Knowledge Management and Family Business Continuity: The Moderating Effect of Length of Time in Existence

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Keywords: knowledge management, family business continuity, length of time in existence, SMES, lagos state.

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Knowledge Management and Family Business Continuity: The Moderating Effect of Length of Time in Existence

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Abstract- Cases of family business failures are evident in Nigeria and particularly Lagos state, despite the array of studies attributable to such area. In addition, ownership dilution; transfer of both leadership and ownership tend to be seen as a phase in the company’s life cycle, which form a part of managing continuity but less practiced by SMEs’ owners/managers. Family businesses in Lagos State are seen to have large failure rate, or struggle to survive after a long time. One of the major issue to which this can be attributed to is the rarity in proper knowledge management practice and heritage struggle due to lack of or poor succession planning. The broad objective of the study was to establish the influence of length of time in existence on the relationship between knowledge management and family business continuity. The population of interest was all family businesses operating in selected Local Government Area of Lagos State Nigeria. The study employed a survey research design. Data was collected from the owners, family members, partners, management, spouses, relatives and management workers of small and medium scale enterprises (SMEs) using questionnaires. Hierarchical regression analysis, specifically interaction analysis was conducted on the collected data. The study found that length of time in existence have moderating effects on the relationship between knowledge management and family business continuity of SMEs in Lagos State. The study has made important theoretical contributions by highlighting the factors that moderate the relationship between knowledge management and family business continuity of SMEs in Lagos State. The study further concluded that knowledge sharing and knowledge capturing should be encouraged by experienced workers to share their knowledge to new or less experienced workers. It is recommended that identified successors should be groomed and developed to ensure that they know what is expected to fill the vacant positions.

Keywords: knowledge management, family business continuity, length of time in existence, SMEs, lagos state.

I. Introduction

Context observations have indicated that family businesses are common in Nigeria and their continuity has generated academic debate and public discourse. Nevertheless, the factors orchestrating their continuity are divergent and geographically diverse. In addition, the structure and size of family owned firms varies depending on resource unitization and industry, even though they are often perceived as small businesses. Empirical studies (Hisrich & Peter, 2006; Collins, 2006; Storey, 2008) have attributed their continuity/survival to managerial depth or ineptness while contextual factors and competition were identified and amplified by Porter (1980, 1985) as well as Frederick (2008) who made references to internal capabilities and external environment factors.

Family business research has been gaining impetus in recent years (Chrisman, Kellermanns, Chan, & Liano, 2010; De-Massiss, Sharma, Chua, & Chrisman, 2012; Kellermanns & Eddleston, 2010; Sharma, Chrisman, & Gersick, 2012) since they possess great potentials for employment generation, improvement of local technology and development of indigenous entrepreneurship within large scale industries as demonstrated by the Central Bank of Nigeria (CBN). CBN, (2011) further articulated that SMEs or family businesses have the capacity to reduce poverty, inequality disparity and social vices and are catalysts of innovations, inventions and creativity; stimulate indigenous entrepreneurship. Although family businesses have the capacity to sustain the economy, yet their survival and continuity has been of great interest to researchers. One of the key research areas in the family business that has been discussed and still to be investigated further is intergenerational transferability which Sharma (2004) alluded to and can be addressed through knowledge management and succession planning as a cushion for family business continuity.

Knowledge management is the achievement of the organization is good by making the economic factors of production to be productive. This is done primarily by facilitating the motivation of people to tap into and develop their capacities (their core competencies) and to stimulate their attitude to intrapreneurship (Beijerse, 2000). Besides this, knowledge management includes the entirety of systems with which the accumulated information within an organization can be managed and opened up (Beijerse, 2000). It is a sine que non-for family business success in today’s global economy for example, the more intangible resources the business offers, the more possibility there is for creating competitive advantage and core competence in family businesses (Seeley, 2000; Lev 2002; Francis, 2014) and that is why a focus on knowledge management consider people’s skills as...
the most important assets in ensuring continuity of the small businesses most especially in advanced world.

Cases of family business failures are evident in Nigeria and particularly Lagos state, despite the array of studies attributable to such area. In addition, ownership dilution; transfer of both leadership and ownership tend to be seen as a phase in the company’s life cycle, which form a part of managing continuity but less practiced by SMEs’ owner/managers. This stems out from owners’ emotional attachment or connection with the business and thus transfers are often very problematic, challenging or not considered at all as evidences and thus transfers are often very problematic, emotional attachment or connection with the business SMEs’ owner/managers. This stems out from owners’ form a part of managing continuity but less practiced by to be seen as a phase in the company’s life cycle, which

The cost of failure to take risks in family businesses is often underestimated coupled with the cost in terms of time required to achieve and objectives. Lack of risk taking reduces the potentials of the business thereby making to lack the capacity to be managed properly by the owner let alone his successor hence succession planning becomes an impossibility (Johnson & Johnson, 2013). Also, the absence of technical, human, conceptual and design skills shown by successors of family business owners result in inability to efficiently demonstrate and communicate with empathy, honesty and integrity thereby defeating the aim of succession planning as evidenced with the family of Late MKO Abiola (Adisa, Abdulraheem & Mordi, 2014). Another challenge is poor leadership experience among owners as well as their successors. They lack the ability to build skills, increase self-awareness and are unable to identify actions and methods for improvement. This culminates into lapses in leadership exhibited in the leaders’ inability to build trust among followers, operate with questionable integrity, and failure to consult others during the periods of decision making (Dyke, 2013). The therefore explore the moderating effect of length of time on the relationship between knowledge management practices and family business continuity.

II. Literature Review

According to Grant (1996), knowledge is an asset, which enables an organization to be innovative and remain competitive in the market. The term knowledge is defined in the Oxford Dictionary as awareness or familiarity gained by experience (of a person, fact, or thing), person’s range of information, specific information; facts or intelligence about something, or a theoretical or practical understanding of a subject. Knowledge is described as an essential part of Knowledge management. Baloh, Desouza, and Paquette (2011) said that without having knowledge to manage, there would be no knowledge management. Knowledge basically refers to a collection/or a body of information. Knowledge in family business is defined as the wisdom and skill that family members have acquired and developed through education and experience both inside and outside the company (Chirico, 2008). According to Neubaum, and Larrañeta (2007) and Chirico (2008) knowledge in family businesses is defined as explicit and tacit knowledge, which family members have gained and developed through education and experience within and outside the organization. Knowledge management is understood to have the ability to increase competitive advantage in firms.

Knowledge Management practices are defined here as observable organizational activities that are related to knowledge management. It is an interrelated set of various business processes developed in an organization to create, store, transfer, and apply the knowledge. The purpose of creating a knowledge management (KM) capability or functionality in organization is to manage the intellectual properties of that organization. This includes the creation, transfer, sharing and utilization of knowledge itself to achieve organization strategic and business objectives.

Successful organisations nowadays understand why they must manage knowledge, develop plans as to how to accomplish this objective and devote time and energy to these efforts. This is because KM has been described as a key driver of organisational performance (Bousa & Venkitachalam, 2013), and one of the most important resources for the survival and prosperity of organisations (Teece, Pisano,& Shuen, 1997; Kamhawi, 2012). Knowledge based view scholars believed firms should foster routines to effectively capture, store, analyze, retrieve, share, and disseminate knowledge held within their operations. Knowledge, which is broadly collected and held by individuals in a firm, is strategically valuable only when it is shared, synthesized, and used in unique ways (Zahra et al., 2006).

III. The Knowledge Management Processes

a) Knowledge Creation

Knowledge creation is the generation of new ideas, the recognition of previously unseen patterns, the synthesis of separate disciplines, and the development of new processes (Bhatt 2001; Davenport & Prusak, 2000). Knowledge creation can be well developed in family firms due to the high level of emotional involvement of family members and the socially intense interactions fueled by trust between family members and with external parties (Cabrera-Suarez et al., 2001; Chirico, 2008).
b) Knowledge Sharing

This can be defined as exchange of knowledge between and among individuals, and within and among teams, organizational units, and organizations. Knowledge sharing in the context of family business succession involves a situation where the knowledge of the older generation, learned often during a long time of work, is to be shared with the younger generation (Nonaka & Takeuchi, 1995). A fundamental part in knowledge management practice is to spread and make knowledge accessible and usable within or between chosen organizations. It is important for founder/predecessor to share adequate key knowledge and skills with the successor’s in other to sustain succession and family business continuity. Sharing knowledge is one form of communication that is needed in transferring knowledge.

c) Knowledge Transfer

Knowledge transfer is the transmission of knowledge from a person/possession to another person/possession (Gilbert & Cordey-Hayes, 1996). The purpose of knowledge transfer is to pass information from the more experienced to the less-experienced employees so that the less experienced employees can build the capabilities needed to assume future roles in the organization (DeLong, 2004). According to Bresman, Birkinshaw, and Nobel (1999), the process of knowledge transfer between business units is an essential aspect of knowledge management. The transfer of knowledge, capabilities, responsibility and power, are linked to each other the free and unlimited exchange of knowledge could be regarded as a virtue by itself, Knowledge transfer from the incumbent generation to the next is critical to the success and continuity of family businesses. The quality of the relationship between successor and predecessor is considered a key determinant of knowledge transfer.

IV. Concept of Family Businesses

Family is a group of persons related by blood ties and marriage (Rothausen, 1999; Lee-Chua 1997). Business is an organization that processes inputs from the environment and returns some product or service (Katz & Kahn, 1978; Thompson, 1967). There is a lack of consensus as to what describes a family business (Handler, 1989). The family and the business are technically separate systems, each with its own members, goals and values that however overlap (Longenecker, Moore, & Petty 2003; Rwigema & Venter, 2004). Many of the most successful businesses grew from family origins (Porter, 1973). Family businesses may include various combination, including husbands and wives, children and parents, extend families, two or more generations in the forms of employees, stock holders, advisors, partners, board members, etc. (Lannarelli & Bianco, 2010). Family businesses provides many advantages and these include: entrenched core value system; unequalled loyalty and commitment of family members to the enterprise; expectation of present and future wealth, status, ego identification with the business; satisfying work environments; proneness to integrity and ethical conduct in managements; etc.

V. Theoretical Review

The theory that relates to the core of the study is Knowledge-Base Theory (KBT). Knowledge is a specific and special resource at the heart of the firm. It has been defined by Grant (1996) as that which is known. Knowledge-based theory (KBT) of the firm is also an extension of the resource-based theory (Curado, 2006; Grant, 1996). The KBT propose that the organization exists to create, transfer and transform knowledge into competitive advantage (Kogut & Zander, 1995). It adds that knowledge is an intangible heterogeneous and difficult to imitate resource made up different types of different levels of the organization, and likened to performance outcomes for competitive advantage (Foss, 1996; Grant, 1996; Phelan & Lewin, 2000). The theory posits that the key to comprehend the continuity of an organization lies in the acquisition and usage or relevant knowledge. In particular, the knowledge-based theory is adopted as the framework to identify the possible special knowledge feature embedded in its founder and its transmission advantage. The knowledge-based theory identifies knowledge as the most fundamental asset of the firm which all other resources depend on (Grant, 1996; Spender, 1996).

VI. Empirical Review

Liao and Barnes (2015) carried out a study on knowledge acquisition and product innovation flexibility in SMEs. The purpose was to examine the role that knowledge acquisition plays in the creation of product innovation flexibility in SMEs. The study adopted a survey research design and they found that for SMEs, Knowledge acquisition positively impacts on the product innovation flexibility. On the issue of knowledge management and entrepreneurial success in the Nigerian small and medium enterprises, Olusegun, Olaoye and Abdulrahaman (2015) carried out a study. They sought to empirically assess the relationship between knowledge management and perceived entrepreneurial success in the Nigerian small and medium enterprises an area that has, to date, received very little attention in the literature. Finding revealed that information technology had no significant relationship with entrepreneurial success.

Mojca and Letonja (2013) conducted a study on knowledge creation in family businesses and its importance for building and sustaining competitive advantage during and after succession. The findings showed that founders and successors find mentoring,
Mosoti and Masheka (2010) examined knowledge management in the development of Kenya. The employed survey research design through well-structured administered of questionnaire. The study revealed that most organizations in the developed and the developing countries are choosing for change in knowledge creation management, looking for ways to improve their ability to create new ideas and to develop the best environment for creation of ideas. Knowledge creation management is now recognized as an organization’s most valuable asset because knowledge is a complex asset, it must be managed in a different way unlike other resources.

Fruchter and Demian (2005) examined the influence of knowledge capturing on construction firm performance. The study employed survey research design to investigate how knowledge capturing influence firm performance. Their study revealed that when capturing knowledge of construction management activities, rationale and decisions are made explicit in project archives, so they can be shared and used in future projects. In a study by Hari et al. (2005), it was empirically found that there is a lack of awareness of knowledge capture benefits and processes. The study pointed out that the application of knowledge capture largely depends on the vision of the organisational owner. It was also found that culture; structure, people, finance and technology are major factors affecting the implementation of knowledge capture.

The study concluded that knowledge capture in SMEs is not an easy task and called for a coherent structured approach to utilise the existing tacit and explicit knowledge within organisations. Suresh and Egbu (2006) examined the factors influencing knowledge capture in construction firms. They employed survey research design and the study suggested that construction organisations should adopt a holistic and integrated approach to knowledge capture. Top management, culture, processes, tools and training, at the core of their knowledge capture strategy, were found to be determinants for a successful application of knowledge capture.

Pentland, Forsyth, Maciver, Walsh, Murray, Irvine and Sikora (2011) empirically reviewed thirty-three papers regarding knowledge transfer and exchange within the period between January 1990 and September 2009. Zahidul (2007) conducted a study on selected Malaysian Multinational companies on the role of knowledge management practices on organizational context and effectiveness. The study focused on the effect of cultural, knowledge creation and structural characteristics on organizational effectiveness. The study employed survey design to establish the relationship of organizational context, knowledge management practices such as knowledge creation, cultural and organizational effectiveness. The results indicated that knowledge management practices such as cultural, knowledge creation and structural characteristics significantly mediate the relationship between organizational context and organizational effectiveness.

VII. Methodology

The research design employed in this study is the survey research design method. The adoption of this design was influenced by the research problem and its corresponding research questions. In addition, it allows the use of inferential and descriptive statistical tool for analysis of the data that was gathered. The choice of this design is also consistent with the study of Abd Rahman, Sambasivan and Wong (2013) and Asikhia (2010) which engenders detailed and reliable explanation of the relationship among variables. Furthermore, the adoption of the survey research design is that the phenomenon occurring within the variables - knowledge management and succession planning as it affects family business continuity was examined.

The target population and focus of this study is family businesses that are small and medium enterprises (SME’s) in other words; family-owned SME is with a single family having over 50% of shareholding. The population of study consists of owners, family members, partners, management, spouses, relatives and management workers of Small and Medium Scale Enterprises (SMEs) in selected Local Government Areas of Lagos State. For this study, five (5) Local Government Areas were considered Oshodi Apapa, Ibeju-Lekki, Ikeja, Lagos-Island and Lagos Mainland. The researcher identified family-businesses operating in Apapa, Ibeju-Lekki, Ikeja, Lagos-Island and Lagos Mainland in Lagos State through a parameter that was established during the pilot study to establish the SMEs that are family owned and/or operate as family businesses in the selected areas of Lagos State. The design of the questionnaire was based on the family business definition of Sindhuja, (2009) adopted for this research with particular focus on the ownership structure

VIII. Results and Discussion

The number of questionnaires administered to all the respondents, was 503. After coding and checking for accuracy in the data, 469 questionnaires were found useful for the study. This gave a response rate of 93.2% and 34 questionnaires were not received which
represented 6.8% of the total questionnaires distributed. Therefore, information from all the questionnaires was used for analysis.

The regression weights were then compared when organizational factors are controlled and when they are present. The difference was attributed to the moderating effect of organizational factors. In the regression model, family business continuity was the dependent variable; knowledge management and length of time in existence were the predictor variables. The regression results for the test are presented in Tables 1.1, 1.2 and 1.3.

**Table 1.1:** Regression Results for the Effect of Length of Time in Existence on the Relationship between Knowledge Management and Family Business Continuity

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.484&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.234</td>
<td>.231</td>
<td>23.19774</td>
<td>.234</td>
<td>71.082</td>
<td>2</td>
<td>465</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>.511&lt;sup&gt;b&lt;/sup&gt;</td>
<td>.262</td>
<td>.257</td>
<td>22.80337</td>
<td>.027</td>
<td>17.223</td>
<td>1</td>
<td>464</td>
<td>.000</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), How long has your firm been in existence?, Knowledge Management Practices, Knowledge Management and Time Interaction

Source: Field Survey, December 2017

**Table 1.2:** ANOVA<sup>a</sup> for the Effect of Length of Time in Existence on the Relationship between Knowledge Management and Family Business Continuity Succession Planning on Family Business Continuity in Lagos State, Nigeria

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>76503.093</td>
<td>2</td>
<td>38251.546</td>
<td>71.082</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>250232.907</td>
<td>465</td>
<td>538.135</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>326736.000</td>
<td>467</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Regression</td>
<td>85458.973</td>
<td>3</td>
<td>28486.324</td>
<td>54.782</td>
<td>.000&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>241277.027</td>
<td>464</td>
<td>519.994</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>326736.000</td>
<td>467</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Business Continuity

<sup>b</sup> Predictors: (Constant), How long has your firm been in existence?, Knowledge Management Practices

<sup>c</sup> Predictors: (Constant), How long has your firm been in existence?, Knowledge Management Practices, Knowledge Management and Time Interaction

Source: Field Survey, December 2017

**Table 1.3:** Regression Coefficients for the Effect of Length of Time in Existence on the Relationship between Knowledge Management and Family Business Continuity Succession Planning on Family Business Continuity in Lagos State, Nigeria

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>102.033</td>
<td>7.295</td>
<td></td>
<td>13.987</td>
</tr>
<tr>
<td>Knowledge Management Practices</td>
<td>.419</td>
<td>.054</td>
<td>.317</td>
<td>7.804</td>
</tr>
<tr>
<td>How long has your firm been in existence?</td>
<td>-16.586</td>
<td>1.746</td>
<td>-.386</td>
<td>-9.498</td>
</tr>
<tr>
<td>2 (Constant)</td>
<td>226.518</td>
<td>30.841</td>
<td></td>
<td>7.345</td>
</tr>
<tr>
<td>Knowledge Management Practices</td>
<td>.421</td>
<td>.053</td>
<td>.319</td>
<td>7.985</td>
</tr>
<tr>
<td>How long has your firm been in existence?</td>
<td>-59.370</td>
<td>10.451</td>
<td>-1.383</td>
<td>-5.681</td>
</tr>
<tr>
<td>Knowledge Management and Time Interaction</td>
<td>.416</td>
<td>.100</td>
<td>1.010</td>
<td>4.150</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Business Continuity

Source: Field Survey, December 2017
The results in Table 1.1 show that the combination of the predictors (knowledge management and length of time in existence) explains up to 26 percent ($R^2 = .262$, $p<0.05$) of the variation in the dependent variable (family business continuity), which is significant at 0.05. However, the model did not explain 74 percent of the variation in family business continuity, implying that there are other factors associated with family business continuity, which were not captured in the regression model. To establish the moderating effect of length of time in existence on the relationship between knowledge management and family business continuity, the moderated multiple regression was used to establish the interaction effects. As shown in Tables 4.2 and 4.3, the F and t values are both significant ($F=17.223$, $t=7.985$, -5.681, 4.150, $p<0.05$). The F ratio implies that the regression of knowledge management and length of time in existence on family business continuity is statistically significant at less than the 0.05. The t values imply that the coefficients of the model parameters are statically significant (knowledge management $\beta_1 = .319$, length of time in existence$\beta_2 = -1.383$, and interaction term $\beta_3 = 1.010$) at less than the 0.05.

The beta coefficients for interaction term imply that the introduction of length of time in existence in the model increases the impact of length of time in existence on family business continuity (statistically significant at $p<0.05$). From the regression analysis, the regression equation established was:

$$Y = 226.518 + .319KM - 1.383LTE + 1.010KM^{*LTE}$$

Where:

- $Y$ = Family Business Continuity
- $KM$ = Knowledge Management
- $LTE$ = Length of time in Existence
- $KM^{*LTE}$ = Interaction of Knowledge Management and length of time in existence

The moderated regression results imply that length of time in existence have statistically significant moderating effect on the relationship between knowledge management and family business continuity. Hence, the null hypothesis ($H_0$) which states that there is no significant moderating effect of length of time in existence on the relationship between knowledge management and family business continuity is hereby rejected, and we conclude that the relationship between knowledge management and family business continuity in Lagos State, Nigeria depends on length of time in existence.

**IX. Conclusion and Recommendations**

Following the data analysis and findings of the study, it can be concluded that knowledge management practices, family values, governance and founder’s influence are pertinent to enhance family business continuity. Furthermore, knowledge management practices remain fundamental factor for family business continuity. Knowledge resources determine the capacity to innovate, grow and made higher profitability. It is clear from the study that family businesses needs succession planning to ensure continuity of the enterprise. The family businesses could document successors upon the retirement or death of the founders or owners. The study further concluded that knowledge sharing and knowledge capturing should be encouraged by experienced workers to share their knowledge to new or less experienced workers. Based on the findings, this current study proposes some recommendations for action by the family business owners in Lagos State. Stakeholders, children and siblings involved in management teams of family businesses should be afforded equal and participatory involvement in critical decision-making processes, even if one family member still functions as the main business leader. For better employees’ performance in family business, and for family business to take competitive advantage in the ever-challenging business environment, leaders and managers of family businesses in Lagos State should adopt the mentoring of their employees, through career support, knowledge transfer and psychosocial support of employees, that have strong positive effects on employees’ performance in achieving the organization objectives. In addition, methods, policies and strategies of mentoring should be encouraged in the family businesses for easy adaptability and dynamic capability that will enhance organization survival.

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