



Navigating Leadership Transitions: Successes and Failures of Intragenerational Succession in Lagos-Based SMEs

Olalekan Olawunmi^{1*}, Jubril Jawando², Bolawale Odunaiké³

Lagos State University

Corresponding Author: Olalekan Olawunmi; raphaelolalekan@gmail.com

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ABSTRACT

This study investigates the successes and failures of intragenerational business succession among small and medium-sized enterprises (SMEs) in Lagos State, Nigeria. Using an exploratory qualitative design, the study draws insights from 40 participants and 4 case studies representing four key sectors, which were: food and beverages, fabrics and textiles, herbal medicine, and wood, furniture, and charcoal. Data were collected through in-depth interviews and analyzed thematically using NVivo 14 software to uncover the underlying dynamics of leadership transitions within family and individually owned enterprises. Findings reveal two dominant types of succession: wilful succession, characterized by voluntary and interest-driven leadership transfer, and unwilful succession, marked by coercion and lack of motivation. The study demonstrates that wilful succession fosters business continuity, innovation, and long-term growth, while unwilful succession often leads to stagnation and failure. Applying both stewardship and game theory, the research establishes that cooperative succession processes that is anchored in trust, mentorship, and shared vision could enhance the likelihood of successful transitions, whereas non-cooperative dynamics increase the risk of conflict and decline. The study concludes that the sustainability of SMEs in Lagos is largely contingent upon the presence of successors who embody stewardship values and adopt cooperative strategies that align individual and organizational goals. It recommends deliberate succession planning, mentorship programs, and the institutionalization of family governance structures to ensure continuity across generations

INTRODUCTION

Small and medium-scale enterprises (SMEs) serve as the backbone of economic development in many countries, providing employment, fostering innovation, and contributing significantly to gross domestic product. In Nigeria, SMEs are critical to local and national economic growth, bridging gaps in employment, promoting entrepreneurship, and driving social development, particularly in urban centers like Lagos State (Fatogun et al., 2019; Oyelaran-Oyeyinka, 2020). Family-owned SMEs, which often span multiple generations, are particularly important due to their dual role in economic activities and the preservation of family legacy, social cohesion, and intergenerational wealth. These enterprises vary in size, structure, and sectoral focus, encompassing food and beverages, fabrics and textiles, herbal medicine, and wood, furniture, and charcoal industries.

Despite their significance, family-owned and generational SMEs in Nigeria face substantial challenges during leadership transitions, especially intragenerational succession – the transfer of ownership and management within the same generation. Such transitions are often complex and multidimensional, influenced by both internal factors, including family governance structures, leadership readiness, and succession planning, and external factors such as market competition, regulatory environments, and technological changes (Masoje & Akpor-Robaro, 2021; Oyeladun, 2020; Aladejebi, 2019). Inadequate preparation for succession, conflicts among family members, and reluctance of founders to relinquish control have been identified as key contributors to business failure (Oyeladun, 2020; Nwuke et al., 2020). Historical examples in Nigeria, including the Concord Newspaper and Kazeem Popoola's building firms, underscore the high stakes of ineffective succession practices and the potential socio-economic impact of SME failures.

Research has highlighted that the success of intragenerational succession is closely tied to the capabilities and preparedness of successors. Success factors include managerial competence, financial acumen, adaptability, marketing skills, technological adoption, and the ability to foster a cooperative organizational culture (Lee, Jeon, & Na, 2016; Freeman et al., 2020; Rupčić, 2018; Karagouni, 2018; Cahyadi, 2022; Wu, 2023). Non-financial factors, such as maintaining strong interpersonal relationships with family members and non-family employees, aligning personal and organizational goals, and preserving the business legacy, also play a critical role in ensuring smooth transitions (Lussier & Corman, 2015; Yuan, 2019; Beech, 2020). Conversely, failures in succession often arise from inadequate planning, poor management practices, limited access to finance, external market pressures, and unresolved family disputes, which may compromise continuity and threaten long-term business sustainability (Jayasekara et al., 2020; Storey, 2016; Nyamwanza, Mavhiki, & Ganyani, 2018; Fehintola, 2023; Jordan, 2019).

In Lagos State, Nigeria's commercial and economic hub with a projected population exceeding 15 million and a dense concentration of SMEs (World Population Review, 2023; Bearak, Moriarty, & Ledur, 2021), the examination of intragenerational succession is particularly relevant. The city's diverse

population, vibrant commercial activities, and strategic position as a trade and industrial center create both opportunities and challenges for SMEs. Understanding the successes and failures of leadership transitions in Lagos-based SMEs is essential not only for preserving individual businesses but also for sustaining broader economic growth, employment, and community development.

Given this context, this study seeks to assess the successes and failures of intragenerational business succession among SMEs in Lagos State, focusing on both family-owned and individually established enterprises. The study explores the factors contributing to successful leadership transitions, including succession planning, the role of mentoring and capacity development, adoption of technological innovations, and relational dynamics within the enterprise. It also examines the causes of succession failure, such as poor governance, inadequate preparation of successors, limited financial resources, market volatility, and interpersonal conflicts. By investigating these dynamics, the research aims to illuminate the strategies, mechanisms, and practices that enable SMEs to maintain continuity, resilience, and growth across generations.

Specifically, the study investigates the following dimensions: the key internal and external factors that facilitate or hinder successful intragenerational succession; the competencies, behaviors, and strategies of successors that contribute to business continuity; the challenges faced during leadership transitions; and the lessons learned from failures that can inform future succession planning. By integrating these elements, the study provides a comprehensive understanding of intragenerational succession within Lagos-based SMEs, offering insights for business owners, successors, policymakers, and researchers.

Ultimately, the findings of this research are intended to contribute to both theory and practice. They will enrich the academic discourse on family business succession and SME sustainability in emerging economies, while also providing actionable recommendations to enhance succession planning, mitigate risks of failure, and promote the long-term survival and growth of SMEs in Lagos State.

LITERATURE REVIEW

Theoretical Orientation

Family business succession, particularly in small and medium-scale enterprises (SMEs), is a complex and multifaceted phenomenon that encompasses both strategic decision-making and relational dynamics. In Lagos State, Nigeria, where family-owned SMEs play a pivotal role in local economic development, understanding the mechanisms that contribute to the successes or failures of intragenerational business succession requires a robust theoretical framework. To capture the intricacies of this process, this study draws on both Game Theory and Stewardship Theory, as they offer complementary perspectives on the strategic, emotional, and relational aspects of succession.

Game Theory provides a framework for understanding the strategic interactions among various actors involved in family business succession. It emphasizes that decisions made by one actor often directly influence the

outcomes for other stakeholders, making succession a situation of interdependent decision-making (Burkart, Panunzi, & Shleifer, 2003; Jayantilal et al., 2020). In family firms, these actors typically include the founder, potential successors, and other family members who have varying interests, preferences, and capabilities. Each participant's choice can shape the trajectory of the business, influencing both its continuity and long-term viability. Succession, from this perspective, is not merely a formal transfer of ownership; it is a dynamic and strategic process involving negotiation, compromise, and sometimes competition among family members (Michael-Tsabari & Weiss, 2015; Sharma & Agarwal, 2016).

Central to Game Theory is the concept of strategic interdependence, where each player's optimal decision depends on the anticipated actions of others. In family business succession, for instance, a founder may prefer a successor who demonstrates commitment and interest, even if another child possesses superior technical skills or education. Conversely, potential successors may act strategically to demonstrate readiness or competence to assume leadership. Game theory also accounts for emotional and relational considerations, such as sibling rivalry, perceived fairness, and loyalty, which significantly influence decision-making (Jayantilal et al., 2020). These elements are particularly salient in Lagos-based SMEs, where cultural norms, social expectations, and familial obligations intersect with business imperatives. By modelling these interactions, game theory enables an understanding of the possible outcomes of succession scenarios, offering insights into how conflicts can be managed, compromises negotiated, and cooperative solutions achieved. The theory also allows for an examination of strategic choices under conditions of information asymmetry, a common occurrence in family firms where the founder may possess more knowledge about the firm's vision, operational processes, and long-term goals than potential successors (Michael-Tsabari & Weiss, 2021). Recognizing and mitigating the effects of such asymmetries through clear communication and strategic planning can reduce the risk of misunderstandings that may compromise succession outcomes.

While Game Theory focuses on strategy and interdependence, Stewardship Theory complements this by emphasizing intrinsic motivation, trust, and alignment of interests. Stewardship Theory posits that individuals who act as stewards prioritize the long-term success of the organization over personal gain, viewing the firm as an extension of themselves (Davis, Schoorman, & Donaldson, 1997). In the context of family-owned SMEs in Lagos State, this perspective helps explain why successors often demonstrate loyalty, dedication, and commitment to the survival and growth of the business, even in the absence of immediate financial incentives. Unlike agency theory, which assumes that self-interest drives behaviour, stewardship theory assumes that individuals are motivated by internal rewards such as trust, relational satisfaction, and the desire to preserve a family legacy (Löhde et al., 2021). This alignment of interests between the founder and successor reduces conflict, fosters collaboration, and promotes continuity in leadership transitions.

The practical application of Stewardship Theory in Lagos-based SMEs can be observed in the mentoring relationships between founders and successors, joint decision-making processes, and efforts to instill the firm's core values and vision across generations. When successors adopt a stewardship mindset, they are likely to prioritize long-term sustainability, invest in employee development, and maintain positive relationships with stakeholders, all of which contribute to the success of intragenerational succession (Chrisman et al., 2015; Jasir et al., 2023). Moreover, stewardship behavior can mitigate some of the risks highlighted by Game Theory, such as conflict over succession decisions or misalignment of objectives, by fostering trust, transparency, and cooperative problem-solving.

The integration of Game Theory and Stewardship Theory provides a holistic lens through which intragenerational succession in SMEs can be understood. Game Theory illuminates the strategic, interdependent, and sometimes competitive nature of succession decisions, highlighting how founders and successors anticipate and respond to each other's actions. Stewardship Theory, in contrast, foregrounds relational, emotional, and intrinsic motivational aspects that shape succession outcomes. By combining these perspectives, this study can explore not only how strategic interactions influence business continuity but also how trust, alignment of interests, and stewardship behaviour facilitate the smooth transition of leadership in family-owned SMEs.

Applying these theories to the Lagos context allows for an exploration of the unique challenges and opportunities faced by SMEs in emerging economies. Founders and successors must navigate complex socio-cultural, economic, and institutional environments, balancing familial obligations with business imperatives. Game Theory enables an understanding of the negotiation and strategic decision-making processes that underpin succession, while Stewardship Theory provides insight into the motivations and relational mechanisms that enhance continuity and sustainability. Together, these frameworks offer a robust conceptual foundation for investigating the factors that contribute to the successes and failures of intragenerational business succession, providing both theoretical and practical insights for family-owned SMEs in Lagos State.

In summary, the combination of Game Theory and Stewardship Theory offers a comprehensive approach to understanding family business succession. Game Theory elucidates the strategic decision-making, interdependence, and negotiation dynamics, while Stewardship Theory emphasizes intrinsic motivation, trust, and relational alignment. Together, these theories facilitate a nuanced examination of the factors influencing intragenerational business survival in Lagos State SMEs, enabling the identification of strategies that can enhance succession success, reduce business failure, and ensure long-term continuity across generations.

METHODOLOGY

This study adopts an exploratory and qualitative research design to examine family business succession and intragenerational survival among small and medium-sized enterprises (SMEs) in Lagos State, Nigeria. The qualitative approach allows for an in-depth understanding of the strategies, challenges, and peculiarities associated with succession across different generations of family-owned businesses. Data were collected primarily through in-depth interviews (IDIs) with business owners and successors, complemented by four detailed case studies representing key sectors within the SME landscape. The participants included first-generation, second-generation, and third-generation business owners, ensuring that diverse perspectives on succession and business continuity were captured. The study focused on SMEs engaged in inherited family businesses as well as individually established enterprises, spanning sectors such as food and beverages, fabrics and textiles, herbal medicine, and wood, furniture, and charcoal.

Lagos State, the study area, serves as the commercial and economic hub of Nigeria and is characterized by its dense concentration of SMEs that contribute significantly to the national and regional economy. Lagos is located in the southwest of Nigeria, bordered by Ogun State to the east and north, the Republic of Benin to the west, and the Gulf of Benin to the south. With a land area of 3,577 km² and a population of approximately 15.9 million, Lagos is the most populous state in Nigeria. Its economy is diverse, dynamic, and competitive, hosting a wide array of business activities and a cosmopolitan population that includes multiple Nigerian ethnic groups and foreign nationals. The state's SMEs play a critical role in employment generation, innovation, and the maintenance of economic growth, making it an ideal context for exploring generational business succession.

The study population consisted of SMEs operating across multiple sectors, with a specific focus on family-owned enterprises spanning first, second, and third generations. A purposive sampling technique was employed to select forty participants and four case studies, resulting in a total sample size of forty-four businesses. The purposive sampling method allowed the researcher to intentionally select participants who were most relevant to the study objectives, including both inherited family businesses and individually established businesses. Inclusion criteria required participants to be current business owners or successors, actively involved in enterprises within the selected sectors, and willing to provide informed consent. Exclusion criteria eliminated individuals not belonging to the selected SMEs, those unwilling or unable to participate, or those with medical or psychological conditions that could impair participation.

The sampled businesses included five inherited and five individually established enterprises within each sector, supplemented by one case study per sector. The generational distribution of participants indicated that first-generation owners dominated the sample with twenty participants, while twelve second-generation and eight third-generation participants provided further insights into succession dynamics. This distribution reflects the focus on understanding how leadership transitions occur across different stages of family

business development. The four case studies, representing food and beverages, wood and furniture, fabrics and textiles, and herbal medicine businesses, provided additional depth, allowing the researcher to examine practices, strategies, and challenges in real-life contexts.

Data collection relied on in-depth interviews, structured to align with the study's objectives. The interview guides were designed to elicit rich, detailed responses regarding business succession typologies, successes and failures of intragenerational businesses, the educational background of successors, strategies employed by successors, and the influence of family conflicts on business continuity. In-depth interviews were chosen as the primary data collection method because they facilitate the gathering of nuanced, context-specific insights that might not emerge through quantitative approaches. Focus group discussions were not feasible due to the busy schedules of business owners, which made it difficult to convene participants for group sessions. Research assistants with extensive experience in qualitative data collection supported the administration of interviews, ensuring the reliability and accuracy of the information gathered.

The study was conducted across multiple locations in Lagos, including Sabo-Yaba, Shitta, Daleko Market, Iyana Ipaja, Oko-Baba, Alabarago, Lagos Island, Abule Egba, Ipaja-Ayobo, and Ikotun, reflecting the geographic spread and diversity of the SME sector. Collected data were systematically prepared and imported into NVivo 14 software for qualitative content analysis. Transcripts were carefully coded, organized hierarchically into themes and subthemes, and analyzed using both deductive and inductive approaches to identify patterns related to the objectives, theoretical frameworks, and conceptual models underpinning the study. NVivo facilitated the identification of emerging themes, multiple coding of complex data, and visualization through charts, project maps, and word clouds, enabling a comprehensive understanding of the relationships between succession practices and SME survival.

Ethical considerations were central to the study. Approval was obtained from the University Ethical Committee for Social Sciences and Humanities prior to data collection. Participants were fully informed about the purpose of the research, the use of recording devices, and their right to participate voluntarily. Informed consent was obtained from all participants, and their privacy and confidentiality were strictly maintained throughout the study.

Field experience revealed that most respondents acquired skills through apprenticeship, learning trades from parents or relatives, and gradually taking over operational responsibilities. Second- and third-generation business owners tended to operate larger enterprises than first-generation owners, reflecting the growth and expansion over generations. Market operations in Lagos were typically hierarchical, facilitating daily management, organizational structure, and conflict resolution. Business owners demonstrated strong customer relations, negotiation skills, and financial management competencies, which contributed to business sustainability. Mentorship from experienced professionals also played a crucial role in helping successors adapt to evolving market conditions and consumer behaviors.

Despite these insights, the study faced certain limitations, including financial constraints that restricted the scope of data collection and the busy schedules of participants, which occasionally interrupted interviews and follow-ups. Nonetheless, the methodology employed provided a rich, detailed, and contextually grounded understanding of family business succession and intragenerational survival within Lagos State's SME sector.

RESULTS

Data Presentation and Findings

The investigation into intragenerational business succession among small and medium enterprises (SMEs) in Lagos State reveals a complex interplay between successes and challenges faced during these transitions. A key theme that emerged from the analysis is Perceived Success, which includes critical subthemes essential for the long-term viability of these businesses. Respondents universally highlighted the importance of financial capacity as a cornerstone for achieving successful succession. Many indicated that robust profit margins and consistent business growth are significant indicators of success, reflecting the ability of these enterprises to adapt and thrive over time. For numerous owners, the realization of profitability translates into enhanced comfort and security, not just for the business itself but also for the family involved. This sense of financial stability contributes to the longevity of the enterprise and solidifies the family's dedication to its ongoing operation, fostering pride and a legacy that can be passed down through generations. Moreover, the notion of success extends beyond mere financial metrics; it encompasses the emotional and relational dimensions inherent in family-run businesses. The commitment to maintaining the business often involves a shared vision among family members, driving them to invest time, effort, and resources into its success. This collective effort cultivates a strong familial bond and encourages collaborative decision-making, which is vital for navigating the complexities associated with business succession. Ultimately, the interplay of financial success and familial commitment serves as a foundation for sustainable intragenerational succession, positioning these SMEs to face future challenges with resilience and adaptability.

However, the theme of Business Challenges illuminates the significant obstacles that can hinder successful succession in family-owned small and medium enterprises (SMEs). Among the most pressing challenges are an unstable exchange rate and inadequate financing, both of which severely limit the growth potential of these businesses. Fluctuating economic conditions can create a climate of uncertainty, making it difficult for business owners to plan for the future and secure the necessary resources for expansion. Additionally, issues related to employees, such as high turnover rates and skill shortages, combined with broader infrastructural deficits in the country, pose substantial barriers to operational efficiency and effectiveness. Moreover, the prevalence of fraud, coupled with rising costs of goods and inconsistent sales performance, adds layers of complexity to the business environment for SMEs. These economic pressures highlight the precarious balancing act that family-owned enterprises must perform to achieve sustained success in the face of various external threats. The findings stressed that while there are significant achievements in

intragenerational business succession, the path is fraught with numerous challenges that require strategic responses.

Perceived Success

The in-depth interview showed various respondents' descriptions of perceptions of successes realized from the business. Prevalently the need for financial capacity which is the ability to finance an individual's needs and expenses was emphasised as the perception of success by the respondents of the small and medium-scale enterprises in Lagos. This concept encompasses the ability to meet personal financial needs and expenses, which is critical for the sustainability of both the business and the family. Many participants articulated that their business success was directly linked to their ability to support their family's financial aspirations. For instance, one respondent highlighted the significance of being able to finance her children's education and purchase personal property, demonstrating how business profits can extend beyond the enterprise itself to enhance the family's overall quality of life. Some respondents believed and expressed;

In my experience, one of the most significant indicators of success in my business is my ability to sponsor my children's education. Ensuring they receive quality schooling is a priority for me, as I believe that education is a powerful tool for their future success. With the profits generated from my herbal medicine business, I can cover their tuition fees and provide them with the necessary resources for their studies, which give me great satisfaction as a parent. Also, I've been able to purchase personal land, a dream I have held for many years. (IDI28/Female/59yrs/Herbal Medicine/Inherited/2024)

Mo ti ran awon omo mi lo si ile iwe, mi o ni owo pupo, sugbon mo le ra gbogbo nkan ti mo fe.

I have been able to sponsor my children's education. Even if I am not wealthy, I am able to afford the things that I want (IDI/Female/68yrs/Food and Beverages/Not Inherited/2024)

Another respondent emphasised that the profitability of her business significantly contributes to her perception of success. She noted that the profits generated enable her to cover her basic needs, emphasizing the essential role that financial returns play in personal stability and well-being. This perspective illustrates how the financial health of a small or medium-scale enterprise directly influences the owner's ability to maintain a comfortable standard of living, highlighting the interconnectedness between business success and personal financial security. The ability to meet fundamental needs through business profits not only affirms the effectiveness of their operations but also serves as a motivating factor for continued growth and sustainability within the enterprise.

Aseyori ise yi pelu gbogbo ere ti mo ti ri ninu owo yi, ti o de funmi mi ni afanni lati ni gbogbo nkan ti mo ni lo.

The success areas of the business include the profits made from the business which has enabled me to be able to afford my basic needs (IDI/Female/50yrs/Herbal Medicine/Inherited/2024)

For me, the success rate of my business is reflected in the profits I make from selling wood, furniture, and charcoal. These profits have allowed me to cover my family's

basic needs, such as food, clothing, and healthcare. Knowing that I can provide for my family gives me a profound sense of accomplishment and security. The financial stability my business offers enables us to live comfortably and even enjoy some small luxuries. I take pride in being able to sustain my family through my hard work and dedication **(IDI/Female/38yrs/Wood, Furniture and Charcoal/Not inherited/SSCE)**

Furthermore, there were emphases on the high-profit rate considered as the major pointer to the business success perception. The respondents of the four categories of the small and medium scale enterprises (food and beverages, fabrics and textile, herbal medicine, and wood, furniture and charcoal) considered in this study reported their enterprise to be highly profitable. They conveyed that the substantial financial returns generated by their businesses not only enable them to meet their basic needs but also contribute to a broader sense of achievement and stability. Respondents expressed the high financial returns from business operations as the success of their business, beyond the ability of the business to cater for their basic needs. Many respondents emphasised that the profitability of their enterprises transcends mere survival; it serves as a foundational element of their success. As one participant noted,

The success rate of the business is high as it is a very profitable business. **(IDI/Male/49yrs/Wood, Furniture and Charcoal/Not inherited/2024)**

This sentiment reflects a collective belief that robust profit margins are essential for fostering growth, expansion, and sustainability in their ventures, reinforcing their commitment to maintaining and enhancing their business operations.

Other respondents expressed in support of this;

The success achieved in the fabric business is the high profit made from sales of fabrics **(IDI/Female/52yrs/Fabrics and Textile/Not inherited/2024)**

The success rate in the food business is as high as it is very profitable especially when one has endurance and tolerance **(IDI/Female/38yrs/Food and Beverages/Not inherited/2024)**

My success areas are based on the profits gained from the sales of the business. In my experience, the success rate in this business is remarkably high, largely due to its profitability. I've seen firsthand how, with the right mindset, this business can yield significant financial returns. **(IDI/Female/52yrs/Herbal Medicine/Inherited/2024)**

There was also an account of perceived success in form of business's ability to achieve increase and expansion. Respondents emphasised that a significant indicator of perceived success in their businesses is the ability to achieve growth and expansion. They expressed that continued business growth not only reflects the sustainability of their operations but also signifies the potential for future opportunities. The capacity to expand indicates that the business is thriving and able to adapt to market demands. As they shared their experiences, it became clear that achieving greater reach and scaling operations are central to their definition of success, showcasing a commitment to long-term viability and the desire to enhance their business presence in the market. Business growth, continuity and expansion were expressed by respondents;

The success areas of my business encompass not only the growth of our building but also the opening of additional outlets in different locations. Expanding our physical space has allowed us to serve more customers and increase our inventory, which is

essential for meeting demand. Opening new outlets has been a significant milestone for us, as it signifies our brand's recognition and trust in the community. Each new location brings new opportunities and challenges, but I believe that this expansion is a clear indicator of our business's success and sustainability in the fabric and textile industry
(IDI/Female/54yrs/Fabric and Textile/Inherited/2024)

One of my success areas is being able to buy the machine that grinds the herbs into the liquid form and that has made work easier and smoother
(IDI/Female/54yrs/Herbal Medicine/Inherited/2024)

Another respondent highlighted the significance of business growth and expansion by emphasizing his capacity to restock other outlets effectively. This ability to maintain inventory across various locations reflects a successful operational strategy that has allowed the business to thrive. By ensuring that each outlet is well-stocked, he demonstrates not only the financial health of the enterprise but also its responsiveness to customer demand. This growth indicates a positive trajectory for the business, fostering confidence in its long-term viability and potential for further expansion in the future;

In my experience with the business, the success I have experienced is best reflected in our ability to restock the other outlets, something that was not possible before when they were often empty. I remember the struggles of watching our stores go bare and feeling anxious about how to meet customer demands. Now, seeing each outlet fully stocked brings me immense satisfaction and pride. It shows that we have not only regained stability but are also thriving. **(IDI/Male/54yrs/Wood, Furniture and Charcoal/Inherited/2024)**

Business Challenges

Data on the theme “Business Challenges” is presented in the Hierarchical chart (Appendix). The findings indicate several significant challenges that contribute to the failures of intragenerational business succession among small and medium-scale enterprises (SMEs) in Lagos State. Respondents highlighted nine key sub-themes that illustrate the complex landscape these businesses face. An unstable exchange rate and inadequate financing were frequently mentioned as critical obstacles, as they can severely limit growth potential and create uncertainty in business operations. Moreover, employee challenges, including difficulties in retaining skilled workers and maintaining productivity, further complicate succession efforts. In addition to these issues, fraud, infrastructural inadequacies, and fluctuating currency transactions emerged as pressing concerns that undermine the stability and efficiency of operations. The rising cost of goods and low sales, coupled with broader market and economic challenges, exacerbate these vulnerabilities, making it difficult for family-owned businesses to thrive across generations. Collectively, these factors paint a clear picture of the multifaceted difficulties that hinder successful business succession, emphasizing the need for strategic interventions to address these barriers effectively.

The in-depth interview showed various respondents’ expressions of challenges facing their business. Prevalently is the unstable exchange rate which is affecting the cost of goods in Nigeria was emphasised by the respondents of the small and medium scale enterprises in Lagos. This economic instability significantly affects the cost of goods in Nigeria, posing a serious challenge for

small and medium-scale enterprises in Lagos. Respondents expressed concern over how fluctuations in the exchange rate lead to increased costs for imported materials and products, ultimately squeezing their profit margins. As a result, many business owners are forced to adjust their pricing strategies or face the risk of reduced sales, highlighting the urgent need for solutions to mitigate these economic pressures. Respondents expressed that;

The challenges faced by the business includes the unstable exchange rate
(IDI/Female/54yrs/Fabrics and textile/Inherited/2024)

The challenge we face in our business is primarily the unstable exchange rate, which significantly impacts our sales. When the exchange rate fluctuates, the cost of materials we import rises, and this makes it harder for us to maintain our profit margins. I have noticed that as the cost of fabrics increases, we are forced to either raise our prices or absorb those costs, both of which can deter our customers. This instability creates uncertainty in our planning and makes it difficult to project our future sales
(IDI/Female/57yrs/Fabrics and textile/Not inherited/2024)

Another respondent supported the assertion of exchange rate fluctuations as a challenge but highlighted the resilience of small and medium-scale enterprises in Lagos. Despite the instability, the business has managed to survive and adapt. This survival indicates the tenacity and adaptability of these enterprises in navigating economic challenges. The female fabric business owner emphasisedemphasise that while the fluctuating exchange rates have impacted her business, they continue to find ways to endure, demonstrating their ability to withstand difficult market conditions. This highlights a common theme among SMEs: persistence in the face of financial adversity, ensuring business continuity despite external pressures. The female fabric business owner expresses thus;

The increase in the exchange rate is really affecting us seriously, but despite the challenges, we are surviving it. It's not easy because the costs keep rising, making it harder to maintain our sales and profit margins, but we're finding ways to push through and keep the business going
(IDI/Female/64yrs/Fabrics and textile/Inherited/2024)

Inadequate finance was also a prevalent challenge facing small and medium-scale enterprises as it's shown in the in-depth interview. This financial constraint limits the ability to expand operations, restock inventory, or invest in better infrastructure. The shortage of capital not only stalls business progress but also reduces the capacity to compete effectively in the market, highlighting the critical role that access to finance plays in sustaining and growing SMEs. A respondent who was into herbal medicine expressed that the insufficient finance is causing a setback to her business;

The causes of some of the setbacks are finances. Low finances have hindered me in purchasing some herbs to make those herbal medicine which leads to the unavailability whenever a customer request for it, which also leads to a loss
(IDI/Female/59yrs/Herbal medicine/Inherited/2024)

This challenge was asserted by another respondent who highlighted inadequate finance as a significant challenge, particularly when starting her business. She recalled the difficulties of operating with limited capital, which forced her to purchase goods on credit from suppliers. This reliance on credit led to several instances of embarrassment when she was unable to meet payment deadlines. Such experiences underline the pressure that insufficient funding

places on small and medium-scale enterprises (SMEs), especially during the early stages of the business. The lack of financial resources not only creates dependency on creditors but also affects the credibility and stability of the business, making it harder to achieve sustainable growth;

Challenges faced in the business was when I just started the business with little capital and had to buy most of my goods on credit from my suppliers and was embarrassed on so many occasions to pay up (IDI/Female/49yrs/Wood, furniture and charcoal/Not inherited/2024)

The financial challenge was also related to other inadequacies that were facing the business, and reported that finance is capable of aiding the smooth running of the business. The findings reveal that financial challenges are closely tied to other inadequacies impacting the smooth running of small and medium-scale enterprises. A respondent emphasised that insufficient finances not only limit business operations but also affect the availability of apprentices, which are crucial for maintaining and expanding the workforce. According to the respondent, financial stability is key to addressing these issues, as a stable economy would create an environment where businesses can thrive, resources can be better managed, and operational challenges, such as finding skilled workers and managing costs, can be minimized. Thus, economic stability is seen as a vital factor in overcoming these hurdles;

Challenges faced in the business include insufficient finances and inadequate apprentices. If there is a stable economy, everything else will fall in place" (IDI/Male/49/Wood, furniture and charcoal/Not inherited/2024)

Another business challenge reported was **employee challenge** which involves difficulties in hiring and retaining reliable staff by small and medium-scale enterprises in Lagos State. This challenge involves difficulties in hiring and retaining reliable staff. One respondent highlighted how finding trustworthy and competent workers has been a persistent issue. Employee-related challenges can negatively impact the overall productivity and efficiency of the business, as frequent staff turnover or unreliable employees lead to disruptions in operations. The respondent expressed that;

The challenges faced in the business includes the employment of a salesperson who we sponsored their transportation from the village to come and work for us and after a week, they stop working for us and move to another food business to work at with the claim that those ones pay better. (IDI/Female/38yrs/Food and beverages/Inherited/2024)

Another respondent shared how the challenge of hiring reliable employees nearly led to the collapse of her business. She explained that the constant struggle to find trustworthy staff made it difficult to maintain operations smoothly, which put her business at risk of shutting down entirely;

...challenge that she faced in the business is the employment of workers, getting people to work for her was difficult. She at first decided to employ two of her relatives to work for her; those said relatives almost liquidated her business (IDI/Female/57yrs/Food and beverages/Not inherited/2024)

Fraud emerged as a significant challenge affecting small and medium enterprises in Lagos State. One respondent in the wood, furniture, and charcoal

business described how fraudulent acts by carpenters severely disrupted business operations. These carpenters would collect funds intended for purchasing materials but fail to deliver the goods or return the money. This lack of accountability not only caused financial losses but also strained relationships with clients and suppliers. Such fraudulent activities undermine trust within the business environment, creating additional challenges for entrepreneurs who are already grappling with other operational and financial hurdles. This highlights the pervasive impact of dishonesty on the stability and growth of SMEs in Lagos.

One of the major challenges I face in this business is dealing with fraudulent carpenters. These individuals often collect money from me, supposedly to buy wood for a project or to take to the site, but then they disappear. I won't hear back from them, they don't bring the wood, and they don't return the money either. It's incredibly frustrating because I lose both the money and the time spent trying to resolve the situation. This type of dishonesty has created significant setbacks for my business, making it difficult to maintain smooth operations and build trust with clients **(IDI/Female/58yrs/Wood, furniture, and charcoal/Inherited/2024)**

This assertion was also supported by another respondent;

...also the fraudulent activities that some of the people who go into the forest hardly deliver our money worth **(IDI/Male/49/wood, furniture and charcoal/Inherited/ 2024)**

In summary for the second objective of the study, the findings highlight both the successes and failures experienced by small and medium-scale enterprises (SMEs) in Lagos State regarding intragenerational business succession. A predominant theme emerging from the interviews is the perception of financial success, which is intricately linked to personal stability and the ability to fulfil familial responsibilities. Many respondents indicated that their businesses enable them to finance essential needs, such as education for their children and basic living expenses. This connection between business profitability and personal well-being highlights the critical role that financial performance plays in their perception of success. Respondents also expressed a sense of achievement in expanding their enterprises and adapting to market demands, indicating that growth and the establishment of new outlets are vital indicators of business success. Such developments not only reflect the sustainability of the businesses but also demonstrate their capacity to thrive across generations. Conversely, the study also reveals significant challenges impeding successful intragenerational business succession. Common obstacles cited by respondents include unstable exchange rates, inadequate financing, and difficulties in hiring and retaining reliable staff. These issues can severely restrict the growth potential of SMEs, creating an environment of uncertainty that hampers operational efficiency. Moreover, experiences of fraud further complicate the business landscape, eroding trust and increasing operational risks. Collectively, these challenges highlight the multiple difficulties that family-owned businesses encounter, illustrating the need for strategic interventions to support their long-term viability.

DISCUSSION

The findings from this study provide a comprehensive understanding of business succession among small and medium-sized enterprises (SMEs) in Lagos State, particularly in the context of intragenerational family-owned businesses. Succession was found to be a central determinant of business continuity, growth, and sustainability, as well as a key factor in shaping perceptions of success and failure. The study identified two primary forms of succession: wilful succession, where successors willingly take over leadership roles, and unwilful succession, where successors assume control due to coercion, family pressure, or economic necessity. These findings demonstrate that succession is not merely a transfer of leadership but a strategic process that has direct implications for the long-term viability of the business.

Wilful succession, especially interest-based succession, emerged as the dominant and most effective form of leadership transition among the SMEs studied. In these cases, successors expressed genuine interest in inheriting the business, often motivated by a personal passion for the enterprise, a desire to preserve the family legacy, and a commitment to long-term growth. Respondents highlighted that this intrinsic motivation translated into proactive leadership behaviors, such as innovating business processes, investing in expansion opportunities, and maintaining high operational and service standards. Wilful succession aligns strongly with stewardship theory, which posits that successors who view themselves as stewards of the business are more likely to act in the best interest of the organization rather than prioritizing personal gain (Davis et al., 1997). Such successors demonstrate a long-term orientation, taking deliberate steps to sustain and grow the enterprise, preserve institutional knowledge, and uphold the values established by previous generations. This stewardship mindset fosters trust, loyalty, and dedication, which are crucial for ensuring the enterprise thrives across generations.

In terms of game theory, wilful succession represents a cooperative strategic scenario. Family members and stakeholders work collaboratively to plan and execute leadership transitions. Successors are prepared, trained, and aligned with the business's vision, ensuring that collective outcomes are maximized. This cooperative approach mirrors the principles of cooperative game theory, where collaboration, trust, and mutually beneficial strategies lead to optimal results (Nash, 1951). Respondents in this study reported that such cooperation included mentorship from the outgoing generation, gradual skill transfer, and strategic decision-making that incorporated both the interests of the business and the broader family. These cooperative strategies not only enhance business continuity but also facilitate innovation, market adaptability, and sustained growth, which are key indicators of success.

Interest-based succession, a subset of wilful succession, was particularly emphasized in the findings. Successors in this category displayed strong personal commitment, which led to enhanced operational efficiency, innovative product offerings, and better customer relationship management. This intrinsic interest helped maintain quality standards, strengthened the brand, and positioned the business to seize new opportunities. Respondents highlighted that their willingness to take over the business allowed them to combine formal education

with practical mentorship, creating a foundation for informed decision-making and effective management. This combination of knowledge transfer and stewardship behavior reinforces the long-term sustainability of the enterprise, providing continuity and reducing the likelihood of business failure.

Conversely, unwilful succession emerged as a significant risk factor for business stagnation and failure. In these scenarios, successors were often coerced into leadership due to parental pressure, family expectations, or financial necessity. Many respondents reported a lack of interest or motivation, leading to minimal investment in business growth, limited innovation, and short-term decision-making. From a stewardship perspective, unwilful successors were less likely to internalize a sense of custodianship over the business. They viewed management as an obligation rather than a responsibility, which negatively impacted employee engagement, operational efficiency, and strategic planning.

From a game theory lens, unwilful succession reflects a non-cooperative scenario. Successors act independently, often pursuing personal priorities or avoiding responsibility, which results in misaligned incentives and suboptimal outcomes (Selten, 1975). Uncoordinated decision-making, conflicts among family members, and lack of a shared vision hinder the business's ability to grow and adapt. Respondents in this study noted that involuntary succession often led to a narrow focus on immediate financial survival rather than long-term strategic planning, increasing vulnerability to market fluctuations and economic shocks. As a result, unwilful succession is strongly associated with stagnation, reduced profitability, and an elevated risk of business failure.

The study also found that succession type directly influences perceptions of business success and failure among SME owners. Success was most commonly associated with continuity, financial stability, and growth, while failure was linked to stagnation, lack of innovation, and operational decline. Wilful successors, guided by stewardship principles and cooperative strategies, were better able to achieve these markers of success. They engaged in forward-looking planning, maintained high-quality products and services, and cultivated strong customer relationships, thereby enhancing profitability and long-term viability. In contrast, unwilful successors struggled to maintain these standards, and their lack of commitment often translated into declining market competitiveness and negative business outcomes.

The findings further emphasize that succession planning is not only a procedural necessity but also a strategic intervention that shapes business trajectory. Strategic planning under wilful succession involves anticipating challenges, allocating resources efficiently, and leveraging the strengths of successors to maximize long-term benefits. This approach, grounded in stewardship, ensures that successors are custodians of both the tangible and intangible assets of the business, from financial resources to organizational culture. By contrast, the absence of strategic planning in unwilful succession creates vulnerabilities, leaving businesses exposed to operational inefficiencies, leadership vacuums, and potential failure.

In conclusion, the study demonstrates that the type of business succession among Lagos SMEs is a critical determinant of success and failure. Wilful

succession, underpinned by stewardship theory and cooperative game-theoretical dynamics, fosters business continuity, growth, and innovation, enhancing both operational and strategic outcomes. Unwilful succession, characterized by non-cooperative behavior and a lack of stewardship, poses risks to continuity, reduces motivation, and increases the likelihood of failure. These findings underscore the importance of aligning succession practices with stewardship principles and cooperative strategic planning to ensure long-term sustainability, resilience, and success of family-owned SMEs.

CONCLUSIONS AND RECOMMENDATIONS

The study examined the successes and failures of intragenerational business succession among small and medium-scale enterprises (SMEs) in Lagos State through the lens of Stewardship and Game theories. It found that the outcome of business succession is largely influenced by the nature of relationships within family-owned enterprises, the preparedness of successors, and the quality of governance structures that guide the transition process. Successful successions were often associated with strong stewardship behavior, where incumbents acted in the collective interest of the business and viewed successors as partners rather than competitors. Such stewardship tendencies fostered trust, knowledge transfer, and continuity of business values across generations. Conversely, failures were commonly observed in contexts characterized by low trust, poor communication, and competitive or self-interested dynamics that mirror zero-sum strategies explained by Game Theory. These behaviors often led to fragmentation, conflict, and loss of organizational vision after the founder's exit.

The findings highlight the importance of balancing altruistic stewardship with strategic decision-making that aligns the interests of both founders and successors. SMEs in Lagos State often operate within informal institutional environments that do not provide sufficient regulatory or structural support for smooth succession. As a result, personal relationships, cultural norms, and implicit power hierarchies play dominant roles in shaping succession outcomes. The interplay between these social and economic factors explains why some family businesses thrive across generations, while others collapse shortly after leadership transitions.

This study concludes that effective intragenerational succession in SMEs requires intentional planning, mentorship, and shared commitment between the outgoing and incoming generations. When stewardship is complemented by cooperative strategies from Game Theory, the transition process becomes more stable, productive, and sustainable. Therefore, business owners should foster open dialogue, formalize governance mechanisms, and embrace mentorship practices that allow successors to develop leadership competence and emotional attachment to the business. Doing so will help mitigate conflict and promote the longevity of family-owned enterprises within the dynamic and competitive environment of Lagos State.

FURTHER STUDY

Based on the findings, several actionable recommendations are proposed to strengthen the sustainability of small and medium-sized enterprises (SMEs) undergoing intragenerational succession in Lagos State:

Institutionalize Succession Planning:

Family and individually owned SMEs should develop formal succession plans that clearly define leadership transition procedures, identify potential successors early, and provide structured mentorship and training. Succession planning should be viewed as a strategic process embedded in the business culture rather than a reactive response to aging founders or emergencies.

Promote Stewardship Values Among Successors:

Successors should be socialized into stewardship-oriented leadership, emphasizing commitment, accountability, and long-term thinking. Training and capacity-building programs can reinforce the importance of viewing the business as a legacy to be nurtured rather than an inheritance to be exploited. This orientation ensures that successors internalize the enterprise's values and continue to uphold its integrity and purpose.

Encourage Cooperative Succession Practices:

Drawing from game theory, SME owners should adopt cooperative strategies during transitions, fostering collaboration between outgoing and incoming generations. Regular communication, joint decision-making, and shared strategic vision will help reduce conflict and build trust, thereby creating a win-win environment where both generations work toward the sustainability of the enterprise.

Strengthen Mentorship and Knowledge Transfer:

Outgoing founders should deliberately mentor successors to ensure the smooth transfer of tacit knowledge, skills, and business networks. This mentorship process should be gradual and experiential, allowing successors to gain hands-on experience before assuming full leadership responsibilities.

Develop Family Governance Structures:

Family businesses should establish governance frameworks, such as family councils or advisory boards, to mediate disputes, oversee strategic decisions, and ensure accountability. These structures can help balance family interests with business objectives, minimizing the risk of leadership conflicts that often contribute to business failures.

Integrate Education and Innovation into Succession Processes:

Successors should be encouraged to blend formal education with inherited business knowledge, fostering adaptability and innovation. Exposure to modern business practices, digital tools, and global market trends can enhance competitiveness and sustainability in a rapidly changing economy.

Policy and Institutional Support:

Government agencies, business associations, and financial institutions should design targeted policies and capacity-building initiatives to support family-owned SMEs. Such interventions may include funding for succession training programs, tax incentives for structured business continuity plans, and support for family business advisory services.

In summary, the sustainability of SMEs in Lagos depends on deliberate, cooperative, and stewardship-driven approaches to succession. By combining strategic foresight with intergenerational collaboration, family enterprises can overcome leadership challenges, minimize failure risks, and secure their place as enduring pillars of economic development.

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