



GOVERNANCE AND SUCCESSION PLANNING IN FAMILY BUSINESSES: PRESERVING LEGACY WHILE ENABLING CONTINUITY

Introduction

Family businesses are the backbone of many economies, contributing significantly to employment, innovation, and wealth creation. In Nigeria and across emerging markets, they often represent not just commercial ventures, but multi-generational legacies built on vision, sacrifice, and shared values.

However, while many family businesses are successfully established, far fewer survive beyond the second or third generation. Studies suggest that only about 30% of family businesses transition successfully to the second generation, and less than 15% to the third.

At the core of this challenge are two critical pillars: governance and succession planning.

1. Understanding Governance in the Family Business Context

Governance in family businesses goes beyond traditional corporate governance. It sits at the intersection of family, ownership, and business, each with its own expectations, dynamics, and potential conflicts.

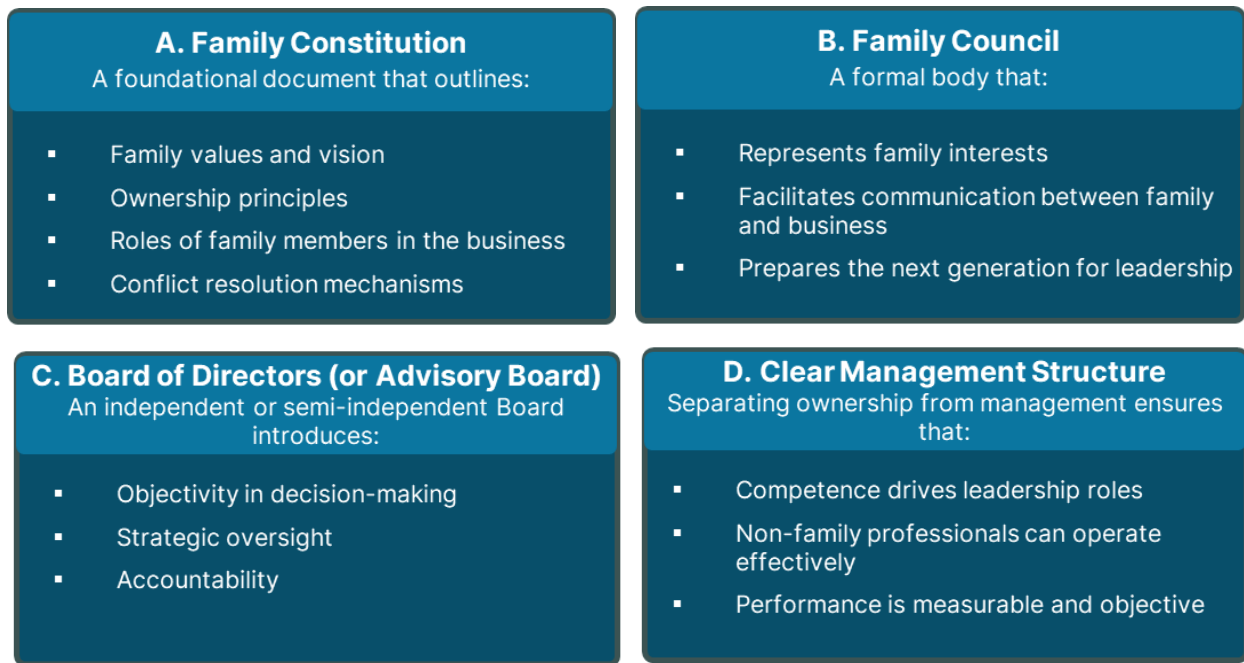
Effective governance provides:

- Clarity of roles and responsibilities
- Decision-making structure
- Conflict management mechanisms
- Alignment between family values and business objectives

Without a defined governance framework, family businesses often face informal decision-making, blurred boundaries between family and management, disputes over control, compensation, and strategy.

Key Governance Structures

To institutionalize governance, family businesses should consider:



2. Succession Planning: More Than Leadership Transition

Succession planning is often misunderstood as simply choosing the next CEO. In reality, it is a structured, long-term process of transferring leadership, ownership, and stewardship across generations.

A poorly managed succession process can result in:

- Leadership vacuum
- Family disputes
- Loss of institutional knowledge

- Decline in business performance

Key Elements of Effective Succession Planning

B. Early Planning

Succession planning should begin well in advance; ideally 5 to 10 years before transition. This allows time for grooming successors, testing leadership capability and managing stakeholder expectations.

C. Defined Criteria for Leadership

Leadership roles should be based on competence, experience, alignment with business strategy and leadership capabilities, not just lineage.

A. Development of Next Generation

Preparing successors involves formal education and training, rotational exposure across business units, mentorship from current leadership, etc.

D. Ownership Transition Planning

Succession is not just about management, it includes shareholding structure, trust arrangements and estate planning.

E. Communication and Transparency

One of the most overlooked aspects of succession is communication. Clear communication helps manage expectations, reduce conflict and build trust among stakeholders.



3. The Interplay Between Governance and Succession

Governance and succession planning are not standalone processes; they are deeply interconnected.

A strong governance framework provides the structure for succession decisions, defines eligibility and evaluation criteria and ensures fairness and transparency.

Conversely, succession planning reinforces governance by institutionalizing leadership continuity, preventing concentration of power and strengthening accountability.



4. Common Pitfalls in Family Businesses

Despite good intentions, many family businesses encounter similar challenges:

A. Founder Dependency

Many businesses revolve around the founder, making transition difficult when:

- Knowledge is not documented
- Decision-making is centralized.

B. Emotional Decision-Making

Family relationships can influence:

- Leadership appointments
- Compensation decisions
- Strategic direction

C. Lack of Formal Structures

Reliance on informal arrangements often leads to:

- Governance gaps
- Disputes
- Inefficiencies

D. Resistance to External Expertise

Some families hesitate to involve:

- Independent directors
- Professional advisors
- External executives

This can limit growth and objectivity.

5. Best Practices for Sustainable Family Businesses

To ensure long-term sustainability, family businesses should adopt the following:

A. Institutionalize Governance Early

Do not wait for conflict or growth pressure. Establish:

- Family constitution
- Governance policies
- Formal decision-making structures

B. Separate Family, Ownership, and Management Roles

Clearly define

- Who owns
- Who governs
- Who manages

C. Engage Independent Advisors

External professionals bring

- Objectivity
- Technical expertise
- Strategic perspective

D. Adopt a Structured Succession Framework

Develop a documented plan covering:

- Leadership transition
- Ownership transfer
- Contingency Planning

E. Embed Family Values into Governance

Sustainability is not just financial, it is cultural. Governance should reflect:

- The founding vision
- Family legacy
- Long-term purpose



6. The Role of Family Offices and Professional Advisor

As family businesses grow in complexity, many establish Family Offices to centralize governance, wealth management, and succession planning.

Professional advisors play a critical role in:

- Structuring governance frameworks
- Designing succession strategies
- Managing trusts and estate planning
- Facilitating intergenerational transitions

This ensures that decisions are structured, compliant and aligned with long-term objectives.

Conclusion

Governance and succession planning are not optional; they are strategic imperatives for the survival of family businesses.

A well-governed family business with a clear succession plan preserves wealth across generations, minimizes conflict, enhances business resilience and strengthens legacy.

Ultimately, the goal is not just to build a successful business, but to create an enduring institution that thrives beyond the founding generation and continues to deliver value for generations to come.

References

<https://www.themenciusadvisory.ch/blog/not-another-number-defying-the-next-gen-statistics#>

<https://www.familybusinessmagazine.com/why-do-most-family-businesses-fail>

AUTHOR



Frances Nwakobi-Onuigbo

Partner

frances.nwakobi@firstfiduciary.ng



Copyright ©2026 First Fiduciary Limited, All rights reserved.

Our mailing address is:

First Fiduciary

3A, Kayode Otitoju Street, Off Admiralty Road,

Lekki Phase1, Lagos