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ADOPTING BEST ORGANIZATIONAL STRUCTURE FOR EFFECTIVE MANAGEMENT AND CONTROL OF FAMILY BUSINESSES IN GHANA

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Abstract: *This research work seeks to establish the relationship and correlation between family set up (structure), line of authority, and chain of command in traditional family set ups and family business set ups (structure) in Ghana, and finally compared with that of non-family business, and suggest the best for smooth running and managing of family businesses in Ghana. In pursuance of this research work, fifty traditional families in Ghana were selected from the Ashanti Region of Ghana who are mostly matrilineal (figure4), and fifty families were also selected from the Eastern region of Ghana who are mostly patrillineal (figure 4). A total of thirty (30) family businesses were selected eighteen (18) from the Ashanti region and twelve from the Eastern Region(12) of Ghana for interview. A total of twenty-five non-family businesses were also selected for the interview in Ashanti and Eastern Regions of Ghana respectively. A study on the chain of command in families, family businesses, and non-family businesses as well as the organograms of businesses, were made and final recommendations were also made to the authorities concern. It was established that family structure, chain of command and role play in family has influenced family businesses negatively, even though there are some positive impacts. The research also revealed that, most family businesses surveyed have the same organizational structure as that of their families, the family heads as chief executive officer, and grandchildren at the bottom of the organogram (figure 6).*

Keywords: *Organize, structure, effective, management, control, family, business*

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1.1 INTRODUCTION

Ghana is made up of over fifty five ethnic communities, with each having his own cultural and moral values. Family is one of the most cherished institutions guided by traditions, religion and oneness. Previously, extended family system was seriously practiced, but due to foreign influence, nuclear family system has taken over the extended family system in Ghana (Traditional archives, Ashanti Ghana). Traditional family set up in Ghana is very unique, and above all command authority and respect. The role, activities and power of authority, have affected the way of life of the people even the advent of technology, globalization and industrialization has little or no influence on the beliefs and practices of the people.

One can identify values like entrepreneurship, integrity, respect, love, creativity, generosity, team work and honesty running through most family set up in Ghana. The family system structure, line of command, information flow, the seat of authority, and control have a significant effect on family businesses. Earlier research I conducted in some selected family businesses revealed that, the activities of family businesses are been influence by family values both positively and negatively. The first step for making the family business better organized involves getting the family better organized. Family business play very important role in the economic and social development of the country, and their activities and that of the family are interwoven, such that what affect the family have direct impact on the business. Some family businesses are governed the same way as that of families, chain of command role play, and the like. Organizational design assesses the internal structure and systems of the family business, its organization (including staffing structure, internal control systems and the condition and use of information) and its unique skills and abilities. Organizational structure of every institution be it business or social defines the roles and activities required of people in order to meet the objectives of their business or association. The structures go a long way to help the organization to achieve their objectives and help people accomplish their own career and personal goals.

The manager of an organization when confronted with the issue of setting up the organizational structure should contemplate the following four issues;

1. Clear definition of role and task for each employee of the organization.
2. Who to coordinate the activities of the entire departments of the organization

3. Who should be in control, checks and balances over the way in which tasks are performed and measured?
4. Chain of command and information flow in the organization, from CEO to floor staff.

This is not an easy task especially, when family rigid rules, regulations and values are top priority in decision making, be able to achieve and accomplish these four most important objectives, management must decide and stipulate clearly the positions to be filled, the duties, responsibilities and authority attached to each position. Written job descriptions which are reviewed and updated frequently are important to the organizing function as a written mission statement is to the planning function. The size of an organization, the one in control, legal form of the business, the nature may have enough influence on the structure of the business. Managing a larger and complex business is not an easy task; even a husband and wife running a business can have trouble agreeing on who is management and who is labor. All businesses regardless of size should devote attention to organizing. Who reports to whom in a business and why may not be apparent. There is an overlap of family and business activities which often leads to confusion in the organizational structure. Each person in a family business is a member of both the business and family. Each person wears three hats: family, business and personal."The organizational structure for many family businesses is like an old country house where new rooms were simply added on to the house as the family grew," observes top family business expert Don Schwerzler. Organizational structure can be established using various models but all codify the lines of authority and decision making. A company may be organized with the authority concentrated at the top or it may be more organically decentralized with respective departments having autonomous jurisdiction within their respective departments. Since family businesses are unique, their internal structures may differ from that of non-family firms, their internal structures and controls are influenced by family culture and values.

Most family businesses fall under the category of micro and small business in Ghana, thereby having few employees so there is not a great deal of formality associated with the development of an organizational structure. Often this lack of formality is accompanied by a high level of secrecy or just assumptions that people know what is happening and why changes are being made. The reasons that a particular organizational structure is being used are seldom communicated.

This research work generally aims to establish the relationship between the Ghanaian traditional family structure, including line of authority, and chain of command and the Ghanaian family business structure, and finally compared with that of non-family businesses, and suggest the best for smooth running and management of family businesses in Ghana.

The specific objectives of the research are to:

i. Examine the nature of Ghanaian traditional family structure
ii. Examine the nature of Ghanaian family businesses
iii. Compare the structures of family businesses to that of non-family businesses.
iv. Suggest and recommend the best approach for the running and management of family businesses.

1.2 LITERATURE REVIEW

There are over fifty five ethnic groups in Ghana with different family groupings and structures. Notable among them are extended, matrilineal, patrillineal, and nucleus family systems, with religious influence as well. The Muslim communities practice patrillineal, whiles most Christians fuse tradition with religion.

Extended Family System *(Figure 2)* is a group of family that consists of parents, children, and other close relatives, often living in close proximity, or a group of relatives, such as those of three generations, who live in close geographic proximity rather than under the same roof. It consists of an old system of family performances with the close connections of two or three generations of relations, such as grandparents, husbands of sisters and wives of brothers, aunts, uncles, nieces and nephews (Bilton et. al., 1996; Giddens, 1993).

Irrespective of the size of family, the institution of family can again be seen in two mutually exclusive categories, namely the family of orientation and the family of procreation. The family into which a person is born can be referred to as the family of orientation and the family of procreation is constructed by the adult individual who creates a family as he or she becomes an adult. The nucleus family structure *(Figure1)* consist of the father, being the head, followed by the mother, the children and immediate grandchildren, in short, nucleus family consist of married couple their children and grandchildren usually living in close compound. With this type of family structure, the chain of command runs through from the father down to the grandchildren.

Family business can be incredibly rewarding, as it often can allow you to make a good living for your family, while at the same time getting to share the sense of accomplishment as you grow the business together and pass it on from generation to generation. Family business can also have its challenges. The vast majority of such businesses don't make it past the first or second generation. There's a wide range of reasons that can be assigned for this.

Lack of family mission statement in connection with strategic plans is a major challenge. In order to have the Strategic Plan connected to the family Mission Statement, of course, these two documents must first exist. While it is true that in many cases, families have not gone through the time and effort to formulate a Family Mission Statement and a Strategic Plan, often at times, even when this effort has been expended there is little or no connection between the two. This can lead to a Strategic Plan that is not completely consistent with or worse yet, highly contradictory of, the written or unwritten Mission Statement of the family. In other words, the family may be on a completely different page than the Board, who may be on a completely different page than the management team. When the Board and management team include non-family members, this disconnection may be accentuated further and can lead to a great deal of conflict and ultimately sub-performance or even failure of the family enterprise. Thus, it is critical that these documents are well-aligned.

Lack of well trained and qualified future leaders is a matter of concern. One of the main criticisms family businesses face is that the last name of prospective and current employees often matters more than their ability, training and experience. This can lead to resentment that undermines the ability of the enterprise to reach its potential. This situation can be avoided by developing and adhering to paths and policies for employee advancement within the company. In many family businesses that have successfully addressed and overcome this issue, younger employees, whether they be family or non-family members, are required to start at the "bottom," performing basic tasks in many and varied areas of the business, so they learn the operations "from the ground up". This approach also gives the other employees an opportunity to interact with and become comfortable with the abilities of the young family member employees, while at the same time giving those employees confidence and a strong base of experience for later advancement. The keys for success on this issue are the consistency and fairness of the approach to family and non-family employee advancement opportunities within the family company.

All companies face challenges from competition and in particular, from large multinationals. In the case of family businesses however, the problem seems more prevalent. This occurs because family businesses often engage in businesses that have been around for a long time and are, or at least once were, high margin business, catering to the daily needs of mainstream consumers. These industries and markets are often viewed as attractive targets for consolidation and also for infiltration of larger domestic and international companies.

What defenses does the family business potentially have? In reality, it is very difficult to compete head-to-head against a much larger, better capitalized company with more developed resources. Many families have been able to compete effectively though, typically by employing key technology advances, focusing on profitable and sustainable niches, and by using their superior knowledge of the local market to deliver a solution that is better received by customers. Another approach some family businesses have taken in this situation is to acquire other similar companies to gain the mass they need to compete effectively. Although it's typically seen as a last resort, some family companies also have ultimately made the decision that the investment, risk assumption and energy expenditure necessary to compete against larger competition was not worth the price and they have either closed their operations or sold the business.

The issue of communication exists in every aspect of life and in every business, of course. Effective communication is critical to the success of any relationship, most any undertaking, and certainly any company. The challenge in family businesses is that what in a non-personal, non-familial setting may be straightforward and simple, given the frequently charged emotional setting of the family company, becomes a monumental task. In order to overcome this obstacle, it is important to put into place a series of simple, but regular and non-negotiable, communication protocols and procedures. An example is to have a regularly scheduled family meeting that all family members working in the business must attend to discuss: the performance of the business, the strategies for future success, expectations of dividends, as well as any other issues about which family members may have a concern.

Open, honest communication must be encouraged and rewarded – the attendees must see this venue as a safe place to put sometimes sensitive issues on the table for discussion. For the extra-sensitive issues that cannot be aired in a setting with a relatively large number of attendees, senior generation members of the family must encourage successor generation members to bring any and all issues to light. This may take the form of one-on-one or small group meetings and it may also include an advisor, where appropriate, to keep the discussions productive and on track. Poor communication and festering issues between generations and branches are like a cancer in the family business and they must be dealt with directly and conclusively. History has proven that this issue of poor or non-existent communication is one that can take a family business down more quickly and more dramatically than any other.

Not many people like to face our own mortality. With entrepreneurs, even more so. We're also typically not too keen on admitting or believing that there are others who could do what we do, perhaps even better. Family businesses are no exception – it is often the case that the founder(s) of the company, the so called "senior or founder generation" will come into the office well into their seventies and sometimes even their eighties! If this is what they want to do, more power to them; they have undoubtedly earned this right for all the blood, sweat and tears they have put into building the company over the years. Their desire to be there is not the issue. The challenges arise when the founder(s) doesn't, as he or she approaches retirement, properly train, groom *and* delegate key responsibilities to successor generation members and non-family managers. There are far too many instances in the history books of senior generation members who did not properly prepare their successors and then met some unfortunate death or injury that left them incapacitated. It is certainly not pleasant to think ahead on this matter, but it is essential for the founder who wants to be an effective steward of what they've built and ensure that their company will continue on many years after them. While it is not a simple task, there are some relatively straightforward planning steps that can be taken to ensure that one's company does not fall victim to inevitable, but unpredictable events.

This issue is a double-edged sword. On the one hand, most senior generation of family business owners would like to see their progeny take part in and eventually assume leadership of the business. On the other hand, having family in the business raises many of the issues mentioned elsewhere herein. The reality is that if the younger generation is not interested in working in the family business, it is of little use for the senior generation to push or force the issue. The prudent approach is to bring in professional, non-family executives and allow the younger generation to pursue their dreams elsewhere. With this approach, they may come back to the business later, but only after having explored the work world and likely having picked up useful skills and experience that can be deployed in the family business. If they do not come back to the family business, at least the senior generation can take comfort in the fact that they will not have jeopardized their personal relationship with their children in an attempt to force them into the family business setting.

Like most entrepreneurial ventures, most family businesses begin with relatively little structure and formality, surviving and growing based on the iron will and ingenuity of their founders. But like most other ventures, family businesses often struggle to professionalize and formalize as they grow. Eventually, the business becomes complex enough that "shooting from the hip" becomes increasingly risky, as the dynamic nature of the enterprise makes running it without structure like trying to hit a constantly and rapidly moving target from great distance. What is required at that stage is a least a modicum of formalized governance of the enterprise, or so called corporate governance. In the family business, the biggest change at this point is that while there is still a CEO (usually the founder) who makes all final decisions, there is also an active Board of Directors, a Family Ownership Group, and a professional management team that helps ensures that the CEO has the correct information to make informed decisions.

This "correct" information includes the Family Mission Statement, which as noted above, should be the guiding light consistent with which all strategic and tactical plans are formulated. Further, in a corporate governance setting that is working correctly, there must be awareness on the part of all family and non-family Board members and executives that they have a fiduciary duty to the family shareholders to optimize their return consistent with their wishes. We use the term optimize here, instead of maximize, as the equation is not one of simple maximization of a single variable, but rather maximization of returns, consistent with a well-defined site of criteria documented in the Family Mission Statement.

The lack of formal budgeting and planning goes hand-in-hand with the lack of good corporate governance and it occurs for many of the same reasons. Given the strong business acumen of the senior/founder generation, it is likely the case that for a good portion of the life of the family business, there was no real or perceived need for formalized budgeting or planning. The founders were able to keep most everything in their heads and given their exceptional abilities to grow the top line revenues of the business, any budgeting or planning deficiencies never really came to light. The challenge arises as the organization gets larger and there are more people involved in both revenue generation and expense control. At that point, it is absolutely critical that the company budget both revenues and expenses, realizing that such an exercise will never produce exact estimates. It will, however, provide a baseline for comparison of actual revenues and expenses to those budgeted, facilitating the process of ongoing marketing and expense management and "course correction". The same can be said for the formulation of a strategic plan: while it is not likely to ever be perfect, it allows the organization to explore options and develop a baseline or benchmark for the results achieved. It also permits the development of a more detailed series of tactical plans that can be tied back to the budget, allowing more timely and reliable correlation of results to activity and investment.

Most successful entrepreneurs become successful based on their belief in themselves and their ideas. As a group, entrepreneurs, including those who found and grow family businesses, are not known for relying heavily on the ideas or input of others. For this reason, it is not a trivial decision for a business owner, particular in a family business setting, to allow outsiders to provide input on their business. The Boards of most family businesses are comprised of family members exclusively, or, if there are outsiders on the Board, they typically do not raise much resistance to the ideas of the owners/founders – they are often referred to as "rubber stamp" Boards. Similarly, founders of family business are often reluctant to bring non-family members to key executive positions within the company.

In both cases though, the family business owner may be committing an important error, depriving his or her company of much needed objective advice from outsiders with critical knowledge and experience. Those family business owners who address this issue best are those who bear in mind that regardless of outside input, barring extenuating financial circumstances, they will always have the final say and should not feel threatened by the input of non-family members. The best also seek Board members and executives that are the most qualified they can find, rather than those who will simply say yes to the whims of the owner(s). They seek those that are willing to ask the tough questions and confront the tough issues.

The credit markets have tightened up significantly in recent years, making access to much needed growth and working capital harder to come by. This has forced family business owners to look further than traditional asset-based debt lenders to the non-traditional markets, such as private equity. This world is foreign to them, as the typical, "we' will lend you x dollars at x percent interest with these assets as collateral" is the not the way of the non-traditional financing markets. They may say, "we' will lend you x dollars at x percent interest, based on projected cash flows, with an option to purchase x percent of equity in your company over this period of time", or "we'll provide you x dollars in exchange for a 40 percent equity position in your company, with an option to purchase a controlling position at some future date". This is a very different world for the family business owner to navigate, with numerous implications for the future liquidity and ownership of the company. Given the numerous permutations of possible financial transactions with alternative financing sources, any family business contemplating such an approach would be wise to have a CFO with expensive experience or this area, and/or hire knowledgeable advisors to help them navigate the numerous pitfalls. This will allow them to remove at least a portion of the risk of such an alternative financing transaction.

Below are diagrams showing the structures of the various family systems and chain of command among the Ghanaian communities.

1.3 METHODOLOGY

(i) Data Type and Sources

In seeking empirical evidence for the research work structured interviews were used to seek information from traditional family set-ups, family businesses, and non- family businesses.

(ii) Sampling Procedures and Study Design

In pursuance of this research work, fifty traditional families in Ghana were selected from the Ashanti Region of Ghana who are mostly matrilineal, and fifty families were also selected from the Eastern region of Ghana who are mostly patrillineal.

A total of thirty family businesses were selected eighteen from the Ashanti region and twelve from the Eastern Region of Ghana for the interview. A total of twenty-five non-family businesses were also selected for the interview in Ashanti and Eastern Regions of Ghana respectively.

(iii) Analytical Tools and Techniques

Diagrams and organograms were used to analyse interview results. The analyses were based on structured interview results on family structures, family business structures as well as non-family business structures.

1.4 EMPIRICAL RESULTS /FINDINGS

Going through the various family structures, non-family, and family business organizational structures (organogram) reveals very important issues. First it is clear that the organizational structure of family business *(figure5)* is being influenced by that of their families.

The head of family becomes the automatic chief executive officer of the family business, and the chain of command span from the CEO (family head) to floor staff (grandchildren), in most instances, non-family employees are not included in the organizational chart of family firm.

The span of control is the number of employees a manager supervises. The organizational decision here is to determine the number of employees a manager can effectively lead and supervised. Ideally the total number of employees or span of control should not be more than five to six people. However, a larger span of control is possible depending on the complexity, variety, and proximity of jobs.

The ability, experience, and style of the manager also have a lot of influence on the span of control in family businesses.

Finally, worker characteristics affect the span of control. Well-trained, motivated, experienced, and satisfied workers require relatively little supervision.

Owner/managers of family businesses often have span of control problems because of certain family values and practice such as all family members are to take instructions from either clan head or family head thereby increasing the span of control. As a family business grows and people are added, the manager still may want everyone reporting to him or her rather than delegate responsibility and authority to a middle manager.

Ideally, no one in an organization reports to more than one supervisor, for having more than one supervisor often results in an employee receiving conflicting instructions and assignments. Most family businesses are guilty of this, because looking at the structure of family business structures, all family heads normally gives instructions to employees or subordinates.

Some business owners think that they can develop a level of communication between supervisors that is good enough to prevent this conflicting message problem. However, supervisors typically lack the time for the necessary coordination and communication. This requires the employee to decide which set of supervisor instructions he or she will not follow.

Decentralization can help decision making process very effective time saving, that is, decision making process should pushed down to the lowest level possible in the organization. The more routine decisions, the lower the level in the organization on which it should be handled.

The objective is to overcome the waste of time stemming from too much centralization of decision making. Working managers rather than managed workers should be the goal, and grassroots participation.

Decentralization requires delegation. With delegation comes responsibility. Authority should be delegated along with responsibility, the major problem is that most family businesses are immersed in family values and principles such a way that they are not ready to delegate functions to their subordinate.

Most experts agree that a family company board should be a relatively small group of about five to eight members. It should include the CEO of the company, a majority of external board members (meaning not family members or company managers), and a small number of family representatives. Family representatives are not necessarily family owners and may or may not be family managers. Family representatives to the board can be chosen by the shareholders, the family or the family council. It is complicating to put on the board family member-employees who are working their way up the organization ladder. Their supervisors too often complain that it is not clear if the family employee reports to them or vice versa. I advise against putting family employees on the board until they are in very senior positions or are the designated successor and close to assuming this leadership role.

1.5 CONCLUSIONS AND IMPLICATIONS

The organizational structure of family business is very important to the development of family businesses in Ghana. Since there are differences in the running and operations of family businesses, their organizational structure may not be the same, hence each business should carve something to meet their businesses. The keys to effective organization of family business structure should include the following,

- Proper planning of the organization,
- Clear relationships among the people in the organization,
- Delegation of responsibility and authority, and
- A structure that is neither too complex nor too simple.

1.6 RECOMMENDATIONS

There should be a clear distinction between family structure and the organizational structure of family business. This will help improve the communication and flow of information for effective management, and encourage contribution from all employees for harmonization.

Family business organizational structure should include non-family members; this will boost the managerial system and encourage fresh ideas and capital to be injected into the business. Composition of board of directors in family business, should include experienced family members, but not on age and family hierarchy, and experienced non-family members.

The addition to the board of experienced non-aligned external members can help to change the dynamics of board discussions to be more objective and constructive. Smaller boards, not dominated by family members, tend to work better. And all board members should be focused on the best interest of the company, not on the interests of any particular individual or branch of the family.

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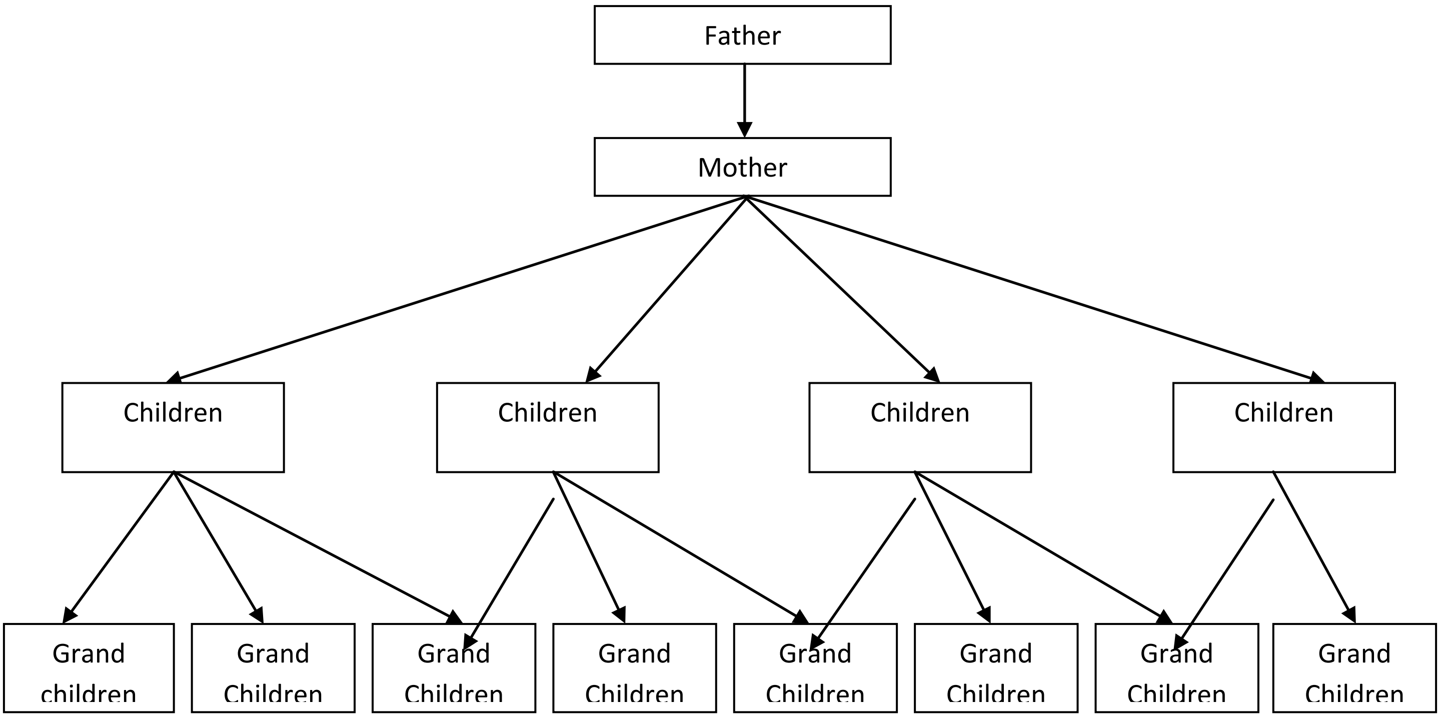

Figure 1: Structure of Nucleus Family System

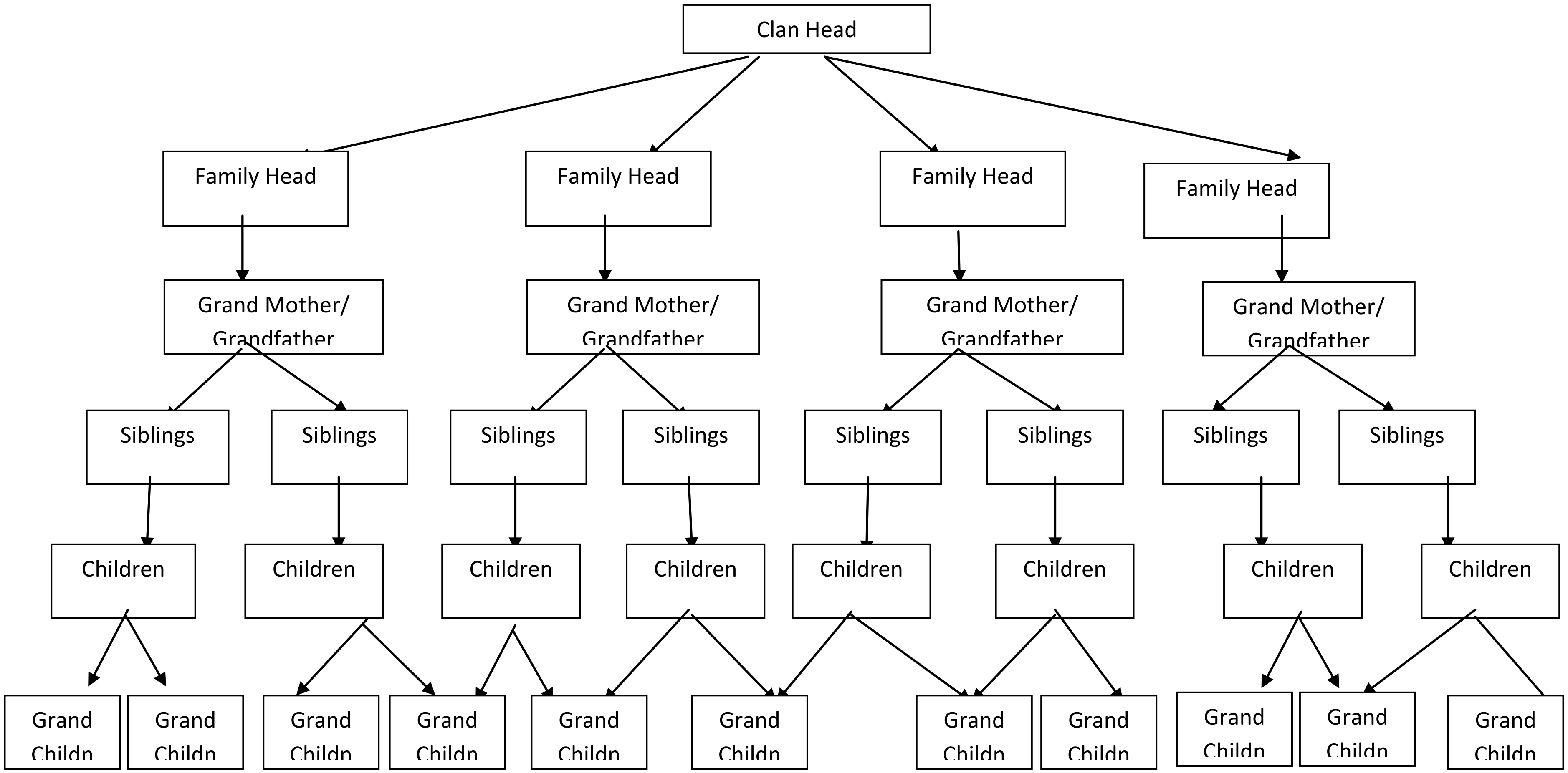

Figure 2: Structure of Extended Family System

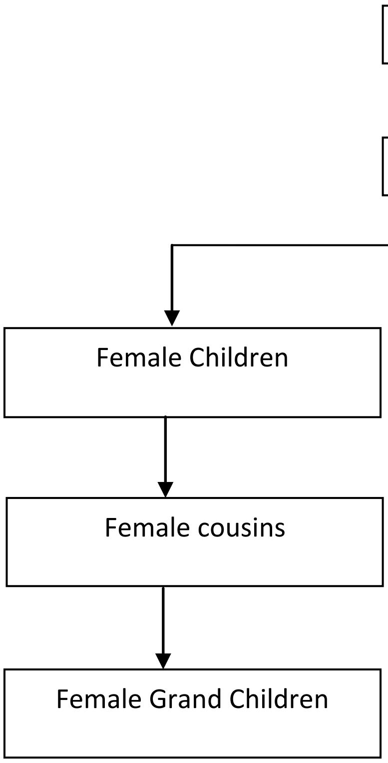

Figure 3: Structure of Matrilineal Family Systems

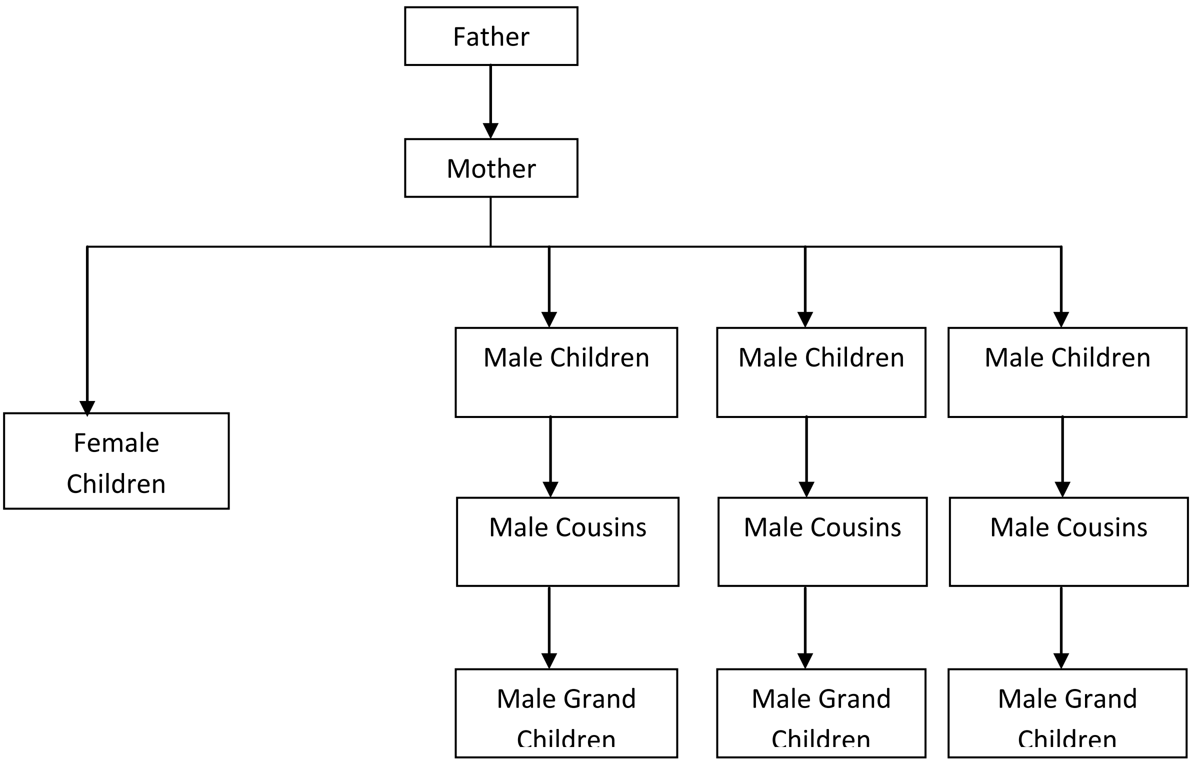

Figure 4: Structure of Patrilineal Family Systems

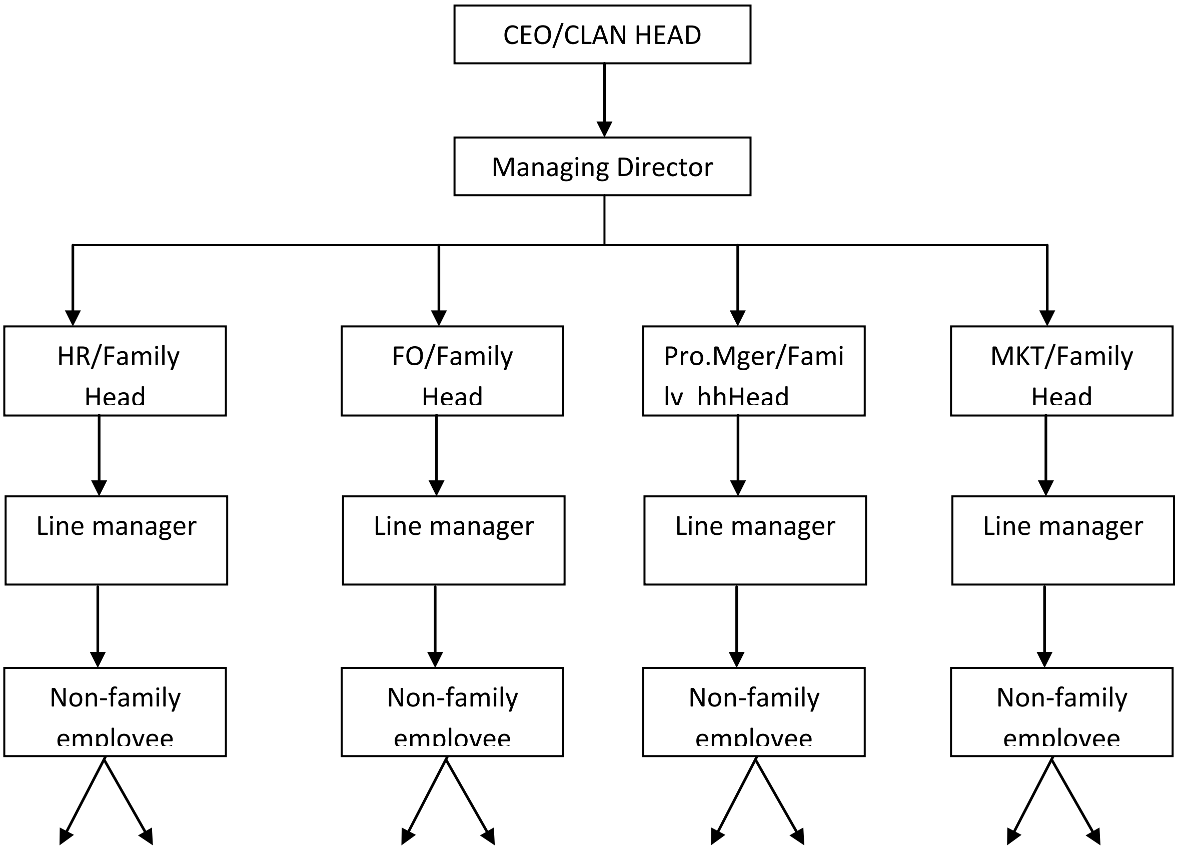

Figure 5: Organizational Structure of Family Business

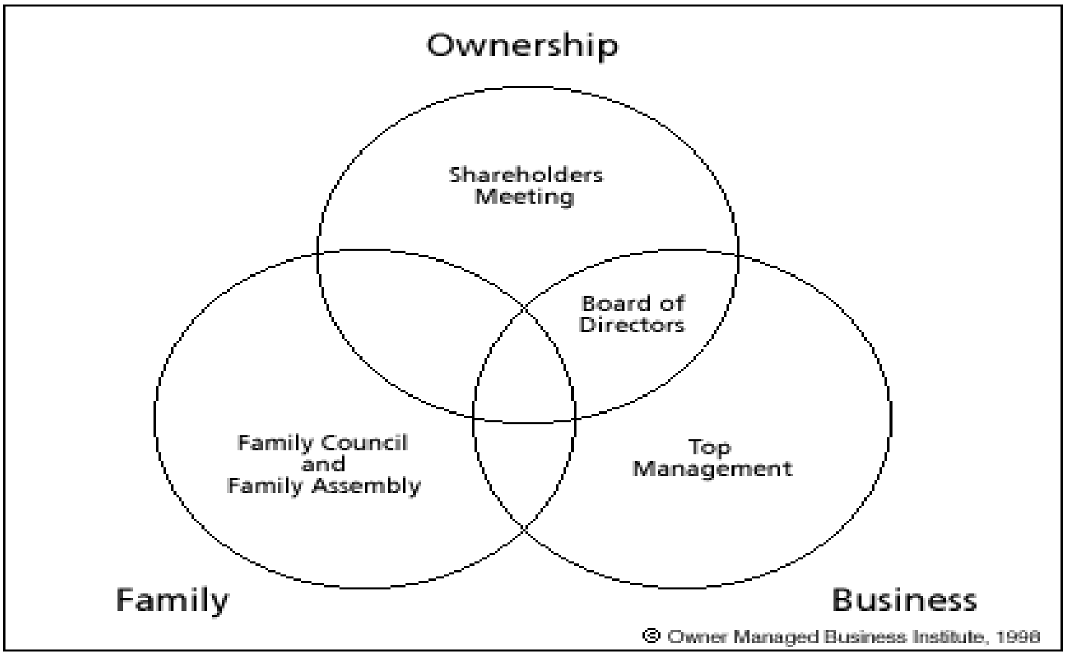

Figure 6: Governance Structure of Family Business in Ghana