THE EFFECTS OF STRATEGIC SUCCESSION PLANNING ON FAMILY OWNED BUSINESSES IN KENYA

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DECLARATION

This research project is my original work and has not been presented for award of a degree in any other university or institution of higher learning.

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This research project has been submitted for presentation with my approval as the university supervisor.

Caren Angima

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I thank all my lecturers from whom I have learned much throughout my training. Special thanks to my supervisor for guiding me through this arduous task. I am deeply grateful to my course mates with whom we shared lectures and experiences. Through the questions and critical comments of my supervisor, the overall content of my research project is tremendously enriched. I would also like to acknowledge the encouragement given by my family members and friends throughout the study period even when the going proved daunting.

DEDICATION

I dedicate this work to my family, friends and colleagues. God bless you all.

ABSTRACT

A strategy is a high level plan to achieve one or more goals under conditions of uncertainty. Strategies most often devote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives. Strategy helps the organization to meet its uncertain situations with due diligence. Strategic planning on the other hand is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. The objectives of the study were to determine if there was any strategic succession planning in family owned businesses in Kenya and assess the effects of strategic succession planning on future direction of the family businesses. The study used descriptive survey design. A descriptive study is undertaken in order to ascertain and describe the characteristics of the variables of interest in a situation. The study targeted all large family owned businesses (those with 500 or more employees) in Nairobi. The study purposively sampled three (3) large family owned businesses which have survived to 2^{nd}, 3^{rd} and 4^{th} generation. These were; Nakumatt, Sarit Centre and Chandaria Industries in 2^{nd}, 3^{rd} and 4^{th} generation respectively. The study targeted a total of 84 respondents (28 from each business), mainly the top management including owners of these family owned businesses and other relevant middle managers and operational personnel. The study used structured and semi structured questionnaires as data collection instrument. The data collected was analyzed using both qualitative and quantitative methods. Quantitative data was used to obtain descriptive statistics such as frequency, percentages, mode, median and standard deviation, while qualitative method was used to analyze the open ended question and descriptive statistics. The study achieved a response rate of 73.82% which offered credible and dependable information about family owned businesses in Kenya. The respondents were presented with factors which affect the survival of family owned businesses. According to the findings, majority of the respondents indicated strategic planning and succession plans respectively as major factors affecting survival of family owned businesses and hence need to be addressed to facilitate family businesses to the next generation. The failure to plan for succession is one of the greatest threats to the survival of the family businesses. Accordingly, the study suggests that family businesses have to plan succession appropriately to ensure continuity. Further, majority of the respondents indicated that family businesses would be looking for changes in its leadership not necessarily just immediately but in the future. The study also established that strategic succession plan help smooth running of family business and that succession plan does not help without family willingness. The study therefore recommends that family owned businesses adopt strategic planning as well as allow family members to play key role in the succession process in order to realise successful succession. Finally, the study suggests that strategic succession planning is a critical factor affecting family owned businesses in Kenya. As a direct response to the fundamental changes in the economic landscape, family enterprises, today more than ever, need to rise to the challenge and address both inherent and structural problems and threats. Like any other problem, there is no magic solution that fits all. It is imperative that a gap analysis is conducted, which examines governance, organizational and legal structure and other areas.

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LIST OF ABBREVIATIONS/ACRONYMS

CEO :	Chief Executive Officer
GDP :	Gross Domestic Product
HR :	Human Resource
MoRs :	Managers-Once-Removed
RO :	Requisite Organization
SoRs :	Subordinates-Once-Removed
SPSS :	Statistical Package For Social Science
U.S :	United States
UK :	United Kingdom
USD :	United States Dollar

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

A strategy is a high level plan to achieve one or more goals under conditions of uncertainty. Strategies most often devote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives. Strategy helps the organization to meet its uncertain situations with due diligence. Strategic planning on the other hand is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future Murangiri (2011).

According to (Rodrigo, 2013) succession planning can be defined as the process of identifying and preparing suitable employees through mentoring, training and job rotation, to replace key players within an organization as those key players leave their positions for whatever reasons such as retirement, advancement and attrition. Family business succession is the act of succeeding an organization to a family heir or the decision to sell the business to another party. Succession planning is a strategy of workforce planning. A family business is a company that two or more members of the same family own or operate together or in succession. A study by (Gerick et al, 2005) indicates that succession planning is critical for the sustainability of family-owned businesses and the overall economy, accounting for about 70 per cent of the private sector. Globally, family-owned businesses support some 50 percent of the population, and during these difficult economic times, they put many of the unemployed back on the payroll thus playing a significant role in the economy.

The practice of succession planning is an on-going dynamic process that identifies, assesses, and develops talent to insure that an organization can keep up with changes in the workplace and marketplace. It is a process designed to ensure the organization recruits and develops new hires and in-house staff to fill each key role within the organization. Its goal is similar to workforce planning – having "the right people in the right positions at the right time." The focus of succession planning, however, is on leadership and other positions critical to the mission of the organization at all levels (Bjursell, 2011).

1.1.1 Strategic Succession Planning

Strategic Succession planning is a systematic approach to building a leadership talent pool to ensure leadership continuity, developing potential successors in ways that best fit their strengths, identifying the best candidates for categories of positions and concentrating resources on the talent development process yielding a greater return on investment. Strategic succession planning recognizes that some jobs are the lifeblood of the organization and too critical to be left vacant or filled by any but the best qualified persons. Effectively done, strategic succession planning is critical to mission success and creates an effective process for recognizing, developing, and retaining top leadership talent Allison (2005).

Contrary to popular belief, succession planning is not a new phenomenon. Companies have been wrestling with ways to identify, develop, and retain their talent for decades. Today's organizations are facing higher demands in a global market owing to widening talent gap. One of the chief concerns facing family business owners is how to effect an orderly and affordable succession of the business while ensuring that the business will provide for the future needs of the owner and his or her spouse and keep them comfortable during their retirement years. While 74% of family owned companies are investing in a formalized succession planning process, companies still struggle to fill talent pipelines. In an ideal world, family owned companies are looking to “grow leaders” within their own organization, ensuring that there is continuity for the future of their leadership and reducing turnover (Miller, 2012).

World over, family businesses are an integral part of the socioeconomic environment and source of national income for any country. In Europe, more than 75 percent of all businesses are family owned, providing for close to half of all available jobs. The majority of such businesses employ less than 10 people, according to a study by the Mandl (2012) of the KMU Austrian Research Institute. In the United States, family-owned businesses account for roughly half of the country’s gross domestic product. Such businesses could be a small mom-and-pop store employing no more than two people, a medium-sized enterprise, or even a Fortune 500 corporation. Family-owned businesses account for 60% of total U.S. employment, 78% of all new jobs, and 65% of all wages paid, according to Astrachan (2012) of Cox Family Enterprise Center at Kennesaw State University.

In Brazil, family business sector is largely composed of small-sized firms – only 15% of the country’s family businesses are large, according to consulting firm DS Consultoria Empresarial e Educacional. But this is likely to change as rapid growth, despite a slowdown in 2011, has made Brazil’s economy bigger than the UK’s. Nevertheless, in the UK, family firms represent two out of every three businesses in the private sector, employ 9.2 million people and generate £1.1 trillion (€1.31 trillion) in revenues each year. In spite of one of the fiercest recessions experienced, the family business sector has increased its revenues by 6% since 2007 (Miller, 2012).

1.1.2 Family Owned Businesses in Kenya

Kenya is the most developed economy in Eastern Africa. With a nominal 2010 gross domestic product (GDP) of USD 32.417 billion, it is also the economic, commercial, and logistical hub of the entire region. Family businesses are estimated to contribute approximately the bigger percentage of the GDP in the country (Rodrigo, 2013).

In the Kenyan context, family businesses are renowned for their entrepreneurial and innovative spirit and are a key driver for the Kenyan economy. Family-owned companies face unique challenges in Kenya's competitive business environment. Managing family business comes with extra baggage. It comes with the joy and fulfilment and with risks and anxieties. In the worst-case scenario, it could destroy the very same family that the business was set up to assist, in the first place. A number of issues deserve careful attention for successful family owned and managed business. One of the best ways to capture these is to reflect on some common mistakes that people in family businesses make and the possible solutions. The issues gravitate around ownership and rewards, communication, conflict, pay and benefits, engagement of family members and succession planning (Waweru et al, 2001). Succession planning is a key element of an effective strategy for managing talent and ensuring that an organization achieves its future goals. In the Kenyan Context, ssuccession planning in the private sector has been more formalized than in the public sector, which has begun to look at it systematically only recently. Similarly, there has been a lack of focus on succession planning in nonprofits, although the need there is just as pressing Murangiri (2011).

In Kenya, Family businesses generate 60% of the country’s employment and 78% of all new job creation. Statistics indicate that the number of family businesses run by women has grown 37% in the past five years. The average life span of a family-owned business in Kenya is 24 years (Waweru, et al, 2001). This can be evidenced by an example of Woolworth supermarket which was opened in 1985 and in the year 1997, the mother company Woolmart Ltd closed its operations and one year later Uchumi mattresses opened a sister company under the name Transmattresses which was registered in the year 1998. In the year 2010, Nakumatt Holdings, which runs the supermarket business, said it had bought out all Woolmatt Supermarket's four branches in the city centre. These moves have seen the Woolworth supermarket, a family business going down on a diminishing trend in the second generation. Like other places world over, only 40% of family owned businesses survive to the second generation, 12% to the third, and 3% to the fourth. A good example of a family business that has grown to the 3rd generation in Kenya is Sarit Centre. The Sarit Centre is a modern diversified shopping mall and one of the largest in East Africa. The Sarit Centre is a family business managed by third generation Kenyans who trace their roots and business success to their forefathers who came to Kenya in the early 1900s; Jadavji Ratanji Rughani in 1914, and Vidhu Ramji Shah in 1909 (Whitehead, 2012).

1.2 Research Problem

Family businesses exist on a global scale. In the United States alone, researchers estimate that there are more than 12 million family businesses ranging from small private businesses to large publicly traded corporations. In other parts of the world this statistic is much higher, which indicates that at least 40% of the world's economy is affected by the family business, many of which are going through a succession process (Ward, 2003). These statistics show the extreme penetration of family businesses, yet “the influence of families on the businesses they own and manage is often invisible to management theorists and business schools” (Gerick et al, 2005). If the foresaid statistics are striking, consider that only 30% of family businesses will survive to the second generation, and only 10% will survive to the third generation Fleming (2003). Nearly half of the world’s economy is made up of family businesses thus making it clear that the perpetuation of the world economy is rooted in the long-term sustainability of the family entity.

Family businesses comprise 80 to 90 percent of all business enterprises in Kenya. But concerns have been raised on the rate at which family owned businesses never get to the fourth and fifth generation or very few manage to that level. The statistics in Kenya indicates that most family business survives for up to 2^{nd} generation and contributes 60% of the employment and job creation. The issue with sustaining the family business, controlling for external factors, is paramount to the continuity and passing over the business to the next generation. The biggest problem with the family owned business may be attributed to lack of strategic succession planning.

Currently, there are a few family owned businesses in Kenya that have survived to the third and fourth generation. Study by (Weekley, 2005), on Succession in the family firm, indicates that when family members work together, emotions may interfere with business decisions. Conflicts may arise as relatives see the business from different perspectives. Those who are silent partners, stockholders and directors are likely to judge capital expenditures, growth and other critical matters primarily by dollar signs. Another study by (Mazzola, et al, 2008), on Strategic Planning in Family Business, found that some family companies’ daily operations are hampered by conflict; in others, the challenge is a high turnover rate among non family employees. Growth also may be a dilemma if some relatives are reluctant to plough profits back into the business.

A study by (Baldwin, 2005) on the Strategy of Succession Planning indicates that succession planning plays a major role in the companies' strategic planning. Succession planning is not only for Chief Executive Officers (CEOs) but also for all key positions. Another study by Mwaniki (2010) on Family ties in entrepreneurs' social networks and new venture success indicated that the mode and the strategies employed to facilitate the trans-generational transition of ownership and control have been observed to have a significant influence on the survival and performance of family businesses.

Suffice is to say that previous studies have not brought out the effects of strategic succession planning on family owned businesses. It is in this light that this study sought to understand why most family owned businesses do not survive for very long and if there was any strategic succession planning in these businesses. The study sought to answer the following research question; what are the effects of strategic succession planning on future direction of the family businesses?

1.3 Research Objectives

The objectives of the study were to:

i. Determine if there is any strategic succession planning in family owned businesses in Kenya
ii. Assess the effects of strategic succession planning on future direction of the family businesses.

1.4 Value of the Study

The study will be of great benefit to many individuals, businesses and families in general. The following will benefit from the study;

Family owned businesses will greatly benefit from information on how strategic succession planning affect the family owned businesses and strategies to adopt to sustain these businesses to the next generation.

The family business investors will also benefit from the knowledge of the challenges that awaits family owned businesses that do not embrace strategic succession planning for the future generation and be in a better position to make appropriate decisions.

The future researchers will also benefit from the study as they will be able to get the already compiled information concerning the effects of strategic succession planning on family owned businesses, particularly those researchers who will be carrying out a study almost similar to this or related to strategic succession planning in the family owned businesses.

The study will also help to promote policy development related to family owned businesses by the Governors in different counties and the Central Government. This will promote and encourage the growth and development of small and medium family owned enterprises.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers literature on family owned businesses. It also encompasses the relevant theoretical review.

2.2 Theoretical Foundation

There are different theories on strategic succession planning, each identifying own paradigm and concept on family owned businesses. Some of these theories include; Game Theory of Succession Planning, Leadership Model Succession Theory and Requisite Organization Theory (RO).

2.2.1 Game Theory of Succession Planning

Game theory is the branch of decision theory concerned with interdependent decisions. The theory was developed extensively in the 1950s by many scholars. The theory is a study of mathematical models of conflict and cooperation between intelligent rational decision-makers. The problems of interest involve multiple participants, each of whom has individual objectives related to a common system or shared resources. Because game theory arose from the analysis of competitive scenarios, the problems are called games and the participants are called players. Situations involving interdependent decisions arise frequently, in all walks of life. All of such situations call for strategic thinking and making use of available information to devise the best plan to achieve ones objectives (Watts & Tucker, 2004). Game theory simply extends this concept to interdependent decisions, in which the options being evaluated are functions of the player's choices. One of the most significant challenges to enduring family businesses is the process of passing the leadership of a firm from one generation to another. Game theory positions itself as a model for examining succession as a set of rational but interdependent choices made by individuals about a firm's leadership. The primary contribution of game theory is demonstrating the application and understanding the decisions and outcomes of succession events (Dunemann & Barrett, 2004).

2.2.2 Leadership Model Succession Theory

Leadership Model Succession Theory proposes that to ensure leadership succession is in place, the company should maintain redundancy in management structure to maximize coverage, plan ahead for retiring executives by appointing a successor before the current leader leaves, groom selected internal candidates by allowing them to shadow the current leaders and finally prevent conflict by making leadership changes swiftly (Ibrahim, Soufani, & Lam, 2001). The theory is seen in the business world with companies promoting from an existing leadership structure to retain control of business strategies and organizational direction. Successful businesses have the potential to survive their founders. Businesses structured as corporations, nonprofits or cooperatives have trajectories that are related to, but separate from, the people who found them. Business succession is the process of figuring out how a company will continue to operate after its founders or leaders are no longer actively involved. Because leadership styles and models differ widely, succession models also vary based on the way an organization has been managed (Bjuggren & Sund, 2001).

2.2.3 Requisite Organization Theory (RO)

According to Requisite Organization Theory (RO), an employee's potential capability is the key factor in identifying talent within a succession management strategy and is measured in the unit of time-horizon. An individual's time-horizon is the length of time into the future that (s)he can plan and work. Making plans and carrying them out in the future requires an increasing amount of complex mental processing the further the distance into the future. It follows that ability to handle complexity of mental processing is proportional to potential capability. Therefore, one's ability to plan into the future, or time-horizon, is the unit by which potential capability is measured (Shepherd & Zacharakis, 2000). Within this theory, managers-once-removed (MoRs) evaluate subordinates-once-removed (SoRs) and subordinates-twice-removed to determine potential capability. Within RO, organizations identify critical talent within a succession management strategy by plotting employees' age and time-horizon on a Potential Progression Data Sheet. This data sheet allows organizations to visualize the career trajectory of employees and select succession candidates accordingly (Bird, Welsch, Astrachan, & Pistrui, 2002).

2.3 Factors Affecting Survival of Family Owned Businesses

Research suggests that only 30% of family firms in the USA survive into the second generation of family ownership. In addition, approximately 15% to 16% of family businesses survived into the third. The comparable numbers in the UK are 24% and 14% respectively. Another study documented that only 30% of family businesses in the UK reach the 2nd generation, less than 2/3 of these firms survive through the 2nd generation, and only 13% survive through the 3rd generation (Zahra & Sharma, 2004). The fact that very few family businesses survive beyond the first generation is thus rather universal and independent of cultural context or economic/business environment. Unlike non-family businesses, the efficient functioning of family businesses is often affected by the life cycle of the founder (Astrachan & Shanker, 2003).

According to (Bjuggren & Sund, 2001) an often cited reason for the low survival rates amongst family businesses is the practice by families in handing over their businesses to their offspring, instead of more competent professional managers. It was suggested that the third generation, being born with a silver spoon, lack the drive to sustain, let alone expand the family business. Instead, they take the accomplishments of their parents and grandparents for granted, and concentrate on maximizing the enjoyment of the fruits of labour of their ancestors. A number of studies in succession planning have been conducted to identify the factors that are important to ensure a successful hand over of a family business from one generation to another. Studies have also suggested that failures and break-ups of family businesses occur due to power struggles and internal feuds amongst siblings and members of the extended family, to give up their central roles in the management of the businesses and to relinquish control and power in the businesses (Klein, 2000).

As a result of historical evolutionary reasons, most countries have family businesses constituting the largest category in terms of ownership; estimates do vary, but is above 75 percent in all cases (Watts and Tucker, 2004). About a third of the companies listed in Fortune 500 are family businesses (Lee 2004). Since they normally do not have short term orientation but are interested in growing the family wealth with necessary precautions and have a different set of strategic goals compared to non-family owned private companies, their long term contribution to economy is significant. This is true with the Indian economy too (Kowalewski, Talavera, & Stetsyuk, 2010).

However, long term sustenance of family business depends on its smooth survival across generations. Families that successfully survive three or four generations have a complex web of structures, agreements, councils and forms of accountability to manage their wealth (Jaffe & Lane, 2004). This seems to be more evident in the west compared to emerging economies such as India. Reflecting on the complexity of the process involved, succession planning has been an area of keen interest for researchers. This could be for a variety of reasons. Organizational transition from an entrepreneurial stage to a system driven, professionally managed firm is not easy, and involves evolutions, revolutions and crisis. Also, there is often a simultaneous process of transformation taking place in the family and business with the size of activities of both growing (Chrisman & Chua, 2003).

Although ownership and management succession are the key concerns of a large number of business families, they do not devote enough attention to the process involved. A Study by (Watts & Yucker, 2004) has reported that families hesitate to address this issue. Succession dilemma is also closely related to the family policy on entry of new generation, retirement of incumbents and mechanisms for resolving conflicts.

2.4 Strategic Succession Planning in Family Owned Businesses

Succession planning, in essence, is the art of grooming tomorrow's leaders today. In fact, succession planning should be a part of every company's strategic plan. A vision of where the company will be going in the future. Planning for the future is a key activity for any successful organization that is intent upon maintaining a stable and effective workforce. Succession planning is a part of the strategic process of preparing for the future of the company (Mazzola, Marchisio, & Astrachan, 2008).

Succession, especially in a family business, is a process rather than an event. So, the sooner the family business starts the process, the better their chances of success. In many cases, business owners give thought to a succession plan, but they put off implementation. This can cause serious problems if the founder leaves the business earlier than planned due to death or illness. The successor will be making his or her first key business decisions during a difficult time and the health of the business could suffer (Molly, Laveren, & Deloof, 2010).

According to Sonfield and Lussier, (2004) a surprisingly small number of families owned businesses survive transition to the second generation. There are two common reasons why families don't retain their businesses. The first reason is that there is no qualified successor. However, even if the business will not be passed down to the next generation, making sure the family take steps to ensure the value of the business survives is just as important and is really just another form of succession planning. The second major reason for unsuccessful business transitions is more unfortunate. In many cases, family businesses fail or are sold off because of lack of planning. Though most families are careful to safeguard their personal assets, for example, insuring their homes, many businesspeople do not plan ahead to safeguard the value of their business.

Determining whether succession to a family member is a viable alternative seems an obvious first step but doing so is not always straightforward. Many business owners do not carefully consider all the issues when deciding whether succession to a family member is a viable alternative (Gilding, 2005). Business owners often have a plan in their own mind. Alternatively, some children may be overlooked as a successor because their views and general outlook on business issues differs greatly from that of the founder (due to human nature, families often relate better to people who share the same style and values) (Bocatto, Gispert, & Rialp, 2010).

A study by (Zellweger & Nason, 2008) indicates that to effectively manage a family business, a successor need to make a commitment to manage the all-important family component. On the surface, this may seem obvious. However, the potential impact that the family component can have on the management and ownership of the family business is too often underestimated, ignored, and/or mismanaged. The family component brings with it a number of unique management challenges as well as opportunities. The ability of a multigenerational family business to effectively deal with these unique management challenges and opportunities play a pivotal role in its short and long-term success. According to Poza, (2010) the good news is that many multigenerational family businesses have successfully managed their family component during the succession process. They have done this by making a commitment to applying proven family business strategies (family business best practices) to their succession process. As a result of the ongoing research and the experience gained from family business practitioners, a number of proven family business succession strategies have emerged to help family businesses effectively manage their family component.

Family-owned and operated businesses need to modify and in some cases discard conventional business thinking in favour of customized solutions in order to incorporate/accommodate their family component. If a family business can effectively manage its family component, it has the opportunity to not only maximize the use of existing best business practices (family business succession strategies) but also maximize the unique benefits provided by its family component. Those who have successfully done this tend to dominate their markets and continue for many generations (Zellweger et al., 2008)

2.5 Future Direction of Family Businesses

The very essence of the family business is that it is passed from one generation to the next, but the moment of transition and the years leading up to it can make or break the firm's future success. One unique quality that sets family businesses apart is their ownership model and the fact that the firm passes from one generation to the next. This can either be a source of strength and longevity, or a structural weakness that can undermine an otherwise healthy business (Dunemann, et al., 2004). It is widely recognised that the transition from one generation to the next is one of the biggest risks facing any family-owned business. As with so many things in life the answer lies in planning ahead. There needs to be plans in place to be able to substitute the abilities of the owner or manager. Although this is true for all key personnel in the business, there is concern with change of ownership and/or management positions held by family members in the business (Shepherd et al., 2000).

To identify the key elements of a successful transition of a business to the next generation, it helps to first identify the potential threats that can typically hinder the process of succession and then evaluate and identify tools to overcome these challenges. The issue that emerges most strongly for the future is that of globalisation. There is clear apprehension about the impact of an ever more international approach to business and the growing power of global megabrands, though many businesses remain confident that local knowledge, agility and the ability to exploit profitable niches will keep their family businesses buoyant (Zahra et al., 2004).

Attracting appropriately-skilled staff (64%) and then retaining them (34%) were also high-profile concerns for the future, and again, especially for those planning high levels of growth. This reflects the combination of the country's tight talent pool and the aging demographic of skilled workers. The high-performing talent necessary to see family businesses into the future is a growing concern. Many respondents said that it is particularly difficult for family businesses to attract talented employees with the right qualifications because the brightest candidates tend to prefer working for listed multinationals, where the career path is clearer and where there is the possibility of equity at some stage (Astrachan et al., 2003). According to Lee, (2004) many family business advisors understand, if a family enterprise is to succeed through multiple generations, each generation must be ready and able to accept the ownership responsibilities as well as benefits that come with control of a large and complex enterprise. Only then will the family owned business achieve what many see as the ultimate goal of dynastic family enterprises successful succession across the generations. Same energy devoted to management succession must be given to ownership succession in order to avoid the all-too-familiar history of failed multi-generational family enterprises.

Families have an opportunity to introduce the family enterprise to future owners in a positive way through sharing the values and legacy the enterprise represents (Watts & Yucker, 2004). Through explicit communication and modelling, families can cultivate a feeling in children that the business means something and provides benefits beyond just a source of dividends. Further, future owners should begin to be educated at an early age about the basics of ownership. This includes building competencies around governance, financial literacy, asset protection, risk management, philanthropy, and family enterprise-specific concepts. It becomes even more challenging to envision infant grandchildren as the “future of the company.” Nonetheless, the successful family enterprise dedicated to benefiting both the family and the community is well advised to begin the process of structured preparation for ownership with the same diligence that it approaches management succession (Klein, 2000).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter highlights the procedures used in conducting the study. Pertinent issues discussed in this section include the research design, sample size, sample procedure, methods of data collection and data analysis.

3.1 Research Design

The study used descriptive survey design. A descriptive study is undertaken in order to ascertain and describe the characteristics of the variables of interest in a situation. The goal of descriptive study hence is to describe relevant aspects of the phenomena of interest from an individual organizational, industry oriented or other perspective Best and Kahn, (2007). The study obtained and described the views of the respondents with regard to the effects of strategic succession planning on family owned businesses.

When very little is known about a topic or to explore a research question, a descriptive design is applied. In descriptive research, the research variable is examined as it exists without investigator interference (Yin, 2008). There was no manipulation of variables and the researcher did not attempt to control the research setting in this study. However, the data collection conditions were standardised to enhance data quality.

3.2 Population of the Study

The population of the study consisted of all large family owned businesses (those with 500 or more employees) in Nairobi. There are 28 family owned businesses with over 500 employees in Kenya as per year 1999 (National Baseline Survey, 1999). According to Wanjohi, and Mugure, (2008) micro-entities are companies with up to 10 employees, Small companies employ up to 50 workers, Medium-sized enterprises have up to 250 employees and large size companies are those with more than 500 employees. Family businesses are very diverse and range from being small, to medium to large, listed or unlisted companies. There are four types of family owned businesses: sole practitioner, associated partners, the multi-disciplinary team and the professional service organization, Timmons and Spinelli (2007). The study targeted large Multi-disciplinary family owned businesses.

3.3 Sample Design

The study purposively sampled three (3) large family owned businesses which have survived to 2nd, 3rd and 4th generation. These were; Nakumatt, Sarit Center and Chandaria Industries in 2nd, 3rd and 4th generation respectively. The study targeted a total of 84 respondents (28 from each business), mainly the top management, business owners of these family owned businesses and other relevant middle managers and operational staff. Purposive sampling design is a form of sampling in which the selection of the sample is based on the judgment of the researcher as to which subjects best fit the criteria of the study (Babbie, 2010).

3.4 Data Collection

The study used structured and semi structured questionnaires as data collection instrument. Questionnaire was used because it helps the researcher to collect large amount of data in large areas within a short time thus saving time for the study (Orodho, 2003). The questionnaires contained both open-ended and closed ended questions which were based on the research questions and objectives of the study. The questionnaires were then self administered to the relevant respondent respectively.

3.5 Data Analysis

The data collected was analyzed using both qualitative and quantitative methods. Quantitative data was used to obtain descriptive statistics such as frequency, percentages, mode, median and standard deviation, while qualitative method was used to analyze the open ended question and descriptive statistics Best & Khan, (2007).

The effects of strategic succession planning on family owned businesses was examined with the help of Statistical Package for Social Science (SPSS) and specific statistical methods such as multiple linear regression. Multiple regressions help to establish how a set of independent variables explains a proportion of the variance of a dependent variable to a significant level through significance test of R^2. It can also help to explain the relative predictive importance of independent variables by comparing the beta weights.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, interpretations and discussions. Information in this chapter is divided into two sections. The first section details the analysis of general information of the respondents while the second section deals with analysis of data on the two objectives based on descriptive statistics.

4.2 Response Rate

The study comprised of 84 respondents (28 from each business selected). Some of the respondents could not be accessed due to work commitment while others were on leave. Out of the sample of 84 respondents, the researcher managed to administer and collect 62 questionnaires, giving a response rate of 73.81%. According to Mugenda and Mugenda (2010) a 50% response rate is adequate, 60% good and above 70% rated very good. Based on this assertion, the response rate in this case of over 70% was very good. 73.82% was large enough to offer credible and dependable information about family owned businesses.

4.3 General Information

In order to achieve the main purpose of this study, the researcher found it useful to find out the general information of the respondents. The general information of the respondents included employee position in the family businesses, level of education, work experience and the department.

4.3.1 Respondents Distribution by Age and Gender

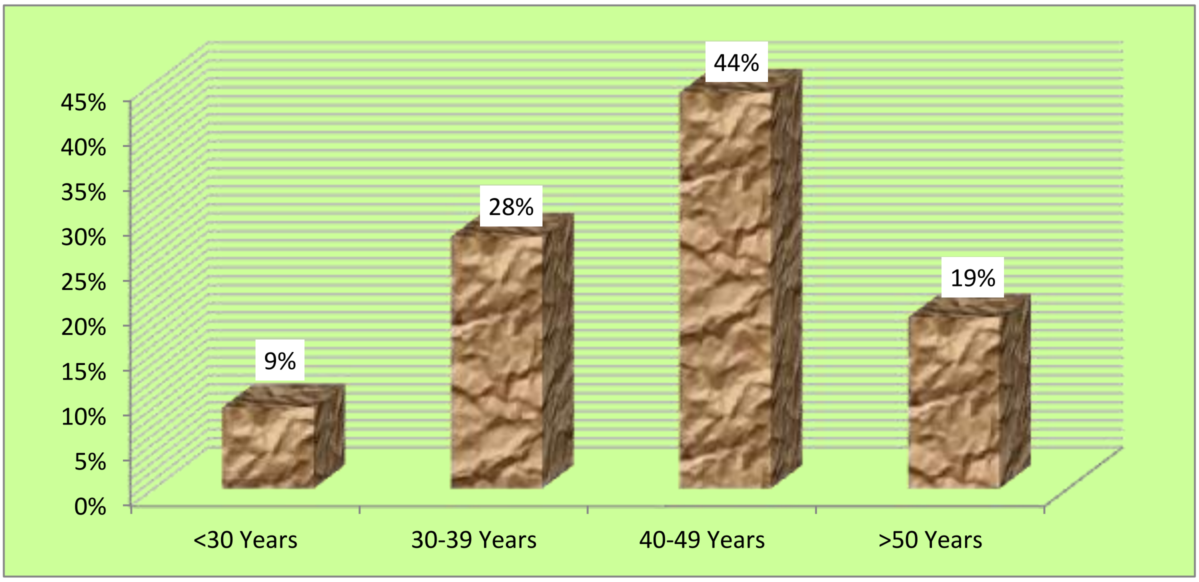

Figure 4.1 Respondents Distribution by Age

The respondents were required to indicate their age to understand the age disparity in the Study. Findings are illustrated in figure 4.2. The findings revealed that majority of the respondents (63%) were aged over 40 years, followed by 30-39 years age bracket (28%), and less than 30 years bracket (9%). The majority of older age bracket of over 40 years is an indication that the three family owned businesses under study maintained competent professional managers cognizant of the fact that the younger generation having been born with a silver spoon, lack the drive to sustain, let alone expand the family owned businesses. This agrees with a study by (Bjuggren & Sund, 2001) that an often cited reason for the low survival rates amongst family businesses is the practice by families in handing over their businesses to their offspring, instead of more competent professional managers.

The findings also imply that the respondents were old enough to provide valuable responses that pertain to the study. This is further reinforced by the fact that some of the respondents had stayed in the family businesses for long hence conversant with succession strategy, leadership and performance.

Further, the study sought to determine the gender distribution of the respondents in order to establish if there is gender parity in the positions. From the findings, majority of the respondents (61.29%) were male while 38.7% being females respondents. The study confirms that most people engaged in family businesses are male. This is an indication that family owned businesses in Kenya are largely patriarchal in nature.

4.3.2 Level of Education

The study sought to find out the respondents' level of education in order to ascertain whether or not academic and professional qualification influenced strategic succession planning among family owned businesses. Figure 4.3 illustrates the findings.

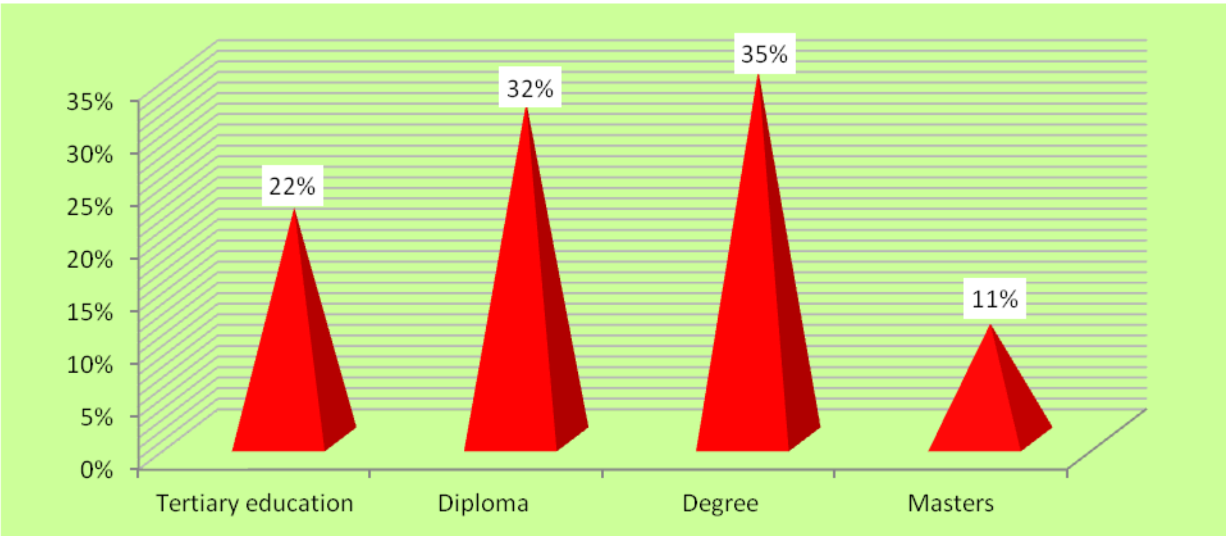

Figure 4.2 Respondents Level of Education

From the findings, majority (35%) were holders of first university degree followed by 32% who indicated that they attained diploma. Further findings revealed that 22% had attained tertiary education while minority (11%) had attained postgraduate qualifications which included masters and postgraduate diplomas. From the findings, majority of the respondents had attained academic qualifications commensurate with their job designation implying that the three family businesses are led and managed by professionals.

4.3.3 Job Position

The study targeted the top management/owners and operational staff of the family owned businesses. From the findings, 50% of the respondents were operational staff while 30.65% were in the middle management cadre. However, a minority, 19.35% of the respondents were in the top management including owners, general managers and departmental managers. Generally, the three levels comprised of people who had worked in the family businesses for many years and therefore provided the right information concerning the topic under study. The findings are summarized in table 4.1.

Table 4.1 Job Position

	Response	**Frequency**	**Valid Percent**
	Top Management/Owners	12	19.35
	Middle level management	19	30.65
	Operational staff	31	50%
	Total	**62**	**100**

Further, some of the people in the middle management and operational levels are young family members or relatives, a few of who are being trained and groomed for higher responsibilities as they become older and continue gaining experience. This in essence is an indication of strategic succession planning.

4.4 Family Business Survival

Based on the earlier findings indicating presence of elements of strategic succession planning, the three family owned businesses (Nakumatt, Sarit Centre and Chandaria Industries) have been able to survive to 2nd, 3rd and 4th generations respectively.

4.4.1 Succession of Current Leadership

The study sought to understand whether or not the business could be seeking to change its leadership and management at the top level at some point in time. Table 4.2 summarises the findings.

Table 4.2 Plans to Succeed the Current Leadership

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	49	79.03	79.03	79.03
	No	13	20.97	20.97	100.0
	Total	62	100.0	100.0	

The study found 78% of the respondents indicating that their company would be looking for changes in its leadership not necessarily just immediately but in the future. The continuity of the family owned business is very critical and not just for the current operations only. The study therefore found that, a forecast on the type of leadership required to sustain the business in the market for decades requires a long search, match and selection of a suitable leader for the future generation. The study also found a smaller number of respondents (22%) who were of the view that family owned businesses do not necessarily plan to succeed the current leadership in the business. However, this minority largely comprises those at the very lower operational level and some of them may not have stayed in the firms longer.

In most family owned businesses, planning for succession is the toughest and most critical challenge they face. Yet succession planning can also be a great avenue to maximize opportunities and create a multi-generational institution that embodies the founder's mission and values long after s/ he is gone.

The failure to plan for succession is one of the greatest threats to the survival of the family business. Inherent limitations and issues, is the potential of conflict among family members, which can threaten the very survival of the businesses. This is more noted at times of transition to the second or third generation and is further compounded in the absence of proper governance framework and succession planning guidelines. A classic example of a bitter succession feud in the family owned businesses that exposed the negative impact of lack a clear strategic succession planning is seen in a recent fierce court battles involving siblings who own Naivas and Tuskys supermarket chains respectively, both of which are in the 2nd generation (Mumo Muthoki, 2013). The other set of inherent issues is more noted where control and power have been transitioned to the next generation. The findings corroborate Weigel (1997), who claim that the continuity of the business and family may be jeopardised by the lack of a succession plan.

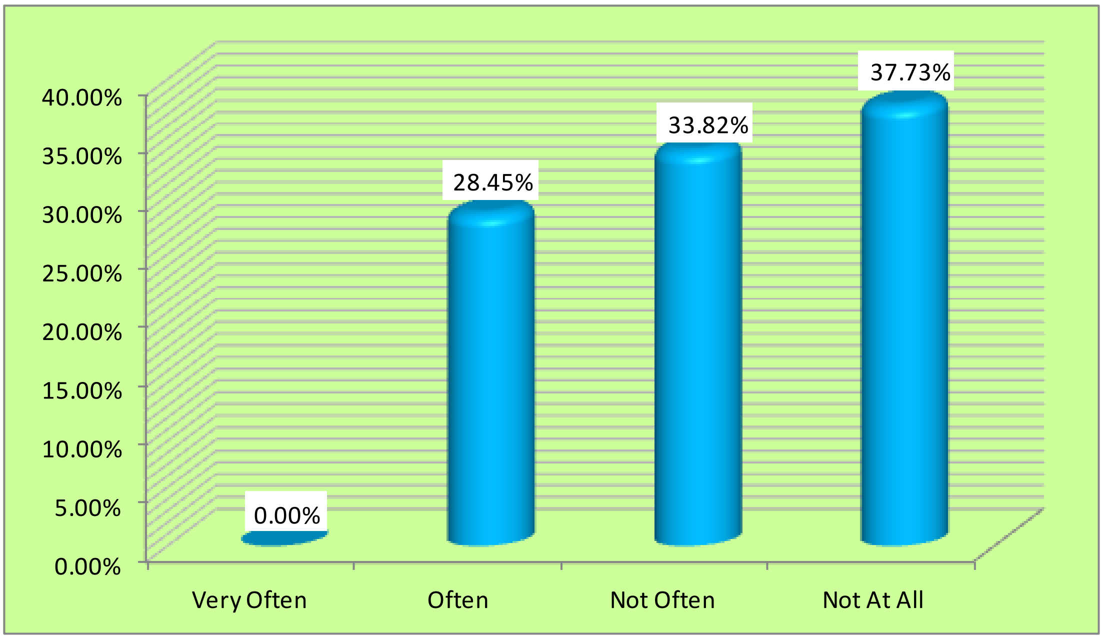

Figure 4.3 Frequency of Change of Leadership

The study also sought to understand the frequency at which family owned business change their leaders. From the findings, majority, 72% of the respondents are of the view that most family owned businesses do not change their leaders unless there are serious concerns or voluntary need to change the leadership. It is also worth noting that none of the respondents indicated that the organizations did not change the leadership at all. This implies that family businesses need to establish leadership development and succession plans earlier enough to facilitate the change of leadership in case the founder (s) leave the business earlier than planned due to death or illness.

The study therefore corroborates a study by Molly, Laveren, & Deloof, (2010) that succession planning, especially in a family business, is a process rather than an event. Figure 4.3 shows the summary of the findings.

4.4.2 Factors Affecting Survival of Family Owned Businesses

The respondents were presented with factors affecting survival of the family owned businesses in order to rate the degree of effect ranging from very high to very low where: 1 – very high; 2 – High; 3 – fair; 4 – low 5 – very low. In this case, a mean of less than 2 (u < 2) implies a significant result while a mean of greater than 2 (u > 2) indicates insignificant result. A standard deviation of greater than 1 (std > 1) implies variations in the answers given. This applies to subsequent tables where the mean and standard deviation is used for discussion. The findings of the study are shown in table 4.3.

Table 4.3 Factors Affecting Survival of Family Owned Businesses

Factor	Mean	Standard Deviation
Lack of Cooperation	1.01	0.954
Family Management	1.62	0.198
Strategic planning	1.77	0.142
Succession plan	1.42	0.154
Directors vision	2.02	0.598
Family wrangles	0.92	0.354
Availability of a potential successor	1.06	0.987
Capability of the current leadership	2.12	0.054
The future forecast of the business and market	2.01	0.098

According to the findings, majority of the respondents indicated strategic planning and succession plan as major factors affecting survival of family owned businesses as supported with a mean of 1.77 and 1.42 respectively. Further, the respondents were in agreement that family management and lack of cooperation as other key factors affecting survival of family owned businesses as evidenced with a mean of 1.62 and 1.01 respectively. Other factors which were highlighted by the respondents included: family wrangles (mean-0.92), availability of potential successor (mean-1.06), future forecast of the business and market (mean-2.01), directors vision (mean-2.02), and capability of the current leadership (mean-2.12).

Further, the study suggests that although there are multiple factors affecting the continuity of the family owned businesses (as indicated in the table 4.3), they do not affect such continuity in the same way. This implies that the three firms have been able to survive through 1st, 2nd and 3rd generation largely due to strategic planning, management succession planning, and leadership development.

4.5 Strategic Succession Planning in Family Owned Businesses

4.5.1 Strategic Succession Plans

The study sought to understand whether the family owned businesses have got any strategic plan for the future of the companies. Table 4.4 illustrates the summary of the findings.

Table 4.4 Whether Company has any strategic succession plans

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	49	79	79	79
No	13	21	21	100.0
Total	62	100	100	

Based on the findings, majority of the respondents (79%) indicated that family owned businesses must have strategic succession plans set for the future of the companies and that strategic succession planning is very critical to the success of the family enterprises.

This is in line with what was echoed by (Dunemann, et al., 2004) that one unique quality that sets family businesses apart is their ownership model and the fact that the firm passes from one generation to the next, an aspect that requires strategic planning to achieve. Other literature suggested that a variety of maladies can lead to a family business' downfall but none more lethal than the lack of proper succession planning (Ward, 2004).

4.5.2 Strategic Plan Focus

The study also sought to understand the family owned business strategic focus in terms of years planned. From the findings, majority (77%) of the respondents indicated that the family businesses make plans that focus between 3-5 years implying that a strategic plan is very critical to the success of the family enterprises. Table 4.5 shows the findings.

Table 4.5 Strategic Plan Focus

	Frequency	Percent	Valid Percent	Cumulative Percent
1-2 Years	14	23.0	23.0	23.0
3-4 years	19	31.1	31.1	54.1
5 years	29	45.9	45.9	100.0
Total	62	100.0	100.0	

The activities in the strategic plan focus of the family owned business should include preparing the incumbent leaders and family heirs on to take up or even understand the family business better. This agrees with a study by (Klein, 2000) that future owners should begin to be educated at an early age about the basics of ownership.

4.5.3 Effects of Strategic Succession Planning on Family Owned Businesses

The respondents were presented with statements to rate the effects of strategic succession planning on family owned businesses on a 5 point likert scale where: 1 – strongly agree; 2 – agree; 3 – don’t know; 4 – disagree; 5 – strongly disagree. Table 4.6 illustrates the findings.

Table 4.6 Effects of Strategic Succession Planning on Family Owned Businesses

Statements	Mean	Standard Deviation
Strategic succession plan help smooth running of family business	1.51	0.954
Succession plan does not help without family willingness	1.02	0.198
Business directors are to decide on the succession	2.54	1.761
The strategies applied in succession should be given by experts	1.62	0.098
Family members should decide who to succeed the current leader	1.77	0.142
Education and personal traits are to determine during succession	2.01	0.962

From the findings, it was established that strategic succession plan helps smooth running of family business and that succession plan does not help without family willingness as indicated with a mean of 1.51 and 1.02 respectively. The respondents also agreed that the strategies applied in succession should be given by experts and that family members should decide who to succeed the current leader with a mean of 1.62 and 1.77 respectively. The respondents further indicated that education and personal traits are to determine during succession with mean of 2.01. It is worth noting that the respondents expressed varied views as to whether the business directors are to decide on the succession (mean – 2.54, standard deviation – 1.761).

The findings clearly brings out the importance of strategic succession planning on the family owned businesses and the key role the family plays in realising successful succession. The success of the business according to majority of the respondents is dependent on the strategies applied in sustaining its success. This agrees with studies by Mazzola, Marchisio, & Astrachan, (2008) that strategic succession planning is a vision of where the company will be going in the future. The scholars further stated that planning for the future is a key activity for any successful organization that is intent upon maintaining a stable and effective workforce. Further, the findings brought out the role of experts/professionals in prescribing strategies suitable to the success of the family owned businesses.

When asked about their experience in organizations with and without strategic succession planning on business survival, majority of the respondents were of the view that in order for succession to be successful in family businesses, transfer of ownership must be clearly planned in advance.

4.6 Future Direction of the Family Owned Businesses

The study sought to find out whether the selected family owned businesses provided the future road map of the businesses. The respondents were asked to rate the importance of statements concerning strategic succession planning on future direction of the family businesses on a 5 point likert scale where: 1 – strongly agree; 2 – agree; 3 – don’t know; 4 – disagree; 5 – strongly disagree. Table 4.7 illustrates the findings.

Table 4.7 Future Direction of the Family Businesses

Statements	Mean	Standard Deviation
Business requires strategies to remain sustainable in future	1.31	0.091
Succession planning is the key factor for future moving to the next generation	1.01	0.101
The movement from generation to the other is dependent of family cohesion	1.21	0.675
The strategies developed by the owner of the business determines future of the business	1.13	0.962
The growth of the family owned businesses get to future generations only when there is a unifying figure in the family	1.97	0.777
The length at which family businesses sustain in the market is dependent on the life of the original entrepreneurs.	1.24	0.765

The respondents agreed that family businesses require strategies to remain sustainable in future and that succession planning is the key factor for future movement to the next generation as supported with a mean of 1.31 and 1.01 respectively. Further findings indicated that the movement from generation to the other is dependent on family cohesion and that the strategies developed by the owner (s) of the business determine future of the business as evidenced with a mean of 1.21 and 1.13 respectively. The respondents were also of the view that the growth of the family owned businesses get to future generations only when there is a unifying figure in the family as supported with mean of 1.97. It is also worth noting that the respondents were of the opinion that the length at which family businesses sustain in the market is dependent on the life of the original entrepreneurs with a mean of 1.24.

The findings clearly brought out the significance of strategies to help maintain sustainability of family businesses in future. Further, the findings suggest the need for a unifying figure in the family businesses to enable growth and movement into subsequent generations. This explains lower survival rates among family businesses that lack succession strategies and a unifying figure, particularly after incapacitation of mostly male founders either due to ill health or death.

4.7 Regression Model Summary of Strategic Succession Planning of Family Owned Businesses

To test for the combined influence of succession strategy variables on family owned businesses, the relevant outputs out of the multiple regression analysis were used. From the results shown in table 4.7, the model shows a goodness of fit as indicated by the coefficient of determination (R^2) with a value of 0.7338. This implies that the independent variable, strategic succession planning explains 73.38 percent of the variations of continuity and growth of family owned businesses. The study therefore identifies strategic succession planning as a critical factor affecting family owned businesses.

Table 4.8: Regression Model Summary of Strategic Succession Planning of Family Owned Businesses

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8566	0.7338	0.7011	0.7638

Predictors: (Constant), family business survival, change in leadership and future business direction.

CHAPTER FIVE

SUMMARYOF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to analyze the effects of strategic succession planning on family owned businesses in Kenya. The study explored to determine if there is any strategic succession planning in family owned businesses in Kenya and assessed the effects of strategic succession planning on future direction of the family businesses. This chapter presents a summary of the findings of the study, giving conclusions and recommendations that reflect the answers to the specific questions for possible action and suggestions for further research.

5.2 Summary of the Findings

The study achieved a response rate of 73.82% which offered credible and dependable information about family owned businesses in Kenya. The findings revealed that majority of the respondents were aged over 40 years implying that the three family owned businesses under study maintained competent professional managers cognizant of the fact that the younger generation having been born with a silver spoon, lack the drive to sustain, let alone expand the family owned businesses. To eliminate a sense of entitlement, it is imperative to show heirs how the company is important to the lives of others, such as employees and customers, or involve them in company philanthropic activities Astrachan (2012). The study also confirmed that most people engaged in family businesses are male, reflecting the patriarchal nature of the family owned businesses in Kenya. This therefore calls for more participation of female in the family owned businesses.

According to the analysis of findings, majority of the respondents indicated strategic planning and succession plans as major factors affecting survival of the family owned businesses. Other factors which were highlighted by the respondents included: lack of cooperation, family wrangles and its management, directors vision, and future business prospects, availability of potential successor and capability of the current leadership.

The sampled family owned businesses (Nakumatt, Sarit Centre and Chandaria Industries) have so far survived to 2^{nd}, 3^{rd} and 4^{th} generations respectively. This implies that the three firms have been able to survive through the generations largely due to strategic planning, management succession planning, and leadership development. Based on the findings, majority of the respondents (79%) indicated that family owned businesses must have strategic succession plans set for the future of the companies and that strategic succession planning is very critical to the success of the family enterprises. It was established that the strategic plans of three organization focus between 4-5 years.

Based on the findings, majority of the respondents indicated that the family businesses would be looking for changes in its leadership not necessarily just immediately but in the future. The respondents are of the view that most family owned businesses do not change their leaders unless there are serious concerns or voluntary need to change the leadership. The findings corroborate Weigel (1997), who claim that the continuity of the business and family may be jeopardised by the lack of a succession plan.

From the findings, majority of the respondents agree that strategic succession plan helps smooth running of family business and that succession plan does not help without family willingness. The findings clearly brings out the importance of strategic succession planning on the family owned businesses and the key role the family plays in realising successful succession. The success of the business according to majority of the respondents is dependent on the strategies applied in sustaining its success. This agrees with studies by Mazzola, Marchisio, & Astrachan, (2008) that strategic succession planning is a vision of where the company will be going in the future. Further, the findings brought out the important role experts/professionals play in prescribing strategies suitable to the success of the family owned businesses.

The study also revealed that the selected family owned businesses provided the future road map of the businesses. Majority of the respondents indicated that businesses requires strategies to remain sustainable in future and that strategic succession planning is the key factor for future moving to the next generation. The findings clearly brought out the significance of strategies to help maintain sustainability of family businesses in future. Further, the findings suggest the need for a unifying figure and family cohesion in the family businesses to enable growth and movement into subsequent generations. This explains lower survival rates among family businesses that lack succession strategies and a unifying figure, particularly after incapacitation of mostly male founders either due to ill health or death.

Finally, the research used the relevant outputs arising out of the multiple regression analysis to test for the combined influence of succession strategy variables on family owned businesses. From the results, the model shows a goodness of fit as indicated by the coefficient of determination (R^2) with a value of 0.7338. This implies that the independent variable, strategic succession planning explains 73.38 percent of the variations of continuity and growth of family owned businesses. The study therefore identifies strategic succession planning as a critical factor affecting family owned businesses in Kenya.

5.3 Conclusion

It is very encouraging to see an increasing awareness, by owners and key personnel at family owned businesses, of the threats and risks facing their businesses. It is equally encouraging to see the owners of such businesses taking action towards addressing such risks and dealing with the challenges. Family businesses own a treasure of embedded attributes not found in other corporate structures. Family values, name and heritage are of the greatest importance in the businesses and everyone wants to leave the family legacy better than (s) he found (or founded) it. Whether or not the plan is to go public, bring in new investors or it is only a matter of succession planning, addressing the risks and fixing the problems is critical. It is never a trade-off between the family and the business.

Many factors regarding strategic succession decisions present challenges for family business owners. Family businesses are more than just a job for most family business owners; therefore, decisions about the future of the business often have emotional attachment for the business owner. In addition, since other family members are often involved with these decisions, succession can cause problems or tensions within the family. An important component in determining successful transition is the time factor; advance planning is essential to allow time to make alterations and preparations in case problems occur.

Two areas in particular seem to hold the most potential for missteps in the life of a family business; getting family members into the business and working out successions in leadership. Families who plan ahead and navigate these passages successfully may insure smoother transition for the business. What follows is expert advice on how to achieve those goals. The requirements of the job, the timing of the transition, and leadership's far-reaching responsibilities need to be understood well ahead of time by all of the parties involved (Dagher, 2012).

5.4 Recommendations

As a direct response to the fundamental changes in the economic landscape, family owned businesses, today more than ever, need to rise to the challenge and address both inherent and structural problems and threats. Like any other problem, there is no magic solution that fits all. It is imperative that a gap analysis is conducted, which examines governance, organizational and legal structure and other areas. As a result, a road map is defined and priorities are set, capitalizing on the following pillars:

Strategy and family affairs

Strategy and family affairs go together. Family owned businesses should define a very clear succession strategy with key directions. But such a strategy can be rendered ineffective if family affairs are not put in order. Therefore, it is essential to have an agreed-upon strategic succession plan and a transparent mechanism to manage matters related to family members, their accountability, management of conflicts and disagreements among them.

Separation of ownership from management

Proper segregation of ownership and management is key, to meet the increasing requirements of new skill sets and to address the threats posed by intermixing family and business matters.

Governance and structure

A proper governance framework should be set to define the guidelines and mechanism of maintaining oversight and accountability across family owned businesses. Such framework should address all elements. Within the same context, both legal and organizational structure should be considered, whereby different businesses and/or legal entities are merged or de-merged, key reporting lines and guidelines are defined, systems, policies and procedures are designed and implemented.

Talent

Good systems need to be supported by talent. As companies move towards segregating ownership and management and since it would be difficult for many family owned businesses to fill all key positions with family members having adequate functional or industry expertise, employing non-family members (professionals) in certain key positions becomes essential. The entity needs to have adequate systems and policies in place to enable it to attract, develop and retain the best employees at different levels and to give such employees a sense of belonging and security, which will positively impact on the overall family business performance.

Financial aspects

Not surprisingly, this is another key area. Essential to the success of family owned businesses is to clearly define fiscal and financial policies, including dividends and re-investment policies, sale of shares in the business among family members or to third parties and many other financial-related matters.

5.5 Limitations of the Study

While contributing to the debate surrounding the strategic succession planning of family owned businesses, the study reinforces the view that there is a need for further research in this area from a wide variety of methodological perspectives.

Sophisticated multivariate statistical analyses need to be constructed in order to detect whether family-owned businesses outperform non-family businesses. More specifically the use of focus groups should be considered. In addition, the non-availability of data constrained the extent of financial analysis to substantiate the findings. The study would have been subject to social desirability bias and hence administration of questionnaires might have reduced this bias.

5.6 Recommendations for Further Research

The analysis of the empirical study has indicated a number of relevant issues that the research project did not investigate, but which might be important for further research on the effects of strategic succession planning on family owned businesses in Kenya.

This study was conducted in Nairobi county and considered only three family owned businesses; other studies should involve more firms and explore the effects of strategic succession planning on family owned businesses in order to obtain more holistic information.

Finally, the study suggests that more studies be carried out to determine the relationship between professionalism and family decision in sustaining the family owned business into the future generations.

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APPENDIX I: QUESTIONNAIRE

THE EFFECTS OF STRATEGIC SUCCESSION PLANNING ON FAMILY OWNED BUSINESSES

INTRODUCTION

You have been selected to participate in the study on an evaluation of the the effects of strategic succession planning on family owned businesses. You are requested to respond to each question thoughtfully and truthfully. There are no wrong or right answers (Your answer is the right answer). All responses will be treated with utmost confidentiality and for the purpose of this study alone. Please do not write your name anywhere on this questionnaire.

SECTION A

RESPONDENT'S BACKGROUND

Respond by putting a tick (√) in the box next to your correct answer.

1 Gender

Male	[ ]
Female	[ ]

2. Age (in years)

Below 30	[ ]
30 – 39	[ ]
40 – 49	[ ]
50 and Above	[ ]

3. What is your Highest Professional Qualification?

Masters [ ]

Degree [ ]

Diploma [ ]

Tertiary Education [ ]

Others (specify) [ ]..

4. What is your Job Position in this business?

Top Management [ ]

Middle level management [ ]

Operational staff [ ]

SECTION B

PART 1: FAMILY BUSINESS SURVIVAL

5. What is the current generation in your business?

1^{st} generation [ ]

2^{nd} generation [ ]

3^{rd} generation [ ]

4^{th} generation [ ]

5^{th} generation [ ]

Any other..

6. Does your business have a plan on how to succeed the current leadership?

Yes [ ] No [ ]

7. What are the factors that affect the survival of the family owned businesses

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………………………

8. To what extent would you rate the following factors as affecting survival of the family owned businesses?

Degree of effects Key: 1 - Very High; 2 – High; 3 – Fair; 4 – Low; 5 - Very Low;

	1	**2**	**3**	**4**	**5**
Lack of Cooperation					
Family Management					
Strategic planning					
Succession plan					
Directors vision					
Family wrangles					
Availability of a potential successor					
Capability of the current leadership					
The future forecast of the business and market					

9. Explain how your company managed to succeed this far

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………………………

10. Can the survival of your business be attributed to strategic succession planning?

Yes [ ] No [ ]

Explain..

....

....

....

PART II: STRATEGIC SUCCESSION PLANNING IN FAMILY OWNED BUSINESSES

11. How often does your business change leadership?

Very Often [ ]

Often [ ]

Not Often [ ]

Not At All [ ]

Explain...

....

....

12. Does your company have any strategic succession plan?

Yes [ ] No [ ]

Explain what happens...

....

....

....

13. What strategies are in place to succeed the current leadership?

....

....

....

14. How many years does your current strategic plan focus?

1 Year [ ]

2-3 Years [ ]

4-5 Years [ ]

Other Please Specify

....

....

....

15. To what extent would you agree with the following statements on strategic succession planning in family owned businesses?

Remarks Key: 1 – Strongly Agree; 2 – Agree; 3 – Don't know; 4 – Disagree; 5 – Strongly Disagree;

	1	**2**	**3**	**4**	**5**
Strategic succession plan help smooth running of family business					
Succession plan does not help without					

family willingness					
Business directors are to decide on the succession					
The strategies applied in succession should be given by experts					
Family members should decide who to succeed the current leader					
Education and personal traits are to determine during succession					

16. What is your experience in organizations with strategic succession planning on business survival?

    ....

    ....

    ....

    And one without strategic succession planning?

    ....

    ....

    ....

    ....

    ....

PART III: FUTURE DIRECTION OF THE FAMILY BUSINESSES

17. Does your business provide the future road map of the business?

    Yes [ ] No [ ]

18. What are the strategies used by the business to remain relevant and sustainable to the future?

    ....

    ....

    ....

19. To what extent would you rate the importance of the following statements concerning strategic succession planning on future direction of the family businesses

Remarks Key: 1 – Very Important; 2 – Important; 3 – fair; 4 – Less Important; 5 – Not Important;

	1	**2**	**3**	**4**	**5**
Business requires strategies to remain sustainable in future					
Succession planning is the key factor for future moving to the next generation					
The movement from generation to the other is dependent of family cohesion					
The strategies developed by the owner of					

the business determines future of the business					
The growth of the family owned businesses get to future generations only when there is a unifying figure in the family					
The length at which family businesses sustain in the market is dependent on the life of the original entrepreneurs.					

20. What should be done to ensure family owned business are sustained in to the fourth, fifth and successive generations

21. What are the inherent pitfalls that affect the growth of the family owned businesses into the future generations?

22. What strategies and strategic succession planning methods should be adopted to propel the family owned businesses to the future generations

Thank you for your cooperation

APPENDIX II: REGRESSION RESULTS

Dependent variable	**Model**			
	Strategic Succession Planning On Family Owned Businesses			
	Beta		t-values	
Family business survival	0.197		2.082*	
Change in leadership	0.239		2.591**	
Future business direction	0.223		3.037**	
Regression Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8566	0.7338	0.7011	0.7638

**p<.01, *p<.0

Predictors: (Constant), family business survival, change in leadership and future business direction.