

**CORPORATE SUCCESSION IN THE AFRICAN BUSINESS
CLIMATE: IMPERATIVE FOR SUSTAINABLE ECONOMIC
DEVELOPMENT IN NIGERIA**

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Abstract

Corporate succession is increasingly recognized as a critical determinant of business continuity and economic stability globally. In Africa, and Nigeria specifically, the challenges of founder-dependency, poor succession planning, weak corporate governance, and inadequate institutional frameworks have contributed to the high mortality rate of businesses after one generation. This paper examines corporate succession within the African business climate,

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highlighting its implications for sustainable economic development in Nigeria. It analyses the gaps affecting succession models in private and family-owned enterprises, explores best practices for continuity, and emphasizes the vital role of policy, capacity development, and governance in creating resilient corporate structures. The paper concludes that effective succession planning is central to long-term business survival, job creation, wealth retention, and national development. Recommendations are proposed to strengthen regulatory systems, enhance leadership development, and promote a culture of structured succession planning among Nigerian enterprises.

Keywords: Succession Planning; Corporate Governance; Family-owned businesses; Sustainability; Corporate Succession

1.0 INTRODUCTION

Corporate succession is increasingly recognized as a critical determinant of business continuity, market stability, and sustainable economic development across jurisdictions.¹ In Africa's leading economy, Nigeria, the challenge is particularly critical. A significant proportion of Nigerian enterprises, spanning incorporated companies, family-controlled conglomerates, and closely held corporate groups remain structurally dependent on dominant founders whose personal influence substitutes for institutional governance.² This founder-centric model creates latent

¹ Joseph A Obadan and John O Ohioyenoye, 'Succession Planning in Small Business Enterprises in Edo State of Nigeria' (2013) 9(31) *European Scientific Journal* 64.

² Ngozi B Ndum and Patricia Oranefo, 'Corporate Governance and Firm Performance: A Study of Conglomerates in Nigeria' (2021) 9(2) *International Journal of Business & Law Research* 11–23.

instability that becomes visible upon the founder's retirement, incapacity, death, or strategic withdrawal.

Empirical evidence consistently indicates that many Nigerian enterprises, including formally incorporated entities, struggle to survive leadership transitions due to weak succession planning, impervious governance arrangements, and the absence of institutionalised transition mechanisms.³ The problem is not confined to ownership size or firm classification; rather, it reflects a broader deficiency in corporate governance culture where succession is treated as a private, discretionary matter rather than a core element of corporate risk management.

The implications of failed corporate succession extend far beyond internal organisational disruption.⁴ The collapse or fragmentation of established enterprises results in capital dissipation, employment volatility, erosion of institutional memory, and diminished investor confidence.⁵ At a systemic level, these failures undermine enterprise sustainability, frustrate intergenerational wealth transfer, and weaken the foundations of long-term economic development.⁶ In an economy where the private sector is a

³ C R Ayres, 'Rough Family Justice: Equity in Family Business Succession Planning' (1990) 31(1) *Family Business Review* 3–22.

⁴ Claudio Fernández-Aráoz, Gregory Nagel and Carrie Green, 'The High Cost of Poor Succession Planning' (Harvard Business Review, May–June 2021) <https://www.harvardbusiness.org/wp-content/uploads/2023/11/2021_05_the-high-cost-of-poor-succession-planning.pdf> accessed 16 December 2025.

⁵ I Agba, 'Strategic Succession Planning: Ensuring Leadership Continuity and Organizational Success' (2024) 28(2) *Journal of Organizational Culture, Communications and Conflict* 1–3.

⁶ *Ibid*

principal driver of economic growth and job creation,⁷ defective corporate succession represents a structural national vulnerability.

This paper examines corporate succession within the Nigerian business environment as a governance and legal imperative situated within the broader African business climate. It interrogates the interaction between founder dominance, corporate control, and leadership transition in Nigerian companies, analyses the adequacy of existing statutory and regulatory frameworks, particularly under the Companies and Allied Matters Act (CAMA) and corporate governance codes and identifies the legal and institutional gaps that permit succession risk to persist unchecked. The paper ultimately advances targeted legal and policy reforms aimed at embedding succession planning as a mandatory corporate governance principle, thereby strengthening corporate resilience and promoting sustainable economic development in Nigeria.

2.0 CORPORATE SUCCESSION PLANNING

To appreciate what corporate succession planning is, an understanding of what succession planning entails will be a perfect place to start. Armstrong defined succession planning as “*a process in which organisations can make sure that staff are being hired and constantly improve their skills to fill the competent key roles in the organisation*”.⁸ Dessler identified succession planning process in three important steps which includes identifying and analysing key jobs, individual assessment, and the selection of right person

⁷ Unamma Chima Izu, ‘Private Sector: Creating Jobs and Growing Nigeria’s Economy’ (Naija Trends, 22 March 2025) <<https://naijatrends.ng/private-sector-creating-jobs-and-growing-nigerias-economy/>> accessed 19 December 2025.

⁸ J Armstrong, ‘The Value of Formal Planning for Strategic Decisions: Review of Empirical Research’ (1982) 3(3) *Strategic Management Journal* 197–211.

for right position.⁹ On the other hand, Fibuch and Ibarra divided succession planning process in to three main components.¹⁰ The first component is selection of candidate based on previous experience and formation of pool. The second component is the role of successor, and third component is change management.

Ranna captured so well what succession planning is. He noted that “In a strategic process called succession planning, prospective managers are found, developed, and made ready to take on important positions within a company in the future. It is an anticipatory way of managing personnel with the objective of ensuring a seamless change in leadership and preserving organizational stability. Essentially, succession planning involves more than just filling open positions right once. It focuses on creating a pathway for talent and cultivating a pool of people with the qualifications to fill key positions as soon as they become vacant. The need to develop prospective leaders who can guide the business toward sustained success is acknowledged by succession planning as well as the significance of long-term organizational viability”.¹¹

⁹ G Dessler, *Human Resource Management* (Prentice Hall, Upper Saddle River, NJ, 1997).

¹⁰ Yasmeen Bano, Siti Sarah Omar and Fadillah Ismail, ‘Succession Planning Best Practices for Large and Small Organizations’ (2022) 13(2) *Mediterranean Journal of Social Sciences* 13 <<https://www.richtmann.org/journal/index.php/mjss/article/view/2039>> accessed 16 December 2025.

¹¹ Pritesh Rana, ‘A Study on the Significance of Succession Planning in Organisations’ (2023) 4(7) *International Journal of Research Publication and Reviews* 911–917 <<https://www.ijrpr.com>> accessed 16 December 2025.

Ranna's definition highlights succession planning as a proactive and strategic approach rather than a reactive staffing exercise. By emphasising the identification, development, and readiness of future leaders, it underscores the role of succession planning in safeguarding organisational continuity and long-term stability. This approach not only mitigates the risks associated with sudden leadership gaps but also fosters a culture of talent cultivation and strategic foresight, ensuring that key positions are consistently filled by competent individuals aligned with the company's vision and objectives. Thus, in corporate governance, succession and inheritance are not synonymous.

Corporate succession planning is defined as the strategic, process-oriented transfer of leadership, ownership, management, and operational control from one group or generation to the next.¹² It is an active management function involving preparation, identification, and empowerment of future leaders. Inheritance on the other hand, is the passive acquisition of assets, including business equity (shares), by beneficiaries upon the death of the owner. It is governed by the laws of descent and distribution.¹³ In Nigeria, corporate succession is primarily governed by corporate statutes (CAMA 2020) and internal documents (Articles of Association, Shareholders' Agreements), while inheritance often falls under State Wills Laws, Islamic Law, or the diverse Customary Laws of Nigeria's many ethnic groups.¹⁴

¹² *Ibid*

¹³ Hon. Justice Joseph Audu, 'Inheritance and Succession: Customary Law Practice and Procedure' (Paper presented at the Induction Course for Newly Appointed Judges of the Lower Court Batch (A), National Judicial Institute, Abuja, 22 May 2025) <[https://nji.gov.ng/assets/publication/Session-9-b-Inheritance-and-Succession_Customary%20\(3\).docx](https://nji.gov.ng/assets/publication/Session-9-b-Inheritance-and-Succession_Customary%20(3).docx)> accessed 16 December 2025.

¹⁴ *Ibid*

The legal frameworks for succession and inheritance frequently interact, often generating conflict in practice. For instance, incorporated businesses are granted a legal identity separate from their proprietors, a protection designed to ensure continuity.¹⁵ However, in many Nigerian Family-Owned Businesses (FOBs), the founder's personal identity is structurally inseparable from the corporate identity. Consequently, upon the founder's demise, the business entity, which is statutorily independent, is culturally and operationally treated as an item within the personal estate, subject to the highly contentious rules of inheritance law rather than the structured continuity mechanisms of corporate law.¹⁶ This behavioural failure to distinguish founder identity from corporate legal identity nullifies the protection inherent in corporate registration, demanding that legal solutions proactively enforce corporate separation and ensure management transition mechanisms take absolute precedence over the simple distribution of assets.

However, the foundational principle guaranteeing corporate continuity in Nigeria is the doctrine of perpetual succession. Nigerian company law confers upon incorporated entities the status of a legal person, separate and distinct from its members, with the inherent capacity to sue and be sued, hold property, and, crucially, enjoy perpetual succession.¹⁷ In *New Res. Intl*

¹⁵ *NSC v. DG, ITF* (2022) LPELR-58283(CA)

¹⁶ Timi Olubiyi, 'Family, business and death: What happens when a founder dies untimely?' *BusinessDay* (28 January 2022) <<https://businessday.ng/opinion/article/family-business-and-death-what-happens-when-a-founder-dies-untimely/>> accessed 19 December 2025.

¹⁷ *Onuekwusi & 8 Ors v The RTCMZC* (2011) 1 *CLRN* 101; *B.P.E v BFI Group Corp* (2025) 2 *NWLR* (pt. 1976) 371.

*Ltd v Oranusi*¹⁸ the Court of Appeal explained this trite corporate law principle where it held that

“once a company is incorporated under the relevant laws, it becomes a separate person from the individuals who are members. It has capacity to enjoy legal rights and is subjected to legal duties which do not coincide with that of its members. Such a company a company is said to have legal personality...consequently, it can sue and be sued in its own name. it may own property in its own right, and its assets, liabilities, rights and obligations are distinct from that of its members”.

This doctrine ensures that the corporate entity remains legally intact regardless of changes in its membership due to death, withdrawal, or bankruptcy of shareholders.¹⁹

Companies and Allied Matters Act 2020, the primary legislation governing companies, provides a clear statutory framework for managing changes in corporate membership. This includes specific provisions regulating the transfer of shares between living parties²⁰ and the transmission of shares upon death.²¹

Despite the robust statutory guarantee of perpetual succession, empirical evidence reveals a compelling paradox, an overwhelming majority (estimated at over 90%) of Nigerian enterprises suffer collapse or severe

¹⁸ (2011) 2 NWLR (Pt. 1230) 102.

¹⁹ *Ibid*

²⁰ Sections 175, 176, 177 of the Companies and Allied Matters Act, 2020.

²¹ *Ibid.*, Sections 178, 179, 180

destabilisation following the exit of the founder. This functional failure highlights a critical gap between legal doctrine and corporate practice. The law effectively provides the status of perpetual succession, but the prevailing business culture largely fails to adopt the necessary systems such as documented governance, professional leadership structures, and codified transfer protocols required to realise that status in a practical sense. Therefore, the core of the succession crisis is not a statutory deficiency in the law of perpetual succession itself, but rather an operational and cultural failure to institutionalize the internal mechanisms that make legal continuity a practical reality. Policy interventions must consequently shift focus to mandating the establishment of rigorous internal governance structures.

3.0 THE AFRICAN BUSINESS CLIMATE AND SUCCESSION CULTURE

The low continuity rate of family-owned enterprises remains a persistent concern, particularly given their prominence in national economies worldwide.²² Empirical studies indicate that business continuity across generations is the exception rather than the norm. For instance, Stephen, Okocha and Uloma observe that only a small fraction of family firms successfully transitions into the third generation.²³ Their observation aligns with the study conducted by Davis and Harveston who noted that fewer than one-third of family businesses survive beyond the founding generation,

²² Otika Udoka Stephen, Okocha Ebere Rejoice and Ejiofor Happiness Uloma, 'Inheritance Culture and Management Succession of Family-Owned Businesses in Nigeria: An Empirical Study' (2019) 7(3) *European Journal of Business and Innovation Research* 31–47.

²³ *Ibid*

with an even smaller proportion enduring into subsequent generations.²⁴ In Nigeria, where family-owned enterprises constitute a significant share of Small and Medium-sized Enterprises, these succession challenges pose serious implications for business sustainability and long-term economic stability.²⁵

A systematic review of 107 peer-reviewed studies on African family businesses by Augustine provides deeper insight into the structural and institutional factors underpinning these failures.²⁶

Firstly, the dominance of informal and unstructured succession practices emerges as a fundamental cause of continuity failure. Across the reviewed studies, succession is rarely planned as a deliberate, phased process. Instead, leadership transfer is often triggered by crisis events such as death, illness, or incapacitation of the founder.²⁷ Studies shows that 94.2% of Nigerian entrepreneurs lack a formal succession plan.²⁸ Consequently, the absence of formal governance frameworks, written succession plans, or clearly articulated leadership criteria creates uncertainty, delays decision-making, and exposes firms to internal disputes. While informality may be culturally coherent, the literature shows that it weakens organizational resilience and leaves firms vulnerable during leadership transitions.

²⁴ Davis and Harveston cited in Stephen, Okocha and Uloma (n 21)

²⁵ *Ibid*

²⁶ Augustine Okeke, 'Beyond Bloodlines: A Review of Succession Planning and Generational Continuity in African Family Businesses' (2025) *Thunderbird International Business Review* 1–16 <<https://doi.org/10.1002/tic.70045>> accessed 19 December 2025.

²⁷ *Ibid*

²⁸ *Ibid*

In addition to informal practices, a significant underlying factor is the pervasive trust deficit. Surveys reveal that while trust between family members globally tends to be high, distrust is markedly prevalent in Nigerian corporate settings, particularly the 54% distrust rate observed between family owners and non-family management.²⁹ This mistrust in turn, actively prevents the professionalisation of management that structured succession requires. Moreover, deep-seated emotional attachment and an unwillingness or fear of relinquishing control often led founders to delay or outright avoid succession conversations and formal planning.³⁰

Furthermore, intergenerational conflict constitutes a recurring and destabilizing challenge. Many studies highlight tensions between founders, who derive authority from age, tradition, and kinship status, and successors, who often prioritize professionalization, innovation, and formal management practices.³¹ These conflicts are not merely personal disagreements but reflect deeper clashes between traditional authority structures and modern business logics. When left unresolved, such conflicts delay succession, erode trust, and frequently result in leadership paralysis or business fragmentation.³²

²⁹ PwC, *My Family, My Business: Transform to Build Trust: Creating Stronger Bonds Between Family Members*, PwC Nigeria (October 2023) <<https://www.pwc.com/ng/en/assets/pdf/transform-to-build-trust-last-in-the-series.pdf>> accessed 19 December 2025.

³⁰ Felix Akinwumi Orole, *An Investigation of Family Business Succession Decision: The Sub-Saharan African Experience* (PhD thesis, University of Queensland 2020) <<https://doi.org/10.14264/uql.2020.916>> accessed 19 December 2025.

³¹ Okeke (n 25)

³² *Ibid*

Additionally, cultural and kinship norms, particularly patriarchal inheritance systems, significantly restrict the succession pool. In many African contexts, succession is guided by lineage, male primogeniture, or customary inheritance rules rather than competence or preparedness. As a result, capable daughters, younger siblings, or non-family professionals are routinely excluded from leadership consideration, even where they possess superior managerial capacity. This exclusion, in turn, not only limits leadership quality but also undermines strategic renewal, thereby increasing the likelihood of post-transition failure.

Equally noteworthy is the structurally embedded gender-based exclusion, which operates as a succession barrier. The studies demonstrate that women's participation in leadership transitions is constrained by overlapping customary, religious, and social norms.³³ Even in cases where women are actively involved in the business, they are often denied formal leadership roles or decision-making authority. This systematic marginalisation results in the underutilisation of human capital and weakens the firm's adaptive capacity in increasingly competitive and digitised markets.

Similarly, financial and institutional constraints further exacerbate succession failure. Many family businesses lack access to advisory services, succession consultants, estate planners, or governance training. In resource-constrained environments, succession planning is perceived as costly or unnecessary, reinforcing reliance on informal arrangements.³⁴ The reviewed studies show that this institutional deficit limits leadership

³³ *Ibid*

³⁴ *Ibid*

development, weakens successor preparedness, and increases post-succession instability.

Worthy of note is the fact that the influence of extended family and community stakeholders complicates succession outcomes. Unlike corporate enterprises, family businesses often operate as socio-economic institutions embedded within broader kinship and community networks. Succession decisions are therefore subject to external legitimacy demands, informal veto powers, and competing family interests.³⁵ These pressures frequently delay transitions, intensify disputes, and undermine clear leadership authority, thereby contributing to business decline or dissolution following succession

From the preceding analysis, it is correct to conclude that the African business landscape, especially in Nigeria, is characterised by a predominance of family-owned enterprises, SMEs, sole proprietorships, and informal businesses. Cultural orientation often places decision-making solely in the hands of founders, limiting transparency and institutional growth. Emotional attachment and fear of relinquishing control further hinder succession conversations. In many instances, heirs are not involved in business management until the death of the founder, resulting in disruption and collapse. This further shows that without deliberate, inclusive, and context-sensitive succession frameworks, family businesses particularly in Nigeria remain structurally vulnerable to intergenerational collapse, reinforcing the persistently low survival rates observed across generations.

³⁵ *Ibid*

4.0 IMPORTANCE OF CORPORATE SUCCESSION FOR SUSTAINABLE ECONOMIC DEVELOPMENT

In an increasingly dynamic business environment, organisational sustainability extends beyond short-term performance to encompass the capacity for long-term continuity and adaptation. Central to this objective is effective succession planning. SP is the deliberate identification, development, and transition of leadership in a business to ensure that institutional knowledge is preserved, strategic direction is maintained, and operational stability is sustained across generational or managerial changes.³⁶ Succession planning is therefore not merely an administrative exercise but a strategic imperative that underpins business resilience, continuity, and sustainable growth. It is therefore important for the following reasons:

4.1 Business Continuity and Preservation of Corporate Legacy

Structured succession planning is the definitive mechanism for guaranteeing long-term business continuity.³⁷ It ensures the preservation of the corporate identity, core values, strategic direction, and operational legacy, offering a stability that cannot be achieved through reactive, unplanned transitions.

³⁶ Tuhin Sengupta, *The Importance of Succession Planning for a Sustainable Business* (LinkedIn, 19 May 2024) <<https://www.linkedin.com/pulse/importance-succession-planning-sustainable-business-tuhin-sengupta-fud6f>> accessed 19 December 2025.

³⁷ Susilo and Winarto OP, 'The Influence of Succession Planning on Organisational Sustainability' (2023) 5(3) *Scaffolding: Jurnal Pendidikan Islam dan Multikulturalisme* 490–518.

4.2 Employment Retention and Socio-Economic Stability

The stability of the corporate sector directly underpins national employment levels. Stable and continuous corporate operations ensure continuous job creation and labour stability.³⁸ Conversely, the failure of successful enterprises due to succession gaps carries an immense economic cost at the macro level, leading to job losses, the breaking of complex supply chains, and the erasure of knowledge capital, ultimately stalling national economic momentum.³⁹

4.3 Capital Preservation, Generational Wealth Transfer, and the Role of Trusteeship

Effective succession planning is essential for safeguarding capital investments and ensuring the proper, strategic transfer of wealth across generations. Within Nigeria, the use of legal instruments such as private trusts is recognised for facilitating this process.⁴⁰ A trust structure involves transferring legal ownership of assets to a professional trustee who holds and manages them for the benefit of designated beneficiaries.⁴¹

The benefits of incorporating a trust into a succession strategy are substantial. Trusts allow for the preservation of a singular fund for growth

³⁸ Dominic OI, Soladoye A, Gambo N and Abubakar HL, 'Succession Planning and the Sustainability of Gaming Companies in Nigeria' (2024) 11(1) *International Journal of Management Technology* 32–50.

³⁹ Deborah Yemi-Oladayo, 'Beyond politics: The economics of national succession planning' *BusinessDay* (27 October 2025) <<https://businessday.ng/opinion/article/beyond-politics-the-economics-of-national-succession-planning/>> accessed 19 December 2025.

⁴⁰ DLA Piper, *Trusts in Nigeria* (REALWorld Law, 13 March 2025) <<https://www.dlapiperrealworld.com/law/index.html?t=finance&s=forms-of-security&q=trusts&c=NG>> accessed 19 December 2025.

⁴¹ *Ibid*

rather than the immediate division of assets,¹⁹ they enable the transfer of assets and wealth outside of the public probate process, avoiding the associated expenses and lengthy delays⁴² and trusts protect corporate assets from potential creditors, unscrupulous business partners, or immature family members.⁴³

Beyond mere preservation, trusteeship actively stimulates investment and entrepreneurship in Nigeria. Trust funds can be strategically mobilised to finance new ventures, bolster the capacity of Small and Medium-sized Enterprises (SMEs), and drive innovation, thereby contributing significantly to economic diversification and sustained growth.⁴⁴

The strategic adoption of trusteeship offers a crucial mitigation strategy against cultural and familial conflict. Family rivalry and high distrust among heirs represent major destabilizing factors in Nigerian FOBs. By vesting the legal ownership of corporate shares or assets in a neutral, professional corporate trustee regulated by SEC, the legal control of the business is effectively insulated from emotional family dynamics. The trustee is legally bound to manage the entity according to professional standards and the terms set out by the settlor, prioritizing business continuity for the benefit of the family beneficiaries.

⁴² Bunkaya Bitrus Gana, 'Trusteeship: Fostering generational wealth transfer and economic growth in Nigeria' *BusinessDay* (6 October 2023) <<https://businessday.ng/opinion/article/trusteeship-fostering-generational-wealth-transfer-and-economic-growth-in-nigeria/>> accessed 19 December 2025.

⁴³ *Ibid*

⁴⁴ *Ibid*

4.4 Investor Confidence and Foreign Direct Investment (FDI) Attraction through Strong Governance

Corporate stability is a primary factor influencing investor confidence. Institutionalised succession planning, which mandates strong corporate governance structures, enhances the attractiveness of Nigerian companies to foreign investors. Nigeria continues to face challenges in attracting consistent Foreign Direct Investment (FDI), with corruption and opaque governance frequently cited as significant barriers.⁴⁵

A formalised, board-driven succession plan, as stipulated by the Nigerian Code of Corporate Governance (NCCG 2018), serves as a sophisticated risk mitigation tool for investors. By mandating a plan, the company signals institutional resilience, effectively shifting the perceived risk profile from being dangerously reliant on the individual founder (key-person risk) to being supported by robust internal systems. This demonstration of institutional maturity provides a competitive advantage in attracting stable, long-term capital, irrespective of broader macro-economic volatility. Regulatory policy should, therefore, explicitly market robust corporate governance requirements, including succession mandates, as definitive proof of organizational maturity essential for securing stable FDI.

5.0 CHALLENGES AFFECTING CORPORATE SUCCESSION IN NIGERIA

5.1 Founder Centralism and Lack of Delegation

As discussed earlier in this study, the foundational challenge affecting corporate succession in Nigeria remains the cultural resistance to delegation

⁴⁵ 2023 *Investment Climate Statement: Nigeria* (U.S. Department of State) <<https://www.state.gov/reports/2023-investment-climate-statements/nigeria>> accessed 19 December 2025.

and the deeply entrenched nature of founder centralism. This results in businesses that cannot function independently of the founder, making any transition potentially catastrophic.

5.2 Absence of Formal Corporate Governance Structures

The structural absence of formal governance mechanisms is acute. Data suggests that while 58% of Nigerian family businesses possess some form of rudimentary governance policy, only 20% have put in place formal structures or plans specifically dedicated to leadership succession and wealth transfer.⁴⁶ The consequence of this gap is the perpetuation of the founder-centric model, where control structures (such as boards, advisory councils, and family governance models) are undocumented, non-professional, and legally unenforceable.

5.3 Legal Gaps and Conflicts between Corporate Law and Inheritance Laws

One of the central legal constraints in succession planning in FOBs is the statutory tension between corporate law and the diverse inheritance laws of Nigeria. For instance, in the absence of a Will, the distribution of the deceased founder's estate, including corporate shares, is subject to the three systems of law governing intestate succession: Common Law, State Statutory Laws, or Customary Laws.⁴⁷ Customary law, which varies significantly across ethnic groups, often applies patrilineal inheritance

⁴⁶ PwC (n 23)

⁴⁷ International Bar Association, *International Estate Planning Guide: Nigeria* (Individual Tax and Private Client Committee, updated September 2012) <<https://www.ibanet.org/MediaHandler?id=5DF8EC82-FBFE-4F90-BA9D-940B0E8301FD>> accessed 19 December 2025.

principles, prioritising the male child.⁴⁸ This can lead to corporate shares being distributed to multiple family members who may lack management skills, possess competing business interests, or enter into corporate deadlock, regardless of any management continuity provisions in the company's Articles of Association (AOA). Thus, upon the death of a shareholder, the transfer of shares to the beneficiaries is not a standard transfer but a transmission process. This legal transmission necessitates the presentation of a Death Certificate and a Grant of Probate or a Letter of Administration to the company.⁴⁹ This requirement immediately forces the corporate entity into the often lengthy, complex, and conflict-ridden domain of personal estate administration, severely jeopardising business operations during the transition period.

While it can be argued that CAMA 2020 allows private companies to statutorily restrict the voluntary transfer of shares by implementing preemptive rights, mandating that shares be offered to existing members first, the involuntary change in ownership resulting from death is a transmission. If the company's Articles of Association or Shareholders' Agreement (SHA) fails to explicitly extend restrictions to cover transmission, or does not mandate a buy/sell agreement obligating the deceased's estate to sell the shares back to the company, the continuity mechanisms designed to protect the business can be easily circumvented by inheritance claims. Succession planning documents must therefore be expertly drafted to ensure the mandatory restrictions under CAMA section 22 are contractually extended to cover involuntary transfers, thereby preserving operational stability and control structure.

⁴⁸ *Ibid*

⁴⁹ *Ibid*

5.4 Weak Institutional Support and Regulatory Oversight for succession frameworks

Nigerian firms, particularly private and family-owned ones, often operate with limited regulatory guidance around governance and succession processes. Mitigating this gap requires stronger institutional frameworks and enforcement to professionalise succession practices.

5.5 Family Rivalries and Litigation Risks

Disputes over corporate control, ownership structure, and the alleged misappropriation of assets are common and frequently escalate to commercial litigation in Nigerian courts, often involving high-profile family businesses. While the courts consistently uphold the separate legal personality of incorporated bodies, thus protecting them from personal liabilities,⁵⁰ family conflicts often manifest in ways that bypass the corporate structure, leading to protracted legal battles that severely destabilise operations and sometimes force judicial intervention into management affairs.

5.6 Limited access to capacity development and professional training

Many potential successors lack adequate leadership training, experience, and exposure because organisations do not invest sufficiently in professional development and mentoring. This gap reduces preparedness and affects confidence in leadership continuity.

⁵⁰ Since *Salmon v Salmon Co Ltd* [1897] AC 22; *New Res. Intl Ltd. v. Oranusi* (2011) 2 NWLR (Pt. 1230) 102

6.0 STRATEGIES FOR STRENGTHENING CORPORATE SUCCESSION PLANNING

6.1 Early identification and grooming of successors

Founders of FOB should begin succession planning early to allow ample time to identify talent, assess leadership competencies, and provide targeted development opportunities.⁵¹ This early start helps avoid rushed, reactive decisions during transitions.

6.2 Incorporation of Governance Mechanisms

To transition Nigerian enterprises away from personality-driven leadership toward institutional management, the establishment of formal governance structures is essential. This includes establishing professional boards of directors (including non-family members), advisory councils, and formalized family councils to manage internal dynamics. This mandated separation of ownership from management helps to professionally mitigate the inherent trust deficit often observed between generations and management teams.⁵²

6.3 Mandatory Regulatory Compliance and Succession Policy under Corporate Governance Codes

The institutionalisation of succession planning has already begun for certain corporate tiers. The Nigerian Code of Corporate Governance (NCCG 2018) explicitly mandates that the Board of Directors of Public Interest Entities (PIEs) must “Ensure that a succession policy and plan exist” for all senior management, including the Chairman, CEO, and Executive

⁵¹ I Agba, ‘Strategic Succession Planning: Ensuring Leadership Continuity and Organizational Success’ (2024) 28(2) *Journal of Organizational Culture Communications and Conflict*, 1, 3

⁵² PwC (n 23)

and Non-Executive Directors. This principle is recognised even at the governmental level, where the Draft Public Sector Governance Code mandates succession plans for senior management positions to ensure leadership continuity in Public Sector Entities (PSEs).

The binding requirement for PIEs under the NCCG 2018 sets a robust national standard of best practice. This precedent supports the regulatory expansion of simpler, mandatory succession disclosure requirements for the broader private sector, including FOBs, ensuring that governance principles are implemented across the entire corporate ecosystem. However, the efficacy of institutionalising succession hinges upon a unified regulatory movement that transforms the principle from an optional management exercise into a mandatory compliance element for corporate licensing and continuity.

6.4 Adoption of Legal Instruments for Ownership Transfer

CAMA 2020 provides necessary tools for controlling ownership flow. The Act mandates preemptive rights for existing shareholders during any new allotment of shares and grants optional preemptive rights, along with tag-along rights, for private companies regarding the sale of existing shares. Specifically, section 22 of CAMA 2020 allows private companies to restrict members from selling shares to non-members without first offering them to existing members, a crucial mechanism for maintaining control concentration during structured succession.

Similarly, the strategic use of trusts provides a robust legal framework for succession. Trusts, recognised and regulated under Nigerian law,⁵³ allow founders to ring-fence business assets, ensuring confidentiality and enabling the orderly and rapid transfer of beneficial ownership outside the prolonged and public process of probate. This professionalisation of asset management is key to mitigating family conflict and ensuring asset protection. Shareholders' Agreements (SHAs) are also indispensable contractual tools in succession planning. They are legally enforceable contracts that can bind all parties and their successors, regulating share transfers, pre-emption rights, and, importantly, the conduct and fiduciary duties of directors. Legal instruments, including SHAs and Business Wills, must explicitly define the process for share transmission upon death, ensuring that the operational continuity of the business is contractually prioritized over the simple distribution of inherited wealth.

6.5 Engagement of Professionals

External experts bring objectivity, specialised legal and financial knowledge, and best practices in organisational design and tax efficiency. Their involvement strengthens the succession planning process and helps mitigate risk.

6.6 Technological Integration to Standardise Operations beyond Individual Expertise

Technology-enabled systems including analytics, talent management tools, and succession planning software support objective assessment, track

⁵³ 'Legal Considerations in Estate Planning and Trusts in Nigeria' (AppyLaw, 12 August 2024) <<https://appylaw.com/2024/08/12/legal-considerations-in-estate-planning-and-trusts-in-nigeria/>> accessed 19 December 2025.

employee readiness, preserve critical knowledge, and facilitate data-driven decision-making.⁵⁴

6.7 Leadership Development and Mentorship Programs

Addressing the Successor Competence Paradox requires mandatory investment in human capital. Intentional leadership development strategies, including formal mentorship systems, professional training, coaching, and calculated exposure to professional management, are paramount for grooming future leaders. This ensures that potential successors possess the requisite capacity and managerial skill before they are entrusted with the ultimate control of the corporate entity.⁵⁵

7.0 CONCLUSION AND RECOMMENDATIONS

Corporate succession in Nigeria is fundamentally constrained by a systematic failure to bridge the philosophical divide between the legal doctrine of perpetual succession and the operational reality of founder centralism. While CAMA 2020 provides the necessary legal controls over share ownership and the Nigerian legal system recognizes sophisticated instruments like private trusts, these tools are vastly underutilized by the FOB sector, leading to the economic instability evidenced by the high rate of business mortality. The path toward building resilient Nigerian enterprises, securing sustainable economic development, and fostering stable investor confidence requires coordinated efforts. These include:

1. **Mandatory Succession Disclosure under Corporate Governance Disclosure Frameworks:** CAC as well as FRCN and SEC should institutionalise succession planning by requiring all

⁵⁴ Agba (n 5) 4

⁵⁵ *Ibid*

private companies above a specified turnover or share capital threshold to submit a simplified, mandatory succession plan disclosure as part of their annual returns. Leveraging the precedent set by the Persons with Significant Control (PSC) Regulation, 2022 this will shift the regulatory focus from passive inheritance to active, continuous organizational planning.

2. **Statutory Harmonization of Corporate and Inheritance Law:** The National Assembly and State Houses of Assembly must collaborate to explicitly harmonize the interaction between corporate governance laws and State Wills and Customary Laws. This harmonization should grant clear statutory precedence to duly executed Shareholders' Agreements and Articles of Association in governing the transmission of corporate shares upon the death of a member, thereby insulating corporate continuity from conflicting, non-commercial inheritance rules.
3. **Incentivize and Promote Trusteeship for Business Assets:** Regulatory bodies, particularly SEC and CAC, should actively promote and provide tax incentives for the utilization of professional, registered private trusts for holding business ownership shares. This strategy uses a robust legal mechanism to effectively mitigate family rivalry, ensure legal asset protection, and enforce professional management standards across generations.
4. **Mandatory Leadership Development Requirement:** Succession planning guidelines, whether internal (AOA/SHA) or external (regulatory mandate), must emphasise mandatory structured mentorship, management training, and professional exposure for identified successors, thereby addressing the fundamental issue of competence before the transfer of legal control.

5. **Enhanced Awareness and Capacity Building:** Governmental agencies and professional bodies must fund extensive and accessible educational outreach programs targeted at SME founders. These initiatives should emphasize the economic necessity and legal enforceability of formal succession instruments, such as comprehensive Shareholders' Agreements, Buy/Sell provisions, and Business Wills, ensuring founders engage professional legal and financial expertise early in the enterprise lifecycle.