria for genuine economic development.

Table-1. Important characteristics of a successful Entrepreneurial Small Business

Start –Up-Phase	Growth Phase
Goals And Plan 1. Basic survival goals and plans (e.g., Creating, developing and getting the Idea to the marketplace)	Goals And Plan 1. Simple growth, efficiency, and profit goal, plus straightforward plans to achieve them.
Traits for key personnel 1. A focus on an envisioned future rather than the present effort spanning a Medium –to- long term frame. 2. A moderate risk-taker with a high Tolerance for ambiguity and change. 3. A capacity to pioneer innovative ideas that satisfy consumer needs	Traits for key personnel 1. Same as start-up phase. 2. Same as start-up phase. 3. A capacity to forge, during rapid growth organizational clarity and accountability
4. Technical knowledge and experience in Innovative area	4. Managerial knowledge and experience
Traits for Design 1. A simple structure – flat and wide with extensive horizontal communication networks. 2. Decision – making authority resting with entrepreneur 3. An informal personal control system	Traits for Design 1. A functional or vertical structure, yet one where information horizontal communication channels are used frequently. 2. Delegated decision –making authority to second Level managers. 3. A quasi-informal (i.e., not highly complex or elaborate) operating and financial control system.

Source: Journal of Small Business Management, July 1987, p. 12 in Scarborough and Zimmerer (1996)

Families play a vital role in the venture-creation process by providing or withholding funding and emotional support (Sharma, 2004). It could be argued that research aimed at understanding business generally requires an appreciation of family business.

### 1.3. Drawbacks of Effective Entrepreneurship

Nigerian entrepreneurs do not fully utilize their potentials due to various drawbacks and lack of effective strategies for optimum performance. Nigerian government hinders entrepreneurship through interventionist economic policies and poor management practices. Nigeria has only enjoyed very limited years of democratic governance since its independence in 1960 due to civil war and numerous coups. This has made the country to enact some repressive economic policies. Nigerian economy is therefore characterized by high trade barriers, under developed capital market, poor infrastructural amenities (poor road network and epileptic power supply). There are poor infrastructural amenities in Nigeria especially in the rural areas. These include the epileptic power supply which is a very big impediment for entrepreneurial success. There is also poor road network and this has always discouraged entrepreneurs especially in the rural areas. This is because poor road networks limit marketability of their products.

Other drawbacks are insecurity (Islamic – Christianity conflicts), poverty, corruption and ethnic tension. Another major factor that hinders effective entrepreneurship in Nigeria is poor management. Poor management includes poor planning, poor finances, poor record keeping, poor inventory control,

poor promotion or poor employee relations. Poor record keeping and poor inventory control result in poor accountability. The reasons for this include lack of necessary skill and unwillingness for some entrepreneurs to employ capable people. Again, some Nigerian entrepreneurs do not take care of the employees' problems. These employees are poorly paid and some of them are not given any sense of belonging. This usually results in uncommitted workforce.

#### **1.4. Family and Sustainable Livelihood**

The family is a socio-biological institution. It expresses the relationships involving opposite sexes, gays and lesbians. The family is a group of persons by the ties of marriage, blood or adoption, constituting a single household, interacting and intercommunicating with each other in their respective social roles as husband and wife, mother and father, son and daughter, brother and sister creating a common culture. Family, education, work, play and religion are among the things that makes man human. Sustainable livelihood is a corollary to the family. Sustainable livelihood is a systemic and adaptive approach that links issues of poverty reduction, sustainability and empowerment processes (e.g., participation, gender empowerment, and good governance). The attractiveness of sustainable livelihood lies in its applicability to different contexts, situations of uncertainty and in its capacity as a consultative and participatory process for the cross-fertilization of ideas and strategies between various stakeholders. Those living in extreme poverty and outside the formal labor market, for example, constantly improvise their livelihood strategies due to high uncertainty and limited options. A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stress and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base (Chambers and Conway, 1991). Sustainable livelihoods are derived from people's capacity to make a living by surviving shocks and stress and improve their material condition without jeopardizing the livelihood options of other people, either now or in the future. In this paper sustainable livelihood refers to the capacity of a family to generate and use incomes or resources for an indefinite period without depleting the resources of the family or their means of livelihood. This implies meeting the demand of the family in terms of needed resources for family wellbeing without compromising the ability of future generations to meet their own needs.

## **2. FACTS ABOUT FAMILY BUSINESS**

- Family business is not prevalent in Africa in general and Nigeria in particular. However, Britain's largest and most successful companies are family firms including: JCB, Clarks, Warburtons, Dyson, Swire, Virgin, Glenfiddich, Yorkshire Tea, McAlpine, Reed, Ginsters and Speedo.
- With an appropriate entrepreneurial development, family business can form the backbone of ailing economy.
- Family business can also form a huge source of income to the government.



### 3. SOME OF THE REASONS FOR THE FAILURE OF FAMILY BUSINESS

Many scholars including Gomez-M (2011), (Habbershon and Pistrui, 2002), Ward (1997) and Zellweger (2007) have given clues to some reasons why some family businesses do not do well. These reasons include the following:

1. **Poor or lack of succession plan.** This contributes to the failure of some family businesses. It is necessary for family businesses to make adequate succession plan for the business to thrive on.
2. **Lack of trusted advisers.** While lawyer, accountants, financial planners, therapists etc. have formidable technical skills, many require a more sophisticated level of understanding around business families and their unique challenges. Trusted advisers should be able to work collaboratively with other disciplines to provide the best outcome for the family and avoid giving conflicting advice. The Institute for Family Enterprise Advisors (IFEA) is a designating body that accredits those advisers who fill both criteria.
3. **Family conflict.** Mutual support among relatives is key for instilling loyalty towards the family business. Many families lack procedures that help manage conflict in an objective and productive way, so seeking outside help is often necessary to help the family out of seemingly unresolvable issues.
4. **Different visions between generations.** Generational conflict can hinder the growth of the business, especially if there's a disagreement in core values and missions. The next generation should be careful not to reject established work methods and entrepreneurial vision, just as predecessors should demonstrate flexibility in exploring new management strategies and ideas for innovation.
5. **Governance challenges.** Family governance requires family meetings, councils or assemblies which requires time and commitment. It is crucial to communicate and create a flow of information between owners, the business and the family. Many members fear raising sensitive issues, losing control or sharing too much information. Without governance, members are confronted with exclusion and secrecy, assumptions and procrastination.
6. **Exclusion of family members outside the business.** It is advisable not to exclude any member of the family from family business whether the member is active in the management of the business or not.
7. **Unprepared next generation leaders.** It is important for successors to learn the ropes and learn all aspects of the business. The business should create guiding principles outlining requisite education and experience before making offers of employment.
8. **Poor strategic planning.** Good planning creates motivation that can sustain the family and business through various trials that may arise.

### 4. CONCLUSION

The family has been the bedrock for individual's growth and development. Hence family livelihood is greatly influenced by the level of importance to which the family attached to entrepreneurial acquisition. The strategic importance of the family derives from the fact that it provides the initial environment for molding individuals into whatever personalities they later become in life. The families



shape the values of members, ensure the transmission of requisite skills and knowledge to them, and are willing to integrate them both into the society as responsible citizens and any business they are involved in. Every entrepreneur belongs to a family and usually benefits from one form of assistance or the other from the family. Therefore, the family plays a crucial role in sustainable livelihood and evolving strategy for entrepreneurship. Strong economic foundation by the family and family members tend to maintain a sustainable livelihood with regard to entrepreneurial development. Family businesses should imbibe the identified effective entrepreneurial strategies in this paper for better performance. Governments should also create a viable environment for businesses owned by families to thrive. If the suggested strategies for effective entrepreneurship are carefully employed and optimized in family businesses, the end result will be reduction of poverty level, enhanced livelihood and standard of living in the families and the nation at large.

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