

**CHANGE MANAGEMENT AND SUCCESSION IN FAMILY
OWNED SMALL AND MEDIUM ENTERPRISES IN NAIROBI
AREA**

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DECLARATION

I declare that this research project is my original work and has not been presented in other university or academic institution for accreditation.

Signature..... Date.....

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This research project is submitted for examination with my approval as the university supervisor.

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DEDICATION

To my family for support and understanding and all those who stood by me and supported me both morally and financially during my working on this project. God bless you all.

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ABSTRACT

In today's turbulent environment of organizations, change has become synonymous with standard business practices as long-term organizational ends have to be reformulated on an ongoing basis. Market dynamics have created challenges for public organizations, with the emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. As well, a widespread desire for increased organizational scrutiny has increased the pressure for change, given more accessible globalized information systems and heightened media attention critical of government inefficiencies in service delivery. The objective of the study was to establish the influence of change management and succession in family owned small and medium enterprises in Nairobi area. The study used descriptive survey research design. The population of the study was 600 family owned small and medium enterprises registered in Nairobi County. The study used stratified sample in which 60 small and medium enterprises were selected for the study. The study used primary data that was collected through self-administered questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS) software and presented using tables and figures. The findings of the study was that change management was adopted by the SMEs in order to be competitive in the market as changes have occurred in the business environment occasioned by technological advances, globalization, changing demographics, economic and political factors. The change management practices that were adopted by the SMEs were found to be quality leadership, long term succession planning, open planning of leadership transfer, open and effective communication between the founders and succeeding generation and good management practices. Smooth succession was achieved through full commitment by family and non family members, trust and respect to the successor, smooth handover, good relationship and formalized rational and objective criteria. The study found out that successful succession of family owned businesses was affected by ability of successor, criteria for selecting the successor, conflict among family members, use of other mechanisms to decide the successor as opposed to merit and goals of family and business overlap.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organization's sustained competitive operation must always be anchored on a continuous renewal of the organization's structure, direction inform of strategy, and capabilities to serve the ever changing needs of the internal and external customers (Moran & Brightman, 2001). This clarity of organizational purpose is ably reflected in the vision and mission of such establishments, characterized by elaborate clear planning an involvement of all the relevant stakeholders intheir formation; a common practice is well structured and managed institutions. Small and Medium Enterprises being predominantly owner-managed, is not an exception to operation in the ever changing environment, where clarity of purpose and continuity must be well planned out (Burnes, 2004). The constant renewal of the direction of such organizations to adapt to the market changes and sustain competitive operation, becomes of great concern, when the owner-manager who is the soul custodian of the organization's vision and mission have to give way. This cannot over emphasize further, the importance and dilemma on how to manage succession in family owned small and medium enterprises, with particular reference to those within Nairobi County.

The increasing importance of Small and Medium Enterprises ownership change management is a global phenomenon brought about by market forces, technological advances, personal career aspirations and underlying demographic changes of the population (Corron& Blackburn 2001) Nairobi county, has a total of 600 registered Small

and Medium Enterprises broadly classified under services, commercial and trade and light manufacturing. The Small and Medium Enterprises have been identified as key to the economics future contributing over 50% of new jobs created in the year 2005, however with worrying trend of three out of five Small and Medium Enterprises going under within the first few months of operation (KBS 2007). This makes the case for the whole importance for continuity in operation of Small and Medium Enterprises well after the owner-manager has outlived his/her engagement with the establishments. Management of change in Small and Medium Enterprises within Nairobi County is of great importance to ensure continuity in the economic growth, and employment contribution.

1.1.1 Concept of Change

Ansoff and Sullivan (1993) define change as any planned or unplanned transition from one scenario to another, it is also known as making material difference in something compared to earlier state, transforming or converting something or simply becoming different. In business entities, change could range from: technological infrastructures, markets or marketing strategies, management and decision-making practices and organs among others. Ever than before, modern day is characterized by ever-changing environment owing to global economy, expanding markets, new ways of doing business and technological changes. Organization must, therefore, find ways for operating by developing new competences as the old advantages and competences gained is quickly eroded (Johnson and Scholes 2002). Because of the fact that changes are a necessity in private as well as public sector, every organization must change with the environment

otherwise, it would become irrelevant Jeff (2002) states that change management is the process tools, and techniques to manage the people within organization to achieve the required business outcomes and realize the change effectively within the social infrastructure of the workplace. It is a set of practices or processes employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change (Burnes 2000).

1.1.2 Business Succession

Daily and Dollinger (1992) define family business as one in which majority of ownership and control lie in one family and include intention to transfer management and ownership right to next generation within the family. Thus business succession in family owned business could denote the entire process of transfer of ownership right from a predecessor to a successor. Succession change occurs within the period when founder involuntarily exist the business through death or the business exceeds period of time the owner wishes to stay in the business. Business succession is a planned process not an event. It is achieved through succession plan. (Rodrigo 2013) define succession planning as a process of identifying and preparing suitable employees through mentoring, training and job rotation to replace key players within an organization as those players leave their position for whether reasons such as retirement, advancement and attrition. Succession is in family owned business is the process through which the predecessor the management and ownership right to successor within the family.

Managing business succession is done through succession planning which is an ongoing dynamic process that identifies, assesses, and develop talent to ensure that organization can keep with changes in work place and market. The focus of succession planning is however on leadership and other position critical to the mission of the organization at all levels. Succession especially in a family owned business is a process rather than an event. So the sooner the family business start the process the better their chances of success. In fact it should form part of a strategic plan. In many cases, business owners give thought to a succession plan but they put off the implementation. This can cause a serious problems if the founder leaves the business earlier than planned due to death or illness.

For family owned Small and Medium Enterprises changing hands can be an enormous worry to its employees about their future in the company or whether the company will change direction or not. Change in ownership also create a state of disequilibrium as people react differently to changes, some thrive on it, while others prefer stability. Change management should represent a continuous and simultaneous process (Weir and Ling 1998).

1.1.3 Change Management Concept

According to Johnson and Scholes (2004) change management is the deliberate and coordinated action taken to transform an organization to overcome environmental challenges inorder to achieve its objectives. It involves various activities including communication, training, education programs measurement systems and compensation programs that are used to manage change at organizational level (Kotter& Cohen 2002).

For successful change in an organization, managers are required to have the ability and competence to manage change (Balogun and Hailey 2008). Successful management of change ensures smooth and timely implementation of change and also reduces uncertainty and increases an organization's productivity thus allowing the organization to function efficiently (Burnes 2004). It help guide an organization's response to changes in its environment and enables it anticipate future change.

More than before, the modern day is characterized by ever changing environment owing to global economy, expanding market, new ways of doing business and technological changes. Organizations must therefore find ways of operating by developing new competences as old advantage and competencies is quickly eroded (Johnson and Scholes 2002). Because of the fact that changes are a necessity in private as well as public sector every organization must change with environment, otherwise, it would become irrelevant Jeff (2007) states that change management is the process, tools and techniques to manage the people within the social infrastructure of the workplace. It is a set of practices or processes employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change (Burnes 2000).

1.1.4 Family Owned Small and Medium Enterprises in Nairobi

Family owned business is by definition a business in which the majority of ownership and control lie in one family and include the intention to transfer the ownership and management from the founder generation to the next within the family Daily and Dollinger (1992). Barry (1995) define a family business as “an enterprise which in

practice is controlled by the member of a single family and that is expected to be passed from one generation to another.”

Donnelley (1998) described the family business as one closely identified with at least two generations of a family and when this link has had a mutual influence on a company policy and on the interests and objectives of the family. The family in this case does not only influence the company policies but also does this over time and over generations. All these definitions point at three dimensions of a family business i.e. ownership, control and succession. Of the three dimensions succession is the main focus of its research. The term Small and Medium Enterprises cover a wide range of definition varying from country to county. Although there is no universally agreed definition of Small and Medium Enterprises commonly used criteria are number of employees, value of assets, value of sales and size of capital as well as the turnover.

In Kenya micro, small and medium enterprise bill (2009) define Small and Medium Enterprises as business in both formal and informal sector employing 10 to 100 employees and that an annual turnover of 500,000 to 800,000,000. There are about 600 SMEs registered in Nairobi County (Small and Medium Enterprises register Nairobi area 2012). Categorized broadly as light manufacturing, services and commercial and trade. Most of these are family owned Small and Medium Enterprises. Small and Medium Enterprises play an important role in the Kenya economy. According to economic survey in 2006 the sector contributed over 50% new job created in 2005 in Nairobi County.

Despite their significance past statistic indicate that three out of five businesses fail within the few months of operation (KBS 2007).

1.2 Research Problem

In the current turbulent global business environment, change is imperative for the survival and performance of business organizations. Therefore, strategy formulation and implementation is of essence and it should be continuously done to adapt to changes brought by the turbulent environment (Mutzberg 1990). Unlike large business entities, management in family owned Small and Medium Enterprises is carried out by the owner who carries out the owner-manager role. Therefore, change in ownership of Small and Medium Enterprises has strategic implication to the continuity of the business entity.

Management of ownership change is a concept that has seen need by many Small and Medium Enterprises to address the challenges that both the internal and external environment pose to the operations of these enterprises. According to the research done to examine the nature and extent of organizational change in Queensland Australia by Nicole Poole, it emerged from the findings that the main change drivers in the Small and Medium Enterprises possessed as moderate profile in relation to management skills. The funding further reflected the view that managers tended to support forms of limited employee participation and consultation (Poole, 2009).

Moderitt (2010) conducted a research on the importance of change management to Small and Medium Enterprises to approach new members and new products and / or services.

The findings of this research revealed that it is important to have a Lewin's model approved which emphasizes planning as key to neutralizing the effects of the operating environment on businesses. Finally, Bowen, Morara & Mureithi (2009) studied management of business challenges among Small and Medium Enterprises in Nairobi and found out that these enterprises experience challenges ranging from competition, poor security, debt collection, to lack of working capital.

Owing to the paucity of empirical studies on family owned Small and Medium Enterprises in Kenya, especially regarding management of change, this study is motivated by the need to fill in this knowledge gap. Consequently it will attempt to investigate how family owned Small and Medium Enterprises within Nairobi county, Kenya apply management of change to adapt to the effect of turbulence in the operating environment. It is against this backdrop, that the study will examine the challenges of management of change by family owned Small and Medium Enterprises in Nairobi county to address the challenges they face in the management of succession. The question is; do family owned Small and Medium Enterprises in Nairobi county employ any change management strategy on succession process?

1.3 Research Objectives

- i. To establish whether successful succession in family owned Small and Medium Enterprises in Nairobi depend on change management practices adopted.
- ii. To determine the challenges of succession in family owned enterprise in Nairobi area.

1.4 Value of the Study

The study is useful to the following stakeholders.

Family owned Small and Medium Enterprises will be able to adopt as their succession strategy in transition from founder generation to the next.

Academician and researchers will gain from the addition to already existing body of knowledge (there are many researchers on family owned Small and Medium Enterprises but research in this succession management is scanty).

Government agencies will benefit from results in determining future policies that could be formulated to successfully impact on this sector. Potential investor in this sector will learn the dynamic of business before committing capital. Financial institution will be able to gauge.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers literature on the relevant theoretical review, business succession, change management process, challenges of business succession in family owned small and medium enterprises and business succession and change management.

2.2 Theoretical Foundation of the Study

There are different theories on succession planning each identify own paradigm and concept on family own businesses. Some of these theories include: Game theory of leadership model theory and requisite organization theory (RO).

2.2.1 Game Theory

Game theory simply extends this concept of interdependent decisions in which the options being evaluated are functions of the player's choices. One of the most significant challenges to enduring family business is the process of passing leadership of a firm from one generation to another. Game theory position itself as a model for examining succession as a set of rational but interdependent choices made by individuals about a firm's leaderships. The primary contribution of game theory is demonstrating the application and understanding the decisions and outcomes of succession events (Dunemann and Barret, 2004).

2.2.2 Leadership Model Theory

Leadership model 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 executive by appointing the 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 Sonfani and Lam 2001). The theory is seen in the business world with companies promoting on existing leadership structure to retain control of business strategies and organizational direction. Successful businesses have the potential to survive their founders. 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 also vary based on the way an organization has been managed (Bjuggren and Sand 2001).

2.2.3 Requisite Organization Theory

According to requisite organization Theory an employee's potential capability is the key factor in identifying talent within a succession management strategy and is a measured in the unit of time – horizon. An individual 's time – horizon is the length of time into the future that if he /she can plan and work making plans and carrying them out on the future requires an increasing amount 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 (Shapahrd and Zacharakis 2000). Within

this theory managers once removed (MORs) evaluate subordinate once removed (SORs) and subordinate twice removed to determine potential capability. With organization identify critical talent within a succession management strategy by plotting employees age and time – horizon on a potential progression data sheet. This data sheets allow organizations to visualize the career trajectory of employees and select succession candidates accordingly (Bird, Welsch, Astraction and Pistrui 2002).

2.3 Business Succession

Various researches indicate that only 30% of family owned firm in USA survive to the second generation of family ownership. 15-16% survive to the third. Another study documented that only 30% of family businesses in UK reach the second generation and only 13% survive to the third generation. In Kenya three out of five Small and Medium Enterprises go under within the first few months of the operation (KBS 2007). This indicates that it is universal and independent of cultural context or economic / business environment that few family businesses survive beyond the first generation (Astrachan and Shanker 2003).

According to (Bjuggren and Sand 2001) an often cited reason for low survival rates among 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 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 suggested that failures and breakups of family business occur due to power struggles and internal feuds amongst sibling and members of extended family to give up their control 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 contributing the largest category in terms of ownerships. 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 family wealth with necessary precautions and different set of strategic goals compared to non-family owned private companies, their long term contribution to economy is significant.

Families that successfully survive three or four generations have complex web of structures, agreements, councils and forms of accountability to manage their wealth (Jeffe and Lane 2004). Reflecting on the complexity of the process involved succession planning has been an area of keen interest for researchers. Organizational transition from entrepreneurial stage to a system driven professionally managed firm is not easy and involves evolution, revolution and crisis. Also there is often simultaneous process of transformation taking place in the family and business with the size of activities of both growing (Chrisman and Chua 2003).

Although management succession are key concern of a large number of businesses, families do not devote enough attention to the process involved. A study by (Watts and 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 incumbent and mechanisms for resolving conflicts.

2.4 Change Management Process

The emerging need for change in an organization either as result of its in any other way and form the change should take makes it necessary to plan on how the intended change will be achieved (Burnes 2004). Change in an organization must be managed in order to direct an organization towards achieving it goals and objectives. A change process that is not managed is not likely to accomplish something and produce unintended, detrimental effects such as poor morale, loss of trust in management workplace jealousy and lower productivity. There is no general formula for managing change and no matter what change an organization undergoes managers need to manage the change process (Jones 2004). There are various models that organization manager may apply in the management of change in a number, depending on the nature of the change being implemented, planned or emergent change.

There are several models of planned change one of which is Kurt Lewin's 3 – stage model that views organizational change as taking place in a three process for successful organizational change namely unfreezing the organization from its present state, making the change which present a new alternative introducing a clear and appealing option for a

new pattern of behavior and the third and final step involves refreezing the organization in the new, desired state so that its members do not revert to their previous work attitudes and role behavior (Jones 2004). It requires the changed behavior be reinforced both formally and informally in the organization. Bullock and Baltan in 1995 proposed a 4 phase model of planned change.

The first phase of this model is the exploration phase which involves becoming aware of the need for change and deciding on the specific changes. It further involves committing resources to planning the changes; searching for a consultant or facilitator to assist with planning and implementing the changes.

The second phase is the action phase which involves implementing the changes evaluating the implementation activities and giving feedback back the result to make any necessary adjustments.

The third and final phase is the integration phase which involves consolidating and stabilizing the changes so that they become part of normal everyday operations, reinforcing new behavior through feedback and reward systems and gradually decreasing reliance on the consultant.

Another model of planned change is action research developed by Lewin in 1996 which is a 5 – step research on action aiming at making action undertaken effective. The first step in this model is that of diagnosing the organization which requires a powerful

member or manager of an organization to recognize the existence of a problem and acknowledge the need for change. The next step is to identify the future state desired for the organization by making decisions on the organization strategy and structure. The third step is implementing the proposed action which involves managers identifying possible impediment to change, deciding on who will be most appropriate to change the organization. The fourth step is evaluating the action that has been taken and accessing the extent to which the changes have achieved the desired objectives. The last step of this model is institutionalizing action research which involves making the required change permanent.

There are several models of emergent change one being logical incrementalism advanced by Quinn (1978). This model argues that organizational change does not come into existence as some long term plan but emerges over time in an incremental way. However, this incremental way is not random but logical as top managers make changes and take strategic decision as they learn by implementing small steps of strategies. Logical incrementalism involves developing patterns of change incrementally in creating awareness and commitments, making tactful shifts leading to partial solutions, solidifying the progress incrementally by focusing on the organization to create commitment, manage coalitions and formalizing commitment. Finally, integration of process and of interest involves the establishment of measuring and rewarding key thrust.

The processual model, another model of emergent change was advanced by Dawson P. (1984). This models views organizational change as going through a continuous process

rather than a series of linear events within a given period of time. It views the outcome of change as occurring through a complex interplay of different interest groups, goals and politics.

According to this model the management of change begins with the conception of the need for change this may be in response to some external or internal pressure for change or a belief in the need for change to meet future competitive demand. The next step in change management is to have an organization go through the transition and involves different tasks, activities and decisions being undertaken by individual groups within and outside of the organization. These tasks are aimed at implementing the change. At this point, strategic decisions are made. The final step is the operation of new work practices and procedures which refer to the period when new organization arrangement and systems of operations, new pattern of relations and new forms of working practices begin to emerge and are eventually adopted.

2.5 Challenges of Business Succession in Family Owned Small and Medium Enterprises

Any family owned business is composed of both a family and a business. Although the family and business are separate institution each with its own members, goals and values they overlap in family firm. The family's primary function is the care and nurturing of family members while the business is concerned with the production and distribution of goods and services. The family's goal include the personal development of each member (sometimes with scant concern for limitation in abilities) and the creation of equal

opportunities and rewards for each member while business goal is to create value for the customer and wealth for the firm's owners.

Many businesses do infact provide employment to relatives regardless of their qualifications and keep them on the payroll even after their poor performance has become obvious to everyone. This not only diminished the effectiveness of the company but those practice also demoralize competent employees. As business grows inherent differences in business and family value and commitment emerged. Internal conflict may arise among family members, the spouse, parents, in laws resulting in failure in business.

Many business founders hesitate to let go of their businesses because their personal identifies are so wrapped up in their companies. Overtime a founder's identity become intertwined in the business that in the entrepreneur's mind there is no distinction between the two. The attitude is "I am the company and the company is me."Another challenge is planning for succession owners are forced to accept the painful reality of their own mortality. Turning over the reins of a business they have sacrificed for, fretted over and dedicated themselves to for so many years is extremely difficult even if successor is a son or daughter. Another reason is that many family business founders believe that controlling the business also give them a degree of control over family members and family behavior.

2.6 Business Succession and Change Management

The very essence of the family owned business is that it is passed from one generation to next through smooth well managed change process if not it can break the firm's future success. What set family business apart is their ownership model and the fact that the firm passes from one generation to the next. Transition from one generation to the next is one of the biggest risk facing any family owned business. There need to be a change management plan 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 the change of ownership and / or management positions held by family members in the business (Shepherd et a 2000).

According to Lee (2004) many family business advisor 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 benefit that come the control of a large complex enterprise. Only then will the family owned business achieve what many see as the ultimate goal of dynastic family enterprises, succession across generations. Some 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 the opportunity to introduce the family enterprise to future owners in a positive way through sharing the value and legacy the enterprise represent (Watt and Yucker 2004). Through explicit communication and modeling, 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 basis of ownership. This includes building competencies around governance, financial literacy, asset protection, risk management, philanthropy and family enterprise – specific concepts. It become even more challenging to envision infant grand children as the “future of the company” nonetheless, the successful family enterprise dedicated to benefiting both the family and community is well advised to begin the process of structured preparation for ownership with the same diligence that is approaches management succession (Klein 2000).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the overall methodology used in the study for gathering and analyzing data. This includes the research design, target population of the study, sampling techniques, sample size, sample frame, data collection methods, research procedures and data analysis and presentation.

3.2 Research Design

The study used descriptive survey design. A descriptive study was undertaken in order to ascertain and describe the characteristics of the variables of interest in a situation. The goal of descriptive study hence was to describe the relevant aspects of the phenomena of interest (Best and Kahn, 2007).

The study obtained and described the views of the respondents with regard to the effect of successful succession in family owned business. When very little was known about a topic or to explore a research question a descriptive design was applied. Its descriptive research variable was examined as it exists without investigator interference (Yin, 2008).

3.3 Target Population

The target population of this study was 600 family owned Small and Medium Enterprises (SMEs) registered in Nairobi county that were in various strata: light manufacturing,

commercial trade and services, with specific attention to the owners and staff of the family owned Small and Medium Enterprises.

3.4 Sampling Procedure and Sample Size

The study employed stratified random sampling with a target of 100 registered family owned Small and Medium Enterprises within Nairobi county.

Table 3. 1 Target Population & Sample Size

Type of SMEs	Target Population	Sample Size
Light Manufacturing	179	18
Commercial & Trade	263	26
Services	158	16
Total	600	60

3.5 Data Collection

The study used structured and semi structured questionnaires as data collection instrument. Questionnaire was used because it helped 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 close ended questions which was based on the research questions and objective of the study. The questionnaires were self-administered to the relevant respondent respectively.

3.6 Data Analysis

On receiving the feedback from the respondents the questionnaires was checked to ensure for completeness and accuracy.th data was checked for any errors or omissions (Kothari 2005). Descriptive studies which include mean and standard deviation was used for Likert scale responses to summarize the data while the frequency tables was used to analyze the general information and challenges faced by small scale business in change management implementation.

Data analysis was done on the basis of the study of this research which is to determine whether family owned and small and medium enterprises in Nairobi area adopt change management strategy in their succession and the challenges they face in their implementation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish change management and succession in family owned small and medium enterprises in Nairobi. This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 60 questionnaires were issued out and only 47 were returned. This represented a response rate of 78%.

4.2 Demographic Profile

The demographic information considered in the study was the duration in business, respondents' highest level of education, and the position held in the company.

4.2.1 Duration in Business

The respondents were requested to indicate the duration they have been in business. This was important in order to establish the influence of change in their operations. The results are presented in Table 4.1.

Table 4. 1 Duration in Business

Years	Frequency	Percent	Cumulative percent
Under 5	11	23.4	23.4
6 – 10	18	38.3	61.7
11 – 15	10	21.2	82.9
16 – 20	8	17.1	100.0
Total	47	100.0	

Source: Author 2014

The results on the respondents duration in the business indicate that 38.3% of the respondents indicated that they have been in operation for between 6 and 10 years, 23.4% of the respondents said that they have been in operation for less than 5 years, 21.2% of the respondents indicated that they have been in operation for between 11 and 15 years while 17.1% of the respondents said that the organization has been in operation for a period of between 16 and 20 years. The results indicate that the respondents have been in operation for over 5 years and therefore they understand the need for change management practices in order to ensure successful operation of the business.

4.2.2 Respondents' level of education

The respondents were requested to indicate the highest level of education. The level of education was important in order to show the influence of change management practices on successful succession. The results are presented in Table 4.2.

Table 4. 2: Respondents' Level of Education

Years	Percent	Cumulative percent
Postgraduate level	27.7	27.7
University	46.8	74.5
Diploma	6.4	80.9
Tertiary college	19.1	100.0
Total	100.0	

Source: Author 2014

The results on the level of education show that 46.8% of the respondents have attained university level of education, 27.7% of the respondents said that postgraduate level was their highest level of education, 19.1% of the respondents indicated that tertiary level was their highest level of education while 6.4% of the respondents said that diploma level was their highest level of education. The results indicate that the respondents had adequate level of education to highlight the influence of change management on successful succession of family businesses.

4.2.3 Respondents Cadre

The respondents were requested to indicate the cadre in the business. This was important for the study in order to determine the position held by the respondent in the company as this determined the amount of information generated on the influence of change management on successful business succession.

Table 4. 3 Respondents Cadre

Respondents Cadre	Percent	Cumulative percent
Top management	38.7	38.7
Middle level management	10.9	49.6
Operation staff	50.4	100.0
Total	100.0	

Source: Author 2014

The results in Table 4.3 show that the respondents cadre was that 50.4% of the respondents said that they were operation staff, 38.7% of the respondents indicated that they were in the top management category while 10.9% of the respondents indicated that they were middle management. The result implies that the respondents were from different cadres thus the findings are representative.

4.3 Change Management Practices

Change processes are by nature complex, but they must have clear priorities in order to be manageable. Change programs and projects have to make sense from the beginning, when the actual idea of change came into place. Managers involved in the change process should recognize the need for change and that change occurs slowly and moves through a series of stages. All the family SMEs were found to have undergone change management and this was said to have been necessitated by economic and political factors, technological advances, globalization and changing demographics. To survive and grow,

the family businesses must adapt to changes in their environment, if otherwise they lose their ability to compete.

When the environment changes and the niche originally filled by the organization either becomes unimportant or is superseded, the organization must change or die. Leaders of family owned SMEs are responsible for bridging the gap between strategy decisions and the reality of implementing the changes within the structure and workforce of the organization and therefore in order to ensure successful implementation of change in their businesses, the leaders have been at the forefront in implementing change the family owned SMEs.

The respondents were requested to indicate the change management practices in family owned SMEs in a five point Likert scale. The range was 'not at all (1)' to 'very great extent' (5). The scores of very low extent have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; ($0 \leq S.E. < 2.4$). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 \leq M.E. < 3.4$) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ($3.5 \leq L.E. < 5.0$). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

4.3.1 Change Management Practices

The respondents were requested to indicate the change management practices implemented in their organization. This was important for the study since the practices enables the business to compete effectively with other businesses. The results were presented in table 4.4.

Table 4. 4: Change Management Practices

Change Management Practices	Mean	Std. Deviation
Good management practices and family relationship	3.6508	.7367
Establishing solid leadership succession plan	3.7467	.9154
Open and effective communication between the founder and succeeding generation	3.8346	.8338
Motivation, open communication and fairness with non family employees	2.3333	.8165
Bringing all family together to discuss business and family matters in a retreat	2.2667	.9611
Forming family councils that provide a formal framework for the family's ongoing discussion of family and business owners	2.4105	.9856
Developing family business constitution that can guide a business through times of crisis or change	3.7136	1.0601
By openly discussing and planning transfer of leadership	3.9482	.8280
By taking succession as long term process that should start early in the successor's life	4.0183	.9154
By identifying quality of leadership talent available in the family and extent to outside managers are needed	4.1294	.9904

Source: Author 2014

The findings presented in Table 4.4 indicate the distribution of responses on the change management practices used by the family owned SMEs. The findings indicate that the respondents expressed high level of agreement that identification of quality leadership talent available in the family and extent to outside managers was needed (mean = 4.1294); succession was being taken as a long term process that started early in successor's life (mean = 4.0183) and openly discussing and planning transfer of leadership (mean = 3.9482). The respondents further expressed high level of agreement that in the family SMEs there is open and effective communication between the founder and succeeding generation (mean = 3.8346); solid leadership succession plan had been established (mean = 3.7467); development of family constitution that guide businesses during times of crisis (mean = 3.7136) and good management practices and family relationship (mean = 3.6508).

The respondents expressed low level of agreement on formation of family councils that provide a formal framework for the family's ongoing discussion of family and business owners (mean 2.4105); motivation, open communication and fairness with non family employees (mean 2.3333) and bringing of all family together to discuss business and family matters in a retreat (mean 2.2667).

The analysis implies that change management practices were being implemented by the family owned SMEs and these practices has seen the businesses identify quality leadership from both within family and outside through early succession planning of

transfer leadership. The businesses have good management practices that are being used in conjunction with open and effective communication.

4.3.2 Successful Succession

The respondents were asked to indicate the measures that have been undertaken by the family owned SMEs to ensure successful succession as this will ensure continuity of the business.

Table 4.5: Successful Succession

Successful Succession	Mean	Std. Deviation
Smooth handover of management and ownership from the predecessor to the successor	3.6813	1.04654
Formalizing rational and objective criteria for selection of successor	3.5297	.82808
Good relationship among family members	3.6143	1.11270
Full trust and respect to the successor or by family and non-family members	3.7619	.89974
Full commitment to the successor by the family and non family members	4.0158	.91026

Source: Author 2014

The findings in Table 4.5 indicate distribution of responses on measures that were taken by the family owned SMEs to ensure successful succession. The respondents were in agreement to a great extent that there was full commitment to the successor by the family and non family members (mean = 4.0158); full trust and respect to the success or by family and non- family members (mean = 3.7619); smooth handover of management and ownership from the predecessor to the successor (mean = 3.6813); good relationship among family members (mean = 3.6143) and that there was formalization of rational and objective criteria for selection of successor (mean = 3.5297). The analysis indicate that the family owned SMEs had taken measures to ensure that there is smooth succession through full commitment by family and non family members, trust and respect to the successor, smooth handover, good relationship and formalized rational and objective criteria.

4.4 Succession Challenges

The respondents were requested to indicate the challenges that were encountered in succession challenges that faced the family owned small and medium sized enterprises.

The results were presented in table 4.6.

Table 4. 6: Succession Challenges

Successful Succession Challenges	Mean	Std. Deviation
Goals of family and Business overlap	3.7333	.9728
Conflict arising among family members	4.1648	.9611
Postponing naming successor until just before the founder step down	3.9567	.9904
Late or inadequate exposing success or to business.	4.1049	.8837
Personal sense of attachment of the incumbent with the business	3.4667	.8164
Naming successor not on merit but birth order	3.8062	.9904
Low ability by potential successor	4.2843	.8618
Lack of trust by family / non – family member on successor.	3.8617	.8280
Not formalizing rational and objective criteria for selections	4.2517	.6399
Meddling retiree syndrome (No environment of trust and respect)	4.1943	.7746

Source: Author 2014

The results indicate the succession challenges among the family owned SMEs. The results show that the respondents were in agreement that the challenges encountered was low ability by potential successor (mean = 4.2843); non formalized formalizing rational

and objective criteria for selections (mean = 4.2517); meddling retiree syndrome (mean = 4.1943); conflict arising among family members (mean = 4.1648) and late or inadequate exposing success or to business (mean = 4.1049). The study further established that the respondents were in agreement that postponing naming successor until just before the founder step down (mean = 33.9567); lack of trust by family / non – family member on successor (mean = 3.8617); naming successor not on merit but birth order (mean = 3.8062); goals of family and business overlap (mean 3.7333) and personal sense of attachment of the incumbent with the business (mean = 3.5667) were challenges encountered by the family owned SMEs.

It can be concluded that the family owned SMEs encountered several challenges during succession period and this affects smooth transfer of management. The challenges emanated from the ability of successor, criteria for selecting the successor, conflict among family members, use of other mechanisms to decide the successor as opposed to merit and goals of family and business overlap.

4.5 Discussion of the Findings

The biggest challenge to managers and owners today is the issue of how organizations can cope with the dynamic environment in which they operate given the constraints, challenges and threats they face. Organizations are therefore operating with uncertainty of change which varies from company to company, industry to industry and country to country.

The family owned SMEs were found to have adopted change management in order to be competitive in the market as changes have occurred in the business environment occasioned by technological advances, globalization, changing demographics, economic and political factors. Burnes, 2003) noted that changes occasioned by economic, political, technological, cultural or social factors have forced organizations to introduce change management practices through use of systematic methods to ensure that change in organizations can be guided in the planned direction, conducted in cost effective manner and completed within the targeted time frame and with the desire result in response to environmental changes. It is therefore up to the incumbent on leadership to communicate the company's strategic goals and objectives in order create willingness to change among those concerned for them to accept the new arrangements. In essence organizations would want everyone to buy in to the change; however, the important issue is to win over critical mass of individuals or groups whose active commitment is necessary to provide the energy for change to occur.

Organizations are undertaking strategic changes in order to align their business strategies to the environment and match the resources and activities of an organization to that of the environment. Implementing change successfully is vital for any organization, whether private or public. Without implementation, even the most superior strategies are of no use. The study established that in order to respond effectively to the changes in its operating environment and achieve its objectives, the family owned SMEs have adopted change management practices that include quality leadership, long term succession planning, open planning of leadership transfer, open and effective communication

between the founder and succeeding generation and good management practices. These results were consistent with Robin and Coulter (2008) findings that organizations implement strategic change practices that include focusing the change agenda, designing the right change management, organization acceptance and attention, momentum and sustainable change management effects and styles in managing change. The leadership style of line managers during the change process remains an important element to be monitored during the change process. The active support, the ability to confront the new challenges and the ability to support subordinates adequately are all crucial elements of this line leadership.

Successful organization succession enables the family owned SMEs to continue with their business without interruption and this was the case in the study as it was found that smooth succession was achieved through full commitment by family and non family members, trust and respect to the successor, smooth handover, good relationship and formalized rational and objective criteria. This was consistent with Bjuggren and Sand (2001) findings that the reason for low survival rates among family businesses is the practice by families in handing over their businesses to their offspring, instead of more competent professional managers. Klein (2000) suggested that failures and breakups of family business occur due to power struggles and internal feuds amongst sibling and members of extended family to give up their control roles in the management of the businesses and to relinquish control and power in the businesses.

Change usually involves the introduction of new procedures, people or ways of working that have a direct impact on the various stakeholders within an organization. This leads to

a number of challenges that manifest themselves under different names or other guises. Each of these challenges is unique, yet they are simultaneously independent and interrelated. The study found out that successful succession of family owned businesses was affected by ability of successor, criteria for selecting the successor, conflict among family members, use of other mechanisms to decide the successor as opposed to merit and goals of family and business overlap. Dalziel and Schoonover (1998) established that failure to recognize barriers that arise from cultural or organizational conditions can severely impede implementation and acceptance of a change. Some challenges to strategic change management as pointed out by Dalziel and Schoonover (1998), are: incompatibility with the new organizational structure i.e. outdated technical, operational and physical environment, and formal and informal company traditions. Ineffective change management sponsorship from senior leaders has also been identified as the primary challenges of strategic change management. An absent, invisible or unengaged sponsor sends just as strong of a message to employees about the importance of a change as an engaged and active sponsor.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusion and recommendations and limitations of the study. The suggestion for further research was also highlighted.

5.2 Summary

The study found out that change management was being implemented in the family owned businesses in order to respond to the changes in the operating environment occasioned by technological advances, globalization, changing demographics, economic and political factors. The leadership of the businesses has been at the forefront in implementing change management practices that enabled the firms to achieve their objectives by crafting a change programme that will provide support as workers go through the process of changing. A good change management practice strategy is a critical success factor in implementation of changes in the organizations. Effective change management practices, therefore, requires to be approached from both an individual and an organizational perspectives. The study found out that the family owned businesses implemented change management practices that include quality leadership, long term succession planning, open planning of leadership transfer, open and effective communication between the founder and succeeding generation and good management practices.

The success of succession of family owned businesses requires long term planning in order to ensure that there is smooth management transition. The study established that family owned businesses ensured successful transition through full commitment by family and non family members, trust and respect to the successor, smooth handover, good relationship and formalized rational and objective criteria. Change management usually involves the introduction of new procedures, people or ways of working that have a direct impact on ways of doing things and this leads to a number of challenges each of these challenges is unique, yet they are simultaneously independent and interrelated. The study found out that successful succession of family owned businesses was faced by challenges emanating from ability of successor, criteria for selecting the successor, conflict among family members, use of other mechanisms to decide the successor as opposed to merit and goals of family and business overlap.

5.3 Conclusion

Managing change is very vital for any organization in order to compete effectively in changing environment in which they operate. The design of the change should inspire the staff to perform and not deter them, and therefore the management should ensure that the changes which they set to achieve are acceptable to all and meant to enable the organization achieve its desired objectives. The employees and the entire organization stakeholders should be involved in the change management so that everyone can be part of the resulting results and at the same time reducing resistance to change management. The frequency of communicating the changes to be implemented is so crucial to the achievement of the desired change and therefore the feedback should be done regularly to

ensure that incase a change is lagging behind, some other means can be done to ensure that they succeed. The change management in the organization was greatly inspired by the existence of the change management, stress management strategies which was used by organization to manage the employees during the change management duration.

The study concludes that all of family owned SMEs under the study had implemented the change management practices. The change management in the businesses was successful as a result of adoption of practices that was accepted by the employees and which ensured that the businesses achieve their objective. There was successful succession of family owned SMEs as a result of the current management planning in advance and good relationship among the family members and this enabled the businesses to continue uninterrupted. The smooth transition was however faced by challenges emanating from the choice of successor, criteria for selecting the successor, conflict among family members, use of other mechanisms to decide the successor as opposed to merit and goals of family and business overlap.

5.4 Recommendations

This research provides a considerable contribution to family owned policy makers by understanding the importance of successful succession in order to ensure that there is smooth transfer of management to avoid the squabbles caused by poor management of succession. Interpersonal relationships with supervisors are especially crucial in recognizing the personification of an organization, further inducing organizational support as a favorable inclination to employees.

The findings of the study supported leadership theory as it highlights that the family owned SMEs were successful in implementing succession as a result of establishment of succession planning early in successor's life 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

The study established that the management of the family owned businesses were at the forefront in implementing change management and it is recommended that it is important that managers in such organizations have adequate skills in change management. In the event of such competencies being absence in house, then, organizations should outsource the same to external consultants to work closely with the management and advice them accordingly during the entire change period. The researcher further recommends that in order to remain competitive in the market and remain profitable in the current business environment where strategic change is inevitable, the family owned SMEs should introduce the change in every aspect of its undertaking so that the stakeholders are well acquainted with the change.

5.5 Limitations

The study limited itself to information and details that could be discussed without compromising any part of the family business aspects as it competes in a very dynamic and competitive industry. Limited accessibility to information in the family owned businesses due to confidentiality being maintained which strained accessibility of data there was also a lack of cooperation from some staff during interviews as they had to go

out of their work schedule to respond. The limitations however did not affect the data collected to undertake the study.

The researcher used questionnaires with closed ended questions to collect data. These types of questions have the disadvantage of limiting the responses whereby the respondent is compelled to answer questions according to the researchers' choice. There are many other factors which may affect succession of family businesses but due to time constraint others were not taken for research. The study is exclusive of any intervening or moderating variables. The response from participants may be lower than expected, which may interfere with their willingness to participate.

5.6 Suggestion for Further Research

The study examined the change management in family owned small and medium sized enterprises in Nairobi area. To this end therefore the same study should be carried out in other industries other than family owned businesses, to find out if the same results would be obtained. The study used a sample size of family owned SMEs and thus the study suggests that for other studies dealing with the same, a larger sample size should be used.

The study investigated the change management practices at family owned small and medium enterprises. A further study should be carried to investigate the effects of strategic change management practices on the performance of the small and medium enterprises in Nairobi County.

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APPENDIX I: QUESTIONNAIRE

Comment whether successful succession in family owned small and medium enterprises in Nairobi County depends on change management practices adopted.

Introduction

You have been selected to participate in the study to find out whether successful succession in family owned small and medium Enterprises in Nairobi County depends on change management practices adopted by the business. You are requested to respond to end question thoughtfully and truthfully. There are no wrong or right answers. All respondents will be treated with utmost confidentiality and for the purpose of this study alone.

SECTION A: RESPONDENT'S PROFILE

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

1) Gender Male [] Female []

2) Age (in years)

Below 30 []

30-39 []

40-49 []

50-59 []

60-69 and above []

3) How long have you been in this business?

0-5 yrs []

6-10 yrs []

11-15 yrs []

16-20yrs []

4. What is your highest professional qualification?

Masters []

Degree []

Diploma []

Tertiary Education []

Others(specify).....

5. What is your position in this business?

Top management []

Middle level management []

Operation staff []

SECTION B: CHANGE MANAGEMENT PRACTICES

6. Has your business changed management since it was founded.

Yes [] No []

7. What is the major factor that would necessitate change management in your business?

Economic and political factors []

Technological advances []

Globalization []

Changing demographics []

Exit of the owner manager []

Add any other.....

8. Is the management in the forefront in providing leadership in formulating and implementing change management?

Yes [] No []

Change Management Practices

9. To what extent do you apply each of the following practices in managing change.

Rate on 5 points scale, where,

1 - Not at all,

2 - Little extent,

3 – Moderate extent

4 –Great Extent

5-Very Great Extent

PRACTICES		EXTENT				
		1	2	3	4	5
1.	Good management practices and family relationship					
2.	Establishing solid leadership succession plan.					
3.	Open and effective communication between the founder and succeeding generation.					
4.	Motivation, open communication and fairness with non family employees.					
5.	Bringing all family together to discuss business and family matters in a retreat.					
6.	Forming family councils that provide a formal framework for the family's ongoing discussion of family and business owners.					
7.	Developing family business constitution that can guide a business through times of crisis or change.					
8.	By opening discussing and planning transfer of leadership.					
9.	By taking succession as long term process that should start early in the successor's life.					
10.	By identifying quality of leadership talent available in the family and extent to outside managers are needed.					

SECTION C: SUCCESS OF SUCCESSION

10. To what extent do you experience each of the following?

Rate on a 5 point scale, where:

1 - Not at all,

2 - Little extent,

3 – Moderate extent

4 –Great Extent

5 – Very Great Extent

SUCCESSFUL SUCCESSION		EXTENT				
		1	2	3	4	5
1.	Smooth handover of management and ownership from the predecessor to the successor.					
2.	Formalizing rational and objective criteria for selection of successor					
3.	Good relationship among family members.					
4.	Full trust and respect to the success or by family and non- family members.					
5.	Full commitment to the successor by the family and non family members.					
6.	No decrease in annual turnover.					
7.	Improved relationship between the customers and suppliers.					

SECTION D: CHALLENGES OF SUCCESSFUL SUCCESSION

11. To what extent do you experience the following challenges affect succession in family owned business.

Rate on 5 points scale, where;

1 - Not at all,

2 - Little extent,

3 – Moderate extent

4 –Great Extent

5 – Very Great Extent

CHALLENGES OF SUCCESSION		EXTENT				
		1	2	3	4	5
1.	Goals of family and Business overlap.					
2.	Conflict arising among family members					
3.	Post poning naming successor until just before the founder step down.					
4.	Late or inadequate exposing success or to business.					
5.	Personal sense of attachment of the incumbent with the business.					
6.	Naming successor not on merit but birth order					
7.	Low ability by potential successor.					
8.	Lack of trust by family / non – family member on successor.					
9.	Not formalizing rational and objective criteria for selections.					
10.	Meddling retiree syndrome (No environment of trust and respect)					